# Maoye International Holdings Limited
# 茂 業 國 際 控 股 有 限 公 司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 848)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009

**HIGHLIGHTS**

- Total sales proceeds (representing the sum of total sales proceeds from concessionaire sales and revenue from direct sales at our department stores) increased to RMB2,133.6 million, representing an increase of 9.4%, the consolidated commission rate of concessionaire sales was 29.1%
- Same-store sales proceeds from concessionaire sales increased to RMB1,607.8 million, representing an increase of 0.6%
- Operating profit excluding other gains decreased to RMB314.4 million, representing a decrease of 6.7%
- Profit attributable to the equity holders of the parent decreased to RMB243.6 million, representing a decrease of 19.0%
- Basic earnings per share for the period was RMB0.047
- Interim dividend is 1.6 HK cents per share

## INTERIM RESULTS

The Board of Directors (the "Board") of Maoye International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009 with comparative figures for the corresponding period in the year 2008. The unaudited consolidated interim results have been reviewed by the auditors of the Company, Ernst & Young and the audit committee of the Company (the "Audit Committee").

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

| | Notes | Six months ended 30 June<br>**2009**<br>**(Unaudited)**<br>***RMB'000*** | <br>2008<br>(Audited)<br>*RMB'000* |
|---|---|---|---|
| **REVENUE** | 3 | **809,743** | 740,525 |
| Other income | 4 | **212,091** | 217,715 |
| Total operating revenue | | **1,021,834** | 958,240 |
| Purchases of and changes in inventories | | **(348,965)** | (304,627) |
| Employee expenses | | **(63,717)** | (60,662) |
| Depreciation and amortisation | | **(74,521)** | (58,314) |
| Operating lease rental expenses | | **(65,953)** | (60,439) |
| Other operating expenses | | **(154,298)** | (137,249) |
| Other gains | | **45,058** | 79,726 |
| Operating profit | | **359,438** | 416,675 |
| Finance costs | 5 | **(24,398)** | (27,693) |
| Share of profits and losses of associates | | **157** | (313) |
| **PROFIT BEFORE TAX** | | **335,197** | 388,669 |
| Tax | 6 | **(74,939)** | (77,717) |
| **PROFIT FOR THE PERIOD** | | **260,258** | 310,952 |
| Attributable to: | | | |
| Equity holders of the parent | | **243,577** | 300,556 |
| Minority interests | | **16,681** | 10,396 |
| | | **260,258** | 310,952 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT** | 7 | | |
| Basic | | **RMB4.7 cents** | RMB6.6 cents |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Audited) |
| | ***RMB'000*** | *RMB'000* |
| **PROFIT FOR THE PERIOD** | **260,258** | 310,952 |
| Exchange differences on translation of foreign operations | **162** | (52,224) |
| Net gain on available-for-sale financial assets | **154,758** | — |
| Income tax on net gain on available-for-sale financial assets | **(37,955)** | — |
| | **116,803** | — |
| **OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX** | **116,965** | (52,224) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX** | **377,223** | 258,728 |
| Attributable to: | | |
| Equity holders of the parent | **360,542** | 248,332 |
| Minority interests | **16,681** | 10,396 |
| | **377,223** | 258,728 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | **30 June 2009 (Unaudited)** *RMB'000* | 31 December 2008 (Audited) *RMB'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **1,303,661** | 1,133,610 |
| Investment properties | | **107,364** | 110,495 |
| Land lease prepayments | | **2,033,166** | 2,005,236 |
| Goodwill | | **40,469** | 45,286 |
| Investments in associates | | **28,695** | 30,598 |
| Available-for-sale equity investments | | **664,511** | 487,330 |
| Prepayments | | **495,874** | 383,566 |
| Deferred tax assets | | **25,881** | 28,353 |
| Total non-current assets | | **4,699,621** | 4,224,474 |
| **CURRENT ASSETS** | | | |
| Inventories | | **55,698** | 96,330 |
| Equity investments at fair value through profit or loss | | **8,279** | 4,579 |
| Trade receivables | | **140** | 1,912 |
| Prepayments and other receivables | | **216,740** | 288,189 |
| Due from related parties | | **2,266** | 5,086 |
| Pledged deposits | | **2,313** | 12,391 |
| Cash and cash equivalents | | **970,208** | 867,900 |
| | | **1,255,644** | 1,276,387 |
| Assets of a disposal group classified as held for sale | | **36,631** | — |
| Total current assets | | **1,292,275** | 1,276,387 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 9 | **554,277** | 939,017 |
| Deposits received, accruals and other payables | | **696,842** | 733,096 |
| Interest-bearing bank loans | | **159,835** | 361,000 |
| Due to related parties | | **3,976** | 2,885 |
| Income tax payable | | **40,349** | 29,916 |
| | | **1,455,279** | 2,065,914 |
| Liabilities directly associated with a disposal group classified as held for sale | | **7,073** | — |
| Total current liabilities | | **1,462,352** | 2,065,914 |
| **NET CURRENT LIABILITIES** | | **(170,077)** | (789,527) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **4,529,544** | 3,434,947 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | **30 June 2009 (Unaudited)** *RMB'000* | 31 December 2008 (Audited) *RMB'000* |
|---|---|---|
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **4,529,544** | 3,434,947 |
| **NON-CURRENT LIABILITIES** | | |
| Interest-bearing bank loans | **937,691** | 160,000 |
| Deferred tax liabilities | **173,183** | 133,842 |
| Total non-current liabilities | **1,110,874** | 293,842 |
| Net assets | **3,418,670** | 3,141,105 |
| **EQUITY** | | |
| **Equity attributable to equity holders of the parent** | | |
| Issued capital | **461,587** | 461,587 |
| Reserves | **2,642,543** | 2,381,659 |
| | **3,104,130** | 2,843,246 |
| **Minority interests** | **314,540** | 297,859 |
| Total equity | **3,418,670** | 3,141,105 |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

Maoye International Holdings Limited was incorporated in the Cayman Islands on 8 August 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands, and the head office and principal place of business of the Company is located at 36/F, World Finance Centre, 4003 Shennan East Road, Shenzhen, the People's Republic of China (the "PRC"). The Company and its subsidiaries are principally engaged in the operation and management of department stores in the PRC.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Maoye Department Store Investment Limited and MOY International Holdings Limited, respectively, which were incorporated in the British Virgin Islands.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICES

### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2008.

### 2.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of the new Standards and Interpretations as of 1 January 2009, noted below.

| | |
|---|---|
| IFRS 2 Amendments | Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* |
| IFRS 7 Amendments | *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* |
| IFRS 8 | *Operating Segments* |
| IAS 1 (Revised) | *Presentation of Financial Statements* |
| IAS 23 (Revised) | *Borrowing Costs* |
| 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* |

| | |
|---|---|
| IFRIC 9 and IAS 39 Amendments | Amendments to IFRIC 9 *Reassessment of Embedded Derivatives and* IAS 39 *Financial Instruments: Recognition and Measurement* |
| 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* |

Except for the adoption of IFRS 7, IFRS 8 and IAS 1 (Revised) resulted in new or amended disclosures, the adoption of these new interpretations and amendments has had no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements.

(a) Amendments to IFRS 7 *Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments*

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures.

(b) IFRS 8 *Operating Segments*

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 3, including revised comparative information.

(c) IAS 1 Revised *Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

Improvements to IFRSs

In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

(a) IAS 1 *Presentation of Financial Statements*: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.

(b) IAS 16 *Property, Plant and Equipment*: Replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

(c) IAS 23 *Borrowing costs*: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one-the interest expenses calculated using the effective interest rate method calculation in accordance with IAS39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

(d) IAS 38 *Intangible Assets*: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group.

    The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.

The amendments to the following standards below did not have any impact on the accounting policies, the financial position or performance of the Group:

| | |
|---|---|
| IFRS 7 | Financial Instruments: Disclosures |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Error |
| IAS 10 | Events after the Reporting Period |
| IAS 16 | Property, Plant and Equipment |
| IAS 18 | Revenue |
| IAS 19 | Employee Benefits |
| IAS 20 | Accounting for Government Grants and Disclosures of Government Assistance |
| IAS 27 | Consolidated and Separate Financial Statements |
| IAS 28 | Investment in Associates |
| IAS 29 | Financial Reporting in Hyperinflationary Economies |
| IAS 31 | Interest in Joint Ventures |
| IAS 34 | Interim Financial Reporting |
| IAS 36 | Impairment of Assets |
| IAS 39 | Financial Instruments: Recognition and Measurement |
| IAS 40 | Investment Property |
| IAS 41 | Agriculture |

## 3. REVENUE AND SEGMENT INFORMATION

### REVENUE

| REVENUE | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Audited) |
| | ***RMB'000*** | *RMB'000* |
| Commissions from concessionaire sales | **376,757** | 359,036 |
| Direct sales | **218,642** | 224,881 |
| Sale of automobiles | **159,095** | 108,290 |
| Rental income from the leasing of shop premises | **50,296** | 43,212 |
| Management fee income from the operation of department stores | **1,399** | 1,599 |
| Others | **3,554** | 3,507 |
| | **809,743** | 740,525 |

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

| | | |
|---|---|---|
| Total sales proceeds from concessionaire sales | **1,914,914** | 1,724,563 |
| Commissions from concessionaire sales | **376,757** | 359,036 |

## SEGMENT INFORMATION

### Operating segments

The following tables present revenue and profit information for the six months ended 30 June 2009 and 2008 and certain assets as at 30 June 2009 and 31 December 2008 for the Group's operating segments.

| | Operation of department stores | Sale of automobiles | Others | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Six months ended 30 June 2009** | | | | |
| **Segment revenue:** | | | | |
| Sales to external customers | **647,095** | **159,095** | **3,553** | **809,743** |
| Other income | **192,790** | **1,034** | **15,043** | **208,867** |
| Total | **839,885** | **160,129** | **18,596** | **1,018,610** |
| **Segment results** | **343,526** | **3,985** | **(1,454)** | **346,057** |
| Other income and unallocated gains | | | | **[1]48,282** |
| Corporate and other unallocated expenses | | | | **(34,901)** |
| Finance costs | | | | **(24,398)** |
| Share of profits and losses of associates | | | **157** | **157** |
| Profit before tax | | | | **335,197** |
| Segment assets | **5,102,314** | **55,160** | **115,297** | **5,272,771** |
| Interests in associates | **2,457** | **—** | **26,238** | **28,695** |
| Corporate and other unallocated assets | | | | **[2]690,430** |
| Total assets | | | | **5,991,896** |

1 Other income and unallocated gains include interest income (RMB3,224,000) and other gains (RMB45,058,000).

2 Corporate and other unallocated assets include deferred tax assets (RMB25,919,000) and available-for-sale equity investments (RMB664,511,000) as these assets are managed on a group basis.

| | Operation of department stores | Sale of automobiles | Others | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Six months ended 30 June 2008** | | | | |
| **Segment revenue:** | | | | |
| Sales to external customers | 628,728 | 108,290 | 3,507 | 740,525 |
| Other income | 203,360 | 195 | 171 | 203,726 |
| Total | 832,088 | 108,485 | 3,678 | 944,251 |
| **Segment results** | 370,980 | (1,172) | (3,954) | 365,854 |
| Other income and unallocated gains | | | | [1]89,979 |
| Corporate and other unallocated expenses | | | | (39,158) |
| Finance costs | | | | (27,693) |
| Share of profits and losses of associates | 307 | — | (620) | (313) |
| Profit before tax | | | | 388,669 |
| **31 December 2008** | | | | |
| Segment assets | 4,725,368 | 86,698 | 142,514 | 4,954,580 |
| Interests in associates | 2,457 | — | 28,141 | 30,598 |
| Corporate and other unallocated assets | | | | [2]515,683 |
| Total assets | | | | 5,500,861 |

1 Other income and unallocated gains include interest income (RMB10,253,000) and other gains (RMB79,726,000).

2 Corporate and other unallocated assets include deferred tax assets (RMB28,353,000) and available-for-sale equity investments (RMB487,330,000) as these assets are managed on a group basis.

## 4. OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Audited) |
| | ***RMB'000*** | *RMB'000* |
| Income from suppliers and concessionaires | | |
| – Administration and management fee income | **111,426** | 108,268 |
| – Promotion income | **46,641** | 50,924 |
| – Credit card handling fees | **22,802** | 20,595 |
| Rental income from investment properties | **24,107** | 22,337 |
| Interest income | **3,224** | 10,253 |
| Others | **3,891** | 5,338 |
| | **212,091** | 217,715 |

## 5. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Audited) |
| | ***RMB'000*** | *RMB'000* |
| Interest on bank loans | **24,398** | 27,693 |

## 6. TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Audited) |
| | ***RMB'000*** | *RMB'000* |
| Current – PRC | | |
| Charge for the period | **71,120** | 64,223 |
| Deferred income tax | **3,819** | 13,494 |
| Total tax charge for the period | **74,939** | 77,717 |

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2009 attributable to equity holders of the parent of RMB243,577,000 (six months ended 30 June 2008: RMB300,556,000) and the 5,139,856,000 ordinary shares in issue during the period (six months ended 30 June 2008: the weighted average of 4,525,297,275 ordinary shares deemed to have been in issue).

There was no potential dilutive ordinary share in existence for the six months ended 30 June 2009 and 2008, accordingly, no diluted earnings per share amount has been presented.

## 8. DIVIDENDS

The Board has resolved to declare an interim dividend for the six months ended 30 June 2009 of 1.6 HK cents in cash per share totally HK$82,237,696 (equivalent to approximately RMB72,476,000) (for the six months ended 30 June 2008: 3.3 HK cents per share, totalling HK$169,615,248 which equivalent to approximately RMB148,583,000).

The interim dividend will be paid on or about Thursday, 24 September 2009 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 18 September 2009.

## 9. TRADE AND BILLS PAYABLES

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

| | **30 June 2009 (Unaudited)** ***RMB'000*** | 31 December 2008 (Audited) *RMB'000* |
|---|---|---|
| Within 90 days | **391,374** | 731,492 |
| 91 to 180 days | **55,241** | 93,061 |
| 181 to 360 days | **43,462** | 53,461 |
| Over 360 days | **64,200** | 61,003 |
| | **554,277** | 939,017 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operation Review

The financial crisis that erupted last year has triggered a global economic recession, drove up unemployment and led to drastic fluctuation of the market. All sectors have been impacted to various extents. However, with the impetus from policies of various governments to stabilize the financial market and promote economic development, the global economy is gradually picking up from the bottom. In the first half of 2009, China's economy gradually stabilized, with domestic demand picking up and consumer confidence returning.

In the first half of the year, the Group made concerted effort to overcome difficulties, with a view to maintaining steady growth of its operations. For the six months ended 30 June 2009, total sales proceeds (referring to the sum of total sales proceeds from concessionaire sales and revenue from direct sales at the Group's department stores) of the Group increased to RMB2,133.6 million, representing an increase of 9.4% compared with the same period last year. Out of this total, same-store sales proceeds from concessionaire sales increased to RMB1,607.8 million, almost same as those of the corresponding period last year. Total operating revenue reached RMB1,021.8 million, representing an increase of 6.6% compared with the same period in 2008. Profit attributable to equity holders of the parent was RMB243.6 million.

#### ***Market Performance***

*South China Region*

The current financial crisis has had much negative impact on the export-oriented economies along the China coast; the Group's operations in the South China region were likewise affected. A slight negative same-store growth was recorded in the first half year for the region. Stores in the South China region set an example in the industry and won community recognition by improving internal store management and customer service quality, leveraging on the signs of recovery in consumer confidence in the second quarter. With respect to the grading and rating of department stores conducted by the Ministry of Commerce, Shenzhen Dongmen Store and Huaqiangbei Store were conferred the title of "Jinding Department Store" which represents the highest honour in the field. The title of "Jinding Department Store" is conferred taking into account a combination of indicators including the enterprise's operating scale, financial benchmarks, merchandize mix, operating environment, corporate management, service quality, operation ethics, IT system and energy saving measures. The awards demonstrated once again the leading position of the Group in the Shenzhen market.

Given that the financial crisis has dented consumer confidence, the Group has reinforced the nurturing of customer loyalty, enhanced value-added membership services, and started up innovative and well-received marketing activities such as the "Members Day" event, which boosted loyal members' enthusiasm for consumption. During the period under review, the percentage of membership consumption in sales increased from 23.5% to 30.9%. In the first half of the year, the sales per ticket of stores in the South China region rose steadily to RMB433, representing an increase of 7.4% compared with the same period last year.

*Southwest China Region*

The Southwest China region has been less hit by the recession compared to the coastal areas and has benefited from an economy driven by post-disaster reconstruction. Accordingly, the Group's operations in the Southwest China region recorded a same-store concessionaire sales growth of 5.6% for the first half of the year.

The Sichuan Province is currently expediting the integration of rural villages and urban cities. The Group is seizing this development opportunity to adjust the operating strategy for its stores in cities around Chengdu to implement the "Maoye Department Store" and "People's Department Store" dual-brand strategy in the Southwest China region. Meanwhile, the two systems operate independently, thus enhancing the teams' focus and professionalism and strengthening the operating efficiency of the stores. Accordingly, the sales per ticket of stores in the Southwest China region recorded a increase to 17.1%.

The Group has been continuously enhancing the operating standards and service quality of its stores while establishing a leading position in its merchandize portfolio, optimizing merchandise categories and brand mix so as to upgrade its market position. In current period, Yanshikou Store in Chengdu likewise won the title of "Jinding Department Store" which represents the highest honour in the field. In the first half of 2009, sales proceeds from Yanshikou Store grew by 10.4% as compared with the same period last year.

The Group has been consistently pursuing a strategy of focusing on its principal operations while actively seeking opportunities to divest itself of its non-core businesses. On 9 July 2009, Chengshang Group Co., Ltd. ("Chengshang Group"), a subsidiary owned by the Group, announced that it has successfully disposed of most of its automobile business. This has optimized the Group's asset structure, and gave even greater prominence to its core businesses.

*New Store Integration*

During the first half of 2009, the operating environment of the department store industry was still affected by the financial crisis. The Group actively adopted various measures in a bid to overcome unfavourable economic factors and make all necessary preparations to capture the opportunities brought about by the recovery of the industry.

In the first half of 2009, the Group committed itself to reinforcing the integration of newly acquired stores. Qinhuangdao Jindu Store, Taiyuan Liuxiang Store and Mianyang Xingda Store simultaneously reopened for operation during the May 1st Holiday after being closed for renovation and restructuring. During the course of restructuring, the Group fully capitalized on its solid operational experience and existing supplier resources for its market positioning, adjusting and upgrading merchandize categories, consumer flow design and brand portfolio. In particular, 40% of the brands were newly introduced in Mianyang Xingda Store; 80% of the brands were newly introduced in Qinhuangdao Jindu Store; and 15% of the brands were newly introduced in Taiyuan Liuxiang Store.

Through the integration of the three stores, the Group has not only consolidated its leading position in Southwest China but also successfully implemented the North China strategy, laying a solid foundation for the future development of the Group in the North China region.

*Business Expansion*

In accordance with the principle of "rational judgement, prudent development", the Group, through various ways such as acquisition and integration and the establishment of self-owned stores, continues to extend its store network, accelerate geographical expansion and increase market share so as to maintain its influence in the market. In May 2009, the Group acquired the Tiexi project in Shenyang City at a consideration of RMB72.0 million. The project has a total land area of approximately18,840 square metres. The Group plans to construct a department store occupying approximately 75,000 square metres on the site. This acquisition is an important strategic deployment for further developing the Bohai Rim market following the acquisition of Qinhuangdao store in August last year.

In August 2009, Chengshang Group, a subsidiary owned by the Group, acquired a site located in the sub-central head office area in the southern region of Chengdu, China, at a consideration of RMB79.63 million. Chengshang Group plans to construct a department store with a total area of approximately 91,505 square metres on the site, comprising a five-storey department store with a gross floor area of approximately 68,300 square metres and an underground car park with an area of approximately 23,205 square metres. Completion of the project will further improve the Group's store network in Chengdu City, consolidate the Group's position and competitiveness in the retail market in Southwest China, and strengthen the profitability of the Group.

In 2009, the Group continues with its established strategy to further expand its store network in cities or regions where the Group has established a presence and secured a leading position as well as in economically developed cities or emerging markets that comply with the site standard of the Group.

**Outlook**

In the first half of 2009, the "three Pillars" driving economic development, namely, investment, export trade and consumption, were unbalanced. The Chinese government directed its efforts at expanding investment and stimulating domestic demand for steady economic growth. With the support of state policies, it is expected that domestic demand will gradually expand, consumer confidence will continue to increase and China's economy will be the first among world economies to come out of the recession.

The Group is well-prepared to capture the opportunities brought about by the recovery of the economy. The Group will strengthen collaboration with suppliers to adjust its merchandise portfolio from various perspectives on a continued basis, continue to reinforce internal operational management to enhance customer service experience in various aspects, and nurture and increase customer loyalty, so as to enhance the profitability of its existing department stores.

The Group will continue to expand its store network through various channels to further consolidate its leading edge in existing cities. Meanwhile, the Group will also continuously seek opportunities to acquire department stores and department store operators, in a bid to accelerate our expansion pace nationwide, it is expected that the gross floor area of the newly opened stores in the next three years will be no less than 100,000 square metres.

**Financial Review**

*Total Sales Proceeds*

Total sales proceeds of the Group for the six months ended 30 June 2009 (representing the sum of total sales proceeds from concessionaire sales and revenue from direct sales at our department stores) increased to RMB2,133.6 million, representing an increase of 9.4% over the corresponding period in the previous year. Same-store sales proceeds from concessionaire sales increased to RMB1,607.8 million, in line with the same period of the previous year. Among these, same-store concessionaire sales for the South China region decreased by 1.9%, while same-store concessionaire sales for the Southwest China region increased by 5.6%.

*Revenue*

For the six months ended 30 June 2009, revenue of the Group amounted to RMB809.7 million, representing an increase of 9.3% as compared with RMB740.5 million for the same period last year. This is mainly due to the combined effects of the following factors: (1) a decrease of 1.1 percentage points in commission rate of the concessionaire sales to 19.7%, the consolidated commission rate of concessionaire sales still maintained at a relatively high level, reaching 29.1% during the period under review; and (2) a 46.9% increase in revenue from sales of automobiles to RMB159.1 million.

*Other Income*

For the six months ended 30 June 2009, other income of the Group amounted to RMB212.1 million, representing a decrease of 2.6% as compared with RMB217.7 million for the same period last year. This was mainly due to a decrease in interest income.

*Purchase of and Changes in Inventories*

For the six months ended 30 June 2009, purchase of and changes in inventories of the Group amounted to RMB349.0 million, representing an increase of 14.6% as compared with RMB304.6 million for the same period last year. This was primarily due to an increase in costs corresponding to the increase in sales of automobiles.

*Employee Expenses*

Excluding expenses generated from new stores launched since the second half of last year, employee expenses actually decreased by RMB4.7 million as compared to the same period of last year.

*Depreciation and Amortisation*

For the six months ended 30 June 2009, depreciation and amortisation of the Group amounted to RMB74.5 million, representing an increase of 27.8% as compared with RMB58.3 million for the same period last year. The increase was primarily due to the depreciation of the acquired properties for the new stores during the second half of 2008.

*Operating Lease Rental Expenses*

For the six months ended 30 June 2009, operating lease rental expenses of the Group amounted to RMB66.0 million, representing an increase of 9.1% as compared with RMB60.4 million for the same period last year. This was primarily due to the increase in leased area of two stores during the second half of 2008.

*Other Operating Expenses*

For the six months ended 30 June 2009, other operating expenses of the Group amounted to RMB154.3 million, representing an increase of 12.4% as compared with RMB137.2 million for the same period last year. This was primarily due to the launch of new stores in the second half of 2008.

*Other Gains*

For the six months ended 30 June 2009, other gains of the Group amounted to RMB45.1 million, representing a decrease of 43.5% as compared with RMB79.7 million in the same period last year. This was primarily due to the following: (1) the disposal of 5,000,000 shares in Chengshang Group by a subsidiary of the Company, Shenzhen Maoye Shangsha Company Limited (深圳茂業商廈有限公司), resulting in investment gains before tax of RMB80.0 million in the same period last year; (2) a gain of RMB29.7 million obtained by Chengshang Group from a parcel of requisite land in the current period; and (3) fair value gain on equity investments at fair value through profit or loss of RMB3.7 million recorded in current period (for the six months ended 30 June 2008: fair value losses of RMB5.7 million).

*Operating Profit*

For the six months ended 30 June 2009, operating profit of the Group amounted to RMB359.4 million, representing a decrease of 13.7% as compared to RMB416.7 million for the same period last year. This was primarily due to the fact that the newly opened stores are still under market development stage, thus the contribution of their income and net profit to the Group's overall operating profits was limited. In addition, the relevant operating cost of the newly opened stores (such as depreciation and amortisation) increased the cost of the period correspondingly whereas other gains decreased in the period which resulted in a reduction in operating profits.

*Finance Costs*

For the six months ended 30 June 2009, finance costs of the Group amounted to RM24.4 million, representing a decrease of 11.9% as compared to RMB27.7 million for the same period last year. This was owing to the decrease in average balance of bank loans as compared to the same period last year and the decrease of interest rate.

*Income Tax*

For the six months ended 30 June 2009, income tax expenses of the Group came to RMB74.9 million, representing a decrease of 3.6% as compared to RMB77.7 million for the same period last year. During the six months ended 30 June 2009, the effective tax rate applicable to the Group was 22.4% (for the six months ended 30 June 2008: 20.0%), which was a result of the increase in the enterprise income tax rate applicable to Shenzhen and Zhuhai regions from 18% in 2008 to 20% in 2009.

*Profit Attributable to Equity Holders of the Parent*

As a result of the foregoing, profit attributable to equity holders of the parent for the six months ended 30 June 2009 amounted to RMB243.6 million, representing a decrease of 19.0% as compared to RMB300.6 million for the same period last year.

*Liquidity and Financial Resources*

As at 30 June 2009, the Group's cash and cash equivalents amounted to RMB970.2 million (as at 31 December 2008: RMB867.9 million). This change was mainly due to the combined effect of cash inflow from operating activities, new bank loans and cash outflow from investing activities.

As at 30 June 2009, total bank loans of the Group were RMB1,097.5 million (as at 31 December 2008: RMB521.0 million), of which RMB159.8 million will be due for repayment within the coming year.

The gearing ratio of the Group, expressed as a percentage of interest bearing bank loans over total assets, increased from 9.5% as at 31 December 2008 to 18.3% as at 30 June 2009.

*Contingent Liabilities*

As at 30 June 2009, the Group had no material contingent liabilities.

*Pledge of Assets*

As at 30 June 2009, Group's interest-bearing bank loans amounting to RMB1,067.5 million were secured by the Group' buildings, investment properties and land lease prepayments with net carrying amounts of approximately RMB253.1 million, RMB82.2 million and RMB829.9 million respectively.

As at 30 June 2009, the Group's bills payables amounting to RMB7.7 million were secured by the Group's buildings and land lease prepayments with net carrying amounts of approximately RMB11.8 million and RMB8.6 million respectively, and the Group's time deposits amounting to RMB2.3 million.

In addition, investment properties and land lease prepayments with net carrying amounts of approximately RMB15.3 million and RMB32.5 million were pledged to secure the Group's interest-bearing bank loans and bills payables.

*Foreign Currency Risk*

Since part of the Group's bank balances, cash and investments are denominated in Hong Kong dollars, the Group is subject to foreign exchange risk. During the period under review, the Group recorded foreign exchange losses of approximately RMB0.6 million.

As at 30 June 2009, the Group had not entered into any foreign exchange hedging arrangement, and the cash generated from operating activities of the Group was not subject to any risk of exchange rate fluctuations.

## 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 six months ended 30 June 2009.

## CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Wednesday, 16 September 2009 to Friday, 18 September 2009 (both dates inclusive), during such period no transfer of shares of the Company will be registered. In order to ascertain the right to receive interim dividend, 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 Tuesday, 15 September 2009.

## 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 of its directors, who have confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 June 2009.

## 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. The Board is of the view that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 of the Listing Rules, except for the following deviation:

### 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 the 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.

## AUDIT COMMITTEE

The Audit Committee, comprising all the independent non-executive directors of the Company, has reviewed the results of the Group for the six months ended 30 June 2009 and discussed with the management on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

## PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement was published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.maoye.cn). The interim report for the six months ended 30 June 2009 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**
**Mr. Huang Mao Ru**
*Chairman*

Hong Kong, 20 August 2009

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