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

If you have sold or transferred all your shares in Century Ginwa Retail Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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CENTURY GINWA RETAIL HOLDINGS LIMITED 世紀金花商業控股有限公司

(formerly known as China Golden Development Holdings Limited 中國金展控股有限公司)

(incorporated in Bermuda with limited liability)

(Stock Code: 162)

MAJOR TRANSACTION IN RESPECT OF ACQUISITION OF ENTIRE INTEREST AND SALE LOAN OF IDEAL MIX LIMITED INVOLVING THE ISSUE OF CONVERTIBLE BONDS AND NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company



INCU Corporate Finance Limited

A notice convening a special general meeting of the Company to be held at 11:00 a.m. on Monday, 16 May 2011 at Suites 1701-1703, 17/F, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong is set out on pages 147 to 149 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the special general meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the special general meeting should you so wish.

26 April 2011

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share, representing the entire issued share capital of the Target and the Sale Loan pursuant to the Agreement
“Actual Profit”	the audited net profit after taxation but before the extraordinary items or exceptional items of Xianyang Century Ginwa for the financial year ending 31 December 2011
“Agreement”	the agreement dated 31 January 2011 entered into among the Company, China King, the Vendor and the Guarantor in relation to the Acquisition
“BMRL CB”	convertible bonds held by Best Mineral Resources Limited in the principal amount of HK\$544,171,448 with a conversion price of HK\$0.54 per Share
“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the Convertible Bonds
“Business Day(s)”	a day (not being a Saturday, Sunday, public holidays or days on which a typhoon signal No. 8 or above or black rainstorm warning is hosted in Hong Kong at 10:00 a.m.) on which banks are generally open for general banking business in Hong Kong
“BVI”	British Virgin Islands
“China King” or “Purchaser”	China King Management Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Company”	Century Ginwa Retail Holdings Limited (formerly known as China Golden Development Holdings Limited), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Compensation”	in case if the Profit Guarantee is not met, the amount to be compensated by the Vendor, being 8 times of the profit shortfall between the Profit Guarantee and the Actual Profit

DEFINITIONS

“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the 10th Business Day after all the conditions of the Agreement have been fulfilled or waived or such later date as may be agreed among the parties to the Agreement
“Consideration”	HK\$348.5 million, being the total consideration for the Sale Share and the Sale Loan
“Convertible Bonds”	the convertible bonds in the principal amount of HK\$94.5 million to be issued by the Company to the Vendor to satisfy part of the Consideration under the Acquisition
“Conversion Price”	the initial conversion price of HK\$0.40 per Conversion Share, subject to adjustments
“Conversion Share(s)”	Share(s) to be issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Directors”	directors of the Company
“Enlarged Group”	the Group immediately after Completion, which includes the Target Group
“Glory Keen”	Glory Keen Holdings Limited
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Mak Kam Fai, a Hong Kong citizen, an Independent Third Party and the sole beneficial owner of the Vendor
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hony CB”	convertible bonds held by Glory Keen in the principal amount of HK\$887,000,000 with an initial conversion price of HK\$0.275 per Share (subject to adjustments), which can be converted into 3,225,454,545 Shares
“Hony CB Option”	an option granted by the Company, which entitles, Glory Keen to subscribe for a 5-year 3% coupon convertible bonds in principal amount of up to HK\$443,500,000 with an initial conversion price of HK\$0.275 per Share (subject to adjustments) and the Hony CB Option has been exercised by Glory Keen and the convertible bonds under the Hony CB Option has been issued

DEFINITIONS

“Ideal Mix Group”	Ideal Mix and its subsidiary, Shine Will
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (having the meanings ascribed to it under the Listing Rules)
“Last Trading Day”	28 January 2011, being the last trading day immediately prior to the entering into of the Agreement
“Latest Practicable Date”	20 April 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling on the third anniversary from the date of issue of the Convertible Bonds
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Profit Guarantee”	the profit guarantee given by the Vendor that the audited net profit after taxation but before extraordinary items or exceptional items of Xianyang Century Ginwa, based on the financial statements prepared in accordance with International Financial Reporting Standards and to be audited by an accounting firm approved by the Purchaser for the financial year ending 31 December 2011, shall not be less than RMB32,000,000
“Restructuring”	the transfer of the equity interest of Xianyang Century Ginwa to Shine Will which was completed in February 2011

DEFINITIONS

“Sale Loan”	all obligation, liabilities and debts owing by or due from the Target Group to the Vendor at the Completion Date (save and except for the amount of dividend or other distribution declared but not yet paid), as at the date of the Agreement, the Target Group was indebted to the Vendor in the amount of approximately RMB60 million (equivalent to approximately HK\$70.2 million)
“Sale Share”	1 share of US\$1.00 each in the capital of the Target which is legally and beneficially owned by the Vendor and represents the entire issued share capital of the Target
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Agreement, the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares upon exercise of the conversion right attaching to the Convertible Bonds and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares in the issued capital of the Company
“Shine Will”	Shine Will Limited, a company incorporated in Hong Kong with limited liability, which is principally engaged in investment holding
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Target” or “Ideal Mix”	Ideal Mix Limited, a company incorporated in the BVI which is wholly and beneficially owned by the Vendor
“Target Group”	collectively the Ideal Mix Group and Xianyang Century Ginwa Group
“Vendor” or “Grand Well”	Grand Well Group Limited, a company incorporated in the BVI, which is wholly and beneficially owned by the Guarantor

DEFINITIONS

“Warrants”	301,320,000 warrants, each entitling the holder to subscribe for Shares at a subscription price of HK\$0.2 per Share
“Xianyang Century Ginwa”	Xianyang Century Ginwa Trade and Commerce Co., Ltd, a company established in the PRC with limited liability, which is a wholly-owned subsidiary of Shine Will upon completion of Restructuring
“Xianyang Century Ginwa Group”	Xianyang Century Ginwa and its subsidiary and branches
“Xianyang Century Ginwa Board Meeting”	the board meeting of Xianyang Century Ginwa approving the audited financial statements of Xianyang Century Ginwa for the financial year ending 31 December 2011
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

For the purpose of this circular, unless otherwise indicated, conversions of RMB into HK\$ is calculated at the approximate exchange rates of 1RMB=HK\$1.17. This exchange rate are adopted for illustration purpose only and do not constitute a representation that any amounts have been, could have been, or may be, exchanged at these rates or any other rates at all.

LETTER FROM THE BOARD



CENTURY GINWA RETAIL HOLDINGS LIMITED 世紀金花商業控股有限公司

(formerly known as China Golden Development Holdings Limited 中國金展控股有限公司)
(incorporated in Bermuda with limited liability)

(Stock Code: 162)

Executive Directors:

Mr. Qiu Zhongwei (*Vice Chairman*)
Mr. Choon Hoi Kit, Edwin (*Chief Executive Officer*)
Mr. Qu Jiaqi
Mr. Sha Yingjie

Registered office:

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Non-executive Directors:

Mr. Wu Yijian (*Chairman*)
Mr. Chen Shuai

Principal place of business

in Hong Kong:
Suites 1701-1703,
17/F, Dah Sing Financial Centre,
108 Gloucester Road,
Wanchai, Hong Kong

Independent non-executive Directors:

Mr. Chan Wai Kwong, Peter
Mr. Fu Wing Kwok, Ewing
Mr. Tsang Kwok Wai
Ms. Li Ling

26 April 2011

To the Shareholders

Dear Sirs

**MAJOR TRANSACTION IN RESPECT OF
ACQUISITION OF ENTIRE INTEREST AND SALE LOAN OF
IDEAL MIX LIMITED
INVOLVING THE ISSUE OF CONVERTIBLE BONDS
AND
NOTICE OF SPECIAL GENERAL MEETING**

INFORMATION

On 31 January 2011 (after trading hours), the Company entered into the Agreement with China King (as purchaser), the Vendor and the Guarantor in relation to the Acquisition, pursuant to which China King, as purchaser conditionally agreed to acquire and the Vendor conditionally agreed to dispose of the Sale Share, representing the entire issued share capital of the Target and the Sale Loan, at the total Consideration of HK\$348.5 million.

LETTER FROM THE BOARD

The Acquisition constitutes a major transaction on the part of the Company pursuant to Chapter 14 of the Listing Rules and the Acquisition and the transactions contemplated thereunder are subject to the approval of the Shareholders at the SGM.

The purpose of this circular is to provide further details in respect of, among other things, (i) the Agreement and the transactions contemplated thereunder; (ii) the financial information of the Target Group; (iii) the unaudited pro forma financial information of the Enlarged Group; and (iv) a notice convening the SGM.

THE AGREEMENT

Parties and date

Date: 31 January 2011 (after trading hours)

Parties: The Company

China King, a wholly-owned subsidiary of the Company, as purchaser

Grand Well Group Limited, as vendor

Mr. Mak Kam Fai, the sole beneficial owner of the Vendor, as guarantor

Grand Well Group Limited is a company incorporated in the BVI, which is an investment holding company and is wholly and beneficially owned by the Guarantor, Mr. Mak Kam Fai. To the best of the knowledge, information and belief having made all reasonable enquiries by the Directors, the Vendor and the Guarantor are third parties independent of the Company and its connected persons in accordance with the Listing Rules.

Assets to be acquired

Pursuant to the Agreement, China King conditionally agreed to acquire and the Vendor conditionally agreed to dispose of (i) the Sale Share, representing the entire issued share capital of the Target; and (ii) the Sale Loan.

The Sale Loan represents all the obligations, liabilities and debts owing by or due from the Target Group to the Vendor (save and except for the amount of dividend or other distribution declared but not yet paid) as at the Completion Date. As at the date of the Agreement, the Target Group was indebted to the Vendor in the amount of approximately RMB60 million (equivalent to approximately HK\$70.2 million).

LETTER FROM THE BOARD

Consideration

The Consideration for the Sale Share and the Sale Loan of HK\$348.5 million shall be settled in the following manner:

- (a) as to HK\$254.0 million shall be satisfied by way of cash to the Vendor by the Purchaser (as at the date of the Agreement, approximately HK\$11.7 million has been paid as deposit (the “Deposit”) to the Vendor); and
- (b) the balance of HK\$94.5 million shall be satisfied by the issue of the Convertible Bonds to the Vendor or its nominee upon Completion. The principal terms of the Convertible Bonds are summarized in the section headed “Convertible Bonds” below in this circular.

The Consideration is determined after arm’s length negotiations between the Purchaser and the Vendor with reference to the Profit Guarantee and the price earnings ratio of other comparable listed companies in Hong Kong engaging in the operation of department stores and/or supermarkets. The Directors note that such comparable listed companies are commonly traded at a price to earnings multiple of about 6 times to 39 times. The Consideration represents approximately 9.21875 times of the Profit Guarantee, therefore, the Directors consider that such multiple is at the lower end of the range of the price to earnings ratios of these comparables, and is fair and reasonable.

The cash portion of the Consideration will be funded by internal resources of the Company or the fund from the exercise of the Hony CB Option. On 8 April 2011, the Company received an irrevocable notice from Glory Keen for the exercise in full of the Hony CB Option to subscribe for a 5-year 3% coupon convertible bonds with the principal amount of HK\$443,500,000. The subscription of the convertible bonds completed on 19 April 2011. The proceeds from the issue of the bonds of HK\$443,500,000 will be used for general working capital and for business expansion purposes, including the Acquisition.

The Company was introduced to the potential Acquisition through a consultancy agent in mid October 2010. To proceed with final negotiation, the Company requested to simplify the acquisition process by converting Xianyang Century Ginwa into a wholly-owned foreign enterprise under Restructuring which will be performed by the Vendor. Therefore, the Vendor, through its wholly-owned company, Shine Will entered into an agreement on 1 December 2010 with the original equity holders of Xianyang Century Ginwa (all are being Independent Third Parties), pursuant to which Shine Will agreed to acquire 100% equity interests in Xianyang Century Ginwa (“Vendor’s Acquisition”) for a consideration of RMB60.0 million (“Vendor’s Cost”). The Vendor’s Acquisition as part of the Restructuring was completed on 18 February 2011.

LETTER FROM THE BOARD

Notwithstanding that the Consideration of HK\$348.5 million was higher than the Vendor's Cost, yet the Directors still consider that the Consideration is fair and reasonable as the terms under the Acquisition are entered into after arm's length negotiations and having considered that (i) the Vendor's Cost is not relevant to compare with the Consideration as the Vendor's Acquisition is just part of the process in simplifying the approval process in the PRC, therefore it is not a price that the Purchaser could agree with the original owners; (ii) the Consideration was determined with reference to the price earnings ratio of 9.21875 times of the Profit Guarantee, which is at the lower end of the range of the price earnings ratios of these comparables; (iii) the Vendor has also provided warranties and guarantee on the business of the Target Group to the Purchaser, in particular, if the Actual Profit is less than the Profit Guarantee, such amount of shortfall will be compensated at the multiple of 8 times; (iv) part of the Consideration will be paid by way of the Convertible Bonds and will be held in escrow by the Company until the fulfillment of the Profit Guarantee, thereby providing more security to the Company; and (v) the benefits brought by the Acquisition, such as achieving economies of scale, expansion of its sales network and increase in its market share as discussed under the section headed "REASONS FOR THE ACQUISITION" in the following section.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (a) China King having been satisfied with the results of the due diligence review on the assets, operations, financial positions, prospects and other conditions of the Target Group including but not limited to the legality and transferability of the Sale Share and the Sale Loan and the receipt of the audited accounts of Xianyang Century Ginwa for the financial year ended 31 December 2010;
- (b) the warranties provided by the Vendor under the Agreement shall be true, accurate and complete in all respects on and as of the Completion Date;
- (c) there is no material adverse change in and there shall not have occurred any events which materially and adversely affect the business, prospects, operations or position, financial or otherwise, of the Target Group;
- (d) any and all authorizations, approvals, consents or permits of any competent authority or of any third party that are required to be obtained by the Target Group before the Completion Date in connection with the transactions contemplated under the Agreement shall have been duly obtained and effective as of the Completion Date;
- (e) each of the companies under the Target Group has obtained and maintains in full force and effect any and all consents, permits, orders, licenses, approvals, authorizations, registrations, amendment registrations, notifications, waivers, releases, certificates, filings and any other governmental authorizations under the laws their places of incorporation, or any other applicable laws, necessary for the conduct of its business as now being conducted;

LETTER FROM THE BOARD

- (f) the listing of and permission to deal in the Conversion Shares have been granted by the Listing Committee of the Stock Exchange;
- (g) the approval by the Shareholders with respect to the entering into of the Agreement, the issue of the Convertible Bonds, the issue and allotment of the Conversion Shares and the transactions contemplated thereunder shall have been obtained; and
- (h) the Restructuring having been completed.

The Purchaser shall have the right to waive any of the above conditions in writing save and except for conditions (f), (g) and (h) above. As at the Latest Practicable Date, condition (h) has been fulfilled.

Long-stop date

If all of the conditions are not fulfilled (or as the case may be, waived by the Purchaser) on or before 31 May 2011 (or such later date as the parties to the Agreement may agree), the Agreement shall cease and terminate and neither party shall have any obligations towards each other. In case if the Acquisition does not proceed, the Deposit (without interest) will be refunded to the Purchaser within 5 days from the date of termination.

Completion

Completion shall take place on the tenth Business Day after all the conditions of the Agreement have been fulfilled or waived or such later date as may be agreed among the parties to the Agreement.

At Completion, the Company shall issue to the Vendor the Convertible Bonds. As a security for the Profit Guarantee, all the Convertible Bonds will be escrowed by the Company and will only be released to the Vendor after the Profit Guarantee is satisfied or the Compensation is paid (as the case may be). The Target Group will become wholly-owned subsidiaries of the Company and the financial result of the Target Group will be consolidated into the consolidated financial statements of the Company.

The Acquisition and the issue of the Conversion Shares upon exercise of the Convertible Bonds will not result in a change of control of the Company and there will not be introduction of directors of the Target Group to the Board as a result of the Acquisition.

Guarantor's undertaking

Pursuant to the Agreement, the Guarantor guarantees to the Purchaser the due and punctual performance by the Vendor of all its obligations under the Agreement and agrees to indemnify the Purchaser against all losses, damages, costs and expenses which the Purchaser may suffer through or arising from any breach by the Vendor of such obligations.

The Vendor irrevocably and unconditionally guarantees to the Purchaser that, in the event that there is any material breach of the warranties in the Agreement by the Vendor which result in direct loss to the Purchaser, the Vendor shall indemnify for all losses, claims, costs (including legal costs) and expenses incurred by the Purchaser.

LETTER FROM THE BOARD

Use of trademark

As one of the terms of the Agreement, the Purchaser has granted to Xianyang Century Ginwa the rights to use the registered trademarks containing “世紀金花” or “Century Ginwa”. In case if the Acquisition could not be completed, Xianyang Century Ginwa could still use the trademark for a period of 2 years after termination. The registered owner of the trademark is 金花企業（集團）股份有限公司 (Ginwa Enterprise (Group) Company Limited#) and such trademark is valid until 2019.

PROFIT GUARANTEE

The Vendor covenants and guarantees to the Purchaser that, so long as there is not more than 25% change in the existing management team of Xianyang Century Ginwa including the managers, deputy managers, finance personnel and the person-in-charge of the branches (save and except for the change not caused by or induced by the Purchaser) and that the existing management team of Xianyang Century Ginwa be granted reasonable power and authority for their operation and management, the Actual Profit shall not be less than RMB32,000,000, based on the financial statements prepared in accordance with International Financial Reporting Standards and to be audited by an accounting firm approved by the Purchaser.

In the event the Profit Guarantee is met, the Convertible Bonds held in escrow will be released to the Vendor within 5 days after the date of the Xianyang Century Ginwa Board Meeting.

In the event Xianyang Century Ginwa fails to meet the Profit Guarantee, the Vendor shall indemnify the Purchaser the Compensation, which is an amount equivalent to such profit shortfall times a multiple of 8 times. The Compensation will firstly be deducted from the face value of the Convertible Bonds (calculated by reference to the middle exchange rate between HK\$ and RMB as published by the People’s Bank of China on the date of the Xianyang Century Ginwa Board Meeting) within 15 days after the date of the Xianyang Century Ginwa Board Meeting. If there is any remaining balance of the Convertible Bonds after deducting the Compensation, the Company will issue to the Vendor the remaining balance of the Convertible Bonds within 45 days after the date of the Xianyang Century Ginwa Board Meeting.

In the event that the face value of the Convertible Bonds is insufficient to compensate the amount of Compensation in full, the remaining balance of the Compensation will be paid in cash in RMB or Hong Kong dollars equivalent within 15 days after the date of the Xianyang Century Ginwa Board Meeting.

In the event Xianyang Century Ginwa recognizes loss for the year ending 31 December 2011, the Actual Profit shall be equivalent to zero for the purpose of calculating the amount of profit shortfall.

The Profit Guarantee was arrived at after arm’s length negotiations between the Purchaser and the Vendor with reference to the historical performance of Xianyang Century Ginwa.

LETTER FROM THE BOARD

Pursuant to the Agreement, China King undertook to the Vendor that, within two years from the date of the Agreement, (i) without obtaining prior written consent of the Vendor, the composition of the existing management team and staff of Xianyang Century Ginwa shall not be materially changed (save and except for the change in personnel not caused by or induced by the Purchaser); (ii) the Vendor will have control over management of Xianyang Century Ginwa, but in any event, the Group will control at least two-third of the board of Xianyang Century Ginwa; (iii) the Purchaser will procure that the board of directors of each of the companies under the Target Group will be granted reasonable power and authority to the existing management team of Xianyang Century Ginwa; and (iv) without obtaining prior written consent of the Vendor, there will not be material change and amendment to the existing business plan of Xianyang Century Ginwa.

Save for the introduction of directors to Xianyang Century Ginwa, the Company has no intention to introduce material change to the existing management team of Xianyang Century Ginwa.

THE CONVERTIBLE BONDS

Pursuant to the terms of the Agreement, the Company will issue the Convertible Bonds to the Vendor or its nominee(s) as part of the Consideration upon Completion.

The following is a summary of the principal terms of the Convertible Bonds:

Principal amount: HK\$94.5 million

Conversion Price: The Conversion Price is initially HK\$0.40 per Conversion Share (subject to adjustments on occurrence of subdivision or consolidation of Shares which causes changes to the par value of each Share and any offer to majority of the Shareholders to subscribe for the Shares and convertibles of the Shares and other rights). Such adjustments will be certified by an independent financial advisor or the auditors of the Company for the then time being.

The initial Conversion Price represents:

- (i) a discount of approximately 47.37% to the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on 20 April 2011, being the Latest Practicable Date;
- (ii) a discount of approximately 42.03% to the closing price of HK\$0.69 per Share as quoted on the Stock Exchange on 28 January 2011, being the Last Trading Day;

LETTER FROM THE BOARD

- (iii) a discount of approximately 41.00% to the average of the closing prices of HK\$0.678 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 38.74% to the average of the closing prices of HK\$0.653 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Conversion Price was determined after arm's length negotiations among the Purchaser, the Vendor and the Company with reference to the prevailing market price of the Shares during the course of negotiation of the payment of Consideration which began in December 2010.

Interest rate:	1.5% per annum, payable annually
Maturity Date:	The date falling on the third anniversary from the date of issue of the Convertible Bonds.
Conversion and limitation on Conversion:	<p>Subject to fulfillment of the Profit Guarantee or payment of the Compensation in case if the Profit Guarantee is not met (as the case may be), the Bondholder(s) shall have the right to convert the whole or part of the principal amount of the Convertible Bond(s) into the Shares at any time after 1 January 2012. The amount converted shall be at least HK\$5,000,000 (and in integral multiples thereof) on each conversion, save that if the principal outstanding amount of the Convertible Bonds is less than HK\$5,000,000, the whole (but not part only) of such outstanding principal amount of the Convertible Bonds may be converted.</p> <p>The conversion right shall only be exercisable so long as:</p> <ul style="list-style-type: none">i. the aggregate shareholdings of the Bondholders, its associates (as defined in the Listing Rules) and parties acting in concert with it (as defined in the Takeovers Code) immediately after the exercise of the conversion right shall not be or exceed 30% of the then issued share capital of the Company;

LETTER FROM THE BOARD

- ii. the exercise of the conversion right will not result in the Bondholders, its associates and parties acting in concert with it, taken together, directly or indirectly controlling or being interested in 30% or more of the voting rights of the Company (or such other percentage may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer);
- iii. the exercise of the conversion right will not result in the Bondholders and other then substantial shareholder(s) (as defined in the Listing Rules) of the Company (if any), being presumed to be parties acting in concert with each other under the Takeovers Code by virtue of their then respective shareholding in the Company; and
- iv. the public float of at least 25% of the issued share capital of the Company can be maintained at all times.

Redemption:

Subject to fulfillment of the Profit Guarantee or payment of the Compensation in case if the Profit Guarantee is not met (as the case may be), provided that if the Bondholder does not exercise his/her/its conversion rights attaching to the Convertible Bonds within 3 months from the date of the Xianyang Century Ginwa Board Meeting, the Company may give 5 to 10 days' notice to the Bondholders, to request for redemption in full and not some only of the Convertible Bonds at any time after 1 January 2012 at 100% of the outstanding principal amount of the Convertible Bonds plus any accrued but unpaid interest. Such notice is irrevocable to both the Company and the Bondholder.

Any redemption of the Convertible Bonds shall be so redeemed against surrender of the relevant Certificate for cancellation.

Conversion period:

At any time after 1 January 2012 up to the Maturity Date (subject to fulfillment of the Profit Guarantee or payment of the Compensation in case if the Profit Guarantee is not met (as the case may be)).

LETTER FROM THE BOARD

- Conversion Shares: Upon full conversion of the Convertible Bonds at the initial Conversion Price, an aggregate of 236,250,000 Conversion Shares will be issued by the Company (representing approximately 13.31% of the existing issued share capital of the Company and approximately 11.75% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon exercise of conversion right attaching to the Convertible Bonds.
- Transferability: The Convertible Bonds are not transferable.
- Voting: A Bondholder will not be entitled to receive notice of, attend or vote at any general meeting of the Company by reason only of it being a Bondholder.
- Listing: No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.
- Ranking: The Convertible Bonds (when issued) constitute direct, unsubordinated, general and unsecured obligations of the Company and rank, and will rank, *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company.

The Conversion Shares when issue, will rank *pari passu* in all respects with all other Shares in issue at the date on which the conversion rights attaching to the Convertible Bonds are exercised. The Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought at the SGM and will be allotted and issued upon exercise of the conversion right by the Bondholders.

An application will be made by the Company for the listing of and permission to deal in the Conversion Shares to be allotted and issued upon the exercise of conversion right attaching to the Convertible Bonds.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING STRUCTURE

Shareholders	As at the Latest Practicable Date		Immediately after full conversion of the Convertible Bonds into the Conversion Shares	
	Shares	Approximate %	Shares	Approximate %
Best Mineral Resources Limited	476,196,108	26.84%	476,196,108	23.68%
Mr. Li Peng	10,001,000	0.57%	10,001,000	0.50%
The Vendor	–	–	236,250,000	11.75%
Director:				
Mr. Sha Yingjie	1,674,000	0.09%	1,674,000	0.08%
Public Shareholders	<u>1,286,490,170</u>	<u>72.50%</u>	<u>1,286,490,170</u>	<u>63.99%</u>
Total	<u><u>1,774,361,278</u></u>	<u><u>100.00%</u></u>	<u><u>2,010,611,278</u></u>	<u><u>100.00%</u></u>

INFORMATION ON THE TARGET GROUP

The Target is an investment holding company incorporated under the laws of the BVI with limited liability and its entire issued share capital is wholly and beneficially owned by the Vendor as at the Latest Practicable Date. The Target is principally engaged in investment holding and is interested in the entire equity interest of Shine Will.

Shine Will is a company incorporated under the laws of Hong Kong in 2010. Since its incorporation, it has not conducted any business activity. On 1 December 2010, Shine Will entered into an agreement with the original equity holders of Xianyang Century Ginwa to acquire 100% equity interests in Xianyang Century Ginwa for a consideration of RMB60.0 million. As at the Latest Practicable Date, the Restructuring has been completed, Shine Will is interested in the entire equity interest of Xianyang Century Ginwa.

LETTER FROM THE BOARD

Xianyang Century Ginwa is a company established in the PRC in 1998 which is principally engaged in operation of department stores and supermarket business in the PRC. Xianyang Century Ginwa opened its first department store in 1998 and its business is gradually expanding. Nowadays, it has approximately 1,100 staff and is currently operating 2 department stores and 5 supermarkets with a total gross area of approximately 72,445 square meters in Xianyang, Shaanxi Province, the PRC:

Information of the two department stores:

Store	Commencement of business since	Approximate gross floor area (sq. m.)
Weiyang Road Department Store (渭陽路店)	March 1998	16,036
Renmin Road Department Store (人民路百貨)	October 2005	27,869

Information of the five supermarkets:

Supermarket	Commencement of business since	Approximate gross floor area (sq. m.)
Xinxing Supermarket (新興店)	March 2000	2,760
Jinshan Supermarket (金山店)	October 2002	1,144
Huagong Supermarket (化工店)	January 2003	1,149
Renmin Road Supermarket (人民路店)	October 2005	6,587
Zhonghua Square Supermarket (中華廣場店)	November 2007	16,900

Business model

a) Product and service

Xianyang Century Ginwa offers an extensive range of merchandises to its customers. Major product categories include the following:

- ***Fresh food, perishable and delicatessen:*** Fresh food and perishable such as fruits and vegetables, seafood, meat, bakery products and cooked deli etc.
- ***Groceries and household supplies:*** Groceries such as canned or dried food, cooking ingredients, confectionery and snacks, wine and beverages; and other general supplies for daily needs such as cleaning agents etc.

LETTER FROM THE BOARD

- ***General household items and electrical goods:*** General daily household products such as stationery and kitchen items, furniture, home and personal electrical appliances, electronic goods, photographic equipment etc.
- ***Apparel, footwear and accessories:*** apparel for ladies, men and children, casual wear, athletic apparel, underwear, handbags, shoes and other accessories etc.
- ***Cosmetics and beauty products:*** cosmetic and other skin care products etc.

Customer services generally offered at the stores include gift wrapping, delivery service for certain purchases such as large items and bulk purchases.

b) Target customers and brand management

The department stores and the supermarkets of Xianyang Century Ginwa are located in Xianyang, Shaanxi Province. These department stores and supermarkets target at the local households and are positioned for middle to high end market. Xianyang Century Ginwa markets its goods in competitive pricing and quality and provides its customers with a wide range of products for selection to suit their daily needs in different aspect.

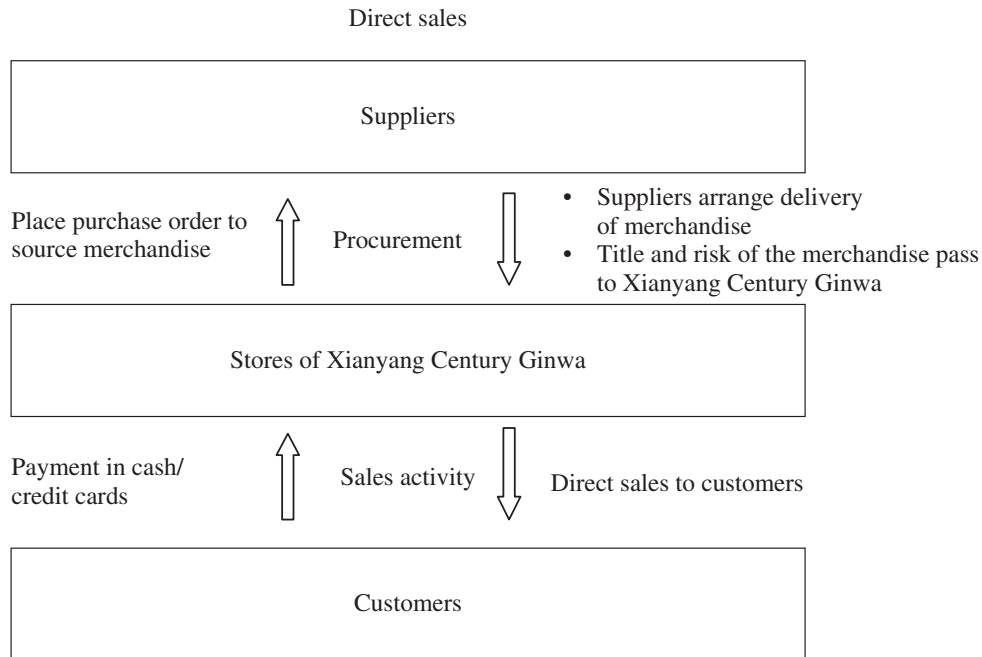
In order to attract and retain customers' loyalty, to increase sales volume and promote the image and brand name of the stores, Xianyang Century Ginwa launches a variety of marketing and promotional campaigns such as membership scheme that offers spending rewards to its customers.

c) Source of revenue and key operating cost

Xianyang Century Ginwa generates its revenue mainly from the direct sales of goods and net income from concessionaire sales.

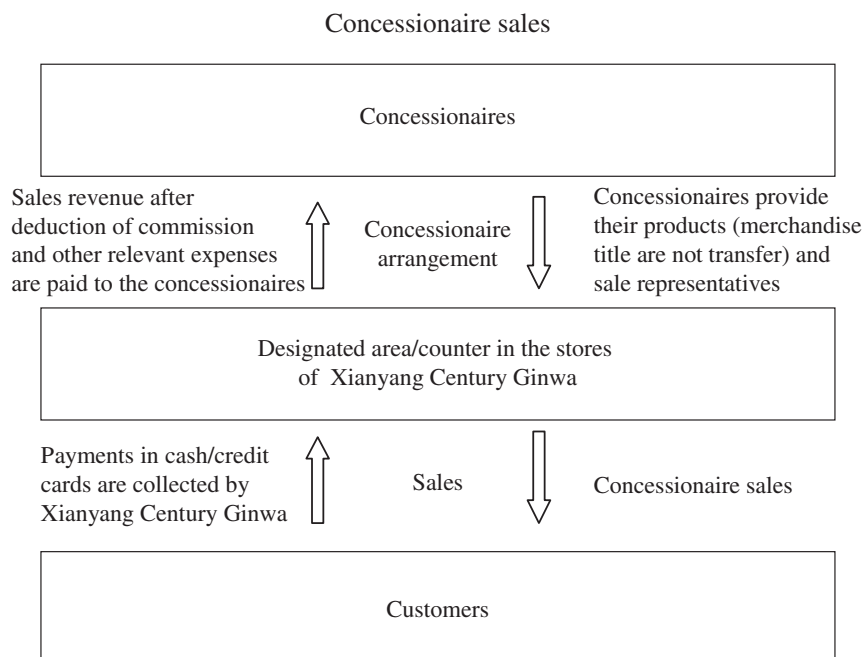
LETTER FROM THE BOARD

Under direct sales of goods, Xianyang Century Ginwa purchases merchandise from suppliers and resells the directly-purchased merchandise to its customers. Most of revenue generated from supermarket business is from the direct sales of goods. These goods under direct sales are generally fast moving consumer products. Under direct sales, the key cost is the purchase cost of merchandise. Xianyang Century Ginwa selects products based on, among others, the reputation, prices and quality of the products offered by suppliers and manufacturers, and the customers' preference. Xianyang Century Ginwa has established cooperation with a number of suppliers providing quality brand products. Set out below is the diagram illustrating the business model of the direct sales of Xianyang Century Ginwa:



LETTER FROM THE BOARD

Under concessionaire sales, Xianyang Century Ginwa entered into concessionaire agreements with concessionaires, pursuant to which concessionaires occupy designated areas or counters in Xianyang Century Ginwa's stores and sell their branded merchandise. In return, Xianyang Century Ginwa charges concessionaire commission based on an agreed percentage of gross sales proceeds subject to an agreed minimum commission. In addition, Xianyang Century Ginwa will charge rental income from operating leases and management service fee income from concessionaires. Customer's payment from the concessionaire sales is first collected by Xianyang Century Ginwa and later repaid to the concessionaires after deducting all relevant expenses, fees and commissions. Concessionaire arrangements are operated under both the department store business and supermarket business. Under concessionaire sales, the key cost are mainly the rental and taxation. Set out below is the diagram illustrating the business model of the concessionaire sales:



Key operating costs for the business are the selling expense, including rental expense, staff salary, utility, sales area maintenance and promotion cost.

Financial information

Set out below is the consolidated financial information of the Ideal Mix Group for the period from 13 October 2010 to 31 December 2010 extracted from appendix II of this circular:

	For the period from 13 October 2010 to 31 December 2010 <i>HK\$'000</i> (audited)
Net loss before taxation	(19)
Net loss after taxation	(19)
	As at 31 December 2010 <i>HK\$'000</i> (audited)
Net liability	(19)

LETTER FROM THE BOARD

Set out below is the consolidated financial information of Xianyang Century Ginwa Group for the three years ended 31 December 2008, 2009 and 2010 extracted from appendix III of this circular:

	For the year ended 31 December 2008	For the year ended 31 December 2009	For the year ended 31 December 2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Net profit before taxation	6,569	15,118	26,792
Net profit after taxation	3,954	10,916	19,622
	As at 31 December 2008	As at 31 December 2009	As at 31 December 2010
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Net asset value	1,820	54,206	53,036

License

Under applicable PRC rules and regulations, operators of department stores and supermarkets are required to obtain various permits and licences for certain goods that are sold in their markets. These include:

- the “Hygiene Approval License” (衛生許可証) and “Food Circulation Approval Licence” (食品流通許可証) for sales of food; and
- the “Audio and Visual Products Operation Approval License” (音像製品經營許可証) for sales of audio and visual products;
- the “Publishing Materials Operation Approval License” (出版物經營許可証) for sales of books and newspapers;
- the “Tobacco Products Specialty Sale Approval License” (煙草專賣零售許可証) for sales of tobacco products.[#]

[#] *Foreign-owned commercial enterprises are not able to obtain the Tobacco Products Specialty Sale Approval License due to industry restrictions.*

LETTER FROM THE BOARD

As at the Latest Practicable Date, Weiyang Road Department Store has obtained the following relevant licenses to carry out its business:

Name of Licence	Government Authorities	Effective Date
食品流通許可証 (Food Circulation Approval Licence)	咸陽市工商行政管理局 秦都分局 (Xianyang City Business and Administration Bureau Chindu Sub Bureau)	from 21 December 2010 to 20 December 2013
衛生許可証 (Hygiene Approval Licence)	咸陽市衛生局 (Xianyang Hygiene Bureau)	from 28 April 2008 to 28 April 2012
中華人民共和國音像制品 經營許可証 (Audio and Visual Products Operation Approval Licence of the PRC)	咸陽市秦都區文體事業局 (Xianyang City Chindu District Cultural and Sports Activities Bureau)	from 9 December 2010 to 9 December 2016
中華人民共和國出版物 經營許可証 (Publishing Materials Operation Approval Licence of the PRC)	咸陽市秦都區文體事業局 (Xianyang City Chindu District Cultural and Sports Activities Bureau)	from 9 December 2010 to 31 December 2014
煙草專賣零售許可証 (Tobacco Products Specialty Sale Approval Licence)	咸陽市煙草專賣局城區 直屬分局 (Direct Sub Bureau, Xianyang City Tobacco Products Specialty Sale Bureau)	from 31 December 2010 to 31 December 2013

LETTER FROM THE BOARD

As at the Latest Practicable Date, Renmin Road Department Store with Supermarket has obtained the following relevant licenses to carry out its business:

Name of Licence	Government Authorities	Effective Date
食品流通許可証 (Food Circulation Approval Licence)	咸陽市工商行政管理局 秦都分局 (Xianyang City Business and Administration Bureau Chindu Sub Bureau)	from 21 December 2010 to 20 December 2013
衛生許可証 (Hygiene Approval Licence)	咸陽市衛生局 (Xianyang Hygiene Bureau)	from 28 April 2008 to 28 April 2012
中華人民共和國音像制品 經營許可証 (Audio and Visual Products Operation Approval Licence of the PRC)	咸陽市秦都區文體事業局 (Xianyang City Chindu District Cultural and Sports Activities Bureau)	from 9 December 2010 to 9 December 2016
中華人民共和國出版物 經營許可証 (Publishing Materials Operation Approval Licence of the PRC)	咸陽市秦都區文體事業局 (Xianyang City Chindu District Cultural and Sports Activities Bureau)	from 9 December 2010 to 31 December 2014
煙草專賣零售許可証 (Tobacco Products Specialty Sale Approval Licence)	咸陽市煙草專賣局城區 直屬分局 (Direct Sub Bureau, Xianyang City Tobacco Products Specialty Sale Bureau)	from 31 December 2010 to 31 December 2013

LETTER FROM THE BOARD

As at the Latest Practicable Date, Xinxing Supermarket has obtained the following relevant licenses to carry out its business:

Name of Licence	Government Authorities	Effective Date
食品流通許可証 (Food Circulation Approval Licence)	咸陽市工商行政管理局 秦都分局 (Xianyang City Business and Administration Bureau Chindu Sub Bureau)	from 21 December 2010 to 20 December 2013
衛生許可証 (Hygiene Approval Licence)	咸陽市衛生局 (Xianyang Hygiene Bureau)	from 28 April 2008 to 28 April 2012
中華人民共和國音像制品 經營許可証 (Audio and Visual Products Operation Approval Licence of the PRC)	咸陽市秦都區文體事業局 (Xianyang City Chindu District Cultural and Sports Activities Bureau)	from 1 January 2011 to 31 December 2016
中華人民共和國出版物 經營許可証 (Publishing Materials Operation Approval Licence of the PRC)	咸陽市秦都區文體事業局 (Xianyang City Chindu District Cultural and Sports Activities Bureau)	from 9 December 2010 to 31 December 2014
煙草專賣零售許可証 (Tobacco Products Specialty Sale Approval Licence)	咸陽市煙草專賣局城區 直屬分局 (Direct Sub Bureau, Xianyang City Tobacco Products Specialty Sale Bureau)	from 31 December 2010 to 31 December 2013

LETTER FROM THE BOARD

As at the Latest Practicable Date, Jinshan Supermarket has obtained the following relevant licenses to carry out its business:

Name of Licence	Government Authorities	Effective Date
食品流通許可証 (Food Circulation Approval Licence)	咸陽市工商行政管理局 秦都分局 (Xianyang City Business and Administration Bureau Chindu Sub Bureau)	from 21 December 2010 to 20 December 2013
衛生許可証 (Hygiene Approval Licence)	咸陽市衛生局 (Xianyang Hygiene Bureau)	from 28 April 2008 to 28 April 2012
煙草專賣零售許可証 (Tobacco Products Specialty Sale Approval Licence)	咸陽市煙草專賣局城區 直屬分局 (Direct Sub Bureau, Xianyang City Tobacco Products Specialty Sale Bureau)	from 31 December 2010 to 31 December 2013

LETTER FROM THE BOARD

As at the Latest Practicable Date, Huagong Supermarket has obtained the following relevant licenses to carry out its business:

Name of Licence	Government Authorities	Effective Date
食品流通許可證 (Food Circulation Approval Licence)	咸陽市工商行政管理局 秦都分局 (Xianyang City Business and Administration Bureau Chindu Sub Bureau)	from 21 December 2010 to 20 December 2013
衛生許可證 (Hygiene Approval Licence)	咸陽市衛生局 (Xianyang Hygiene Bureau)	from 28 April 2008 to 28 April 2012
中華人民共和國音像制品 經營許可證 (Audio and Visual Products Operation Approval Licence of the PRC)	咸陽市秦都區文體事業局 (Xianyang City Chindu District Cultural and Sports Activities Bureau)	from 1 January 2011 to 31 December 2016
中華人民共和國出版物 經營許可證 (Publishing Materials Operation Approval Licence of the PRC)	咸陽市秦都區文體事業局 (Xianyang City Chindu District Cultural and Sports Activities Bureau)	from 9 December 2010 to 31 December 2014
煙草專賣零售許可證 (Tobacco Products Specialty Sale Approval Licence)	咸陽市煙草專賣局城區 直屬分局 (Direct Sub Bureau, Xianyang City Tobacco Products Specialty Sale Bureau)	from 31 December 2010 to 31 December 2013

LETTER FROM THE BOARD

As at the Latest Practicable Date, Zhonghua Square Supermarket has obtained the following relevant licenses to carry out its business:

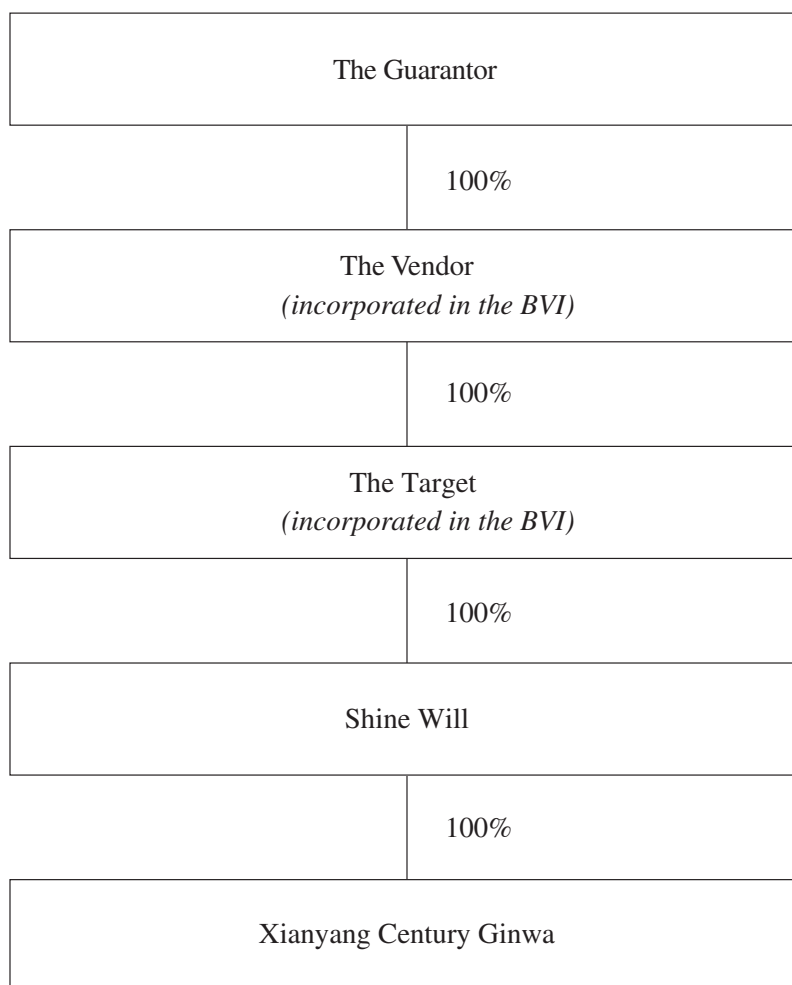
Name of Licence	Government Authorities	Effective Date
食品流通許可証 (Food Circulation Approval Licence)	咸陽市工商行政管理局 秦都分局 (Xianyang City Business and Administration Bureau Chindu Sub Bureau)	from 21 December 2010 to 20 December 2013
衛生許可証 (Hygiene Approval Licence)	咸陽市衛生局 (Xianyang Hygiene Bureau)	from 27 February 2008 to 27 February 2012
中華人民共和國音像制品 經營許可証 (Audio and Visual Products Operation Approval Licence of the PRC)	咸陽市秦都區文體事業局 (Xianyang City Chindu District Cultural and Sports Activities Bureau)	from 9 December 2010 to 9 December 2016
中華人民共和國出版物 經營許可証 (Publishing Materials Operation Approval Licence of the PRC)	咸陽市秦都區文體事業局 (Xianyang City Chindu District Cultural and Sports Activities Bureau)	from 9 December 2010 to 31 December 2014
煙草專賣零售許可証 (Tobacco Products Specialty Sale Approval Licence)	咸陽市煙草專賣局城區 直屬分局 (Direct Sub Bureau, Xianyang City Tobacco Products Specialty Sale Bureau)	from 31 December 2010 to 31 December 2013

LETTER FROM THE BOARD

As advised by the PRC legal advisers to the Company, the above licenses were obtained before Xianyang Century Ginwa is converted to a wholly-owned foreign enterprise. In accordance with the relevant PRC legal requirements, the above licenses should be changed and re-approved after Xianyang Century Ginwa is converted to a wholly-owned foreign enterprise. However, according to the PRC legal requirements, 煙草專賣零售許可証 (Tobacco Products Specialty Sale Approval Licence) cannot be obtained by a wholly-owned foreign enterprise.

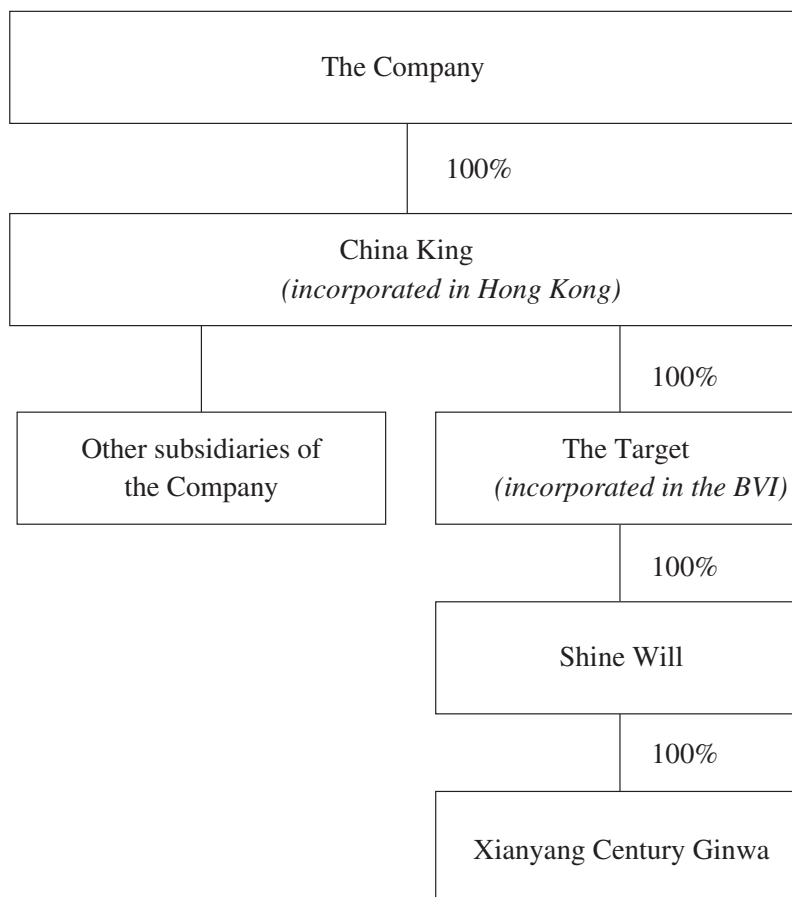
Xianyang Century Ginwa confirmed that they have applied to change the above licenses prior to the change of business scope of Xianyang Century Ginwa and its branches. The PRC legal advisers to the Company considered that there should be no legal obstacles to change the above licenses. The PRC legal advisers to the Company confirmed that Xianyang Century Ginwa and its branches have obtained all relevant licenses and approval to conduct their businesses.

Existing structure of the Target Group immediately before the Completion



LETTER FROM THE BOARD

Structure of the Target Group immediately after Completion



REASONS FOR THE ACQUISITION

The Group is principally engaged in operation of department stores in the PRC. The Directors consider that the Acquisition is in line with the Group's long term strategic goals for its department store business in the PRC. The Acquisition represents a good opportunity for the Group to expand its current department store operations in the PRC. The Directors also consider that further expansion of its sales network would enhance the Group to achieve economies of scale, increase its market share and diversify its customer base through further differentiation of products and the added locations of its department stores. The Acquisition can further enhance the geographical coverage of the Group and reduce the number of competitors in the North-western region of the PRC. It will further consolidate the Group's market position in that region and strengthen the Group's brand awareness and image.

LETTER FROM THE BOARD

With the continuous increase in the spending power of people in the PRC and more emphasis on the domestic-demand driven economic growth, the Directors are confident that the business of operation of department stores in the PRC will be beneficial to the Group.

Having considered that:

- i. Xianyang Century Ginwa, the operating subsidiary of the Target Group, has been running the business in operating department stores and supermarkets for more than 10 years, with their experienced management team and a profitable track record, it may make direct contributions to the overall performance of the Group after Completion;
- ii. the Consideration was arrived at after arm's length negotiations between the Company and the Vendor with reference to price earnings ratio of other comparable listed companies and the price earnings ratio used to determine the Consideration is relatively low;
- iii. in case if there is any shortfall of the Profit Guarantee, such shortfall will be compensated by the Vendor from the Convertible Bonds and in cash in the price earnings multiple of 8 times; and
- iv. the future growth potential of the Target Group and the synergizing effect with other department stores of the Group;

the Directors (including the independent non-executive Directors) consider that the terms of the Agreement including the Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Group will become an indirect wholly-owned subsidiary of the Company. Upon Completion, the accounts of the Target Group will be consolidated into the consolidated financial statements of the Group.

(a) Effect on assets and liabilities

As extracted from the unaudited pro forma financial information of the Enlarged Group as contained in Appendix IV to this circular, upon Completion, the Enlarged Group's unaudited pro forma consolidated total assets as at 31 December 2010 would increase from approximately HK\$3,506.41 million to approximately HK\$4,338.58 million and the total liabilities would increase from approximately HK\$3,100.94 million to approximately HK\$3,942.18 million.

LETTER FROM THE BOARD

(b) Effect on earnings

The Target recorded an audited loss attributable to the owners for the year ended 31 December 2010 of approximately HK\$0.02 million and Xianyang Century Ginwa recorded an audited profit attributable to owners for the year ended 31 December 2010 of approximately RMB19.62 million (equivalent to approximately HK\$22.96 million). On this basis, and in light of the potential future prospects of the Target Group, it is expected that the consolidation of the financial results of the Target Group into the Group would have a positive impact on the Enlarged Group's earnings upon Completion.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The principal business activity of the Group is engaging in the operation of department stores in North-western China. Currently, the Group operates five department stores in Xian and one department store in Urumqi, the PRC.

As mentioned in the annual report of 2010, the Company has successfully consolidated its department stores operation in North-western China, which is one of the highest growing regions in the PRC. During the financial year ended 31 December 2010, the Group's revenue increased by 28% to HK\$699 million. The Group's operating profit for 2010 was HK\$134 million, increased by 81% from HK\$74 million when compared with that of 2009. Profit for the year was HK\$120 million for 2010, when compared with that of HK\$39 million in 2009, representing a 208% increase. Net profit attributable to equity shareholders of the Company was HK\$74 million for 2010, when compared with that of HK\$10 million in 2009.

In recent years, the economic development of China has gradually matured with increasing domestic demand, which steadily lift the per capita disposable income and total retail sales of social consumer goods. On the other hand, pace of urbanization in China will further drive the development of the modern retail industry. In view of this favourable situation, the Group will continue exploring opportunities in the operation of department stores by acquiring existing Century Ginwa department stores and expanding Century Ginwa geographically in the PRC. The Group also plans to reinvent and remodel its existing stores to further enhance the store image and to improve productivity by the more efficient use of the available floor space. In addition, the Group will also introduce more famous international brands to further enhance its market status and maximize shareholders' value. The Group strongly believes that the business strategy of Century Ginwa could eventually lead the Group to become one of the top tier department store operators in the PRC.

The Board believes that with the rising standard of living and the increasing domestic demand in China, the department store operations will become an industry generating a considerable revenue in China in the foreseeable future.

LETTER FROM THE BOARD

LISTING RULES' IMPLICATIONS

The Acquisition constitutes a major transaction on the part of the Company pursuant to Chapter 14 of the Listing Rules and the Acquisition and the transactions contemplated thereunder including the issue of Convertible Bonds and the allotment and issue of the Conversion Shares are subject to the approval of the Shareholders at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders have any interest in the Acquisition, therefore no Shareholders will be required to abstain from voting at the SGM. Any vote exercised by the Shareholders at the SGM shall be taken by way of poll.

SPECIAL GENERAL MEETING

A notice of the SGM which will be held at Suites 1701-1703, 17/F, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong at 11:00 a.m. on Monday, 16 May 2011 is set out on pages 147 to 149 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to be present at the SGM, you are requested to complete this form of proxy and return it to the branch share registrar of the Company in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon no later than 48 hours before the time of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM. The Board confirms that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or other arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.

RECOMMENDATION

Based on the reasons set out in the section headed "Reasons for the Acquisition", the Board is of the view that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions approving the Agreement and the transactions contemplated thereunder as set out in the notice of the SGM.

LETTER FROM THE BOARD

GENERAL

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

The English text of this circular, the notice of the SGM and the form of proxy for use at the SGM shall prevail over the Chinese text in case of inconsistency.

Yours faithfully

For and on behalf of the Board of

CENTURY GINWA RETAIL HOLDINGS LIMITED

Choon Hoi Kit, Edwin

Chief Executive Officer

1. THREE YEARS FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2008, 2009 and 2010, are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.cgrh.com.hk):

- (i) annual report of the Company for the year ended 31 December 2010 dated 22 March 2011 published on 8 April 2011 (pages 39-171);
- (ii) annual report of the Company for the year ended 31 December 2009 dated 20 April 2010 published on 28 April 2010 (pages 35-167);
- (iii) annual report of the Company for the year ended 31 December 2008 dated 24 April 2009 published on 29 April 2009 (pages 48-211);

2. INDEBTEDNESS STATEMENT**Borrowings**

At the close of business on 28 February 2011, the Enlarged Group had total borrowings of approximately HK\$1,655,159,000, comprising (i) secured bank loans of approximately RMB71,950,000 (equivalent to approximately HK\$85,286,000); and (ii) debt securities of approximately HK\$1,569,873,000.

The bank loans were interest-bearing and secured by properties held by related companies, and guarantees given by related companies.

The debt securities comprising (i) BMRL CB; (ii) Hony CB; and (iii) promissory notes.

The BMRL CB represent an aggregate outstanding principal amount of HK\$544,171,000. The five-year convertible bonds were issued with an initial conversion price of HK\$0.689 per share, carrying a coupon interest rate of 2.75% per annum which will be payable annually and will mature on 18 September 2013. Upon the completion of open offer of 584,120,426 shares in January 2010, the conversion price was adjusted to HK\$0.54.

The Hony CB represent an aggregate outstanding principal amount of HK\$887,000,000. The five-year convertible bonds were issued with an initial conversion price of HK\$0.275 per share, carrying a coupon interest rate of 3% per annum which will be payable semi-annually and will mature on 3 December 2015.

The promissory notes represent an outstanding principal amount of HK\$138,702,000. The two-year promissory notes will mature on 3 December 2012.

Contingent liabilities

At the close of business on 28 February 2011, the Enlarge Group had the following contingent liabilities:

1. Legal claims

- (i) Century Ginwa Joint Stock Company Limited (“Ginwa Bell Tower”), a subsidiary of the Group, has provided a guarantee on bank loan of RMB24.0 million drawn by a third party in 2005. This third party has subsequently defaulted repayment on the bank loan and has yet to repay the bank loan as of 28 February 2011. In October 2006 and December 2009, Ginwa Bell Tower received court judgements which found that both the third party and Ginwa Bell Tower to be jointly and severally liable for the repayment of the defaulted bank loan plus interest accrued thereof. The court judgements have required Ginwa Bell Tower to fulfill its obligation as the guarantor. Under an agreement entered into between Ginwa Bell Tower and Ginwa Investments Company Limited (“Ginwa Investments”) in 2008, Ginwa Investments has agreed to indemnify Ginwa Bell Tower on any losses incurred arising from the above guarantee. As of 28 February 2011, according to the court judgement received, the defaulted bank loan plus accrued interest amounted to RMB26.2 million (equivalent to approximately HK\$30.8 million). The Directors believe that the indemnity agreement entered into with Ginwa Investments will enable the Group to recover any losses the Group may have incurred arising from the above guarantee. Accordingly, no provision has been made in respect of this claim.
- (ii) In January 2011, Ginwa Bell Tower received a notice that it is being sued by a third party in respect of a guarantee provided by Ginwa Bell Tower on a loan of RMB13.2 million (equivalent to approximately HK\$15.5 million) granted by this third party to Ginwa Investments in August 2005. Ginwa Investments has subsequently defaulted repayment on the loan but is currently under negotiation with the third party to formulate a revised repayment plan. As of 28 February 2011, the above lawsuit is under review before an arbitrator, and one of Ginwa Bell Tower’s bank account with a deposit of RMB0.9 million (equivalent to approximately HK\$1.0 million) was frozen due to this claim. The Directors believe that Ginwa Investments will be able to agree on a revised repayment plan with the third party in the foreseeable future. Accordingly, no provision has been made in respect of this claim.

2. *Financial guarantees issued*

- (i) A guarantee provided by Ginwa Bell Tower in respect of an interest bearing bank loan of RMB90.0 million (equivalent to approximately HK\$105.8 million) drawn by Ginwa Investments in 2008. The loan will mature in July 2012. In September 2010, Ginwa Bell Tower and Ginwa Investments have entered into an agreement, whereby Ginwa Investments has agreed to indemnify Ginwa Bell Tower on any losses incurred arising from the above guarantee.
- (ii) A guarantee provided by Ginwa Bell Tower in respect of an interest bearing bank loan of RMB15.0 million (equivalent to approximately HK\$17.6 million) drawn by Ginwa Investments in 2007. The loan will mature in September 2013. In August 2008, Ginwa Bell Tower and Ginwa Investments have entered into an agreement, where Ginwa Investments has agreed to indemnify Ginwa Bell Tower on any losses incurred arising from the above guarantee.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables, as at the close of business on 28 February 2011, the Enlarged Group did not have any outstanding mortgages, charges, debentures or other loan capital or bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance or acceptance credits, debt securities or other material contingent liabilities.

Save for the Acquisition, the Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Enlarged Group since 28 February 2011.

For the purpose of the above statement of indebtedness, foreign currency denominated amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 28 February 2011.

3. **WORKING CAPITAL**

Taking into account the internally generated funds and the fund from the exercise of the Hony CB Option, the Directors are of the opinion that the Enlarged Group will have sufficient working capital for its present requirements, that is for at least 12 months from the date of this circular, in the absence of unforeseeable circumstances.

4. **MATERIAL ADVERSE CHANGES**

The Directors are not aware of any material adverse change in the financial or trading position or prospects of the Group since 31 December 2010, the date to which the latest published audited accounts of the Company were made up.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

26 April 2011

The Directors
Century Ginwa Retail Holdings Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Ideal Mix Limited (“Ideal Mix”) and its subsidiary (hereinafter collectively referred to as the “Ideal Mix Group”) including the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Ideal Mix Group, for the period from 13 October 2010 (the date of incorporation of Ideal Mix) to 31 December 2010 (the “Relevant Period”), and the consolidated statement of financial position of the Ideal Mix Group and the statement of financial position of Ideal Mix as at 31 December 2010, together with the explanatory notes thereto (the “Financial Information”), for inclusion in the shareholders’ circular of Century Ginwa Retail Holdings Limited (the “Company”) dated 26 April 2011 (the “Circular”).

Ideal Mix was incorporated in the British Virgin Islands on 13 October 2010 as a limited liability company under the British Virgin Islands Business Companies Act, 2004. Pursuant to the agreement dated 1 December 2010, Ideal Mix became the holding company of Xianyang Century Ginwa Trade and Commerce Co., Ltd. (“Xianyang Century Ginwa”). Ideal Mix has not carried on any business since the date of its incorporation save for the aforementioned agreement.

As at the date of this report, no audited financial statements have been prepared for Ideal Mix and its subsidiary, as they either have not carried on any business since the date of incorporation, and/or are investment holding companies and/or not subject to statutory audit requirements under the relevant rules and regulations in the jurisdictions of incorporation.

All companies comprising the Ideal Mix Group have adopted 31 December as their financial year end date.

The director of Ideal Mix has prepared the consolidated financial statements of the Ideal Mix Group for the Relevant Period in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The Underlying Financial Statements for the period from 13 October 2010 (date of incorporation of Ideal Mix) to 31 December 2010 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of Ideal Mix, its subsidiary or the Ideal Mix Group in respect of any period subsequent to 31 December 2010.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the Ideal Mix Group’s consolidated results and cash flows for the Relevant Period, and the state of affairs of the Ideal Mix Group and Ideal Mix as at 31 December 2010.

A CONSOLIDATED FINANCIAL INFORMATION

1. Consolidated statement of comprehensive income

(Expressed in Hong Kong dollars ("HK\$"))

	<i>Section B Note</i>	Period from 13 October 2010 (the date of incorporation of Ideal Mix) to 31 December 2010 HK\$
Turnover	2	–
Administrative expenses		<u>(17,214)</u>
Loss from operations		(17,214)
Finance costs	3(a)	<u>(2,170)</u>
Loss before taxation	3	(19,384)
Income tax	4	<u>–</u>
Loss and total comprehensive income for the period and attributable to equity shareholder of Ideal Mix		<u><u>(19,384)</u></u>

The accompanying notes form part of the Financial Information.

2. Consolidated statement of financial position

(Expressed in HK\$)

	<i>Section B Note</i>	At 31 December 2010 HK\$
Current assets		
Other receivables	8	5,883
Cash and cash equivalents	9	<u>117,830</u>
		----- <u>123,713</u>
Current liabilities		
Other payables	10	<u>143,089</u>
NET LIABILITIES		<u><u>(19,376)</u></u>
CAPITAL AND RESERVES		
Share capital	11	8
Accumulated losses		<u>(19,384)</u>
Total equity – deficit and attributable to equity shareholder of Ideal Mix		<u><u>(19,376)</u></u>

The accompanying notes form part of the Financial Information.

3. Statement of financial position

(Expressed in HK\$)

	<i>Section B Note</i>	At 31 December 2010 HK\$
Non-current assets		
Investment in a subsidiary	7	----- 1
Current assets		
Other receivables	8	61,666
Cash and cash equivalents	9	----- 57,980
		----- 119,646
Current liabilities		
Other payables	10	----- 130,392
Net current liabilities		----- (10,746)
NET LIABILITIES		<u>----- (10,745)</u>
CAPITAL AND RESERVES		
Share capital	11	8
Accumulated losses		----- (10,753)
TOTAL EQUITY – DEFICIT		<u>----- (10,745)</u>

The accompanying notes form part of the Financial Information.

4. Consolidated statement of changes in equity

(Expressed in HK\$)

	Attributable to equity shareholder of Ideal Mix		
	Share capital <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total equity – deficit <i>HK\$</i>
Balance at 13 October 2010 (date of incorporation of Ideal Mix)	–	–	–
Issuance of share	8	–	8
Total comprehensive income for the period	–	(19,384)	(19,384)
Balance at 31 December 2010	8	(19,384)	(19,376)

The accompanying notes form part of the Financial Information.

5. Consolidated cash flow statement

(Expressed in HK\$)

		Period from 13 October 2010 (the date of incorporation of Ideal Mix) to 31 December 2010 HK\$
Operating activities		
Loss before taxation		(19,384)
Adjustment for:		
Finance costs	<i>3(a)</i>	2,170
Changes in working capital:		
Increase in other receivables		(5,883)
Increase in other payables		<u>143,089</u>
Net cash generated from operating activities		<u>119,992</u>
Financing activities		
Proceeds from issuance of share	<i>11(c)</i>	8
Finance costs paid		<u>(2,170)</u>
Net cash used in financing activities		<u>(2,162)</u>
Net increase in cash and cash equivalents		117,830
Cash and cash equivalents at the beginning of the period		<u>–</u>
Cash and cash equivalents at the end of the period	<i>9</i>	<u><u>117,830</u></u>

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION

(Expressed in HK\$ unless otherwise indicated)

1. Significant accounting policies***(a) Statement of compliance***

The Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Ideal Mix Group has adopted all these new and revised HKFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2010. The new and revised accounting standards and interpretations issued but not yet effective for the accounting period ended 31 December 2010 are set out in Section B Note 16.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

(b) Basis of preparation of the Financial Information

The Financial Information comprises the Ideal Mix Group.

(c) Basis of measurement

The Financial Information is presented in HK\$, and it is prepared on the historical cost basis.

(d) Use of estimates and judgments

The preparation of Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1. Significant accounting policies (continued)**(d) Use of estimates and judgments (continued)**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Section B Note 15.

(e) Subsidiary

Subsidiary is an entity controlled by the Ideal Mix Group. Control exists when the Ideal Mix Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Ideal Mix Group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interests in that subsidiary, with a resulting gain or loss being recognised in the statement of comprehensive income. Any equity interests retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In Ideal Mix's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Section B Note 1(f)), unless the investment is classified as held-for-sale.

1. Significant accounting policies (continued)**(f) Impairment of assets***Impairment of investment in equity securities and receivables*

Investment in equity securities and current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Ideal Mix Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investment in a subsidiary, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount.

The impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

- For receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

1. Significant accounting policies (continued)**(f) Impairment of assets (continued)**

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of comprehensive income. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of receivable whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Ideal Mix Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the statement of comprehensive income.

The asset's recoverable amount is estimated as below:

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the statement of comprehensive income if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

1. Significant accounting policies (continued)**(f) Impairment of assets (continued)**

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to the statement of comprehensive income in the period in which the reversals are recognised.

(g) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see Section B Note 1(f)).

(h) Other payables

Other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the statement of comprehensive income except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

1. Significant accounting policies (continued)**(j) Income tax (continued)**

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investment in a subsidiary to the extent that, in the case of taxable differences, the Ideal Mix Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed by the Ideal Mix Group at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

1. Significant accounting policies (continued)**(j) Income tax (continued)**

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Ideal Mix Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Ideal Mix Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Ideal Mix Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1. Significant accounting policies (continued)***(l) Translation of foreign currencies***

Foreign currency transactions during the period are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the statement of comprehensive income.

(m) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Ideal Mix Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Ideal Mix Group or exercise significant influence over the Ideal Mix Group in making financial and operating policy decisions, or has joint control over the Ideal Mix Group;
- (ii) the Ideal Mix Group and the party are subject to common control;
- (iii) the party is a member of key management personnel of the Ideal Mix Group or the Ideal Mix Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (iv) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals;
or
- (v) the party is a post-employment benefit plan which is for the benefit of employees of the Ideal Mix Group or of any entity that is a related party of the Ideal Mix Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(n) Segment reporting

The companies comprising the Ideal Mix Group either have not carried on any business since the date of incorporation or are investment holding companies, and accordingly, no segment analysis is provided.

2. Turnover

The companies comprising the Ideal Mix Group have not carried on any business since the date of incorporation, and accordingly, the Ideal Mix Group did not generate any turnover during the Relevant Period.

3. Loss before taxation

Loss before taxation is arrived at after charging:

	Period from 13 October 2010 (the date of incorporation of Ideal Mix) to 31 December 2010 HK\$
<i>(a) Finance costs:</i>	
Bank charges	2,170
<i>(b) Staff costs:</i>	

The Ideal Mix Group did not incur any staff costs during the Relevant Period.

4. Income tax in the consolidated statement of comprehensive income

Pursuant to the rules and regulations of the British Virgin Islands, Ideal Mix is not subject to any income tax during the Relevant Period. No provision for Hong Kong Profits Tax has been made as the subsidiary of Ideal Mix has no assessable profits that are subject to Hong Kong Profits Tax during the Relevant Period.

There were no significant unrecognised deferred tax assets and liabilities as at 31 December 2010.

5. Director's remuneration

The director of Ideal Mix did not receive any fee or emoluments from the Ideal Mix Group during the Relevant Period.

6. Loss attributable to equity shareholder of Ideal Mix

The consolidated loss attributable to the equity shareholder of Ideal Mix includes a loss of HK\$10,753 for the period from 13 October 2010 (date of incorporation of Ideal Mix) to 31 December 2010 which has been dealt with in the financial statements of Ideal Mix (see Section B Note 11(a)).

7. Investment in a subsidiary

	Ideal Mix At 31 December 2010 <i>HK\$</i>
Unlisted share, at cost	<u><u>1</u></u>

The following contains the particulars of the subsidiary of the Ideal Mix Group:

Name of company	Place of incorporation	Particulars of issued and paid up capital	The Ideal Mix Group's effective interest held by Ideal Mix	Principal activity
Shine Will Limited	Hong Kong	HK\$1	100%	Investment holding

8. Other receivables

	At 31 December 2010	
	The Ideal Mix Group <i>HK\$</i>	Ideal Mix <i>HK\$</i>
Prepayments	5,883	1,667
Amount due from a subsidiary (<i>Note (i)</i>)	<u>–</u>	<u>59,999</u>
	<u><u>5,883</u></u>	<u><u>61,666</u></u>

The prepayments and amount due from a subsidiary are expected to be recovered or recognised as expenses within one year.

8. Other receivables (continued)*Note:*

- (i) The amount is unsecured, non-interest bearing and has no fixed terms of repayments.

9. Cash and cash equivalents

	<u>At 31 December 2010</u>	
	The Ideal Mix Group	Ideal Mix
	<i>HK\$</i>	<i>HK\$</i>
Cash at bank	117,830	57,980
	<u>117,830</u>	<u>57,980</u>

10. Other payables

	<u>At 31 December 2010</u>	
	The Ideal Mix Group	Ideal Mix
	<i>HK\$</i>	<i>HK\$</i>
Amount due to the immediate holding company <i>(Note (i))</i>	119,992	119,992
Accrued expenses	23,097	10,400
	<u>143,089</u>	<u>130,392</u>

The amount due to the immediate holding company and accrued expenses are expected to be settled within one year.

Note:

- (i) The amount is unsecured, non-interest bearing and has no fixed terms of repayments.

11. Capital, reserves and dividends**(a) Movements in components of equity**

The reconciliation between the opening and closing balances of each component of the Ideal Mix Group's consolidated equity is set out in the consolidated statement of changes in equity.

11. Capital, reserves and dividends (continued)

(a) *Movements in components of equity (continued)*

Details of the changes in Ideal Mix's individual components of equity during the Relevant Period are set out below:

	Share capital <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total equity-deficit <i>HK\$</i>
Balance at 13 October 2010 (date of incorporation)	–	–	–
Issuance of share	8	–	8
Total comprehensive income for the period	–	(10,753)	(10,753)
Balance at 31 December 2010	8	(10,753)	(10,745)

(b) *Dividends and distributable reserves*

The companies comprising the Ideal Mix Group have not carried on any business since the date of incorporation, and accordingly, there is no reserve available for distribution.

(c) *Share capital**Authorised and issued share capital*

	<u>At 31 December 2010</u>	
	No. of shares	Amount <i>HK\$</i>
Authorised:		
Ordinary shares of US\$1 each	50,000	390,000
Ordinary shares, issued and fully paid:		
At 13 October 2010 (date of incorporation)	–	–
Share issued on incorporation	1	8
At 31 December 2010	1	8

11. Capital, reserves and dividends (continued)**(c) Share capital (continued)**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of Ideal Mix. All ordinary shares rank equally with regard to Ideal Mix's residual assets.

(d) Capital management

The companies comprising the Ideal Mix Group have not carried on any business since the date of incorporation, and accordingly, no strategy on the management of the Ideal Mix Group's capital structure has been established.

Neither Ideal Mix nor its subsidiary is subject to externally imposed capital requirements.

12. Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Ideal Mix Group's business.

The Ideal Mix Group's exposure to these risks and the financial risk management policies and practices used by the Ideal Mix Group to manage these risks are described below.

(a) Credit risk

The Ideal Mix Group is not exposed to significant credit risk as at 31 December 2010.

Further quantitative disclosures in respect of the Ideal Mix Group's exposure to credit risk arising from other receivables are set out in Section B Note 8.

(b) Liquidity risk

The Ideal Mix Group is not exposed to significant liquidity risk as at 31 December 2010.

12. Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Ideal Mix Group's and of Ideal Mix's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Ideal Mix Group and Ideal Mix can be required to pay:

Ideal Mix Group

	At 31 December 2010	
	Contractual undiscounted cash outflow	
	Within 1 year or on demand HK\$	Carrying amount HK\$
Other payables	<u>143,089</u>	<u>143,089</u>

Ideal Mix

	At 31 December 2010	
	Contractual undiscounted cash outflow	
	Within 1 year or on demand HK\$	Carrying amount HK\$
Other payables	<u>130,392</u>	<u>130,392</u>

(c) Interest rate risk

The Ideal Mix Group is not exposed to significant interest rate risk as at 31 December 2010, as the Ideal Mix Group has no interest bearing borrowings.

(d) Currency risk

The Ideal Mix Group is not exposed to currency risk as no transactions are conducted in a foreign currency other than the functional currency of the operations to which the transactions relate.

12. Financial risk management and fair values (continued)*(e) Fair values*

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010.

13. Material related party transactions*(a) Transactions with the immediate holding company and a subsidiary of Ideal Mix*

	Period from 13 October 2010 (the date of incorporation of Ideal Mix) to 31 December 2010 HK\$
Advances granted to a subsidiary	59,999
Advances received from the immediate holding company	<u>119,992</u>

14. Immediate and ultimate controlling party

At 31 December 2010, the directors of the Company consider the immediate and ultimate controlling party of Ideal Mix to be Grand Well Group Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

15. Accounting judgements and estimates

In the process of applying the Ideal Mix Group's accounting policies, the management considers the key source of estimation uncertainty is the impairment of receivables. The management maintains an allowance for doubtful accounts for estimated losses resulting from the inability of the debtors to make the required payments. The management bases the estimates on the ageing of the individual receivable balance, debtor credit-worthiness and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

16. Possible impact of new standards, amendments to standards and interpretations issued but not yet effective for the period from 13 October 2010 (date of incorporation of Ideal Mix) to 31 December 2010

Up to the date of issue of the Financial Information, the HKICPA has issued a number of new standards, amendments to standards and interpretations which are not yet effective for the period from 13 October 2010 (date of incorporation of Ideal Mix) to 31 December 2010 and which have not been adopted in the Financial Information.

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, <i>Financial instruments: Presentation – classification of rights issues</i>	1 February 2010
HK(IFRIC) 19, <i>Extinguishing financial liabilities with equity instruments</i>	1 July 2010
Amendments to HKFRS 1, <i>First-time adoption of Hong Kong Financial Reporting Standards – Limited exemption from comparative HKFRS 7 disclosures for first-time adopters</i>	1 July 2010
Amendments to HKFRS 1, <i>First-time adoption of Hong Kong Financial Reporting Standards – Severe hyperinflation and removal of fixed dates for first-time adopters</i>	1 July 2011
Improvements to HKFRSs (2010)	1 July 2010 or 1 January 2011
Revised HKAS 24, <i>Related party disclosures</i>	1 January 2011
Amendments to HK(IFRIC) 14, <i>HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement</i>	1 January 2011
Amendments to HKFRS 7, <i>Financial instruments: Disclosures – Transfer of financial assets</i>	1 July 2011
Amendments to HKAS 12, <i>Income taxes – Deferred tax: Recovery of underlying assets</i>	1 January 2012
HKFRS 9, <i>Financial instruments (2009)</i> Basis for conclusions on HKFRS 9 (2009)	
Amendments to other HKFRSs and guidance on HKFRS 9 (2009)	1 January 2013
HKFRS 9, <i>Financial instruments (2010)</i> Basis for conclusions on HKFRS 9 (2010)	
Implementation guidance on HKFRS 9 (2010)	1 January 2013

The directors of the Company have confirmed that the Ideal Mix Group has commenced considering the potential impact of the above new standards, amendments to standards and interpretations but is not yet in a position to determine whether these new standards, amendments to standards and interpretations will have a significant impact on how the results of operations and financial position are prepared and presented. These new standards, amendments to standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

C SUBSEQUENT EVENTS

(a) Acquisition of a subsidiary

On 1 December 2010, Ideal Mix, through a wholly-owned subsidiary, has entered into an agreement with the equity holders of Xianyang Century Ginwa, to acquire 100% equity interests in Xianyang Century Ginwa for a consideration of RMB60.0 million (equivalent to approximately HK\$70.5 million). Upon completion of the above acquisition on 18 February 2011, Ideal Mix became the holding company of Xianyang Century Ginwa.

Further details regarding the financial information of Xianyang Century Ginwa are set out in Appendix III of the Circular.

(b) Change in ownership

On 31 January 2011, the Company announced that the Company, through one of its subsidiaries, is to acquire 100% equity interests in Ideal Mix from the existing equity shareholder for a consideration of HK\$348.5 million. This transaction requires the approval by the shareholders of the Company in a special general meeting to be held on 16 May 2011.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Ideal Mix and its subsidiary in respect of any period subsequent to 31 December 2010.

Yours faithfully

KPMG

Certified Public Accountants

Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

26 April 2011

The Directors
Century Ginwa Retail Holdings Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Xianyang Century Ginwa Trade and Commerce Co., Ltd. (formerly known as “Xi’an Minsheng Group – Xianyang Mingsheng Shopping Mall Co., Ltd.”) (“Xianyang Century Ginwa”) and its subsidiary (hereinafter collectively referred to as the “Xianyang Century Ginwa Group”) including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Xianyang Century Ginwa Group, for each of the years ended 31 December 2008, 2009 and 2010 (the “Relevant Period”), and the consolidated statements of financial position of the Xianyang Century Ginwa Group and the statements of financial position of Xianyang Century Ginwa as at 31 December 2008, 2009 and 2010, together with the explanatory notes thereto (the “Financial Information”), for inclusion in the shareholders’ circular of Century Ginwa Retail Holdings Limited (the “Company”) dated 26 April 2011 (the “Circular”).

Xianyang Century Ginwa was established in the People’s Republic of China (the “PRC”) on 2 March 1998 as a limited liability company. Pursuant to the acquisition agreement dated 1 December 2010, Xianyang Century Ginwa became a wholly-owned subsidiary of Ideal Mix Limited (“Ideal Mix”).

As at the date of this report, no audited financial statements have been prepared for Xianyang Century Ginwa and Xianyang Yuehe Property Management Company Limited, as they are not subject to statutory audit requirements under the relevant rules and regulations in the PRC.

All companies comprising the Xianyang Century Ginwa Group have adopted 31 December as their financial year end date.

The director of Xianyang Century Ginwa has prepared the consolidated financial statements of the Xianyang Century Ginwa Group for the Relevant Period in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). The Underlying Financial Statements for each of the years ended 31 December 2008, 2009 and 2010 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of Xianyang Century Ginwa, its subsidiary or the Xianyang Century Ginwa Group in respect of any period subsequent to 31 December 2010.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the Xianyang Century Ginwa Group’s consolidated results and cash flows for the Relevant Period, and the state of affairs of the Xianyang Century Ginwa Group and Xianyang Century Ginwa as at 31 December 2008, 2009 and 2010.

A CONSOLIDATED FINANCIAL INFORMATION

1. Consolidated statements of comprehensive income

(Expressed in Renminbi ("RMB"))

	Section B Note	Years ended 31 December		
		2008 RMB'000	2009 RMB'000	2010 RMB'000
Turnover	2, 10	213,242	229,267	259,925
Cost of sales		(135,467)	(139,087)	(145,993)
Gross profit		77,775	90,180	113,932
Other revenue	3	374	720	2,509
Other net loss	3	(4)	(1)	(347)
Selling expenses		(63,022)	(65,693)	(77,130)
Administrative expenses		(7,116)	(9,007)	(11,443)
Profit from operations		8,007	16,199	27,521
Finance costs	4(a)	(1,438)	(1,081)	(729)
Profit before taxation	4	6,569	15,118	26,792
Income tax	5(a)	(2,615)	(4,202)	(7,170)
Profit for the year and attributable to equity holders of Xianyang Century Ginwa		3,954	10,916	19,622
Other comprehensive income for the year (after tax and reclassification adjustments)				
Available-for-sale financial assets: net movement in the fair value reserve	9(a)	–	14	37
Surplus on revaluation of buildings held for own use	9(a)	–	41,456	9,002
		–	41,470	9,039
Total comprehensive income for the year and attributable to equity holders of Xianyang Century Ginwa		3,954	52,386	28,661

The accompanying notes form part of the Financial Information.

2. Consolidated statements of financial position
(Expressed in RMB)

	Section B Note	At 31 December		
		2008 RMB'000	2009 RMB'000	2010 RMB'000
Non-current assets				
Fixed assets	11	43,890	91,247	105,255
Loan receivable	13	3,257	3,535	–
Deferred tax assets	20(b)	1,619	–	–
		<u>48,766</u>	<u>94,782</u>	<u>105,255</u>
Current assets				
Inventories	14	27,582	21,111	22,965
Trade and other receivables	15	24,972	32,834	46,991
Available-for-sale financial assets	16	–	9,519	37,068
Cash and cash equivalents	17	32,153	67,841	36,417
		<u>84,707</u>	<u>131,305</u>	<u>143,441</u>
Current liabilities				
Trade and other payables	18	106,546	136,247	178,565
Bank and other loans	19	23,300	20,600	–
Current taxation	20(a)	1,807	3,330	3,696
		<u>131,653</u>	<u>160,177</u>	<u>182,261</u>
Net current liabilities		<u>(46,946)</u>	<u>(28,872)</u>	<u>(38,820)</u>
Total assets less current liabilities		<u>1,820</u>	<u>65,910</u>	<u>66,435</u>
Non-current liabilities				
Deferred tax liabilities	20(b)	–	11,704	13,399
NET ASSETS		<u>1,820</u>	<u>54,206</u>	<u>53,036</u>
CAPITAL AND RESERVES				
Paid-in capital	21	3,000	3,000	3,000
Reserves	21	(1,180)	51,206	50,036
Total equity and equity attributable to equity holders of Xianyang Century Ginwa		<u>1,820</u>	<u>54,206</u>	<u>53,036</u>

The accompanying notes form part of the Financial Information.

3. Statements of financial position
(Expressed in RMB)

	Section B Note	At 31 December		
		2008 RMB'000	2009 RMB'000	2010 RMB'000
Non-current assets				
Fixed assets	11	43,890	91,247	105,255
Investment in a subsidiary	12	–	–	1,000
Loan receivable	13	3,257	3,535	–
Deferred tax assets	20(b)	1,619	–	–
		<u>48,766</u>	<u>94,782</u>	<u>106,255</u>
Current assets				
Inventories	14	27,582	21,111	22,965
Trade and other receivables	15	24,972	32,834	46,991
Available-for-sale financial assets	16	–	9,519	37,068
Cash and cash equivalents	17	32,153	67,841	35,417
		<u>84,707</u>	<u>131,305</u>	<u>142,441</u>
Current liabilities				
Trade and other payables	18	106,546	136,247	178,565
Bank and other loans	19	23,300	20,600	–
Current taxation	20(a)	1,807	3,330	3,696
		<u>131,653</u>	<u>160,177</u>	<u>182,261</u>
Net current liabilities		<u>(46,946)</u>	<u>(28,872)</u>	<u>(39,820)</u>
Total assets less current liabilities		<u>1,820</u>	<u>65,910</u>	<u>66,345</u>
Non-current liabilities				
Deferred tax liabilities	20(b)	–	11,704	13,399
NET ASSETS		<u>1,820</u>	<u>54,206</u>	<u>53,036</u>
CAPITAL AND RESERVES				
Paid-in capital	21	3,000	3,000	3,000
Reserves	21	(1,180)	51,206	50,036
TOTAL EQUITY		<u>1,820</u>	<u>54,206</u>	<u>53,036</u>

The accompanying notes form part of the Financial Information.

4. Consolidated statements of changes in equity

(Expressed in RMB)

Attributable to equity holders of Xianyang Century Ginwa						
					(Accumulated losses)/	Total (deficit)/
	Paid-in	Fair value	Property	Statutory	retained	equity
	capital	reserve	revaluation	reserves	profits	
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Section B	Section B	Section B	Section B		
	Note 21(c)	Note 21	Note 21	Note 21		
Section B		(d)(i)	(d)(ii)	(d)(iii)		
Balance at 1 January 2008	3,000	-	-	-	(5,134)	(2,134)
Changes in equity for 2008:						
Profit for the year and total comprehensive income for the year	-	-	-	-	3,954	3,954
Balance at 31 December 2008	3,000	-	-	-	(1,180)	1,820
Balance at 1 January 2009	3,000	-	-	-	(1,180)	1,820
Changes in equity for 2009:						
Profit for the year	-	-	-	-	10,916	10,916
Other comprehensive income	-	14	41,456	-	-	41,470
Total comprehensive income for the year	-	14	41,456	-	10,916	52,386
Appropriation to reserves	-	-	-	974	(974)	-
Balance at 31 December 2009	3,000	14	41,456	974	8,762	54,206
Balance at 1 January 2010	3,000	14	41,456	974	8,762	54,206
Changes in equity for 2010:						
Profit for the year	-	-	-	-	19,622	19,622
Other comprehensive income	-	37	9,002	-	-	9,039
Total comprehensive income for the year	-	37	9,002	-	19,622	28,661
Distributions	-	-	-	-	(29,831)	(29,831)
Balance at 31 December 2010	3,000	51	50,458	974	(1,447)	53,036

The accompanying notes form part of the Financial Information.

5. Consolidated cash flow statements

(Expressed in RMB)

	Section B Note	Years ended 31 December		
		2008 RMB'000	2009 RMB'000	2010 RMB'000
Operating activities				
Profit before taxation		6,569	15,118	26,792
Adjustments for:				
Depreciation	4(c)	6,837	8,231	12,440
Finance costs	4(a)	1,438	1,081	729
Net loss on disposal of fixed assets	3	4	1	347
Changes in working capital:				
(Increase)/decrease in inventories		(7,244)	6,471	(1,854)
Decrease/(increase) in trade and other receivables		727	(7,862)	(10,522)
Increase in trade and other payables		17,880	29,701	42,318
Cash generated from operations		26,211	52,741	70,250
Income tax paid	20(a)	(2,673)	(3,180)	(8,122)
Net cash generated from operating activities		23,538	49,561	62,128
Investing activities				
Proceeds from disposal of fixed assets		–	86	–
Payment for the purchase of fixed assets		(33,737)	(400)	(14,792)
Repayment of loan receivable		–	–	200
Payment for purchase of available- for-sale financial assets		(5,000)	(31,500)	(348,706)
Proceeds from sale of available- for-sale financial assets		5,000	22,000	321,206
Net cash used in investing activities		(33,737)	(9,814)	(42,092)

The accompanying notes form part of the Financial Information.

5. Consolidated cash flow statements (continued)

(Expressed in RMB)

	Section B Note	Years ended 31 December		
		2008 RMB'000	2009 RMB'000	2010 RMB'000
Financing activities				
Proceeds from new bank and other loans		24,000	20,000	20,000
Repayment of bank and other loans		(11,200)	(22,700)	(40,600)
Distributions to equity holders of Xianyang Century Ginwa	21(b)	–	–	(29,831)
Other finance costs paid		(1,695)	(1,359)	(1,029)
Net cash generated from/(used in) financing activities		<u>11,105</u>	<u>(4,059)</u>	<u>(51,460)</u>
Net increase/(decrease) in cash and cash equivalents		906	35,688	(31,424)
Cash and cash equivalents at 1 January	17	<u>31,247</u>	<u>32,153</u>	<u>67,841</u>
Cash and cash equivalents at 31 December	17	<u><u>32,153</u></u>	<u><u>67,841</u></u>	<u><u>36,417</u></u>

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1. Significant accounting policies***(a) Statement of compliance***

The Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Xianyang Century Ginwa Group has adopted all these new and revised HKFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2010. The new and revised accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2010 are set out in Section B Note 27.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all years presented in the Financial Information.

(b) Basis of preparation of the Financial Information

The Financial Information comprises the Xianyang Century Ginwa Group.

(c) Basis of measurement

The Financial Information is presented in RMB, rounded to the nearest thousand.

The Financial Information is prepared on the historical cost basis except for financial assets classified as available-for-sale (see Section B Note 1(f)) and buildings held for own use (see Section B Note 1(g)) which are stated at their fair value.

1. Significant accounting policies (continued)***(d) Use of estimates and judgments***

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Section B Note 26.

(e) Subsidiary

Subsidiary is an entity controlled by the Xianyang Century Ginwa Group. Control exists when the Xianyang Century Ginwa Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Xianyang Century Ginwa Group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interests in that subsidiary, with a resulting gain or loss being recognised in the statement of comprehensive income. Any equity interests retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In Xianyang Century Ginwa's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Section B Note 1(i)(i)), unless the investment is classified as held-for-sale.

1. Significant accounting policies (continued)**(f) Investments in available-for-sale financial assets**

Investments which do not fall into the categories of investments in securities held for trading and held-to-maturity are classified as available-for-sale investments. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the statement of comprehensive income in accordance with the policy set out in Section B Note 1(r)(iv). When these investments are derecognised or impaired (see Section B Note 1(i)(i)), the cumulative gain or loss is reclassified from equity to the statement of comprehensive income.

Investments are recognised/derecognised on the date the Xianyang Century Ginwa Group commits to purchase/sell the investments or they expire.

(g) Fixed assets

Buildings held for own use are stated at their revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the end of the reporting period.

Changes arising on the revaluation of buildings held for own use are generally dealt with in other comprehensive income and are accumulated separately in equity in the property revaluation reserve. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to the statement of comprehensive income to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and
- when a surplus arises on revaluation, it will be credited to the statement of comprehensive income to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the statement of comprehensive income.

Other items of fixed assets are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (See Section B Note 1(i)(ii)).

1. Significant accounting policies (continued)

(g) Fixed assets (continued)

The cost of self-constructed items of fixed assets includes the cost of materials and direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items restoring the site on which they are located.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the statement of comprehensive income on the date of retirement or disposal. Any related revaluation surplus is transferred from the property revaluation reserve to retained profits and is not reclassified to the statement of comprehensive income.

Depreciation is calculated to write off the cost or valuation of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful lives
Buildings held for own use	20 years
Leasehold improvements	3-5 years
Furniture, fixtures and equipment	3-10 years
Motor vehicles	5-10 years

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Xianyang Century Ginwa Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Xianyang Century Ginwa Group

Assets that are held by the Xianyang Century Ginwa Group under leases which transfer to the Xianyang Century Ginwa Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Xianyang Century Ginwa Group are classified as operating leases.

1. Significant accounting policies (continued)**(h) Leased assets (continued)****(ii) Operating lease charges**

Where the Xianyang Century Ginwa Group has the use of assets held under operating leases, payments made under the leases are charged to the statement of comprehensive income in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the statement of comprehensive income in the accounting period in which they are incurred.

(i) Impairment of assets**(i) Impairment of investments in available-for-sale financial assets and equity securities and receivables**

Investments in available-for-sale financial assets and equity securities, and non-current and current receivables that are stated at cost or amortised cost, are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Xianyang Century Ginwa Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1. Significant accounting policies (continued)**(i) Impairment of assets (continued)**

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investment in a subsidiary, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with Section B Note 1(i)(ii).

The impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount in accordance with Section B Note 1(i)(ii).

- For available-for-sale financial assets, the cumulative loss that has been recognised in the fair value reserve is reclassified to the statement of comprehensive income. The amount of the cumulative loss that is recognised in the statement of comprehensive income is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in the statement of comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the statement of comprehensive income.

- For non-current and current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

1. Significant accounting policies (continued)**(i) Impairment of assets (continued)**

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of comprehensive income. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of receivable whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Xianyang Century Ginwa Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the statement of comprehensive income.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that fixed assets (other than properties carried at revalued amounts) may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1. Significant accounting policies (continued)**(i) Impairment of assets (continued)**

- Recognition of impairment losses

An impairment loss is recognised in the statement of comprehensive income if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the statement of comprehensive income in the year in which the reversals are recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business subsequent to the financial year end date or to management estimates based on prevailing market conditions.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1. Significant accounting policies (continued)**(k) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (*see Section B Note 1(i)(i)*).

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the statement of comprehensive income over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(o) Employee benefits**(i) Short-term employee benefits and contributions to defined contribution retirement plans**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1. Significant accounting policies (continued)**(o) Employee benefits (continued)****(ii) Termination benefits**

Termination benefits are recognised when, and only when, the Xianyang Century Ginwa Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the statement of comprehensive income except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1. Significant accounting policies (continued)**(p) Income tax (continued)**

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investment in a subsidiary to the extent that, in the case of taxable differences, the Xianyang Century Ginwa Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Xianyang Century Ginwa Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Xianyang Century Ginwa Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1. Significant accounting policies (continued)**(q) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Xianyang Century Ginwa Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Xianyang Century Ginwa Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of comprehensive income as follows:

(i) Sale of goods and net income from concession sales

Revenue arising from the sale of goods and net income from concession sales are recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. No revenue or net income is recognised if there are significant uncertainties regarding recovery of the consideration due, the possible return of goods, or continuing management involvement with the goods.

(ii) Rental income from operating leases

Rental income under operating leases is recognised in the statement of comprehensive income in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the statement of comprehensive income as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

1. Significant accounting policies (continued)**(r) Revenue recognition (continued)****(iii) Customer loyalty programme**

The Xianyang Century Ginwa Group's customer loyalty programme awards customers credits which entitle the customers to the right to purchase products being sold by the Xianyang Century Ginwa Group. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the programme credits and the other components of the sale. The amount allocated to the programme credits is estimated by reference to the fair value of the right to purchase products being sold by the Xianyang Century Ginwa Group, adjusted to take into account the expected forfeiture rate. Such amount is deferred and revenue is recognised when the programme credits are redeemed and the Xianyang Century Ginwa Group has fulfilled its obligations to supply the products being sold by the Xianyang Century Ginwa Group. Deferred revenue is also released to revenue when it is no longer considered probable that the programme credits will be redeemed.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the statement of comprehensive income.

(t) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

1. Significant accounting policies (continued)**(u) Related parties**

For the purposes of the Financial Information, a party is considered to be related to the Xianyang Century Ginwa Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Xianyang Century Ginwa Group or exercise significant influence over the Xianyang Century Ginwa Group in making financial and operating policy decisions, or has joint control over the Xianyang Century Ginwa Group;
- (ii) the Xianyang Century Ginwa Group and the party are subject to common control;
- (iii) the party is a member of key management personnel of the Xianyang Century Ginwa Group or the Xianyang Century Ginwa Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (iv) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals;
or
- (v) the party is a post-employment benefit plan which is for the benefit of employees of the Xianyang Century Ginwa Group or of any entity that is a related party of the Xianyang Century Ginwa Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Xianyang Century Ginwa Group's senior executive management for the purpose of allocating resources to, and assessing the performance of, the Xianyang Century Ginwa Group's various lines of business.

1. Significant accounting policies (continued)

(v) *Segment reporting (continued)*

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Xianyang Century Ginwa Group's turnover is substantially derived from retail customers situated in the PRC and the Xianyang Century Ginwa Group's operating assets are substantially located in the North-western region of the PRC. Accordingly, no segment analysis based on geographical location of the customers and assets is provided.

2. Turnover

The principal activities of the Xianyang Century Ginwa Group are the operation of department stores and supermarkets in the PRC.

Turnover represents the sales value of goods sold to customers (net of value added tax or other sales tax and discounts), net income from concession sales, rental income from operating leases and management service fee income. The amount of each significant category of revenue recognised during the Relevant Period is analysed as follows:

	Years ended 31 December		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sale of goods	147,151	152,175	162,092
Net income from concession sales	50,256	61,319	76,827
Rental income from operating leases	3,862	3,185	4,446
Management service fee income	11,973	12,588	16,560
	<u>213,242</u>	<u>229,267</u>	<u>259,925</u>

The Xianyang Century Ginwa Group's customer base is diversified and has no customer with whom transactions have exceeded 10% of the Xianyang Century Ginwa Group's turnover during the Relevant Period. Details of concentrations of credit risk are set out in Section B Note 22(a).

Further details regarding the Xianyang Century Ginwa Group's principal activities are disclosed in Section B Note 10.

3. Other revenue and net loss

	Years ended 31 December		
	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
Other revenue			
Interest income	170	525	938
Investment income from available-for-sale financial assets (<i>Section B Note 9(b)</i>)	4	17	766
Others	200	178	805
	<u>374</u>	<u>720</u>	<u>2,509</u>
Other net loss			
Net loss on disposal of fixed assets	(4)	(1)	(347)

4. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	Years ended 31 December		
	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
Interest expenses on bank and other loans	1,411	967	477
Bank charges and other finance costs	284	392	552
Total borrowing costs	1,695	1,359	1,029
Finance income on loan receivable	(257)	(278)	(300)
	<u>1,438</u>	<u>1,081</u>	<u>729</u>

4. Profit before taxation (continued)

(b) Staff costs:

	Years ended 31 December		
	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
Salaries, wages and other benefits	13,983	13,921	20,091
Contributions to defined contribution retirement plans	1,131	2,067	3,680
	<u>15,114</u>	<u>15,988</u>	<u>23,771</u>

The employees of the Xianyang Century Ginwa Group participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby the Xianyang Century Ginwa Group are required to contribute to the schemes at 20% of the employees' basic salaries. Employees of the Xianyang Century Ginwa Group are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement schemes at their normal retirement age.

The Xianyang Century Ginwa Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

(c) Other items:

	Years ended 31 December		
	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
Depreciation (Section B Note 11)	6,837	8,231	12,440
Impairment losses on trade and other receivables (Section B Note 15(a))	367	788	874
Operating lease charges in respect of buildings	25,880	25,196	26,682
Cost of inventories sold (Section B Note 14)	<u>132,796</u>	<u>136,267</u>	<u>142,490</u>

5. Income tax in the consolidated statements of comprehensive income

(a) Taxation in the consolidated statements of comprehensive income represent:

	Years ended 31 December		
	2008 RMB'000	2009 RMB'000	2010 RMB'000
Current tax			
<i>(Section B Note 20(a)):</i>			
– Provision for PRC income tax for the year	3,512	4,703	8,488
Deferred tax			
<i>(Section B Note 20(b)):</i>			
– Origination and reversal of temporary differences	(897)	(501)	(1,318)
	<u>2,615</u>	<u>4,202</u>	<u>7,170</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended 31 December		
	2008 RMB'000	2009 RMB'000	2010 RMB'000
Profit before taxation	<u>6,569</u>	<u>15,118</u>	<u>26,792</u>
Expected tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned <i>(Note (i))</i>	1,642	3,780	6,698
Tax effect of non-deductible expenses	1,037	492	547
Tax effect of non-taxable income	(64)	(70)	(75)
Income tax	<u>2,615</u>	<u>4,202</u>	<u>7,170</u>

Note:

(i) The companies comprising the Xianyang Century Ginwa Group are subject to PRC Corporate income Tax rate at 25% during the Relevant Period.

6. Director's remuneration

The remuneration of the director of Xianyang Century Ginwa during the Relevant Period is as follows:

	Years ended 31 December		
	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
Director's fees	–	–	–
Salaries, allowances and benefits in kind	62	62	63
Discretionary bonuses	–	–	–
Retirement scheme contributions	–	–	–
	<u>62</u>	<u>62</u>	<u>63</u>

There were no amounts paid during the Relevant Period to the director in connection with his retirement from employment or compensation for loss of office with the Xianyang Century Ginwa Group, or inducement to join. There was no arrangement under which the director waived or agreed to waive any remuneration during the Relevant Period.

7. Individuals with highest emoluments

Of the five individuals with the highest emoluments, the emoluments of the one director during the Relevant Period are disclosed in Section B Note 6. The emoluments in respect of the four individuals who are not directors are as follows:

	Years ended 31 December		
	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
Salaries, allowances and benefits in kind	173	166	161
Discretionary bonuses	27	60	129
Retirement scheme contributions	3	6	11
	<u>203</u>	<u>232</u>	<u>301</u>

7. Individuals with highest emoluments (continued)

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Xianyang Century Ginwa Group are within the following band:

	Years ended 31 December		
	2008	2009	2010
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>
HK\$Nil- HK\$1,000,000	4	4	4

No emoluments were paid or payable to these employees as an inducement to join or upon joining the Xianyang Century Ginwa Group or as compensation for loss of office during the Relevant Period.

8. Profit attributable to equity shareholders of Xianyang Century Ginwa

The consolidated profit attributable to equity shareholders of Xianyang Century Ginwa includes profits of RMB4.0 million, RMB10.9 million and RMB19.6 million for each of the years ended 31 December 2008, 2009 and 2010, respectively, which have been dealt with in the financial statements of Xianyang Century Ginwa (see Section B Note 21(a)).

9. Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	Years ended 31 December								
	2008			2009			2010		
	Before tax amount <i>RMB'000</i>	Tax expense <i>RMB'000</i>	Net-of-tax amount <i>RMB'000</i>	Before tax amount <i>RMB'000</i>	Tax expense <i>RMB'000</i>	Net-of-tax amount <i>RMB'000</i>	Before tax amount <i>RMB'000</i>	Tax expense <i>RMB'000</i>	Net-of-tax amount <i>RMB'000</i>
					<i>Section B Note 20(b)</i>			<i>Section B Note 20(b)</i>	
Available-for-sale financial assets: net movement in fair value reserve	-	-	-	19	(5)	14	49	(12)	37
Surplus on revaluation of buildings held for own use (<i>Section B Note 11</i>)	-	-	-	55,275	(13,819)	41,456	12,003	(3,001)	9,002
Other comprehensive income	-	-	-	55,294	(13,824)	41,470	12,052	(3,013)	9,039

9. Other comprehensive income (continued)

(b) *Reclassification adjustments relating to components of other comprehensive income*

	Years ended 31 December		
	2008 RMB'000	2009 RMB'000	2010 RMB'000
Available-for-sale financial assets:			
Changes in fair value			
recognised during the year	4	31	803
Reclassification adjustments for amounts transferred to consolidated statements of comprehensive income:			
– gain on sale (Section B Note 3)	(4)	(17)	(766)
Net movement in the fair value reserve during the year recognised in other comprehensive income	<u>–</u>	<u>14</u>	<u>37</u>

10. Segment reporting

The Xianyang Century Ginwa Group manages its businesses by lines of business. In a manner consistent with the way in which information is reported internally to the Xianyang Century Ginwa Group's most senior executive management for the purposes of resource allocation and performance assessment, the Xianyang Century Ginwa Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Department stores: this segment operates 2 department stores.
- Supermarkets: this segment operates 5 supermarkets.

10. Segment reporting (continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Xianyang Century Ginwa Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue and net income generated by those segments and the expenses incurred by those segments. However, assistance provided by one segment to another is not measured.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including interest and investment income and "depreciation and amortisation" is regarded as including impairment losses on tangible assets. To arrive at adjusted EBITDA, the Xianyang Century Ginwa Group's earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs. No inter-segment sales have occurred during the Relevant Period.

Segment assets and liabilities are not monitored by the Xianyang Century Ginwa Group's senior executive management.

Information regarding the Xianyang Century Ginwa Group's reportable segments as provided to the Xianyang Century Ginwa Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for each of the years ended 31 December 2008, 2009 and 2010 is set out below.

	Year ended 31 December 2008		
	Department		Total
	stores	Supermarkets	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers and reportable segment revenue	<u>70,495</u>	<u>142,747</u>	<u>213,242</u>
Reportable segment profit/(loss) (adjusted EBITDA)	<u>22,164</u>	<u>(1,138)</u>	<u>21,026</u>

10. Segment reporting (continued)

	Year ended 31 December 2009		
	Department		
	stores	Supermarkets	Total
	RMB'000	RMB'000	RMB'000
Revenue from external customers and reportable segment revenue	80,089	149,178	229,267
Reportable segment profit (adjusted EBITDA)	28,888	2,755	31,643

	Year ended 31 December 2010		
	Department		
	stores	Supermarkets	Total
	RMB'000	RMB'000	RMB'000
Revenue from external customers and reportable segment revenue	97,177	162,748	259,925
Reportable segment profit (adjusted EBITDA)	41,615	6,392	48,007

(b) Reconciliations of reportable segment profit

	Years ended 31 December		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Reportable segment profit	21,026	31,643	48,007
Other revenue	374	720	2,509
Other net loss	(4)	(1)	(347)
Depreciation	(6,837)	(8,231)	(12,440)
Finance costs	(1,438)	(1,081)	(729)
Unallocated expenses	(6,552)	(7,932)	(10,208)
Profit before taxation	6,569	15,118	26,792

11. Fixed assets

The Xianyang Century Ginwa Group and Xianyang Century Ginwa

	Buildings held for own use RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:					
At 1 January 2008	–	15,508	13,378	1,427	30,313
Additions	25,145	5,578	3,014	–	33,737
Disposals	–	(22)	–	–	(22)
At 31 December 2008	25,145	21,064	16,392	1,427	64,028
Accumulated depreciation:					
At 1 January 2008	–	4,562	8,002	755	13,319
Charge for the year	280	4,231	2,167	159	6,837
Written back on disposals	–	(18)	–	–	(18)
At 31 December 2008	280	8,775	10,169	914	20,138
Net book value:					
At 31 December 2008	24,865	12,289	6,223	513	43,890
Cost or valuation:					
At 1 January 2009	25,145	21,064	16,392	1,427	64,028
Additions	–	22	378	–	400
Disposals	–	(86)	(42)	–	(128)
Surplus on revaluation	55,275	–	–	–	55,275
Less: elimination of accumulated depreciation	(1,420)	–	–	–	(1,420)
At 31 December 2009	79,000	21,000	16,728	1,427	118,155
Representing:					
Cost	–	21,000	16,728	1,427	39,155
Valuation – 2009	79,000	–	–	–	79,000
	79,000	21,000	16,728	1,427	118,155

11. Fixed assets (continued)

	Buildings held for own use <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
Accumulated depreciation:					
At 1 January 2009	280	8,775	10,169	914	20,138
Charge for the year	1,140	4,824	2,117	150	8,231
Written back on disposals	-	-	(41)	-	(41)
Elimination on revaluation	(1,420)	-	-	-	(1,420)
At 31 December 2009	<u>-</u>	<u>13,599</u>	<u>12,245</u>	<u>1,064</u>	<u>26,908</u>
Net book value:					
At 31 December 2009	<u>79,000</u>	<u>7,401</u>	<u>4,483</u>	<u>363</u>	<u>91,247</u>
Cost or valuation:					
At 1 January 2010	79,000	21,000	16,728	1,427	118,155
Additions	-	12,720	2,072	-	14,792
Disposals	-	(540)	(4,893)	(401)	(5,834)
Surplus on revaluation	12,003	-	-	-	12,003
Less: elimination of accumulated depreciation	(4,003)	-	-	-	(4,003)
At 31 December 2010	<u>87,000</u>	<u>33,180</u>	<u>13,907</u>	<u>1,026</u>	<u>135,113</u>
Representing:					
Cost	-	33,180	13,907	1,026	48,113
Valuation - 2010	87,000	-	-	-	87,000
	<u>87,000</u>	<u>33,180</u>	<u>13,907</u>	<u>1,026</u>	<u>135,113</u>
Accumulated depreciation:					
At 1 January 2010	-	13,599	12,245	1,064	26,908
Charge for the year	4,003	6,160	2,132	145	12,440
Written back on disposals	-	(523)	(4,575)	(389)	(5,487)
Elimination on revaluation	(4,003)	-	-	-	(4,003)
At 31 December 2010	<u>-</u>	<u>19,236</u>	<u>9,802</u>	<u>820</u>	<u>29,858</u>
Net book value:					
At 31 December 2010	<u>87,000</u>	<u>13,944</u>	<u>4,105</u>	<u>206</u>	<u>105,255</u>

The Xianyang Century Ginwa Group's buildings held for own use were acquired in August 2008. The buildings were revalued at 31 December 2009 and 2010 based on direct comparison method by reference to market transactions in comparable properties. The valuations were carried out by a qualified surveyor who is an associate member of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

12. Investment in a subsidiary

	Xianyang Century Ginwa		
	At 31 December		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted shares, at cost	–	–	1,000

The following contains the particulars of the subsidiary of the Xianyang Century Ginwa Group:

Name of company	Place of establishment and operations	Particulars of registered and paid up capital	The Xianyang Century Ginwa Group's effective interest held by Xianyang Century Ginwa	Principal activities
Xianyang Yuehe Property Management Company Limited* 咸陽悅和物業管理有限公司	PRC	RMB1,000,000	100%	Properties management

* *The English translation of the name of the company is for reference only. The official name of the company is in Chinese.*

13. Loan receivable

	The Xianyang Century Ginwa Group and Xianyang Century Ginwa		
	At 31 December		
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loan receivable from a third party (Note (i))	3,257	3,535	3,635
Less: current portion of loan receivable classified as trade and other receivables	–	–	(3,635)
	<u>3,257</u>	<u>3,535</u>	<u>–</u>

Note:

(i) The loan receivable from a third party is unsecured, bearing interest ranging from 8.42% to 9.95% per annum, and is repayable in 2011.

14. Inventories

The Xianyang Century Ginwa Group and Xianyang Century Ginwa At 31 December			
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Merchandises	27,212	20,304	22,257
Low value consumables	887	807	708
	28,099	21,111	22,965
Less: write-down of inventories	(517)	–	–
	<u>27,582</u>	<u>21,111</u>	<u>22,965</u>

An analysis of the amount of inventories recognised as an expense and included in the consolidated statements of comprehensive income during the Relevant Period is as follows:

The Xianyang Century Ginwa Group and Xianyang Century Ginwa Years ended 31 December			
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of inventories sold	132,279	136,784	142,490
Write-down of inventories	517	(517)	–
	<u>132,796</u>	<u>136,267</u>	<u>142,490</u>

15. Trade and other receivables

The Xianyang Century Ginwa Group and Xianyang Century Ginwa At 31 December			
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments, deposits and other receivables	25,339	33,989	49,020
Less: allowance for doubtful debts (Section B Note 15(a))	(367)	(1,155)	(2,029)
	<u>24,972</u>	<u>32,834</u>	<u>46,991</u>

Except for deposits of RMB2.1 million, RMB2.3 million and RMB2.1 million as at 31 December 2008, 2009 and 2010, respectively, all of the remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) *Impairment of trade and other receivables*

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Xianyang Century Ginwa Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly (See Section B Note 1(i)(i)).

The movement in the allowance for doubtful debts during the Relevant Period is as follows:

The Xianyang Century Ginwa Group and Xianyang Century Ginwa Years ended 31 December			
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	–	367	1,155
Impairment loss recognised	367	788	874
At 31 December	<u>367</u>	<u>1,155</u>	<u>2,029</u>

15. Trade and other receivables (continued)

At 31 December 2008, 2009 and 2010, trade and other receivables of RMB0.4 million, RMB1.2 million and RMB2.0 million, respectively, were individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that these receivables were irrecoverable. The Xianyang Century Ginwa Group and Xianyang Century Ginwa do not hold any collateral over these balances.

16. Available-for-sale financial assets

**The Xianyang Century Ginwa Group and
Xianyang Century Ginwa
At 31 December**

	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted available-for-sale debt securities	–	9,519	37,068
	<u> </u>	<u> </u>	<u> </u>

17. Cash and cash equivalents

The Xianyang Century Ginwa Group

At 31 December

	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and in hand	32,153	67,841	36,417
	<u> </u>	<u> </u>	<u> </u>

Xianyang Century Ginwa

At 31 December

	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and in hand	32,153	67,841	35,417
	<u> </u>	<u> </u>	<u> </u>

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

18. Trade and other payables

The Xianyang Century Ginwa Group and Xianyang Century Ginwa At 31 December			
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payable arising from:			
– Concession sales	23,048	28,177	35,787
– Purchase of inventories	16,638	16,453	17,192
	39,686	44,630	52,979
Other payables and accrued expenses	17,562	22,354	32,157
Financial liabilities measured at amortised cost	57,248	66,984	85,136
Receipts in advance	48,742	67,733	91,017
Deferred income	556	1,369	2,068
Provision for legal claims	–	161	344
	<u>106,546</u>	<u>136,247</u>	<u>178,565</u>

All of the trade and other payables are expected to be settled or recognised as income within one year.

Ageing analysis

Included in trade and other payables are trade payable with the following ageing analysis as of the end of the reporting periods:

The Xianyang Century Ginwa Group and Xianyang Century Ginwa At 31 December			
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Due within one month or on demand	39,686	44,630	52,979
	<u>39,686</u>	<u>44,630</u>	<u>52,979</u>

19. Bank and other loans

The Xianyang Century Ginwa Group's and Xianyang Century Ginwa's short-term bank and other loans are analysed as follows:

The Xianyang Century Ginwa Group and Xianyang Century Ginwa At 31 December			
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans:			
– secured by properties of a third party	10,000	20,000	–
– unsecured and unguaranteed	10,000	–	–
	20,000	20,000	–
Other loans:			
– unsecured and unguaranteed	3,300	600	–
	<u>23,300</u>	<u>20,600</u>	<u>–</u>

At 31 December 2008, 2009 and 2010, none of the Xianyang Century Ginwa Group's and Xianyang Century Ginwa's short-term bank and other loans contain covenants commonly found in lending arrangements with financial institutions. Further details of the Xianyang Century Ginwa Group's and Xianyang Century Ginwa's management of liquidity risk are set out in Section B Note 22(b).

20. Income tax in the statements of financial position

(a) *Movements in current taxation during the Relevant Period are as follows:*

The Xianyang Century Ginwa Group and Xianyang Century Ginwa At 31 December			
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance of income tax payable at 1 January	968	1,807	3,330
Provision for income tax on the estimated taxable profit for the year (Section B Note 5(a))	3,512	4,703	8,488
Income tax paid during the year	(2,673)	(3,180)	(8,122)
Balance of income tax payable at 31 December	<u>1,807</u>	<u>3,330</u>	<u>3,696</u>

20. Income tax in the statements of financial position (continued)

(b) *Deferred tax assets and liabilities recognised*

The Xianyang Century Ginwa Group and Xianyang Century Ginwa

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the Relevant Period are as follows:

	Assets				Liabilities			Net
	Impairment losses on trade and other receivables	Write-down of inventories	Accrued expenses and deferred income	Total	Fair value adjustments on available-for-sale financial assets	Property revaluation and related depreciation	Total	
Deferred tax arising from:	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	-	-	722	722	-	-	-	722
Charged to the consolidated statements of comprehensive income (Section B Note 5(a))	92	129	676	897	-	-	-	897
At 31 December 2008	92	129	1,398	1,619	-	-	-	1,619
At 1 January 2009	92	129	1,398	1,619	-	-	-	1,619
Charged/(credited) to the consolidated statements of comprehensive income (Section B Notes 5(a) and 9(a))	197	(129)	433	501	(5)	(13,819)	(13,824)	(13,323)
At 31 December 2009	289	-	1,831	2,120	(5)	(13,819)	(13,824)	(11,704)
At 1 January 2010	289	-	1,831	2,120	(5)	(13,819)	(13,824)	(11,704)
Charged/(credited) to the consolidated statements of comprehensive income (Section B Notes 5(a) and 9(a))	219	-	383	602	(12)	(2,285)	(2,297)	(1,695)
At 31 December 2010	508	-	2,214	2,722	(17)	(16,104)	(16,121)	(13,399)

21. Capital, reserves and distributions

(a) *Movements in components of equity*

The reconciliation between the opening and closing balances of each component of the Xianyang Century Ginwa Group's consolidated equity is set out in the consolidated statements of changes in equity.

21. Capital, reserves and distributions (continued)

(a) Movements in components of equity (continued)

Details of the changes in Xianyang Century Ginwa's individual components of equity during the Relevant Period are set out below:

	Paid-in capital RMB'000 Section B Note 21(c)	Fair value reserve RMB'000 Section B Note 21(d)(i)	Property revaluation reserve RMB'000 Section B Note 21(d)(ii)	Statutory reserves RMB'000 Section B Note 21(d)(iii)	(Accumulated losses)/ retained profits RMB'000	Total (deficit)/ equity RMB'000
Balance at 1 January 2008	3,000	-	-	-	(5,134)	(2,134)
Changes in equity for 2008:						
Profit for the year and total comprehensive income for the year	-	-	-	-	3,954	3,954
Balance at 31 December 2008	3,000	-	-	-	(1,180)	1,820
Balance at 1 January 2009	3,000	-	-	-	(1,180)	1,820
Changes in equity for 2009:						
Profit for the year	-	-	-	-	10,916	10,916
Other comprehensive income	-	14	41,456	-	-	41,470
Total comprehensive income for the year	-	14	41,456	-	10,916	52,386
Appropriation to reserves	-	-	-	974	(974)	-
Balance at 31 December 2009	3,000	14	41,456	974	8,762	54,206
Balance at 1 January 2010	3,000	14	41,456	974	8,762	54,206
Changes in equity for 2010:						
Profit for the year	-	-	-	-	19,622	19,622
Other comprehensive income	-	37	9,002	-	-	9,039
Total comprehensive income for the year	-	37	9,002	-	19,622	28,661
Distributions (Section B Note 21(b))	-	-	-	-	(29,831)	(29,831)
Balance at 31 December 2010	3,000	51	50,458	974	(1,447)	53,036

21. Capital, reserves and distributions (continued)

(b) Distributions

Distributions to the equity holders of Xianyang Century Ginwa during the Relevant Period were as follows:

	Years ended 31 December		
	2008 RMB'000	2009 RMB'000	2010 RMB'000
Distributions	–	–	29,831

(c) Paid-in capital

The paid-in capital of the Xianyang Century Ginwa Group as at 1 January 2008 and 31 December 2008, 2009 and 2010 represented the paid-in capital of Xianyang Century Ginwa.

(d) Nature and purpose of reserves

(i) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policies in Section B Notes 1(f) and 1(i)(i).

(ii) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for buildings held for own use in Section B Note 1(g).

(iii) Statutory reserves

In accordance with the articles of association of Xianyang Century Ginwa and its subsidiary, these companies are required to set up certain statutory reserves, which are non-distributable. The transfer of these reserves are at the discretion of the directors of the companies. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

21. Capital, reserves and distributions (continued)**(e) Distributable reserves**

At 31 December 2008, 2009 and 2010, the aggregate amount of reserves available for distribution to equity holders of Xianyang Century Ginwa was RMBNil, RMB8.8 million and RMBNil, respectively.

(f) Capital management

The Xianyang Century Ginwa Group's primary objectives when managing capital are to safeguard the Xianyang Century Ginwa Group's ability to continue as a going concern, so that it can continue to provide returns for equity holders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Xianyang Century Ginwa Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity holder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Xianyang Century Ginwa Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank and other loans and trade and other payables measured at amortised cost), less cash and cash equivalents and available-for-sale financial assets. Adjusted capital comprises all components of equity.

During the Relevant Period, the Xianyang Century Ginwa Group's strategy was to continue to lower the adjusted net debt-to-capital ratio to an acceptable level. In order to improve the Xianyang Century Ginwa Group's capital structure, the Xianyang Century Ginwa Group may adjust the amount of distributions paid to equity holders, raise new capital, raise new debt financing or sell assets to reduce debt.

21. Capital, reserves and distributions (continued)

(f) Capital management (continued)

The adjusted net debt-to-capital ratio at 31 December 2008, 2009 and 2010 is as follows:

The Xianyang Century Ginwa Group			
At 31 December			
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities:			
Bank and other loans	23,300	20,600	–
Trade and other payables measured at amortised cost	57,248	66,984	85,136
Total debt	80,548	87,584	85,136
Less: cash and cash equivalents available-for-sale financial assets	(32,153)	(67,841)	(36,417)
	–	(9,519)	(37,068)
Adjusted net debt	48,395	10,224	11,651
Total equity and adjusted capital	1,820	54,206	53,036
Adjusted net debt-to-capital ratio	2,659%	19%	22%
Xianyang Century Ginwa			
At 31 December			
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities:			
Bank and other loans	23,300	20,600	–
Trade and other payables measured at amortised cost	57,248	66,984	85,136
Total debt	80,548	87,584	85,136
Less: cash and cash equivalents available-for-sale financial assets	(32,153)	(67,841)	(35,417)
	–	(9,519)	(37,068)
Adjusted net debt	48,395	10,224	12,651
Total equity and adjusted capital	1,820	54,206	53,036
Adjusted net debt-to-capital ratio	2,659%	19%	24%

21. Capital, reserve and distributions (continued)

Neither Xianyang Century Ginwa nor its subsidiary is subject to externally imposed capital requirements.

22. Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Xianyang Century Ginwa Group's business.

The Xianyang Century Ginwa Group's exposure to these risks and the financial risk management policies and practices used by the Xianyang Century Ginwa Group to manage these risks are described below.

(a) Credit risk

The Xianyang Century Ginwa Group's credit risk is primarily attributable to trade and other receivables and loan receivable. Management has a credit policy in place, and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables and loan receivable, individual credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. Trade receivables are generally due within 3 months from the date of billing. Normally, the Xianyang Century Ginwa Group does not obtain collateral from debtors.

The Xianyang Century Ginwa Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor rather than the industry or country in which the debtors operate and therefore significant concentrations of credit risk primarily arise when the Xianyang Century Ginwa Group has significant exposure to individual debtors. At 31 December 2008, 2009 and 2010, there were no significant outstanding trade debtor balances.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial assets in the consolidated statements of financial position after deducting any impairment allowance. The Xianyang Century Ginwa Group does not provide any guarantees which would expose the Xianyang Century Ginwa Group or Xianyang Century Ginwa to credit risk.

Further quantitative disclosures in respect of the Xianyang Century Ginwa Group's exposure to credit risk arising from loan receivable and trade and other receivables are set out in Section B Notes 13 and 15.

22. Financial risk management and fair values (continued)

(b) Liquidity risk

Individual operating entities within the Xianyang Century Ginwa Group are responsible for their own cash management, including the short-term investment of cash surplus and raising of loans to cover expected cash demands, subject to approval by Xianyang Century Ginwa's director when the borrowings exceed certain predetermined level of authority. The Xianyang Century Ginwa Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

At 31 December 2008, 2009 and 2010, the Xianyang Century Ginwa Group had net current liabilities of RMB46.9 million, RMB28.9 million and RMB38.8 million, respectively. The Xianyang Century Ginwa Group will continue to undertake various measures in order to further improve its liquidity position in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting periods of the Xianyang Century Ginwa Group's and of Xianyang Century Ginwa's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting periods) and the earliest date the Xianyang Century Ginwa Group and Xianyang Century Ginwa can be required to pay:

The Xianyang Century Ginwa Group and Xianyang Century Ginwa

	2008					Carrying amount at 31 December
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trade and other payables measured at amortised cost	57,248	-	-	-	57,248	57,248
Bank and other loans	23,574	-	-	-	23,574	23,300
	80,822	-	-	-	80,822	80,548

22. Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

	2009					Carrying amount at 31 December RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade and other payables measured at amortised cost	66,984	-	-	-	66,984	66,984
Bank and other loans	20,768	-	-	-	20,768	20,600
	87,752	-	-	-	87,752	87,584

	2010					Carrying amount at 31 December RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Trade and other payables measured at amortised cost	85,136	-	-	-	85,136	85,136

(c) Interest rate risk

The Xianyang Century Ginwa Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Xianyang Century Ginwa Group to cash flow interest rate risk and fair value interest rate risk respectively.

22. Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Xianyang Century Ginwa Group's and of Xianyang Century Ginwa's borrowings at the end of the reporting periods.

The Xianyang Century Ginwa Group and Xianyang Century Ginwa At 31 December						
	2008		2009		2010	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings:						
Bank and other loans	8.19%	10,000	5.43%	20,000	-	-
Variable rate borrowings:						
Bank and other loans	7.52%	10,000	-	-	-	-
Total borrowings		<u>20,000</u>		<u>20,000</u>		<u>-</u>
Fixed rate borrowings as a percentage of total borrowings		<u>50%</u>		<u>100%</u>		<u>-</u>

(ii) Sensitivity analysis

At 31 December 2008, 2009 and 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Xianyang Century Ginwa Group's profit after tax and retained profits by approximately RMB0.1 million, RMBNil and RMBNil, respectively.

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative financial instruments held by the Xianyang Century Ginwa Group at the end of the reporting periods, the impact on the Xianyang Century Ginwa Group's profit after tax and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates. The sensitivity analysis is performed on the same basis for the Relevant Period.

22. Financial risk management and fair values (continued)**(d) Currency risk**

The Xianyang Century Ginwa Group is not exposed to currency risk as no transactions are conducted in a foreign currency other than the functional currency of the operations to which the transactions relate.

(e) Fair values**(i) Financial instruments carried at fair value**

The carrying values of the Xianyang Century Ginwa Group's available-for-sale financial assets are measured at fair value at the end of the reporting periods in accordance with the fair value hierarchy defined in HKFRS 7, *Financial Instruments: Disclosures*, with the fair value of the financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The Xianyang Century Ginwa Group's available-for-sale financial assets are all measured under Level 2.

22. Financial risk management and fair values (continued)

(e) Fair values (continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Xianyang Century Ginwa Group's and Xianyang Century Ginwa's financial instruments carried at cost or amortised cost are not materially different from their fair values as at the end of the reporting periods except as follows:

The Xianyang Century Ginwa Group and Xianyang Century Ginwa At 31 December					
2008		2009		2010	
Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Long-term loan receivable	3,257	3,320	3,535	–	–

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Available-for-sale financial assets

The fair value of available-for-sale financial assets is determined based on the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

22. Financial risk management and fair values (continued)

(f) Estimation of fair values (continued)

(ii) Long-term loan receivable

The Xianyang Century Ginwa Group uses the interest rate published by the People's Bank of China as of 31 December 2008, 2009 and 2010 plus an adequate constant credit spread to discount long-term loan receivable. The interest rates used are as follows:

The Xianyang Century Ginwa Group and Xianyang Century Ginwa At 31 December			
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Long-term loan receivable	7.49%	7.49%	–

23. Commitments

(a) Operating lease commitments

At 31 December 2008, 2009 and 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

The Xianyang Century Ginwa Group and Xianyang Century Ginwa At 31 December			
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	24,590	26,226	20,172
After 1 year but within 5 years	75,227	62,638	54,637
After 5 years	102,659	88,682	75,600
	<u>202,476</u>	<u>177,546</u>	<u>150,409</u>

The Xianyang Century Ginwa Group leases properties for the use by its department stores and supermarkets under operating leases. The leases typically run for an initial period of 5 to 20 years, where all terms are renegotiated upon renewal. None of the leases includes contingent lease rentals.

23. Commitments (continued)

(b) *Properties leased out under operating leases*

At 31 December 2008, 2009 and 2010, the Xianyang Century Ginwa Group's and Xianyang Century Ginwa's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

The Xianyang Century Ginwa Group and Xianyang Century Ginwa At 31 December			
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	2,383	2,383	4,712
After 1 year but within 5 years	9,366	7,566	5,494
After 5 years	778	195	–
	<u>12,527</u>	<u>10,144</u>	<u>10,206</u>

The Xianyang Century Ginwa Group leases out part of its department stores under operating leases. The leases typically run for an initial period of 1 to 8 years, where all terms are renegotiated upon renewal. Certain of the leases include contingent rentals which are calculated based on a fixed percentage on the tenants' turnover.

24. Material related party transactions

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to Xianyang Century Ginwa's director as disclosed in Section B Note 6 and the highest paid employees as disclosed in Section B Note 7, is as follows:

Years ended 31 December			
	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	481	501	557
Discretionary bonuses	27	24	35
Retirement scheme contributions	18	21	25
	<u>526</u>	<u>546</u>	<u>617</u>

Total remuneration is recorded in "staff costs" (See Section B Note 4(b)).

25. Immediate and ultimate controlling party

At 31 December 2008, 2009 and 2010, the directors of the Company consider the immediate and ultimate controlling party of the Xianyang Century Ginwa Group to be Mr. Zhu Jianqin.

26. Accounting judgements and estimates

Section B Note 22(e) contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of receivables

The management maintains an allowance for doubtful accounts for estimated losses resulting from the inability of the debtors to make the required payments. The management bases the estimates on the ageing of the individual receivable balance, debtor credit-worthiness and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment of long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of long-lived assets as described in Section B Note 1(i)(ii). The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Xianyang Century Ginwa Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

26. Accounting judgements and estimates (continued)

(c) Depreciation

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The management reviews the estimated useful lives and the residual values of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and the residual values are based on historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

27. Possible impact of new standards, amendments to standards and interpretations issued but not yet effective for the year ended 31 December 2010

Up to the date of issue of the Financial Information, the HKICPA has issued a number of new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 December 2010 and which have not been adopted in the Financial Information.

	Effective for accounting period beginning on or after
Amendments to HKAS 32, <i>Financial instruments: Presentation – classification of rights issues</i>	1 February 2010
HK(IFRIC) 19, <i>Extinguishing financial liabilities with equity instruments</i>	1 July 2010
Amendments to HKFRS 1, <i>First-time adoption of Hong Kong Financial Reporting Standards – Limited exemption from comparative HKFRS 7 disclosures for first-time adopters</i>	1 July 2010
Amendments to HKFRS 1, <i>First-time adoption of Hong Kong Financial Reporting Standards – Severe hyperinflation and removal of fixed dates for first-time adopters</i>	1 July 2011
Improvements to HKFRSs (2010)	1 July 2010 or 1 January 2011

27. Possible impact of new standards, amendments to standards and interpretations issued but not yet effective for the year ended 31 December 2010 (continued)

	Effective for accounting period beginning on or after
Revised HKAS 24, <i>Related party disclosures</i>	1 January 2011
Amendments to HK(IFRIC) 14, <i>HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement</i>	1 January 2011
Amendments to HKFRS 7, <i>Financial instruments: Disclosures – Transfer of financial assets</i>	1 July 2011
Amendments to HKAS 12, <i>Income taxes – Deferred tax: Recovery of underlying assets</i>	1 January 2012
HKFRS 9, <i>Financial instruments (2009)</i> Basis for conclusions on HKFRS 9 (2009) Amendments to other HKFRSs and guidance on HKFRS 9 (2009)	1 January 2013
HKFRS 9, <i>Financial instruments (2010)</i> Basis for conclusions on HKFRS 9 (2010) Implementation guidance on HKFRS 9 (2010)	1 January 2013

The directors of the Company have confirmed that the Xianyang Century Ginwa Group has commenced considering the potential impact of the above new standards, amendments to standards and interpretations but is not yet in a position to determine whether these new standards, amendments to standards and interpretations will have a significant impact on how the results of operations and financial position are prepared and presented. These new standards, amendments to standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

C SUBSEQUENT EVENT

On 1 December 2010, the equity holders of Xianyang Century Ginwa has entered into an agreement with Shine Will Limited (“Shine Will”), a wholly-owned subsidiary of Ideal Mix, to dispose of their 100% equity interests in Xianyang Century Ginwa to Shine Will for a consideration of RMB60.0 million. Upon completion of the above transaction on 18 February 2011, Ideal Mix became the holding company of the Xianyang Century Ginwa Group.

On 31 January 2011, the Company announced that the Company, through one of its subsidiaries, is to acquire 100% equity interests in Ideal Mix. This transaction requires the approval by the shareholders of the Company in a special general meeting to be held on 16 May 2011.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Xianyang Century Ginwa and its subsidiary in respect of any period subsequent to 31 December 2010.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

A UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information of the Enlarged Group, comprising the unaudited pro forma consolidated statement of financial position as at 31 December 2010, prepared in accordance with Rule 4.29 and Rule 14.67(6)(a)(ii) of the Listing Rules is for illustrative purposes only, and is set forth here to illustrate the effect of the proposed Acquisition on the Enlarged Group's consolidated statement of financial position as at 31 December 2010 as if the Acquisition had taken place on 31 December 2010.

The unaudited pro forma financial information has been prepared using accounting policies consistent with that of the Group and based on the audited consolidated statement of financial position of the Group as at 31 December 2010 as extracted from the Group's published annual financial report for the year ended 31 December 2010 as mentioned in the "Financial Information of the Group" in Appendix I, the consolidated statement of financial position of the Ideal Mix Group as at 31 December 2010 as extracted from the "Accountants' Report of Ideal Mix Group" in Appendix II and the consolidated statement of financial position of the Xianyang Century Ginwa Group as at 31 December 2010 as extracted from the "Accountants' Report of Xianyang Century Ginwa Group" in Appendix III, after making certain pro forma adjustments as described below. A narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; and (ii) factually supportable, is summarised in the notes below.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma consolidated statement of financial position of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 December 2010 or any future date. Furthermore, the accompanying unaudited pro forma consolidated statement of financial position of the Enlarged Group does not purport to give a true picture of the Enlarged Group's financial position or predict the Enlarged Group's future financial position.

The unaudited pro forma financial information should be read in conjunction with the "Financial Information of the Group" set forth in Appendix I to this circular, the accountants' report of the Ideal Mix Group set forth in Appendix II to this circular, the accountants' report of the Xianyang Century Ginwa Group set forth in Appendix III to this circular, the "Management Discussion and Analysis of the Target Group" set forth in Appendix V to this circular and other financial information included elsewhere of this circular.

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
**1 UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OF THE ENLARGED GROUP**

	Audited consolidated statement of financial position of the Group as at 31 December 2010 HK\$'000	Audited consolidated statement of financial position of the Ideal Mix Group as at 31 December 2010 HK\$'000 <i>Note 2(a)</i>	Audited consolidated statement of financial position of the Xianyang Century Ginwa Group as at 31 December 2010 HK\$'000 <i>Note 2(b)</i>	Sub-total HK\$'000	Pro forma adjustments		Unaudited pro forma consolidated statement of financial position of the Enlarged Group HK\$'000
					HK\$'000	HK\$'000	
Non-current assets							
Fixed assets	994,397	–	123,694	1,118,091	–	–	1,118,091
Intangible assets	403,199	–	–	403,199	82,534	–	485,733
Goodwill	1,081,609	–	–	1,081,609	276,823	–	1,358,432
Loans receivables	681,174	–	–	681,174	–	–	681,174
Deferred tax assets	30,447	–	–	30,447	–	–	30,447
	<u>3,190,826</u>	<u>–</u>	<u>123,694</u>	<u>3,314,520</u>	<u>359,357</u>	<u>–</u>	<u>3,673,877</u>
Current assets							
Inventories	43,488	–	26,988	70,476	–	–	70,476
Trade and other receivables	156,992	6	55,223	212,221	–	–	212,221
Available-for-sale financial assets	–	–	43,562	43,562	–	–	43,562
Cash and cash equivalents	115,101	118	42,797	158,016	(263,076)	443,500	338,440
	<u>315,581</u>	<u>124</u>	<u>168,570</u>	<u>484,275</u>	<u>(263,076)</u>	<u>443,500</u>	<u>664,699</u>
Current liabilities							
Trade and other payables	1,198,103	143	209,846	1,408,092	–	(1,808)	1,406,284
Bank and other loans	149,371	–	–	149,371	–	–	149,371
Current taxation	65,231	–	4,343	69,574	–	–	69,574
	<u>1,412,705</u>	<u>143</u>	<u>214,189</u>	<u>1,627,037</u>	<u>–</u>	<u>(1,808)</u>	<u>1,625,229</u>
Net current liabilities	<u>(1,097,124)</u>	<u>(19)</u>	<u>(45,619)</u>	<u>(1,142,762)</u>	<u>(263,076)</u>	<u>445,308</u>	<u>(960,530)</u>
Total assets less current liabilities	<u>2,093,702</u>	<u>(19)</u>	<u>78,075</u>	<u>2,171,758</u>	<u>96,281</u>	<u>445,308</u>	<u>2,713,347</u>
Non-current liabilities							
Bank and other loans	216,821	–	–	216,821	–	–	216,821
Unsecured notes	98,661	–	–	98,661	–	–	98,661
Convertible notes	1,275,102	–	–	1,275,102	147,033	445,308	1,867,443
Deferred tax liabilities	97,649	–	15,746	113,395	20,634	–	134,029
	<u>1,688,233</u>	<u>–</u>	<u>15,746</u>	<u>1,703,979</u>	<u>167,667</u>	<u>445,308</u>	<u>2,316,954</u>
NET ASSETS	<u>405,469</u>	<u>(19)</u>	<u>62,329</u>	<u>467,779</u>	<u>(71,386)</u>	<u>–</u>	<u>396,393</u>
CAPITAL AND RESERVES							
Share capital	177,436	–	2,802	180,238	(2,802)	–	177,436
Reserves	134,979	(19)	59,527	194,487	(68,584)	–	125,903
Total equity attributable to equity shareholders of the Company	<u>312,415</u>	<u>(19)</u>	<u>62,329</u>	<u>374,725</u>	<u>(71,386)</u>	<u>–</u>	<u>303,339</u>
Non-controlling interests	<u>93,054</u>	<u>–</u>	<u>–</u>	<u>93,054</u>	<u>–</u>	<u>–</u>	<u>93,054</u>
TOTAL EQUITY	<u>405,469</u>	<u>(19)</u>	<u>62,329</u>	<u>467,779</u>	<u>(71,386)</u>	<u>–</u>	<u>396,393</u>

**2 NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
ENLARGED GROUP****(a) The audited consolidated statement of financial position of the Ideal Mix Group**

The audited consolidated statement of financial position of the Ideal Mix Group as at 31 December 2010, as set out in Appendix II, is presented in HK\$. In preparing the unaudited pro forma financial information of the Enlarged Group, the amounts disclosed in the audited consolidated statement of financial position of the Ideal Mix Group have been rounded to the nearest thousand.

**(b) The audited consolidated statement of financial position of the Xianyang Century
Ginwa Group as at 31 December 2010**

The audited consolidated statement of financial position of the Xianyang Century Ginwa Group as at 31 December 2010, as set out in Appendix III, is presented in RMB'000. In preparing the unaudited pro forma financial information of the Enlarged Group, the amounts disclosed in the audited consolidated statement of financial position of the Xianyang Century Ginwa Group has been translated using the foreign exchange rate of RMB1:HK\$1.17518, representing the foreign exchange rate published by the People's Bank of China as at 31 December 2010, except for paid-in capital which is translated at historical foreign exchange rate, as follows:

APPENDIX IV**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	As disclosed in Appendix III	
	<i>RMB'000</i>	<i>HK\$'000</i>
Non-current assets		
Fixed assets	105,255	123,694
Current assets		
Inventories	22,965	26,988
Trade and other receivables	46,991	55,223
Available-for-sale financial assets	37,068	43,562
Cash and cash equivalents	36,417	42,797
	143,441	168,570
Current liabilities		
Trade and other payables	178,565	209,846
Current taxation	3,696	4,343
	182,261	214,189
Net current liabilities	(38,820)	(45,619)
Total assets less current liabilities	66,435	78,075
Non-current liabilities		
Deferred tax liabilities	13,399	15,746
NET ASSETS	53,036	62,329
CAPITAL AND RESERVES		
Paid-in capital	3,000	2,802
Reserves	50,036	59,527
Total equity and equity attributable to equity holders of Xianyang Century Ginwa	53,036	62,329

(c) Acquisition of 100% equity interests in Ideal Mix

As described in the section headed “Letter from the Board” of this circular, the Company, through one of its subsidiaries, has entered into an agreement with Grand Well, to acquire 100% equity interests in Ideal Mix for a consideration of HK\$348.5 million, of which HK\$254.0 million will be satisfied by way of cash and HK\$94.5 million will be satisfied by the issuance of convertible notes to Grand Well. Prior to the completion of the above acquisition, Ideal Mix, through its subsidiary, has entered into an agreement with the equity holders of Xianyang Century Ginwa, to acquire 100% equity interests in Xianyang Century Ginwa for a consideration of RMB60.0 million (equivalent to approximately HK\$70.5 million). This acquisition was completed on 18 February 2011. Upon completion of the above transactions, the Company became the holding company of both the Ideal Mix Group and the Xianyang Century Ginwa Group.

In accordance with the accounting policies adopted by the Group, business combinations are accounted for using the acquisition method. The Group measures goodwill as the excess of the aggregate of the fair value of the consideration transferred over the net fair value of the acquiree’s identifiable assets and liabilities measured as at the acquisition date.

The pro forma adjustment reflects the following:

- the fair value adjustment on the intangible assets acquired (i.e. trademark-use-right) of HK\$82.5 million and the creation of the related deferred tax liabilities of HK\$20.6 million. The fair value adjustment on intangible assets is determined by the directors of the Company with reference to the valuation report issued by RHL Appraisal Limited on 26 April 2011, an independent valuer, where the basis of valuation adopted is income approach;
- the decrease of cash and cash equivalents of HK\$263.1 million, representing HK\$254.0 million of the cash consideration and HK\$9.1 million of transaction costs to be paid for the acquisition;
- the fair value adjustment on the convertible notes to be issued as part of the consideration of HK\$147.0 million. The convertible notes to be issued contain a liability component and derivative components (i.e. the conversion and redemption options). The fair value of the convertible notes (both liability and derivative components) is determined by the directors of the Company with reference to the valuation report issued by RHL Appraisal Limited on 26 April 2011, an independent valuer, where the bases of valuation adopted are the discounted cash flow method and the binomial lattice model; and

- goodwill of HK\$276.8 million represents the excess of the consideration of HK\$401.0 million (comprises cash consideration of HK\$254.0 million and fair value of convertible notes issued of HK\$147.0 million) over the fair value of the net identifiable assets acquired of HK\$124.2 million;

The actual amounts of the adjustment will be determined on the completion date of the Acquisition, which may be different from the amounts presented in this Appendix IV.

(d) Funding for the Acquisition

As described in the section headed “Letter from the Board” of this circular, the directors of the Company intend to finance the Acquisition through internal resources and the issuance of additional convertible notes to an existing convertible notes holder. On 3 December 2010, the Company granted an option to a convertible notes holder which entitles this holder to subscribe for additional convertible notes to be issued by the Company of up to HK\$443.5 million, where the terms and conditions will be substantially the same as the convertible notes issued on the same date. On 8 April 2011, the above convertible notes holder has exercised the above option, and the additional convertible notes will be issued on or before 19 April 2011.

The pro forma adjustment reflects the increase in cash and cash equivalents of HK\$443.5 million through the exercise of the above mentioned option, the write-down of the fair value of the option of HK\$1.8 million as at 31 December 2010, and the recognition of the convertible notes to be issued of HK\$445.3 million. The convertible notes to be issued contain a liability component and derivative components (i.e. the conversion and redemption options). The fair value of the convertible notes (both liability and derivative components) are determined by the directors of the Company with reference to the valuation report issued by RHL Appraisal Limited on 1 March 2011, an independent valuer, where the basis of valuation adopted for the derivative components is Binomial Lattice Model approach.

The actual amounts of the adjustment will be determined on the completion date of the Acquisition, which may be different from the amounts presented in this Appendix IV.

(e) Recognition and impairment of goodwill and intangible assets

For the purpose in the preparation of the unaudited pro forma financial information of the Enlarged Group, the directors of the Company have adopted the accounting policies consistent with those adopted by the Group in connection with goodwill and intangible assets, which are in compliance with Hong Kong Financial Reporting Standards and are reiterated as below:

Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interests in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in the consolidated income statement as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

Intangible assets

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives.

Impairment of goodwill and intangible assets

For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in the income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– *Reversals of impairment losses*

In respect of intangible assets that have indefinite useful lives, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

In adopting the Group's accounting policies set out above, the directors of the Company consider the recoverable amount of the cash-generating unit to which the goodwill and intangible assets relate to, is greater than the carrying amount of such cash-generating unit. Accordingly, no impairment loss is recognised for the amounts of goodwill and intangible assets.

The directors of the Company confirmed that the Company will adopt the accounting policies and principal assumptions and valuation method consistent with those used in the preparation of the unaudited pro forma financial information in assessing impairment of the Enlarged Group's goodwill and intangible assets in the future.

**B ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

The following is the text of a report, received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, prepared for the sole purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

26 April 2011

The Directors
Century Ginwa Retail Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information (the "Pro Forma Financial Information") of Century Ginwa Retail Holdings Limited (the "Company") and its subsidiaries (the "Group") set out in Section A of Appendix IV to the shareholders' circular of the Company dated 26 April 2011 (the "Circular"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed acquisition of 100% equity interests in Ideal Mix Limited might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out in Section A of Appendix IV of the Circular.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 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 4.29(7) of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion 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 work 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. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the 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 basis stated, that such basis is consistent with the accounting policies of the Company and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

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, it 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 2010 or any future date.

OPINION

In our opinion:

- a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Company; and
- c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

A. MANAGEMENT DISCUSSION AND ANALYSIS OF THE CONSOLIDATED FINANCIAL POSITION OF THE IDEAL MIX GROUP

Set out in Appendix II to this circular is the Accountants' Report on the Ideal Mix Group for the period from 13 October 2010 (date of incorporation of the Target) to 31 December 2010. Set out below is the management discussion and analysis on the performance of the Ideal Mix Group for the relevant period:

FOR THE PERIOD FROM 13 OCTOBER 2010 (DATE OF INCORPORATION OF THE TARGET) TO 31 DECEMBER 2010

The Target is a limited liability company established in the British Virgin Islands on 13 October 2010. The Target is directly interested in 100% equity interests in Shine Will, which was a company incorporated in Hong Kong on 8 October 2010 and was an investment holding company and has no significant operations. During the period ended 31 December 2010, both the Target and Shine Will have not yet commenced business operation since its incorporation.

Results and financial position

For the period ended 31 December 2010, the Ideal Mix Group had no business operation, and therefore no turnover was recorded during the period.

The administrative expenses and finance cost incurred was approximately HK\$17,000 and HK\$2,000 respectively. The loss before taxation and after tax was approximately HK\$19,000.

Liquidity and financial resources

As at 31 December 2010, the Ideal Mix Group held cash and cash equivalent of approximately HK\$118,000. The Ideal Mix Group had no bank borrowings as at 31 December 2010 and other payables of approximately HK\$143,000. As at 31 December 2010, the gearing ratio (being total liabilities divided by total assets) of the Ideal Mix Group was approximately 115.67%. As at 31 December 2010, the consolidated audited net liabilities of the Ideal Mix Group was approximately HK\$19,000.

Exposure to exchange rate

The Target and Shine Will had no significant exchange rate risk as the transactions are denominated in Hong Kong Dollar and therefore no related hedge is used.

Segment information

No business operation was conducted since the respective date of incorporation of the Target and Shine Will to 31 December 2010, and accordingly no segment information has been disclosed.

Charge of assets

As at 31 December 2010, the Target and Shine Will did not pledge any of its assets.

Contingent liabilities

As at 31 December 2010, the Target and Shine Will had no contingent liabilities.

Human resources

As at 31 December 2010, the Target and Shine Will did not have any employee and no remuneration expenses incurred for the period from 13 October 2010 (date of incorporation of the Target) to 31 December 2010.

Material acquisitions and disposals of subsidiaries and associated companies

For the period ended 31 December 2010, Shine Will entered into the agreement dated 1 December 2010 for the acquisition of the interest in the Xianyang Century Ginwa Group at a cash consideration of RMB60 million. The transaction was completed on 18 February 2011, and the Xianyang Century Ginwa Group became a wholly-owned subsidiary of the Target Group.

Save and except for the above, there was no material acquisition and disposal of subsidiaries and associated companies during the period.

**B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION OF
THE XIANYANG CENTURY GINWA GROUP**

Set out in Appendix III to this circular is the Accountants' Report on the Xianyang Century Ginwa Group for the three years ended 31 December 2008, 2009 and 2010. Set out below is the management discussion and analysis on the performance of the Xianyang Century Ginwa Group for the three years ended 31 December 2008, 2009 and 2010:

**FOR THE YEAR ENDED 31 DECEMBER 2010 COMPARED TO YEAR ENDED 31 DECEMBER
2009****Results and financial position*****Turnover***

The Xianyang Century Ginwa Group mainly derived its turnover from direct sales and concessionaire sales. Other sources of turnover of the Xianyang Century Ginwa Group include the management service fee income and rental income from operating leases. For the year ended 31 December 2010, the total turnover increased by about 13.37%, or RMB30.66 million, from about RMB229.27 million for the year ended 31 December 2009 to about RMB259.93 million for the year ended 31 December 2010. The continued increase in the total turnover was due to the continued growth in the direct sales and

concessionaire sales. The sales of goods has increased from about RMB152.18 million for the year ended 31 December 2009 to about RMB162.09 million for the year ended 31 December 2010 and accounted for approximately 62.35% of the total turnover for the year ended 31 December 2010 (2009: 66.38%). While the net income from concessionaire sales has increased from about RMB61.32 million for the year ended 31 December 2009 to about RMB76.83 million for the year ended 31 December 2010 and accounted for approximately 29.56% of the total turnover for the year ended 31 December 2010 (2009: 26.75%).

Gross profit

Gross profit increased from about RMB90.18 million for the year ended 31 December 2009 to about RMB113.93 million for the year ended 31 December 2010 representing an increase of approximately 26.34%, which is consistent with the increase in turnover during the year ended 31 December 2010.

Profit for the year

The profit for the year attributable to the equity holders of Xianyang Century Ginwa increased from about RMB10.92 million for the year ended 31 December 2009 to about RMB19.62 million for the year ended 31 December 2010 representing an increase of approximately 79.67%. The significant growth in the profit was due to the increase in turnover during the year ended 31 December 2010.

Liquidity and financial resources

For the year ended 31 December 2010, the Xianyang Century Ginwa Group financed the operations and capital expenditures mainly with capitals from cash generated from operation. As at 31 December 2009 and 31 December 2010, the Xianyang Century Ginwa Group had net current liabilities of RMB28.87 million and RMB38.82 million respectively.

The cash and bank balances of the Xianyang Century Ginwa Group were about RMB67.84 million and RMB36.42 million as at 31 December 2009 and 31 December 2010 respectively. As at 31 December 2009 and 31 December 2010, the Xianyang Century Ginwa Group did not have any capital commitment.

As at 31 December 2009 and 31 December 2010, the consolidated total assets of the Xianyang Century Ginwa Group amounted to about RMB226.09 million and about RMB248.70 million respectively. The consolidated total liabilities at 31 December 2009 and 31 December 2010 were about RMB171.88 million and about RMB195.66 million respectively, and were comprised mainly trade and other payables. Bank and other loans of about RMB20.60 million outstanding as at 31 December 2009 has been repaid during the year ended 31 December 2010. The gearing ratio (being total liabilities divided by total assets) of the Xianyang Century Ginwa Group maintained at stable level of about 76.02% and 78.67% as at 31 December 2009 and 31 December 2010 respectively.

Foreign currency risk

During the year, the Xianyang Century Ginwa Group's operation of department stores and supermarkets earned revenue and incurred costs in Renminbi. Renminbi was relatively stable although there was an appreciation pressure during the year. The Directors considered that the Xianyang Century Ginwa Group's exposure to fluctuations in foreign exchange rate was minimal, and accordingly, the Group did not employ any financial instruments for hedging purpose.

Seasonal or cyclical factors

During the year, the Xianyang Century Ginwa Group's business operations were not significantly affected by any seasonal and cyclical factors though under the department store business there will be peak period in traditional shopping seasons, such as in new year, labour day, national day and other festivals etc., where sales during such period is higher than the other non-peak season.

Charge of assets

As at 31 December 2010 and 31 December 2009, the Xianyang Century Ginwa Group did not pledge any of its assets.

Contingent liabilities

As at 31 December 2010 and 31 December 2009, the Xianyang Century Ginwa Group had no contingent liabilities.

Human resources

As at 31 December 2009 and 31 December 2010, the Xianyang Century Ginwa Group had approximately 1,097 and 1,088 employees respectively. The Xianyang Century Ginwa Group remunerated their employees with respect to their employment terms, individual performance and the prevailing industry practice.

Segment information

The business of the Xianyang Century Ginwa Group can be divided into two operating segments, namely department stores business and supermarkets business. The business was conducted in the PRC only.

During the year ended 31 December 2010, both the department stores business and supermarkets business has shown improvement.

For the year ended 31 December 2010, the department stores business recognized reportable segment profit and revenue of about RMB41.62 million (2009: about RMB28.89 million) and about RMB97.18 million (2009: about RMB80.09 million) respectively.

For the year ended 31 December 2010, the supermarkets business recognized reportable segment profit and revenue of about RMB6.39 million (2009: about RMB2.76 million) and about RMB162.75 million (2009: about RMB149.18 million) respectively.

For further detail regarding the segment information, please refer to note 10 of the Accountants' Report on the Xianyang Century Ginwa Group set out in appendix III of this circular.

Material acquisitions and disposals of subsidiaries and associated companies

During the year, Xianyang Yuehe Property Management Company Limited was established with the principal activities of properties management, however no business was conducted during the year since its establishment. For the year ended 31 December 2010, there were no material acquisitions and disposals of subsidiaries and associated companies carried out by the Xianyang Century Ginwa Group.

Prospect

During the past three years ended 31 December 2010, the Xianyang Century Ginwa Group has achieved continuous growth in turnover and profit. The Group is optimistic about the business prospect of the Xianyang Century Ginwa Group under the 12th Five-Year Plan in the PRC. The emphasis of the government policy of the PRC in boosting domestic consumption-led growth strengthen the business prospect of the department stores and supermarkets business in the PRC.

FOR THE YEAR ENDED 31 DECEMBER 2009 COMPARED TO YEAR ENDED 31 DECEMBER 2008

Results and financial position

Turnover

The Xianyang Century Ginwa Group mainly derived its turnover from direct sales and concessionaire sales. Other sources of turnover of the Xianyang Century Ginwa Group include management service fee income and rental income from operating leases. For the year ended 31 December 2009, the total turnover increased by about 7.52%, or RMB16.03 million, from about RMB213.24 million for the year ended 31 December 2008 to about RMB229.27 million for the year ended 31 December 2009. The sales of goods has increased from about RMB147.15 million for the year ended 31 December 2008 to RMB152.18 million for the year ended 31 December 2009 and accounted for approximately 66.38% of the total turnover for the year ended 31 December 2009 (2008: approximately 69.01%). The net income from concessionaire sales has increased from about RMB50.26 million for the year ended 31 December 2008 to about RMB61.32 million for the year ended 31 December 2009 and accounted for approximately 26.75% of the total turnover for the year ended 31 December 2009 (2008: approximately 23.57%).

Gross profit

Gross profit increased from about RMB77.78 million for the year ended 31 December 2008 to about RMB90.18 million for the year ended 31 December 2009 representing an increase of approximately 15.94%, which is consistent with the increase in turnover during the year ended 31 December 2009.

Profit for the year

The profit for the year attributable to the equity holders of Xianyang Century Ginwa increased from about RMB3.95 million for the year ended 31 December 2008 to about RMB10.92 million for the year ended 31 December 2009 representing an increase of 176.46%, the significant increase in the profit attributed to the increase in turnover during the year and improved gross profit margin.

Liquidity and financial resources

For the year ended 31 December 2009, the Xianyang Century Ginwa Group financed the operations and capital expenditures mainly with capitals from cash generated from operation and bank borrowings. As at 31 December 2008 and 31 December 2009, there were bank and other loans of about RMB23.30 million and about RMB20.60 million respectively. These loans were partly secured by property of third parties. As at 31 December 2008 and 31 December 2009, the Xianyang Century Ginwa Group had net current liabilities of about RMB46.95 million and about RMB28.87 million respectively.

The cash and bank balances of the Xianyang Century Ginwa Group were about RMB32.15 million and about RMB67.84 million at 31 December 2008 and 31 December 2009 respectively. As at 31 December 2008 and 31 December 2009, the Xianyang Century Ginwa Group did not have any capital commitment.

As at 31 December 2008 and 31 December 2009, the total consolidated assets of the Xianyang Century Ginwa Group amounted to about RMB133.47 million and about RMB226.09 million respectively. The total consolidated liabilities at 31 December 2008 and 31 December 2009 were about RMB131.65 million and about RMB171.88 million respectively, and comprised trade and other payables. The gearing ratio (being total liabilities divided by total assets) of the Xianyang Century Ginwa Group has been improved from 98.64% as at 31 December 2008 to 76.02% as at 31 December 2009.

Foreign currency risk

During the year, the Xianyang Century Ginwa Group's operation of department stores and supermarkets earned revenue and incurred costs in Renminbi. Renminbi was relatively stable although there was an appreciation pressure during the year. The Directors considered that the Xianyang Century Ginwa Group's exposure to fluctuations in foreign exchange rate was minimal, and accordingly, the Xianyang Century Ginwa Group did not employ any financial instruments for hedging purpose

Seasonal or cyclical factors

During the year, the Xianyang Century Ginwa Group's business operations were not significantly affected by any seasonal and cyclical factors though under the department store business there will be peak period in traditional shopping seasons, such as in new year, labour day, national day and other festivals etc., where sales during such period is higher than the other non-peak season.

Charge of assets

As at 31 December 2008 and 31 December 2009, the Xianyang Century Ginwa Group did not pledge any of its assets.

Contingent liabilities

As at 31 December 2008 and 31 December 2009, the Xianyang Century Ginwa Group had no contingent liabilities.

Human resources

As at 31 December 2008 and 31 December 2009, the Xianyang Century Ginwa Group had approximately 1,163 and 1,097 employees respectively. The Xianyang Century Ginwa Group remunerated their employees with respect to their employment terms, individual performance and the prevailing industry practice.

Segment information

During the financial year ended 31 December 2009, the Xianyang Century Ginwa Group operated two segments, namely the department stores business and supermarkets business, and both segment business were improved.

For the year ended 31 December 2009, the department stores business recognized reportable segment profit and revenue of about RMB28.89 million (2008: about RMB22.16 million) and RMB80.09 million (2008: RMB70.50 million) respectively.

For the year ended 31 December 2009, the supermarkets business recognized reportable segment profit and revenue of about RMB2.76 million (2008: loss of about RMB1.14 million) and about RMB149.18 million (2008: about RMB142.75 million) respectively.

For further detail regarding the segment information, please refer to note 10 of the Accountants' Report on the Xianyang Century Ginwa Group set out in appendix III of this circular.

Material acquisitions and disposals of subsidiaries and associated companies

For the year ended 31 December 2009, there were no material acquisitions and disposals of subsidiaries and associated companies carried out by the Xianyang Century Ginwa Group.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and upon full conversion of all the Convertible Bonds, the BMRL CB, the Hony CB, the Hony CB Option and the Warrants are as follows:

<i>Authorised</i>	<i>HK\$</i>	
<u>20,000,000,000</u>	<u>2,000,000,000.00</u>	
<i>Issued and to be issued, fully paid and/or credited as fully paid</i>		
1,774,361,278	Shares in issue as at the Latest Practicable Date	177,436,127.80
236,250,000	Conversion Shares to be allotted and issued assuming full exercise of all the Convertible Bonds	23,625,000.00
1,007,724,904	Conversion Shares to be allotted and issued assuming full exercise of the BMRL CB	100,772,490.40
3,225,454,545	Conversion shares to be allotted and issued assuming full exercise of the Hony CB	322,545,454.50
1,612,727,272	Conversion Shares to be allotted and issued assuming full exercise of convertible bonds under the Hony CB Option	161,272,727.20
301,320,000	Shares to be allotted and issued assuming full exercise of the Warrants	30,132,000.00
<u>8,157,837,999</u>	Total Shares in issue upon full conversion of the Convertible Bonds, the BMRL CB, the Hony CB and the Hony CB Option and full exercise of the Warrants	<u>815,783,799.90</u>

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Conversion Shares to be allotted and issued will rank pari passu in all respects with the then existing Shares.

The Shares in issue are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

3. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

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

(i) Long position in the shares of the Company

Name of Director	Capacity	Number of issued shares held	Approximate percentage of the issue share capital of the Company
Mr. Sha Yingjie	Personal interests	1,674,000	0.09%

(ii) Long position in the share options of the Company

Name of Director	Date of grant	Option period	Exercise price per share	Number of share options	Approximate percentage of the issued share capital of the Company
Mr. Wu Yijian	20 Oct 2010	20 Oct 2010 to 19 Oct 2015	HK\$0.315	17,500,000	0.99%
Mr. Choon Hoi Kit, Edwin	20 Oct 2010	20 Oct 2010 to 19 Oct 2015	HK\$0.315	2,500,000	0.14%
Mr. Qu Jiaqi	20 Oct 2010	20 Oct 2010 to 19 Oct 2015	HK\$0.315	2,500,000	0.14%
Mr. Sha Yingjie	20 Oct 2010	20 Oct 2010 to 19 Oct 2015	HK\$0.315	2,000,000	0.11%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the Shares or underlying Shares which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

(i) Long position/short position in the shares of the Company

Name of shareholder	Long position/ short position	Nature of interests	Number of issued shares held	Approximate percentage of the issued share capital of the Company
Best Mineral Resources Limited (“BMRL”)	Long position	Corporate interests	476,196,108 <i>(Note 1)</i>	26.84%
Mr. Chen Jian	Long position	Interest in a controlled corporation	476,196,108 <i>(Note 1)</i>	26.84%
Mr. Li Peng	Long position	Personal interests	10,001,000 <i>(Note 2)</i>	0.56%
Glory Keen Holdings Limited	Long position	Corporate interests	476,196,108 <i>(Note 3)</i>	26.84%
Hony Capital Fund 2008, L.P.	Long position	Interest in a controlled corporation	476,196,108 <i>(Note 3)</i>	26.84%
Hony Capital Fund 2008 GP, L.P.	Long position	Interest in a controlled corporation	476,196,108 <i>(Note 3)</i>	26.84%
Hony Capital Fund 2008 GP Limited	Long position	Interest in a controlled corporation	476,196,108 <i>(Note 3)</i>	26.84%
Hony Capital Management Limited	Long position	Interest in a controlled corporation	476,196,108 <i>(Note 3)</i>	26.84%
Zhao John Huan	Long position	Interest in a controlled corporation	476,196,108 <i>(Note 3)</i>	26.84%
Right Lane Limited	Long position	Interest in a controlled corporation	476,196,108 <i>(Note 3)</i>	26.84%

Name of shareholder	Long position/ short position	Nature of interests	Number of issued shares held	Approximate percentage of the issued share capital of the Company
Legend Holdings Limited	Long position	Interest in a controlled corporation	476,196,108 (Note 3)	26.84%
Employees' Shareholding Society of Legend Holdings Limited	Long position	Interest in a controlled corporation	476,196,108 (Note 3)	26.84%
Chinese Academy of Sciences Holdings Co., Ltd.	Long position	Interest in a controlled corporation	476,196,108 (Note 3)	26.84%
Chinese Academy of Sciences	Long position	Interest in a controlled corporation	476,196,108 (Note 3)	26.84%

(ii) *Long position/short position in the underlying shares of equity derivatives of the Company (as defined in Part XV of the SFO)*

Name of shareholder	Long position/ short position	Nature of interests	Number of underlying shares held	Approximate percentage of the issued share capital of the Company
Best Mineral Resources Limited ("BMRL")	Long position	Corporate interests	1,007,724,904 (Note 1)	56.79%
Mr. Chen Jian	Long position	Interest in a controlled corporation	1,007,724,904 (Note 1)	56.79%

Name of shareholder	Long position/ short position	Nature of interests	Number of underlying shares held	Approximate percentage of the issued share capital of the Company
Mr. Li Peng	Long position	Personal interests	301,320,000 (Note 2)	16.98%
Glory Keen Holdings Limited	Long position	Corporate interests	5,845,906,721 (Note 4)	329.47%
Hony Capital Fund 2008, L.P.	Long position	Interest in a controlled corporation	5,845,906,721 (Note 4)	329.47%
Hony Capital Fund 2008 GP, L.P.	Long position	Interest in a controlled corporation	5,845,906,721 (Note 4)	329.47%
Hony Capital Fund 2008 GP Limited	Long position	Interest in a controlled corporation	5,845,906,721 (Note 4)	329.47%
Hony Capital Management Limited	Long position	Interest in a controlled corporation	5,845,906,721 (Note 4)	329.47%
Zhao John Huan	Long position	Interest in a controlled corporation	5,845,906,721 (Note 4)	329.47%
Right Lane Limited	Long position	Interest in a controlled corporation	5,845,906,721 (Note 4)	329.47%
Legend Holdings Limited	Long position	Interest in a controlled corporation	5,845,906,721 (Note 4)	329.47%
Employees' Shareholding Society of Legend Holdings Limited	Long position	Interest in a controlled corporation	5,845,906,721 (Note 4)	329.47%
Chinese Academy of Sciences Holdings Co., Ltd.	Long position	Interest in a controlled corporation	5,845,906,721 (Note 4)	329.47%
Chinese Academy of Sciences	Long position	Interest in a controlled corporation	5,845,906,721 (Note 4)	329.47%

Notes:–

- (1) BMRL held 476,196,108 Shares and 1,007,724,904 underlying Shares related to its derivative interests under the BMRL CB in its own name. Mr. Chen Jian held 100% of the issued share capital of BMRL. As such, Mr. Chen Jian was deemed to be interested in 476,196,108 Shares and 1,007,724,904 underlying Shares related to its derivative interests by virtue of his shareholding in BMRL. Pursuant to the terms and conditions of the BMRL CB, no holder of the BMRL CB or any party acting in concert with such holder shall be permitted to exercise the conversion rights attaching to the BMRL CB if such exercise would result in such holder or any party acting in concert with it being required to make a mandatory general offer for the shares of the Company under the Takeovers Code and/or the public float of the Company would become less than 25% of the issued share capital as required under the Listing Rules after issuance of such Shares.
- (2) Mr. Li Peng is interested in 10,001,000 Shares and 301,320,000 Warrants, each of the Warrant confers the rights to subscribe for new Share in cash at an initial subscription price of HK\$0.20 per Share (subject to adjustments).
- (3) The long position represents the security interest held by Glory Keen Holdings Limited over the 476,196,108 Shares held by BMRL under the BMRL Share Charge. Hony Capital Fund 2008, L.P. holds the entire issued share capital of Glory Keen Holdings Limited. Hony Capital Fund 2008 GP, L.P. is the sole general partner of Hony Capital Fund 2008, L.P.. Hony Capital Fund 2008 GP Limited, a wholly-owned subsidiary of Hony Capital Management Limited, is the sole general partner of Hony Capital Fund 2008 GP, L.P.. Mr. Zhao John Huan and Right Lane Limited respectively own 55% and 45% equity interests in Hony Capital Management Limited. Right Lane Limited is a wholly-owned subsidiary of Legend Holdings Limited. Chinese Academy of Sciences Holdings Co., Ltd. and Employees' Shareholding Society of Legend Holdings Limited are the substantial shareholders of Legend Holdings Limited, with 36% and 35% interests, respectively. Chinese Academy of Sciences Holdings Co., Ltd. is a wholly-owned subsidiary of Chinese Academy of Sciences. Each of the above-mentioned parties is therefore deemed to be interested in the security interest held by Glory Keen Holdings Limited.

- (4) The long position represents the interest in the 3,225,454,545 conversion shares and 1,612,727,272 conversion shares which may be issued under the Hony CB and the Hony CB Option respectively and the security interest held by Glory Keen Holdings Limited under the BMRL share charge over the 1,007,724,904 underlying Shares which may be issued (subject to the conversion restriction as stated in Note (1) above) under the BMRL CB. The exercise of the conversion rights attaching to the Hony CB and the Hony CB Option are subject to the restrictions as stated in the paragraph headed “Principal terms of the Convertible Bonds” under the section headed “Subscription Agreement” in the circular dated 30 October 2010.

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

4. MATERIAL CONTRACTS

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

- (i) the Agreement;
- (ii) the non-legally binding memorandum of understanding dated 18 January 2011 and entered into between King Hero Limited as purchaser and 陝西富力房地產開發有限公司 (Shaanxi F&L Properties Co., Ltd.) in relation to the acquisition of entire interest and sale loan of 陝西千匯置業有限公司 (Shaanxi Qianhui Properties Company Limited[#]) at a total consideration of RMB1,030 million (equivalent to approximately HK\$1,205.1 million) (as amended by a supplemental memorandum of understanding dated 18 April 2011);
- (iii) the agreement dated 30 December 2010 and entered into between Mr. Liu Zongren and Mr. Qi Jianbin as vendors and 金唐百貨有限公司 (Golden Chance (West Street) Shopping Centre Limited) in relation to the acquisition of 49% interest in 陝西世紀金花唐人街商場有限責任公司 (Shaanxi Century Ginwa Tangrenjie Shopping Mall Co., Limited) at a total consideration of RMB47.5 million (equivalent to approximately HK\$55.58 million);

- (iv) the modification deed dated 15 November 2010 and entered into between the Company and BMRL in relation to the change of terms of the BMRL CB;
- (v) the subscription agreement dated 31 August 2010 and entered into between the Company and Glory Keen Holdings Limited in relation to the subscription and issue of the Hony CB and the grant of the Hony CB Option;
- (vi) the deed of waiver and change of terms of the BMRL CB dated 31 August 2010 and entered into between the Company, BMRL and China Rich International Management Limited relating to certain amendment and waiver of convertible bonds with an aggregate face value of HK\$1,088,342,896.40 due on 18 September 2013 issued by the Company and subscribed by BMRL;
- (vii) the sale and purchase agreement dated 31 August 2010 and entered into among the Company (as purchaser), BMRL (as vendor) and Mr. Wu Yijian (as guarantor) in relation to the acquisition of the entire issued share capital of Golden Chance (Xian) Limited by the Company at a consideration of HK\$500 million;
- (viii) the conditional sale and purchase agreement dated 15 September 2010 and entered into between King Hero Limited (帝雄有限公司) (as purchaser), New Hero Investments Limited (as vendor) and Mr. Wu Yijian (as guarantor) in relation to sale and purchase of the share and the sale loan of CPI Asia Big Bell Limited at a total consideration of HK\$527,175,000;
- (ix) the deed of waiver dated 29 October 2010 and entered into between BMRL and Golden Chance (Xian) Limited under which BMRL has waived the debt of RMB184,800,000 owing by Golden Chance (Xian) Limited;
- (x) the acquisition agreement dated 3 June 2010 and entered into between Ginwa Investment Company Limited (“Ginwa Investment”) and Golden Chance (South Street) Shopping Centre Limited pursuant to which Golden Chance (South Street) Shopping Centre Limited has agreed to acquire from Ginwa Investment the entire registered capital of 西安世紀金花南大街購物中心有限公司 (Xian Century Ginwa Nandajie Shopping Mall Co., Limited[#]) (“Ginwa Nandajie Store”) at a consideration of RMB58,000,000;
- (xi) the acquisition agreement dated 3 June 2010 and entered into between Ginwa Investment and Golden Chance (Saigo) Shopping Centre Limited pursuant to which Golden Chance (Saigo) Shopping Centre Limited has agreed to acquire from Ginwa Investment the entire registered capital of 西安世紀金花賽高購物有限公司 (Xian Century Ginwa Saigo Shopping Mall Co., Limited[#]) at a consideration of RMB96,800,000;

- (xii) the acquisition agreement dated 3 June 2010 and entered into between Ginwa Investment and 金唐百貨有限公司 (Golden Chance (West Street) Shopping Centre Limited) pursuant to which 金唐百貨有限公司 (Golden Chance (West Street) Shopping Centre Limited) has agreed to acquire from Ginwa Investment 51% of the entire registered capital of 陝西世紀金花唐人街商場有限責任公司 (Shaanxi Century Ginwa Tangrenjie Shopping Mall Co., Limited) at a consideration of RMB30,000,000.
- (xiii) the non-legally binding memorandum of understanding dated 20 February 2010 and entered into between China King and 陝西世紀金花高新購物中心有限公司 (Shaanxi Century Ginwa New High Shopping Mall Co., Limited[#]) in relation to the acquisition of the entire issued share capital of Ginwa Nandajie Store and Xian Century Ginwa Saigo Shopping Co., Limited, and 51% of the issued share capital of Shaanxi Century Ginwa Tangrenjie Shopping Mall Co., Limited;
- (xiv) the modification deed dated 2 December 2009 and entered into between the Company and BMRL in relation to the change of terms of the BMRL CB.
- (xv) the underwriting agreement dated 11 November 2009 (as supplemented by the supplemental agreement dated 30 November 2009) and entered into among the Company, Partners Capital Securities Limited, Phoenix Capital Securities Limited, OSK Securities Hong Kong Limited and Mr. Chen Jian in relation to the underwriting and certain other arrangements in respect of the open offer of 584,120,426 Shares (and the supplemental agreement dated 30 November 2009 entered into between the same parties in relation to certain amendments made to the underwriting agreement); and
- (xvi) the warrant subscription agreement dated 31 July 2009 and entered into between the Company and subscriber in relation to a private placing of 231,600,000 warrants at an issue price of HK\$0.011 per warrant.

[#] *The English transliteration of the Chinese names in this circular, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. EXPERT AND CONSENT

The following are the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualifications
KPMG	Certified public accountants

KPMG has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter(s) and report(s) and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, KPMG did not have any shareholding in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

7. LITIGATION

Save as disclosed in this circular, no member of the Enlarged Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group as at the Latest Practicable Date.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

9. MISCELLANEOUS

- (i) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (ii) The head office and principal place of business of the Company in Hong Kong is at Suites 1701-1703, 17/F, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.
- (iii) The company secretary of the Company is Mr. Chiu Ngam, Chris who is a fellow member of Hong Kong Institute of Certified Public Accountants.

- (iv) The principal share registrar of the Company in Bermuda is Butterfield Fund Services (Bermuda) Limited at Rosebank Centre, 11 Bermudiana Road, Pembroke HM08, Bermuda. The branch share registrar of the Company in Hong Kong is Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (v) Save as disclosed in this circular,
 - (a) none of the Directors and the experts (as named in the paragraph under "Experts" in this Appendix) had any direct or indirect interest in any assets which had been, since 31 December 2010, the date to which the latest published audited financial statements of the Company were made up, to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and
 - (b) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.
- (vi) The English text of this circular and the proxy form shall prevail over the Chinese text in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the office of the Company at Suites 1701-1703, 17/F, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong from the date of this circular up to and including 16 May 2011 and at the SGM:

- (i) the bye-laws and memorandum of association of the Company;
- (ii) the accountants' report prepared by KPMG on Ideal Mix Group, the text of which is set out in Appendix II to this circular;
- (iii) the accountant's report prepared by KPMG on Xianyang Century Ginwa Group, the text of which is set out on Appendix III to this circular;
- (iv) the annual reports of the Company for each of the two financial years ended 31 December 2009 and 31 December 2010;
- (v) the letter from KPMG in respect of the unaudited pro forma financial information on the Enlarged Group, the text of which is set out on Appendix IV to this circular;

- (vi) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix;
- (vii) the written consents referred to under the paragraph headed “Expert and Consent” in this Appendix; and
- (viii) this circular.

NOTICE OF THE SGM



CENTURY GINWA RETAIL HOLDINGS LIMITED 世紀金花商業控股有限公司

(formerly known as China Golden Development Holdings Limited 中國金展控股有限公司)
(incorporated in Bermuda with limited liability)

(Stock Code: 162)

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of CENTURY GINWA RETAIL HOLDINGS LIMITED (the “Company”) will be held at 11:00 a.m. on Monday, 16 May 2011 at Suites 1701-1703, 17/F, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the agreement dated 31 January 2011 (the “**Agreement**”) entered into among China King Management Limited, a wholly-owned subsidiary of the Company, as purchaser, Grand Well Group Limited (the “**Vendor**”) as vendor, Mr. Mak Kam Fai as guarantor and the Company in relation to (i) the sale and purchase of 1 share of US\$1.00 in the share capital of Ideal Mix Limited (the “**Target**”), representing its entire issued share capital; and (ii) all the obligations, liabilities and debts owing by or due by the Target and its subsidiaries to the Vendor, (save and except for the amount of dividend or other distribution declared but not yet paid) as at the Completion Date (as defined in the circular dated 26 April 2011) at a consideration of HK\$348.5 million (subject to adjustment) (a copy of the Agreement is marked “A” and produced to the SGM and signed by the chairman of the SGM for identification purposes) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;
- (b) subject to and conditional upon passing of resolution 1(a) above, the issue of the convertible bonds in the principal amount of HK\$94.5 million (the “**Convertible Bonds**”) by the Company to the Vendor in accordance with the terms of the Agreement be and is hereby approved;

NOTICE OF THE SGM

- (c) subject to and conditional upon passing of resolution 1(a) above, the allotment and issue of ordinary shares of HK\$0.10 each in the share capital of the Company at the initial conversion price of HK\$0.4 per Conversion Share (subject to adjustments) (the “**Conversion Share**”) which may fall to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds and that the unconditional specific mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with the Conversion Shares be and is hereby approved; and
- (d) any one or more of the directors (the “**Directors**”) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement including but not limited to the allotment and issue of Convertible Bonds and the Conversion Shares and the transactions contemplated thereunder”.

Yours faithfully

On behalf of the board of directors of

CENTURY GINWA RETAIL HOLDINGS LIMITED

Choon Hoi Kit, Edwin

Chief Executive Officer

Hong Kong, 26 April 2011

NOTICE OF THE SGM

Registered office:

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Principal place of business

in Hong Kong:
Suites 1701-1703,
17/F, Dah Sing Financial Centre,
108 Gloucester Road,
Wanchai, Hong Kong

Notes:

- 1 A member entitled to attend and vote at the SGM convened by the above notice (or any adjournment thereof) is entitled to appoint one or if he is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
- 2 A form of proxy for use at the SGM (or any adjournment thereof) is enclosed.
- 3 Where there are joint registered holders of any Shares, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such Shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said person as present whose name stands first on the register in respect of such Share shall alone be entitled to vote in respect thereof.
- 4 In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, at the office of the Company's Hong Kong branch registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 48 hours before the time for holding the SGM or adjourned meeting. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish.