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

(Incorporated in the Cayman Islands with limited liability)

(website:www.maoye.cn)

(Stock code: 848)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

HIGHLIGHTS

- Total sales proceeds of the Group for the year (representing the sum of total sales proceeds from concessionaire sales and revenue from direct sales at the department stores) increased to RMB3,995.7 million, representing an increase of 5.2%.
- Same-store sales proceeds from concessionaire sales increased to RMB3,436.5 million, representing an increase of 4.2%.
- Operating profit increased to RMB740.5 million, representing an increase of 15.1%.
- Net profit attributable to the equity holders of the parent increased to RMB521.0 million, representing an increase of 24.9%.
- Basic earnings per share for the year was RMB10.8 cents.
- Proposed final dividend is 2.2 HK cents per share.

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

The board of directors (the "Board") of Maoye International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 with comparative figures for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
		2008	2007
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3*	**1,492,595**	1,567,301
Other income	*4*	**474,840**	355,638
Total operating revenue		**1,967,435**	1,922,939
Purchases of and changes in inventories		**(622,326)**	(728,055)
Employee expenses		**(126,712)**	(93,395)
Depreciation and amortisation		**(124,183)**	(128,898)
Operating lease rental expenses		**(122,580)**	(128,513)
Other operating expenses		**(309,477)**	(284,802)
Other gains		**78,321**	83,946
Operating profit		**740,478**	643,222
Finance costs	*5*	**(55,368)**	(99,140)
Share of profits and losses of associates		**2,724**	3,573
PROFIT BEFORE TAX		**687,834**	547,655
Tax	*6*	**(144,516)**	(103,567)
PROFIT FOR THE YEAR		**543,318**	444,088
Attributable to:			
Equity holders of the parent		**520,969**	416,999
Minority interests		**22,349**	27,089
		543,318	444,088
DIVIDENDS			
Special dividends		**72,608**	1,063,950
Interim dividend		**148,583**	–
Proposed final dividend	*8*	**99,658**	–
		320,849	1,063,950
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	*7*		
Basic		**RMB10.8 cents**	RMB9.8 cents

CONSOLIDATED BALANCE SHEET

	Notes	31 December **2008** ***RMB'000***	 2007 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,133,610**	825,382
Investment properties		**110,495**	105,123
Land lease prepayments		**2,005,236**	583,144
Goodwill		**45,286**	45,286
Investments in associates		**30,598**	30,509
Available-for-sale equity investments		**487,330**	106,195
Prepayments		**383,566**	4,543
Deferred tax assets		**28,353**	51,591
Total non-current assets		**4,224,474**	1,751,773
CURRENT ASSETS			
Inventories		**96,330**	113,131
Equity investments at fair value through profit or loss		**4,579**	11,573
Trade receivables	*9*	**1,912**	3,938
Prepayments and other receivables		**288,189**	224,151
Due from related parties		**5,086**	1,101,015
Pledged deposits		**12,391**	38,850
Cash and cash equivalents		**867,900**	352,727
Total current assets		**1,276,387**	1,845,385
CURRENT LIABILITIES			
Trade and bills payables	*10*	**939,017**	840,254
Deposits received, accruals and other payables		**733,096**	483,929
Interest-bearing bank loans		**361,000**	610,381
Due to related parties		**2,885**	58,636
Income tax payable		**29,916**	36,171
Dividends payable		**–**	209,547
Total current liabilities		**2,065,914**	2,238,918
NET CURRENT LIABILITIES		**(789,527)**	(393,533)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,434,947**	1,358,240

	Notes	31 December 2008 RMB'000	2007 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,434,947**	1,358,240
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**160,000**	786,712
Deferred tax liabilities		**133,842**	110,042
Total non-current liabilities		**293,842**	896,754
Net assets		**3,141,105**	461,486
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**461,587**	–
Reserves		**2,282,001**	200,758
Proposed final dividend	*8*	**99,658**	–
		2,843,246	200,758
Minority interests		**297,859**	260,728
Total equity		**3,141,105**	461,486

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Company was incorporated in the Cayman Islands with limited liability on 8 August 2007. The Company's registered office is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands.

The Group is principally engaged in the operation and management of department stores in the People's Republic of China (the "PRC").

Pursuant to the group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 10 January 2008. The shares of the Company were listed on the Main Board of the Stock Exchange on 5 May 2008.

2. Basis of preparation and accounting policies

2.1 *Basis of preparation*

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

As at 31 December 2008, the Group had net current liabilities of approximately RMB789,527,000. Having taken into account the cash flows from the operations and the current available banking facilities, the directors consider that it is appropriate to prepare the financial statements on a going concern basis notwithstanding the net current liabilities position.

2.2 *Impact of new and revised International Financial Reporting Standards*

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

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
IAS 39 and IFRS 7 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
IFRIC 11	IFRS 2 – *Group and Treasury Share Transactions*
IFRIC 12	*Service Concession Arrangements*
IFRIC 14	IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

Except for amendments to IFRS 1 and IAS 27, the adoption of these new standards and interpretations has had no impact on these financial statements.

The amendments to IFRS 1 and IAS 27 are effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. The amendments to IFRS 1 allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of an investment in a subsidiary, jointly-controlled entity or associate in the separate financial statements. Such amendments have no impact on the Group. The amendments to IAS 27 remove the definition of the cost method and replace it with a requirement to present all dividends from a subsidiary, jointly-controlled entity or associate as income in the separate financial statements of the investor. The amendments require the new parent formed as the result of a specific type of reorganisation to measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the Reorganisation. The Group has elected to early adopt these amendments to IAS 27 and measured accordingly the initial cost of investments in subsidiaries in the separate financial statements of the Company which is newly formed as the result of the Reorganisation.

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

IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
IFRS 3 (Revised)	*Business Combinations*
IFRS 8	*Operating Segments*
IAS 1 (Revised)	*Presentation of Financial Statements*
IAS 23 (Revised)	*Borrowing Costs*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation and* IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
IFRIC 13	*Customer Loyalty Programmes*
IFRIC 15	*Agreements for the Construction of Real Estate*
IFRIC 16	*Hedges of a Net Investment in a foreign Operation*
IFRIC 17	*Distribution of Non-cash Assets to Owners*
IFRIC 18	*Transfers of Assets from Customers*

3. Revenue and segment information

Revenue

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Commissions from concessionaire sales	**712,826**	680,491
Direct sales	**419,478**	479,482
Sale of automobiles	**255,731**	311,548
Rental income from the leasing of shop premises	**94,689**	86,148
Management fee income from the operation of department stores	**3,083**	1,035
Others	**6,788**	8,597
	1,492,595	1,567,301

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

Total sales proceeds from concessionaire sales	**3,576,270**	3,318,096
Commissions from concessionaire sales	**712,826**	680,491

Segment information

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

	Operation of department stores *RMB'000*	Sale of automobiles *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2008				
Segment revenue:				
Sales to external customers	**1,230,076**	**255,731**	**6,788**	**1,492,595**
Other income	**399,459**	**1,651**	**24,828**	**425,938**
Total	**1,629,535**	**257,382**	**31,616**	**1,918,533**
Segment results	**709,872**	**(2,954)**	**4,513**	**711,431**
Other income and unallocated gains				**127,223**
Corporate and other unallocated expenses				**(98,176)**
Finance costs				**(55,368)**
Share of profits and losses of associates	**(543)**	**–**	**3,267**	**2,724**
Profit before tax				**687,834**
Tax				**(144,516)**
Profit for the year				**543,318**
Assets and liabilities				
Segment assets	**4,725,368**	**86,698**	**142,514**	**4,954,580**
Investments in associates	**2,457**	**–**	**28,141**	**30,598**
Corporate and other unallocated assets				**515,683**
Total assets				**5,500,861**
Segment liabilities	**1,496,067**	**63,970**	**95,547**	**1,655,584**
Corporate and other unallocated liabilities				**704,172**
Total liabilities				**2,359,756**
Other segment information:				
Depreciation and amortisation	**96,922**	**1,765**	**7,754**	**106,441**
Corporate and other unallocated amounts				**17,742**
				124,183
Capital expenditure	**1,948,527**	**1,733**	**256**	**1,950,516**
Impairment of inventories	**667**	**–**	**–**	**667**
Impairment of trade receivables	**83**	**–**	**–**	**83**
Impairment of other receivables	**1,407**	**–**	**–**	**1,407**
Reversal of impairment of an amount due from a related party	**(3,870)**	**–**	**–**	**(3,870)**

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

4. Other income

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Other income		
Income from suppliers and concessionaires		
– Administration and management fee income	**226,522**	180,051
– Promotion income	**105,011**	84,115
– Credit card handling fees	**43,051**	41,143
Rental income from investment properties	**42,077**	32,181
Interest income	**48,902**	9,943
Others	**9,277**	8,205
	474,840	355,638

5. Finance costs

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Interest on bank loans	**55,368**	99,140

6. Tax

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Group:		
Current – PRC		
Charge for the year	**116,864**	51,825
Deferred	**27,652**	51,742
Total tax charge for the year	**144,516**	103,567

7. Earnings per share

The calculation of basic earnings per share is based on the profit for the year ended 31 December 2008 attributable to equity holders of the parent of RMB520,969,000 (2007: RMB416,999,000) and the weighted average of 4,834,255,760 (2007: 4,250,000,000) ordinary shares deemed to have been in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2007 includes the pro forma issued share capital of the Company of 4,250,000,000 shares, comprising:

(i) one share allotted and issued for cash on incorporation; and

(ii) the capitalisation issue of 4,249,999,999 shares.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2008 includes the aforementioned 4,250,000,000 ordinary shares, the weighted average of 568,259,563 shares issued upon the listing of the Company's shares on the Stock Exchange on 5 May 2008 and the weighted average of 15,996,197 shares issued upon exercise of the Over-allotment Option on 28 May 2008.

There was no potential dilutive ordinary share in existence for the years ended 31 December 2008 and 2007 and accordingly, no diluted earnings per share amount has been presented for both years.

8. **Proposed final dividend**

The Board recommended the payment of a final dividend for the year ended 31 December 2008 of 2.2 HK cents in cash per share. The Company declared and paid an interim dividend of 3.3 HK cents in cash per share. On the assumption that shareholders' approval is obtained at the forthcoming annual general meeting for the payment of the above proposed final dividend, the Company shall be paying total dividends of 5.5 HK cents in cash per share for the year 2008, representing approximately 47.6% of the year's net profit attributable to equity holders of the parent.

Upon the approval to be obtained from the forthcoming annual general meeting, the above final dividend will be paid on or about Wednesday, 15 April 2009 to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 9 April 2009.

The special dividends declared for the year 2007 and 2008 amounted to RMB1,063,950,000 and RMB72,608,000, respectively, representing the dividends declared by the companies comprising the Group to their then equity holders before the listing of the Company's shares.

9. **Trade receivables**

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

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

	31 December	
	2008	2007
	RMB'000	*RMB'000*
Within 60 days	**1,680**	3,438
61 to 90 days	**232**	1,161
91 to 180 days	**–**	3,944
181 to 270 days	**–**	322
271 to 360 days	**12**	95
Over 360 days	**7,645**	2,794
	9,569	11,754
Impairment of trade receivables	**(7,657)**	(7,816)
	1,912	3,938

10. **Trade and bills payables**

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice dates, is as follows:

	31 December	
	2008	2007
	RMB'000	*RMB'000*
Within 90 days	**731,492**	683,714
91 to 180 days	**93,061**	60,655
181 to 360 days	**53,461**	26,558
Over 360 days	**61,003**	69,327
	939,017	840,254

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

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Friday, 3 April 2009 to Thursday, 9 April 2009 (both dates inclusive), during such period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting and the entitlement of the aforementioned proposed final dividend, unregistered holders of shares of the Company should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 2 April 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

During the year under review, although the operating environment was full of challenges, the Group remained optimistic about the prospects of the retail industry in China and has geared up to seize opportunities arising out of the crisis. On the one hand, the Group endeavoured to strengthen its leading position in southern and southwestern China. With respect to Shenzhen, the construction of the mass transit railway led to diversion of traffic, which affected the customer flow of a number of our stores in the neighbourhood. In the second half of the year, the economy of Shenzhen was inevitably affected by the global financial tsunami, as Shenzhen is an externally-oriented city. Nevertheless, leveraging on strong brand effect and flexible and innovative marketing strategies of the Group, all stores in Shenzhen were able to maintain a steady performance over the year, especially in December when customer flow and consumption recorded satisfactory growth. As for Sichuan Province, notwithstanding the damage on the economy caused by the earthquake in May, the consumer market recovered rapidly within two months. In the second half of the year, in particular, the sales proceeds from concessionaire sales of the region recorded a same-store growth of 4.8% and an annual growth of 10.3%, reflecting strong consumption in the region. Southwestern China will continue to be one of the major markets targeted by the Group for development.

On the other hand, the Group focused on expanding its store network to expedite regional expansion, increase market share and sustain market influence. Adhering to the principle of "Rational judgment and prudent development", the Group expanded its business in various ways including mergers and acquisitions and store property self-development. During the year under review, the Group established 5 department stores, among which are first stores in Taiyuan City of Shanxi Province and Qinhuangdao City of Hebei Province, adding up to 19 stores in total covering the southern, eastern, northern and southwestern parts of China. Benefiting from the experience in the merger and acquisition of Chengshang Group Co., Ltd. (成商集團股份有限公司) ("Chengshang") in Sichuan, the Group's transactions in Mianyang, Sichuan and Qinhuangdao, Hebei were settled smoothly in one day, enabling speedy inflow of resources. This further demonstrates the capability of the Group in consolidating the industry. Meanwhile, the Group acquired two plots of land located in Nanshan District in Shenzhen city and Qin Xian Street in Taiyuan City of Shanxi Province through auctions during the year. The plot in Nanshan District is under construction and business operation is expected to commence in the second half of 2009.

At the same time, the Group adjusted and upgraded the branding of its shops, enhancing the product range and product collections to strengthen the range of salable brands. The Group also actively introduced competitive brands to enlarge market share and further reduce repetition of brands of competitors so as to strengthen customer loyalty.

The Group took an active role in fulfilling civic responsibilities and participating in community activities. After the Wenchuan earthquake on 12 May 2008, the Group's stores in southwestern China actively joined in the relief work and all other stores in the country also donated money and materials. A Hope Primary School was built in Beichuan County using the donations from all staff.

Outlook

Looking ahead to 2009, the global financial tsunami is spreading to other sectors of the tangible economy, posing challenges to the overall business environment. Nevertheless, taking a cautiously pragmatic and optimistic approach, we believe there are opportunities everywhere in the retail market. In the midst of a slowdown of global markets, China is still one of the countries with the fastest economic growth. In the past several quarters, domestic consumption has been a main driver of economic growth.

The Group has formulated various strategies. With respect to internal management, the Group will develop a leading, new generation Maoye ERP system through collaboration with well-known company. This will provide an information platform to enhance internal management, refine the service platform for suppliers, and flexibly and effectively manage the supply chain to cater for constant changes in the retail market.

With respect to customer service, the Group will continue to promote the expansion, support and operation of the membership system. The Group would implement its business strategies base on analysis of consumer psychology and behaviour from membership information. To boost the prestige of the membership card and loyalty among members, the Group will continue to strengthen resources collaboration with external alliances, enhance the benefits of the membership card, enrich the content of membership services and ensure their full implementation.

In 2009, the Group will continue to expand its store network in various ways to further reinforce its leading position in existing markets. The Group will also continue to identify opportunities to acquire commercial properties, department stores and companies; and accelerate its coverage of different regions across the country to become the leading department store chain in China.

Financial Review

Total Sales Proceeds

Total sales proceeds of the Group in 2008 (representing the sum of total sales proceeds from concessionaire sales and revenue from direct sales at the department stores) increased to RMB3,995.7 million, representing an increase of 5.2% over the previous year. The increase was mainly attributed to the growth of same-store sales proceeds from concessionaire sales of 4.2% and contribution from new stores.

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Total sales proceeds from concessionaire sales	**3,576,270**	3,318,096
Revenue from direct sales	**419,478**	479,482
Total sales proceeds	**3,995,748**	3,797,578

Revenue

Revenue of the Group in 2008 amounted to RMB1,492.6 million, representing a decrease of 4.8% as compared with RMB1,567.3 million in 2007. The decrease was primarily due to the following factors:

- Commissions from concessionaire sales increased by 4.8% to RMB712.8 million due to the increase in concessionaire sales.

- Revenue from direct sales decreased by 12.5% to RMB419.5 million, primarily due to downscaling of direct sales business.

- Automobile sales decreased by 17.9% to RMB255.7 million, primarily due to the serious natural disaster in southwestern China in 2008 and the more apparent impact on the automobile industry brought about by the global financial crisis.

Other Income

Other income of the Group in 2008 amounted to RMB474.8 million, representing an increase of 33.5% as compared with RMB355.6 million in 2007. This increase was primarily due to (1) the positive impact of growth in sales proceeds from concessionaire sales; (2) interest income of RMB28.6 million arising from the initial public offering; and (3) interest income of RMB12.3 million received from an associate.

Purchases of and Changes in Inventories

Purchases of and changes in inventories of the Group in 2008 amounted to RMB622.3 million, representing a decrease of 14.5% as compared with RMB728.1 million in 2007. This was primarily due to the decrease in revenue from both automobile sales and direct sales.

Employee Expenses

Employee expenses of the Group in 2008 amounted to RMB126.7 million, representing an increase of 35.7% over 2007. The increase was primarily due to the impact of newly opened department stores and salary adjustments of the Group at the beginning of the year.

Depreciation and Amortisation

Depreciation and amortisation of the Group in 2008 amounted to RMB124.2 million, representing a decrease of 3.7% as compared with RMB128.9 million in 2007. The decrease was primarily due to the combined effect of the following factors: (1) the disposal of a subsidiary, Chongqing Jiefangbei Maoye Department Store Co., Ltd. (重慶解放碑茂業百貨有限公司) ("Chongqing Jiefangbei Store") by the Group in the second half of 2007, resulting in a decrease in depreciation by RMB5.4 million; (2) the addition of properties and land use rights in 2008 generating depreciation and amortisation expenses of approximately RMB7.1 million; and (3) the ending of amortisation of certain refurnishment expenses in 2007.

Operating Lease Rental Expenses

Operating lease rental expenses of the Group in 2008 amounted to RMB122.6 million, representing a decrease of 4.6% as compared with RMB128.5 million in 2007. This decrease was primarily due to the disposal of Chongqing Jiefangbei Store in 2007, resulting in a decrease in rental expenses.

Other Operating Expenses

Other operating expenses of the Group in 2008 amounted to RMB309.5 million, representing an increase of 8.7% as compared with RMB284.8 million in 2007. This was primarily due to the operating expenditure arising from the newly opened stores in 2008.

Other Gains

Other gains of the Group in 2008 amounted to RMB78.3 million, representing a decrease of 6.7% as compared with RMB83.9 million in 2007. Other gains of the Group derived in 2008 was primarily due to the disposal of 5,000,000 shares in Chengshang by a subsidiary of the Company, Shenzhen Maoye Shangsha Company Limited (深圳茂業商廈有限公司) ("Maoye Shangsha") which resulted in investment gains before tax of RMB80.0 million. In 2007, other gains of the Group were primarily attributable to (1) the proceeds from the Group's disposal of its interests in Chongqing Jiefangbei Store and Chengdu People's Department Store Chain Company Limited (成都人民百貨連鎖有限公司)("People's Department Store Chain"), and receivables due therefrom, to the controlling shareholder Group, as well as the proceeds from the disposal by Chengshang of some of its subsidiaries conducting non-core businesses, with total proceeds of approximately RMB65.0 million; and (2) investment gains of RMB14.5 million from the disposal of interests at fair value through profit and loss account, which was contributed by the Group's securities investments.

Operating Profit

Operating profit of the Group in 2008 amounted to RMB740.5 million, representing an increase of 15.1% as compared with RMB643.2 million in 2007. The increase was primarily due to the increase in concessionaire sales and other operating revenue, as well as the combined effect of other factors described above.

Finance Costs

Finance costs of the Group in 2008 amounted to RMB55.4 million, representing a decrease of 44.2% as compared with RMB99.1 million in 2007. This was the result of (1) capitalization of interest amounting to RMB34.3 million on loans secured for the development project of a new store in Nanshan District in Shenzhen; and (2) the decrease of bank loan balance in the year.

Tax

Income tax expenses of the Group in 2008 was RMB144.5 million, representing an increase of 39.5% as compared with RMB103.6 million in 2007. During the year ended 31 December 2008, the effective tax rate applicable to the Group was 21.0%, which was as a result of the increase in the enterprise income tax rate applicable to Shenzhen and Zhuhai regions from 15% in 2007 to 18% in 2008. In addition, pursuant to the PRC Corporate Income Tax Law, the Group is liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate for the Group is 5%.

Profit Attributable to Equity Holders of the Parent

As a result of the foregoing, profit attributable to equity holders of the parent in 2008 amounted to RMB521.0 million, representing an increase of 24.9% as compared with RMB417.0 million in 2007.

Liquidity and Financial Resources

As at 31 December 2008, the Group's cash and cash equivalents amounted to RMB867.9 million (as at 31 December 2007: RMB352.7 million). This increase was mainly due to the cash inflow of net proceeds from the issuance of new shares of RMB2,337.0 million, the net cash inflow from operating activities of RMB841.7 million and cash received from related parties of RMB1,045.8 million. The increase was partly offset by the following cash outflows:

(1) the payment of special and interim dividends of approximately RMB430.7 million in total;

(2) the payment of RMB669.5 million for the purchase of the land use right of a plot of land situated in Nanshan District in Shenzhen;

(3) the total payment of RMB899.0 million for the purchase of properties located in Mianyang, Qinhuangdao and Taiyuan respectively;

(4) the payment of RMB380.0 million for the purchase of the land use right of a plot of land in Taiyuan, Shanxi province;

(5) the payment of approximately RMB302.6 million for the purchase of shares of three domestic listed companies in the securities market; and

(6) the net repayment of interest-bearing bank loans of RMB876.1 million.

As at 31 December 2008, total interest-bearing bank loans of the Group were RMB521.0 million (as at 31 December 2007: RMB1,397.1 million), among which RMB361.0 million will mature within the coming year.

The debt to total assets ratio of the Group, expressed as a percentage of interest-bearing bank loans over total assets, decreased from 38.8% as at 31 December 2007 to 9.5% as at 31 December 2008.

Net Current Liabilities and Net Assets

The net current liabilities of the Group as at 31 December 2008 were RMB789.5 million, representing an increase of RMB396 million from RMB393.5 million as at 31 December 2007. The net assets of the Group as at 31 December 2008 increased to RMB3,141.1 million, representing an increase of RMB2,679.6 million from the balance of RMB461.5 million as at 31 December 2007. The increase was mainly due to the proceeds from the issue of new shares when the Company was listed on the Main Board of the Stock Exchange on 5 May 2008.

Contingent Liabilities

As at 31 December 2008, the contingent liabilities of the Group were as follows:

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

As Chengshang's major shareholder, Maoye Shangsha has undertaken to transfer 2,554,201 shares to Chengshang's public shareholders in the event that one of the following incidents occurs:

(i) The net profit of Chengshang for the year ended 31 December 2008, calculated in accordance with China's accounting standards, is less than RMB80,000,000;

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

(iii) Chengshang is unable to publish its 2008 annual report in accordance with the statutory timeline.

Pledge of Assets

As at 31 December 2008, buildings, investment properties and land use rights with net carrying amounts of RMB580.0 million, had been pledged to commercial banks to obtain bank loans of RMB321.0 million.

The Group's bills payables amounting to RMB43.5 million as at 31 December 2008 were secured by its buildings and land use rights with net carrying amount of approximately RMB12.3 million and RMB14.6 million respectively, and the Group's time deposits amounting to RMB12.4 million.

Foreign Currency Risk

The Group's major operating activities are conducted in Mainland China. Most of the income and expenses of the Group are denominated in Renminbi. The majority of the Group's assets and liabilities are also denominated in Renminbi. Net proceeds from the listing of the Company are denominated in Hong Kong dollars. As at 31 December 2008, part of the proceeds from the Company's listing had been used in the expansion of the Group's retail network and enhancement of its existing department stores. Part of the remaining proceeds had been converted into time deposits denominated in the United States dollars with equivalent value. The Group is exposed to foreign currency risk due to fluctuation in Renminbi exchange rate. The Group has not entered into any derivatives to hedge potential foreign currency risk.

Post Balance Sheet Events

On 20 January 2009, the Group entered into a bank loan agreement amounting to RMB1 billion. The bank loan has a term of 10 years and bears interest at the benchmark above-five-year bank loan rate as pronounced by the People's Bank of China. The bank loan is secured by certain land and buildings of the Group, and guaranteed jointly by Mr. Huang Mao Ru and Mrs. Huang Jingzhang.

On 25 February 2009, the Group was granted banking facilities amounting to RMB300 million for a period of 12 months.

EMPLOYEES

As at 31 December 2008, the Group had a total of approximately 3,700 employees. Salaries, bonuses and benefits are determined with reference to market terms and the performance, qualifications and experience of individual employees.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period from 5 May 2008, the date of listing of the Company's shares on the Stock Exchange (the "Listing Date"), to 31 December 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its code of conduct governing the directors' dealings in the Company's securities. The Company has made specific enquiries with all directors, and all of whom have confirmed their compliance with the required standard set out in the Model Code throughout the period from the Listing Date to 31 December 2008.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of its shareholders and enhancing corporate value. Detailed corporate governance practices will be stated in the Company's annual report for the year ended 31 December 2008. The Board is of the view that throughout the period from the Listing Date to 31 December 2008, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.2.1

This code provision stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, Mr. Huang Mao Ru is both Chairman and Chief Executive Officer of the Company. As Mr. Huang is the founder of the Group and has extensive experience in the department store industry and commercial real estate industry, the Board believes that it is in the best interest of the Group to have Mr. Huang taking up both roles for continuous effective management and business development of the Group.

Code Provision A.5.4

This code provision stipulates that the Board should establish written guidelines on no less exacting terms than the Model Code for relevant employees, who are likely to be in possession of unpublished price-sensitive information in relation to the Company and its securities, in respect of their dealings in the securities of the Company. To conform with this code provision, the Board has adopted such written guidelines for the Company's relevant employees on 28 August 2008.

AUDIT COMMITTEE

The Audit Committee, comprising all three independent non-executive directors of the Company, has reviewed the audited financial statements of the Group for the year ended 31 December 2008 and discussed with the management and the auditors of the Company on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and on the website of the Company (www.maoye.cn). The annual report for the year ended 31 December 2008 containing information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere appreciation to the shareholders, customers, suppliers and staff for their continued support to the Group.

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

Hong Kong, 26 February 2009

As at the date of this announcement, the Board comprises 4 executive directors, namely, Mr. Huang Mao Ru, Mr. Zou Minggui, Mr. Wang Guisheng and Ms. Wang Fuqin; 2 non-executive directors, namely Mr. Zhong Pengyi and Mrs. Huang Jingzhang; and 3 independent non-executive directors, namely, Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen.