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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

HIGHLIGHTS

- Total sales proceeds[1] increased to RMB7,266.7 million, representing an increase of 49.7%, and same-store[2] sales proceeds from concessionaire sales increased to RMB5,127.5 million, representing an increase of 21.5%.
- Total operating revenue from continuing operations[3] increased to RMB2,748.4 million, representing an increase of 50.0%.
- Operating profit from continuing operations increased to RMB917.4 million, representing an increase of 30.6%, while without taking into account the effect of share option expenses, operating profit from continuing operations increased by 36.2%.
- Profit attributable to the ordinary equity holders of the parent increased to RMB576.6 million, representing an increase of 22.7%, while without taking into account the effect of share option expenses, profit attributable to the ordinary equity holders of the parent increased by 31.0% to RMB616.1 million, and without taking into account the effect of share option expenses and non-operating gains and losses, such profit attributable to the ordinary equity holders of the parent increased by 37.0% to RMB585.1 million.
- Basic earnings per share attributable to the ordinary equity holders of the parent for the year was RMB0.112.

Notes:

1 Total sales proceeds refers to the sum of total sales proceeds from concessionaire sales and revenue from direct sales at our department stores.

2 Same-store refers to the stores which have opened or been acquired at the beginning of the previous fiscal year.

3 Since the Group disposed of its automobile business in 2010, the Group separated the automobile business from continuing operations and accounted for as a discontinued operation.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

The Board of Directors (the "Board") of Maoye International Holdings Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 with comparative figures for the year 2009 as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2010

	Notes	**2010** ***RMB'000***	2009 *RMB'000* (Restated)
CONTINUING OPERATIONS			
REVENUE	4	**2,197,282**	1,426,009
Other income	5	**551,068**	406,062
Total operating revenue		**2,748,350**	1,832,071
Cost of sales	6	**(747,147)**	(429,935)
Employee expenses	7	**(245,640)**	(134,268)
Depreciation and amortisation		**(211,107)**	(152,525)
Operating lease rental expenses		**(172,829)**	(131,176)
Other operating expenses		**(488,437)**	(339,413)
Other gains		**34,251**	57,995
Operating profit		**917,441**	702,749
Finance costs	8	**(113,780)**	(58,427)
Share of profits and losses of associates		**1,659**	269
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**805,320**	644,591
Income tax expense	9	**(197,840)**	(144,505)

CONSOLIDATED INCOME STATEMENT (CONTINUED)
Year ended 31 December 2010

	Notes	**2010** **RMB'000**	2009 *RMB'000* (Restated)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**607,480**	500,086
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	10	**16,606**	4,084
PROFIT FOR THE YEAR		**624,086**	504,170
Attributable to:			
Owners of the parent		**576,597**	470,107
Non-controlling interests		**47,489**	34,063
		624,086	504,170
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic			
- For net profit for the year		**RMB11.2 cents**	RMB9.1 cents
- For net profit from continuing operations		**RMB11.0 cents**	RMB9.1 cents
Diluted			
- For net profit for the year		**RMB11.2 cents**	RMB9.1 cents
- For net profit from continuing operations		**RMB11.0 cents**	RMB9.1 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2010

	2010 *RMB'000*	2009 *RMB'000* (Restated)
PROFIT FOR THE YEAR	**624,086**	504,170
OTHER COMPREHENSIVE INCOME		
Available-for-sale equity investments:		
Changes in fair value	**108,908**	367,224
Income tax effect	**(25,993)**	(91,024)
	82,915	276,200
Exchange differences on translation of foreign operations	**(1,822)**	(93)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**81,093**	276,107
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**705,179**	780,277
Attributable to:		
Owners of the parent	**657,690**	746,214
Non-controlling interests	**47,489**	34,063
	705,179	780,277

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2010

	2010	2009
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**2,437,213**	1,637,471
Investment properties	**292,199**	104,103
Land lease prepayments	**3,657,010**	2,290,912
Goodwill	**537,050**	95,997
Other intangible assets	**4,148**	3,237
Investments in associates	**11,904**	13,437
Available-for-sale equity investments	**635,398**	1,331,829
Other assets	**2,458**	2,458
Prepayments	**1,115,458**	696,169
Deferred tax assets	**61,647**	34,449
Total non-current assets	**8,754,485**	6,210,062
CURRENT ASSETS		
Inventories	**166,419**	100,714
Completed properties held for sale	**485,287**	--
Properties under development	**1,177,562**	--
Equity investments at fair value through profit or loss	**11,271**	39,168
Trade receivables	**15,794**	268
Prepayments, deposits and other receivables	**402,778**	386,356
Due from related parties	**9,919**	3,739
Pledged deposits	**1,350**	12,902
Cash and cash equivalents	**1,024,073**	457,001
	3,294,453	1,000,148
Assets of a disposal group classified as held for sale	**--**	37,404
Total current assets	**3,294,453**	1,037,552

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 December 2010

	Notes	**2010** *RMB'000*	2009 *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	13	**1,688,373**	933,043
Deposits received, accruals and other payables		**1,611,369**	750,438
Interest-bearing bank loans and other borrowings		**851,024**	163,667
Due to related parties		**4,249**	2,337
Income tax payable		**115,076**	66,179
		4,270,091	1,915,664
Liabilities directly associated with a disposal group classified as held for sale		**--**	9,504
Total current liabilities		**4,270,091**	1,925,168
NET CURRENT LIABILITIES		**(975,638)**	(887,616)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,778,847**	5,322,446
NON-CURRENT LIABILITIES			
Convertible bonds		**860,441**	--
Interest-bearing bank loans and other borrowings		**1,564,776**	1,268,300
Deferred tax liabilities		**413,079**	298,559
Total non-current liabilities		**2,838,296**	1,566,859
Net assets		**4,940,551**	3,755,587
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**461,587**	461,587
Equity component of convertible bonds		**119,125**	--
Reserves		**3,318,872**	2,887,939
Proposed final dividend	12	**--**	67,800
		3,899,584	3,417,326
Non-controlling interests		**1,040,967**	338,261
Total equity		**4,940,551**	3,755,587

NOTES TO THE 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 Group 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 are Maoye Department Store Investment Limited and MOY International Holdings Limited, respectively, which were incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The annual consolidated financial statements for the year ended 31 December 2010 have been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units which are managed separately based on the nature of their operations and the products and services provided and has three reportable operating segments as follows:

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

(b) the property development segment principally engaged in development as well as leasing and sales of commercial and residential properties; and

(c) the "others" segment comprises principally operations of hotels and provision of ancillary services, provision of advertising services and construction of television networks.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, dividend income, fair value gains from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investment in associates, available-for-sale equity investments, other asset, deferred tax assets and equity investments at fair value through profit or loss as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans and other borrowings, convertible bonds and deferred tax liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2010	Operation of department stores RMB'000	Property development RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	2,060,822	122,311	14,149	2,197,282
Intersegment revenue	--	6,647	--	6,647
Other income	535,890	3,059	4,619	543,568
	2,596,712	132,017	18,768	2,747,497
Reconciliation:				
Elimination of intersegment revenue				(6,647)
Revenue from continuing operations				2,740,850
Segment results	952,063	18,582	3,961	974,606
Reconciliation:				
Interest income				7,500
Unallocated gains				34,251
Corporate and other unallocated expenses				(98,916)
Finance costs				(113,780)
Share of profits and losses of associates				1,659
Profit before tax from continuing operations				805,320
Segment assets	8,613,504	2,658,072	54,684	11,326,260
Reconciliation:				
Corporate and other unallocated assets				722,678
Total assets				12,048,938
Segment liabilities	3,157,930	247,861	13,276	3,419,067
Reconciliation:				
Corporate and other unallocated liabilities				3,689,320
Total liabilities				7,108,387
Other segment information:				
Share of profits and losses of associates	2,708	--	(1,049)	1,659
Impairment losses recognised in the income statement	42	--	--	42
Impairment losses reversed in the income statement	(1,720)	--	--	(1,720)
Depreciation and amortisation	200,329	9,173	1,605	211,107
Investments in associates	--	--	11,904	11,904
Capital expenditure*	2,842,404	1,476,270	--	4,318,674

* Capital expenditure consists of additions to property, plant and equipment, land lease prepayments, investment properties, properties under development, other intangible assets and completed properties held for sale, including assets from the acquisition of subsidiaries.

Year ended 31 December 2009	Operation of department stores *RMB'000*	Property development *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	1,369,953	46,366	9,690	1,426,009
Other income	371,980	--	28,072	400,052
Revenue from continuing operations	1,741,933	46,366	37,762	1,826,061
Segment results	689,859	16,439	4,612	710,910
Reconciliation:				
Interest income				6,010
Unallocated gains				57,995
Corporate and other unallocated expenses				(72,166)
Finance costs				(58,427)
Share of profits and losses of associates				269
Profit before tax from continuing operations				644,591
Segment assets	5,024,198	638,799	125,872	5,788,869
Reconciliation:				
Corporate and other unallocated assets				1,421,341
Assets related to a discontinued operation				37,404
Total assets				7,247,614
Segment liabilities	1,736,326	--	15,671	1,751,997
Reconciliation:				
Corporate and other unallocated liabilities				1,730,526
Liabilities related to a discontinued operation				9,504
Total liabilities				3,492,027
Other segment information:				
Share of profits and losses of associates	--	--	269	269
Impairment losses recognised in the income statement	15	--	--	15
Impairment losses reversed in the income statement	(4,042)	--	--	(4,042)
Depreciation and amortisation	144,714	6,131	1,680	152,525
Investments in associates	--	--	13,437	13,437
Capital expenditure*	854,715	--	112,304	967,019

* Capital expenditure consists of additions to property, plant and equipment, land lease prepayments and other intangible, including assets from the acquisition of subsidiaries.

4. REVENUE

	For the year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Commissions from concessionaire sales	**1,135,013**	786,649
Direct sales	**795,442**	473,258
Rental income from the leasing of shop premises	**140,133**	107,072
Management fee income from the operation of department stores	**3,589**	2,973
Rental income from investment properties	**66,566**	46,366
Sale of properties	**45,610**	--
Others	**10,929**	9,691
	2,197,282	1,426,009

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

Total sales proceeds from concessionaire sales	**6,471,245**	4,381,479
Commissions from concessionaire sales	**1,135,013**	786,649

5. OTHER INCOME

	For the year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Income from suppliers and concessionaires		
- Administration and management fee income	**313,887**	250,796
- Promotion income	**138,114**	90,967
- Credit card handling fees	**77,810**	50,314
Interest income	**7,500**	6,010
Others	**13,757**	7,975
	551,068	406,062

6. **COST OF SALES**

	For the year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Purchases of and changes in inventories	**717,967**	429,127
Cost of properties sold	**28,311**	--
Others	**869**	808
	747,147	429,935

7. **EMPLOYEE EXPENSES**

	For the year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Wages and salaries	**183,743**	116,162
Equity-settled share option expense	**39,469**	--
Retirement benefits	**14,850**	11,377
Other employee benefits	**7,578**	6,729
	245,640	134,268

8. FINANCE COSTS

	For the year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Interest on bank loans	**105,501**	58,427
Interest on convertible bonds	**12,010**	--
Total interest expense on financial liabilities not at fair value through profit or loss	**117,511**	58,427
Less: Interest capitalised	**(5,487)**	--
	112,024	58,427
Other finance costs:		
Increase in discounted amounts of consideration payable	**1,756**	--
	113,780	58,427

9. INCOME TAX

	For the year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Group:		
Current — CIT	**184,889**	148,548
Current — LAT	**1,786**	--
Deferred	**16,712**	(2,662)
Total tax charge for the year	**203,387**	145,886
Represented by:		
Tax charge attributable to continuing operations reported in the consolidated income statement	**197,840**	144,505
Tax charge attributable to a discontinued operation	**5,547**	1,381
Total tax charge for the year	**203,387**	145,886

10. PROFIT FOR THE YEAR FROM A DISCONTINUED OPERATION

On 12 January 2010, the Group disposed of the entire interest in Chengshang Motor Vehicle Co., Ltd. ("Chengshang Motor") (成都成商汽車有限責任公司) for a cash consideration of RMB23,000,000, resulting in a gain on disposal of a subsidiary of RMB22,188,000. Chengshang Motor is engaged in sale of automobiles and, together with Chengdu Chengshang United Motor Vehicle Co., Ltd. (成都成商聯合汽車有限責任公司), accounted for a separate operating segment of the Group. The Group has decided to cease its automobile sales business as the Group plans to focus its resources on its core business of department store operations and to optimise its asset structure.

The results of the discontinued operation for the year are presented below:

	For the year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Revenue	**1,493**	322,369
Other income	**--**	1,920
Purchases of and changes in inventories	**(1,055)**	(306,177)
Employee expenses	**(9)**	(6,828)
Depreciation and amortisation	**(520)**	(1,595)
Operating lease rental expenses	**--**	(482)
Other operating expenses	**(77)**	(4,463)
Other gains	**133**	721
Gain/ (loss) of the discontinued operation	**(35)**	5,465
Gain on disposal of a subsidiary	**22,188**	--
Gain before tax from the discontinued operation	**22,153**	5,465
Income tax expense	**(5,547)**	(1,381)
Profit for the year from the discontinued operation	**16,606**	4,084
Attributable to:		
Owners of the parent	**11,089**	2,727
Non-controlling interests	**5,517**	1,357
	16,606	4,084

11. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent for the year ended 31 December 2010 of RMB576,597,000 (2009: RMB470,107,000) and the 5,139,856,000 ordinary shares in issue during the year (2009: the 5,139,856,000 ordinary shares in issue).

The calculation of diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent for the year, adjusted to reflect the interest on the convertible bonds, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

12. DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 December 2010 (2009: 1.5 HK cents per share).

13. TRADE AND BILLS PAYABLES

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

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Within 90 days	**1,392,576**	767,737
91 to 180 days	**176,837**	63,064
181 to 360 days	**48,377**	30,489
Over 360 days	**70,583**	71,753
	1,688,373	933,043

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

In 2010, the department stores and retail industry continued to thrive given the higher acceleration of the Chinese nationals' wages over that of CPI under the State policy to stimulate domestic demand and consumption, the speeding up of urbanization process in tier-two and tier-three regions as well as the continual expansion of middle class.

During the year, the Group made remarkable breakthroughs both in internal operations and external expansion, created new milestone achievements on business development and thereby established a solid foundation for its "Great Development Strategy" in 2010 to 2012.

Stores Expansion

In 2010, under the guidance of the Board of Directors, the Group steadily proceeded with its groundbreaking developmental strategies and has successfully implemented its strategic plans for regions in Southern China, South-western China, Eastern China and Northern China: successive opening of five stores (Changzhou Wujin Store, Chengdu Qingjiang Store, Shenzhen Friendship City Store, Shenyang Jinlang Store and Baoding Guomao Store), successful acquisition of effective control in Qinhuangdao Bohai Logistics Holding Corporation Ltd. (秦皇島渤海物流控股股份有限公司) ("Bohai Logistics"), a company listed on the Shenzhen Stock Exchange (stock code: 000889); and acquisitions of 80% equity interest in Shandong Zibo Sugar Wine Co., Ltd. (山東省淄博糖酒站股份有限公司) and prime land respectively in Huaian City and Taizhou City of Jiangsu Province and Jinzhou City of Liaoning Province. As at 31 December 2010, the Group has operated and managed 36 stores in 15 cities, covering a gross floor area of 1.07 million square meters.

Operational Management

Enhancing of Sophisticated Management

The Group has further enhanced budget management and target-oriented operations: a standardized management system was imported and work efficiencies were fully enhanced; an effective management system of PDCA (Plan-Do-Check-Act) was strictly implemented.

Store Upgrading and Performance Consolidation

Stores nationwide were managed in a hierarchical system and resources were allocated accordingly, thereby establishing the flagship stores and core outlet stores;

the integration capabilities of regional resources were strengthened, which have contributed to a rapid growth of sales in Chongqing Jiangbei Store, Mianyang Xingda Store, Taiyuan Liuxiang Store and Qinhuangdao Jindu Store; while precise positioning and allocation were implemented over the merchandise mix pursuant to which many international and domestic top brands as well as fashionable goods were introduced such that sales per square meter and sales growth rate for the same store were effectively enhanced, thereby the goal of store upgrading were achieved.

Customer Service Management and Customer Values Enhancement

Emphasis was put on membership marketing and services such that the consumption percentage of members was enhanced. The Group has continued to strengthen its efforts of boosting customers' loyalty and reinforced value-added services for members, resulting in a substantial growth of 53% on the sales revenue from members. The number of members has exceeded 2 million for the first time. The sales per customer for members' consumption has reached RMB1,360, which was far beyond the average sales per customer unit.

Innovating Marketing Concepts and Marketing Method

The Group has been committed to seek for breakthroughs from traditional modes of marketing and to take the lead on creating marketing concepts for the industry; the Group launched thanksgiving marketing events nationwide especially for members and such activities have created a far-reaching impact on the industry: a groundbreaking record of sales proceeds amounted to RMB 280 million per store within 68 hours. The Group was the first in the industry to launch the "Joint Shopping Day" and "Members' Shopping Day", which have fully utilized the "80/20 Principle (「二八」原理)" in the implementation of target-oriented strategy. Public holidays were flexibly used to conduct various kinds of distinctive marketing and cultural marketing programmes.

The Group has also strengthened risks control and established systems for fund precautionary management and internal control.

Moreover, the Group has intensified its efforts on the disposal of non-core assets. In early 2010, the Group successfully disposed the automobile business of Chengshang Group (成商集團), a subsidiary controlled by the Group.

Transformation of administrative management

The Group procured resources from suppliers by integrating administrations throughout the nation. By means of large-scale bidding, the Group has effectively reduced administration costs of procurement, regulated the working standards for administrative management and has fully enhanced the working efficiency for the administrative management system.

Upgrading the Information System

The Group has upgraded the existing POS system in order to improve the settlement efficiency; it has also further enhanced service platforms for suppliers to safeguard the immediate information sharing with them; the Group's information system was fully upgraded for the development of its corporate strategies.

Human Resources Planning and Management

The Group has paid more attention to human resources planning to train up operating talents at multi-levels. The Group has also implemented effective incentive policies so that staff performance would be closely tied to the business development of the Group.

MARKET PERFORMANCE

Southern China Region

In 2010, in the face of the impact from the aftermath of the financial crisis on the export-oriented economies in the coastal region, the stores of the Group in the Southern China region actively adjusted their operational and marketing strategies. The Group actively guided its stores to adapt to market changes and to continuously introduce innovations in marketing strategies. In 2010, contribution of total sales proceeds from the Southern China region to the Group's total sales proceeds was 45.0%. The region recorded same-store growth of 14.5% in sales proceeds from concessionaire sales, with same-store growth of 16.5% for the second half of 2010.

Shenzhen Huaqiangbei Store, the flagship store of the Group, introduced in March 2010 a number of prestigious food and beverage companies and the cinema projects. This has not only created a more enjoyable shopping environment, but has also increased customer flow.

Shenzhen Dongmen Store, the first store of the Group, under the impact of subway re-construction, actively changed its business concepts and strategies, made adjustments to its mechandise mix and brand upgrade and adopted various kinds of innovative marketing activities to attract the attention of more consumers. Following the launch of the "Staff Shopping Day" and promotion events, it has achieved a great success through emotional marketing, setting a record of RMB280 million of sales proceeds in 68 hours.

Shenzhen Nanshan Store, the Group's third-generation department store of fine products, has achieved satisfactory operating results since commencement of business on 26 September 2009, realizing its objective of "making profits at the opening year". Nanshan Store will continue to make brand adjustments and marketing activities and further strenghthen its leading postion in the Nanshan business circle.

Southwestern China Region

The Group continued to implement the dual-brand development strategy of "Maoye Department Store" and "People's Department Store" in the Southwestern China region, devising marketing strategies to suit different customer groups in line with the positioning of different brands and their respective features. The Group also continued to raise standards of operation and quality of service of its stores, optimizing merchandise categories and brand mix and actively launching innovative marketing activities. In January 2010, Chengshang Group, a subsidiary of the Group, announced the successful disposal of its non-core business, namely the automobile business, so that the Group could concentrate on its core business. During the year, the Group will speed up its expansion of stores in the Southwestern China region.

Chengdu Yanshikou Store, one of our flagship stores in the Southwestern China region, continued its brand upgrade and adjusting its merchandise offerings during the year, and achieved sustainable increase in its results, despite the negative impact caused by subway construction in the surrounding areas this year.

Chongqing Jiangbei Store, another flagship store of the Group in the Southwestern China region, proactively made innovations this year, resulting an increase in sales revenue and profits in the year. Adopting a marketing strategy that focuses on "Brand, culture and distinctive characteristics", the store continuously upgraded and adjusted its brands, and actively creating brands with core competitiveness. With effective implementation of such measures, Chongqing Jiangbei Store achieved more rapid growth of sales results. In 2010, Chongqing Jiangbei Store recorded sales proceeds from concessionaire sales of RMB450.9 million, representing an increase of 27.1% on a year-on-year basis.

The two stores that the Group acquired in 2008 in Mianyang, Sichuan are both situated in prime commercial locations in Mianyang which have become one of the best and largest department store in Mianyang with the most comprehensive merchandise offerings and best ambience. In 2010, Mianyang Xingda Store recorded same-store growth in total sales proceeds from concessionaire sales of 83.5%.

The two stores, namely Wuxing Store and Mofanjie Store, which are owned by the Group in Nanchong, Sichuan Province and situated in the core business circle of Nanchong, recorded a growth in aggregate sales proceeds from concessionaire sales of 27.2% in 2010, while Wuxing Store alone achieved a growth of 32.0%, on a year-on-year basis.

Eastern China Region

The Eastern China region is the Group's key strategic development area. Through acquisitions, self-construction and leasing etc, the Group owns eight stores in this area, located in Wuxi, Changzhou, Taizhou and Zibo etc, respectively. The Group also plans to continue to open new stores in Linyi, Yangzhou and Huai'an. In 2010, the total sales proceeds generated by the Eastern China region accounted for 10.4% of the total sales proceeds of the Group, representing an increase of 8.0% on a year-on-year basis.

Benefiting from the Group's excellent new store integration capability and rich supplier resources, Taizhou First Department Store Co., Ltd. ("Taizhou First Department Store"), a store we acquired in October 2009, continued to post outstanding performance since its acquisition. In 2010, Taizhou First Department Store recorded total sales proceeds of RMB665.2 million.

Northern China Region

The Northern China region is a key development region of the Group. During the year, the Group opened two new stores, namely Shenyang Jinlang Store and Baoding Guomao Store, successfully acquired effective control in Bohai Logistics and effectively consolidated the resources in the Northern China market, thereby setting a basis for the Group's development in the Northern China region. As of the date of this announcement, the Group successfully operated eight department stores in Northern China and will open more stores in the future, including Shenyang Tiexi Store, Taiyuan Qinxianjie Store, Jinzhou Linghe Store and Baoding Yanzhao Store etc. In 2010, the total sales proceeds generated by the Northern China region accounted for 16.0% of the total sales proceeds of the Group. Same-store growth of sales proceeds from concessionaire sales was 48.5%, with same-store growth of 69.7% recorded in the first half of 2010.

Qinhuangdao Jindu Store and Taiyuan Liuxiang Store, the two stores in Northern China acquired by the Group in 2008, are both located in the prime commercial area of the local core business district. After the acquisitions, the Group continuously made adjustments in brand upgrading, merchandise mix and customer flows, which led to a steady increase in sales of the two stores. This outcome was even more evident after upgrading and adjustments carried out by the Group in the first half of 2009. In 2010, the Qinhuangdao Jindu Store recorded proceeds from concessionaire sales of RMB223.5 million, an increase of 48.3% over the same period last year. The Taiyuan Liuxiang Store recorded proceeds from concessionaire sales of RMB345.3 million, an increase of 48.6% over the same period last year.

Performance of Major Stores[1]

	Store name	Gross floor area (sq.m)	Operation area (sq.m)	2009 Sales per ticket (RMB)	2010 Sales per ticket (RMB)	Proceeds from Concessionaire sales - 2009 (RMB'000)	Proceeds from Concessionaire sales - 2010 (RMB'000)	YoY growth Rate of proceeds from Concessionaire sales
1	Shenzhen Dongmen Store	47,436	33,680	502	560	685,767	760,759	10.9%
2	Shenzhen Heping Store	23,078	17,309	502	452	101,231	128,879	27.3%
3	Zhuhai Xiangzhou Store	23,715	17,549	337	332	193,421	222,662	15.1%
4	Shenzhen Huaqiangbei Store	59,787	45,677	560	649	1,376,228	1,583,172	15.0%
5	Chongqing Jiangbei Store	53,542	36,276	342	411	354,841	450,865	27.1%
6	Chengdu Yanshikou Store	53,873	40,674	480	538	483,434	542,824	12.3%
7	Nanchong Wuxing Store	25,994	19,530	339	444	172,386	227,541	32.0%
8	Mianyang Linyuan Store	21,731	13,780	206	243	44,355	59,800	34.8%
9	Nanchong Mofanjie Store[2]	24,035	21,124	241	259	26,462	25,352	(4.2%)
10	Mianyang Xingda Store	27,617	19,884	408	468	128,658	236,070	83.5%
11	Qinhuangdao Jindu Store	46,610	33,606	285	335	150,690	223,534	48.3%
12	Taiyuan Liuxiang Store	30,616	22,105	399	447	232,268	345,264	48.6%

Notes:

1 Major same-stores refer to same stores with a gross floor area of over 20,000 square metres.

2 The Nanchong municipal government plans to construct a commercial street on the lot where the Nanchong Mofanjie Store is located, and the construction during May and June of 2010 resulted in an adverse impact on the operations of the Nanchong Mofanjie Store, which had been eliminated gradually in 2010. Besides, part of the operating floor area of the store was reallocated to food catering and entertainment ancillary facilities in May 2010, which also led to decrease of this store's sales proceeds.

NETWORK EXPANSION

Apart from Changzhou Wujin Store, Chengdu Qingjiang Store and Shenzhen Youyicheng Store opened by the Group in succession in the first half of 2010, the Group focused on expanding store networks in Northern and Eastern China during the year.

Northern China Region

On 30 June 2010, the Group successfully acquired a piece of prime land with an area of 6,947 square metres in Jinzhou of Liaoning Province at a total consideration of approximately RMB159 million. The land is situated in the core location of the commercial zone in Jinzhou with a high level of commercial activities in the surrounding area. The Group plans to build a department store and apartment complex on the land and operate the department store under the "Maoye" brand.

On 12 September 2010, the Group acquired Guomao Building in Baoding, Hebei Province, which is located in the Chaoyang South Street commercial zone, and is one of the major commercial zones of Baoding, Hebei Province, with a total gross floor area of approximately 21,831 square metres at a total consideration of approximately RMB176 million. The building held its grand opening on 31 December 2010.

On 3 November 2010, the Group also acquired a parcel of land with an area of approximately 11,333 square metres located in the business circle of Chaoyang South Street, Baoding at a total consideration of RMB126.0 million. The Group plans to build a department store and office complex on the land and operate the department store in the complex under the "Maoye" brand.

Shenyang Jinlang Store, the 35th store opened by the Group through the leasing of the property of the controlling shareholder, held its grand opening on 24 December 2010. The opening of the Shenyang Jinlang Store will improve coverage of the store network of the Group in Northern China, further strengthening the Group's market position and influence in Northern China and also laying foundation for the establishment of the Shenyang Tiexi Stone.

Eastern China Region

On 8 July 2010, the Group successfully bid for another piece of prime land with an area of 14,090.6 square metres in Huaian City of Jiangsu Province at a total consideration of RMB275.0 million. The Group plans to build a department store and apartment complex on the land and operate the department store under the "Maoye" brand. The acquisition is another target project in a target expansion city in Jiangsu Province following the Group's business developments in Wuxi, Taizhou and Changzhou.

On 13 October 2010, the Group acquired 80% of the issued share capital of Shandong Zibo Sugar Wine Co., Ltd.（山東省淄博糖酒站股份有限公司）("Target Company") at a total consideration of approximately RMB388.0 million. The Target Company 100% owned Zibo Jindi Shopping Plaza Co., Ltd, which manages and operates Jindi

Shopping Plaza（金帝購物廣場）.The Jindi Shopping Plaza has a gross floor area of 51,266 square metres and is located at Zhangdian Willow Road, the heart of the central business district in Zibo. The Target Company also owns five parcels of land with a total land area of approximately 56,133 square metres.

On 26 October 2010, the Group entered into a Pre-sale and Purchase Agreement with the vendor to acquire a six-storey commercial building with a total gross floor area of approximately 45,758 square metres at a total consideration of approximately RMB311.2 million. The building is situated at Jiefong Road, Lanshan District, the core commercial zone in Linyi City, Shandong Province. The Group intends to operate a department store in the building.

On 19 November 2010, the Group entered into an agreement to acquire an 80% of the issued share capital of Zibo Dongtai Building Co., Ltd. ("Dongtai Shangsha") (淄博東泰商廈有限公司) and the entire issued share capital of Zibo Dongtai Jianghao Logistics Co., Ltd. (淄博東泰江浩物流有限公司) at a consideration of approximately RMB406 million. Zibo Dongtai Building Co., Ltd. owned three department stores and operated a leased department store and a chain of over 40 supermarkets (including franchised stores), which are located in the core business area of Linzi District, Zibo City, Shandong Province. Zibo Dongtai Jianghao Logistics Co., Ltd. owned the land use right of a parcel of land with an area of approximately 28,018 square metres and also owned the buildings for the Jianghao Logistics Distribution Centre（江浩物流配送中心）under construction on the land. The transaction was subsequently completed on 27 January 2011 and Dongtai Shangsha became a subsidiary of the Company since then.

On 2 December 2010, the Group won the bid for a parcel of prime land, which is located in the Pozi Street commercial circle (also known as the Xibakou business area) of the core commercial district of Taizhou, Jiangsu Province, with a total area of approximately 212,698 square metres at a total consideration of RMB1,111 million. The land is adjacent to Taizhou First Department Store（泰州第一百貨）which enjoys a high reputation in Taizhou. The Group plans to build on the target land one of the most influential city commercial complexes in Taizhou. Upon completion, together with Taizhou First Department Store owned by the Group, the Directors believe that the complex will generate economy of scale, radiating outwards and influencing the consumer market of the entire Jiangsu Province and facilitating the strengthening of the Group's market position and influence in Eastern China.

On 23 December 2010, the Group successfully bid for a 70% equity interests of Yangzhou Yangzi River Department Store Co., Ltd. ("Yangzi River Department Store") ("楊州市楊子江百貨有限責任公司"), which is located in the Wenchang commercial circle, Guangling District, the core business area of Yangzhou, Jiangsu Province, with a total gross floor area of approximately 21,485 square metres at a total consideration of approximately RMB174.0 million. The Directors believe that the department store acquired, together with the various stores successfully operated by the Group and the stores to be opened in Eastern China, will generate economy of scale, thereby further enhancing the market presence and influence of the Group in Eastern China and the Yangtze River Delta economic region. The transaction was subsequently completed on 1 January 2011 and Yangzi River Department Store became a subsidiary of the Company since then.

2010 was a year during which the Group achieved great leaps forward in its development. The Group increased the gross floor area of its stores by 366,205 square metres through self-construction, acquisition and leasing. This represented a 62.2% increase in the gross floor area of stores (excluding managed stores). As at 31 December 2010, the Group operated and managed 36 stores nationwide, covering the southern, southwestern, northern and eastern regions of China, with a total gross floor area of 1,072,568 square metres, of which 112,350 square metres are managed stores.

OUTLOOK

In late 2010, the Chinese government included the "expansion of domestic demand" as an independent topic in the country's five-year plan for the first time which we view the same will have long term positive impact on department store retailing business.

From a short-term perspective, moderate inflation will have a positive impact on the growth of consumer industries and the retail sector will maintain steady growth. From a medium-term perspective, the restructuring of the economic structure, the broadening of opportunities for the economic development of private enterprises, and reforms in policies of national economic income distribution, education, medical and social security services will further increase consumption. From a long-term perspective, the economy will maintain its rapid growth in the course of industrialization, and in conjunction with the advancement of urbanization, consumption growth will be expedited and opportunities for the development of the consumer market will continue to open up.

In 2011, the Group will effectively seize opportunities to continue to strengthen fine internal management processes in detail and management of stores by tier; identify growth potential and profit making capability of existing stores through measures such as brand upgrade and business operation reforms; focus on supporting newly opened stores, develop new business formats and identify new performance growth areas; enhance strategic developments of the purchasing department and strengthen overall budget and cost control; enhance integration of the operation and financial systems to provide efficient and better services to suppliers; improve the service standard of the customer service centres of our shops throughout the country and raise the value of membership cards and their service functions; in all aspects build a all-dimentional talent reserve mechanism for future stores development; and to fully implement our policy of "Triple Incentives" and "Triple Services" to motival our staff, suppliers and customers, and to improve and innovate business models so as to maintain the Group's leading position in the industry.

In 2011, the Group will continue to adhere to its "Mass Development" theme and strategy and step on to a fast development track. The "Mass Development" strategy serves as a powerful assurance that the Group will maintain new stores at a reasonable percentage, with organic growth of new stores being a source of continual stable growth of the Group. The Group will continue to explore opportunities in Southern China, consolidate its business in Southwestern China, and focus on expanding its business in Eastern and Northern China in order to extend its geographical reach throughout the country through multiple channels including acquisition, construction of own stores and leasing. The Group will actively speed up the opening of new stores through accelerating project construction and the recruitment of suppliers. Currently, the stores under construction are Shenyang Tiexi Store, Chengdu Southern Store, Yanshikou Phase II Store, Wuxi Yibai Store, Taiyuan Qinxianjie Store, Liaoning Jinzhou Store, Jiangsu Huaian Store, Baoding Yanzhao Store, Shandong Linyi Store and Taizhou East Plaza Store. During 2011 and 2012, the Group will continue to open no fewer than five stores with an average gross floor area of not less than 200,000 square metres per year and will be steadily heading towards our goal of developing into the leading department store operator in China.

Financial Review

Total Sales Proceeds and Revenue (excluding the total sales proceeds and revenue of a discontinued operation)

For the year ended 31 December 2010, total sales proceeds of the Group increased to RMB7,266.7 million, representing an increase of 49.7% as compared to the same period in 2009.

	For the year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Total sales proceeds from concessionaire sales	**6,471,245**	4,381,479
Revenue from direct sales	**795,442**	473,258
Total Sales Proceeds	**7,266,687**	4,854,737

Among the total sales proceeds of the Group in the year of 2010, total sales proceeds derived from concessionaire sales accounted for 89.1% and those derived from direct sales accounted for 10.9%.

Same-store sales proceeds from concessionaire sales increased to RMB5,127.5 million, representing an increase of 21.5% as compared to the same period in 2009, of which total same-store sales proceeds from concessionaire sales in Southern China region increased by 14.5%, total same-store sales proceeds from concessionaire sales in Southwestern region increased by 26.5%, and total same-store sales proceeds from concessionaire sales in Northern region increased by 48.5%.

For the year ended 31 December 2010, the Group's commission rate from concessionaire sales was 17.5%, representing a decrease of 0.5% as compared to the same period in 2009. The decrease was mainly due to the lower commission rate of new stores during the initial period after opening and the reduction of brands with higher commission rate but low sales contribution, and the introduction of brands with high sales volume but lower commission rate during the period under review. The Group will strive to enhance the integration of the new acquisitions and the new stores, in order to increase the commission rate of the new stores to the level of established stores as soon as possible. Regarding promotion strategies, the Group will gradually lower the proportion of price marketing and introduce innovative marketing modes to ensure steady growth in sales and commissions simultaneously.

Total sales proceeds in the year of 2010 comprised sales of apparel (46.0%) (2009: 45.0%), cosmetics and jewelry (19.7%) (2009: 19.0%), shoes and leather goods (13.4%) (2009: 14.0%) and others such as children's wear and toys, household and electronic appliances, etc. (20.9%) (2009: 22.0%). The percentage attributable to each product category to total sales proceeds was similar to that of the year of 2009.

For the year ended 31 December 2010, revenue of the continue operations of the Group (excluding the revenue of discontinued operation) amounted to RMB2,197.3

million, representing an increase of 54.1% as compared with RMB1,426.0 million for the same period of last year. The commissions from concessionaire sales and revenue from direct sales increased by RMB348.4 million and RMB322.2 million, respectively.

Other Income (excluding the other income from a discontinued operation)

For the year ended 31 December 2010, other income of the Group amounted to RMB551.1 million, representing an increase of 35.7% as compared with RMB406.1 million for the same period of last year. This was primarily resulted from the increase of other income related to the increase in sales proceeds of concessionaire sales.

Cost of Sales (excluding the cost of sales of a discontinued operation)

For the year ended 31 December 2010, cost of sales of the Group amounted to RMB747.1 million, representing an increase of 73.8% as compared with RMB429.9 million for the same period of last year. This was primarily due to the increase of the direct sales business by 68.1% as compared with the same period last year.

Employee Expenses (excluding the employee expenses of discontinued operation)

For the year ended 31 December 2010, employee expenses of the Group amounted to RMB245.6 million, representing an increase of 82.9% as compared with RMB134.3 million for the same period of last year. The increase was primarily attributable to the inclusion of staff costs for the new stores opened in 2010. Staff costs for the new stores increased by RMB40.4 million, and same-store staff costs increased by RMB6.9 million, representing an increase of 6.5% as compared with the same period last year. Employee expenses as percentage of total sales proceeds in 2010 increased to 3.4% as compared with 2.8% for the year of 2009.

Depreciation and Amortisation (excluding the depreciation and amortisation of a discontinued operation)

For the year ended 31 December 2010, depreciation and amortisation of the Group amounted to RMB211.1 million, representing an increase of 38.4% as compared with RMB152.5 million for the same period last year. The increase was primarily due to the depreciation of properties acquired and self-constructed for the new stores in 2010. The depreciation and amortisation as percentage of total sales proceeds in 2010 decreased to 2.9% from 3.1% in 2009.

Operating Lease Rental Expenses (excluding the operating lease rental expenses of a discontinued operation)

For the year ended 31 December 2010, operating lease rental expenses of the Group amounted to RMB172.8 million, representing an increase of 31.8% as compared with RMB131.2 million for the same period of last year. This was primarily due to the increase in areas of the five stores leased in 2010. The operating lease rental expenses as percentage of total sales proceeds in the year of 2010 decreased to 2.4% from 2.7% in 2009.

Other Operating Expenses (excluding the operating expenses of a discontinued operation)

For the year ended 31 December 2010, other operating expenses of the Group amounted to RMB488.4 million, representing an increase of 43.9% as compared with RMB339.4 million for the same period of last year. This was primarily due to the launch of new stores in 2010. Other operating expenses as percentage of total sales proceeds in 2010 decreased to 6.7% from 7.0% in 2009.

Other Gains (excluding the other gains of a discontinued operation)

For the year ended 31 December 2010, other gains of the Group amounted to RMB34.3 million, representing a decrease of 40.9% as compared with RMB58.0 million in the same period last year. This was primarily due to the absence of gain arising from the disposal of a piece of land owned by Chengshang Group in 2009. The disposal was in line with the government's urban construction plan and resulted in gains of RMB29.7 million.

Operating Profit (excluding the operating profit of a discontinued operation)

For the year ended 31 December 2010, operating profit of the Group amounted to RMB917.4 million, representing an increase of 30.6% as compared to RMB702.7 million for the same period last year. This was primarily due to the contribution from strong growth in total sales proceeds of the Group, resulting in significant increase in commissions from sale proceeds of concessionaires, the margin of direct sales as well as other income derived from concessionaire sales as compared to the same period in 2009.

Finance Costs (excluding the finance costs of a discontinued operation)

For the year ended 31 December 2010, finance costs of the Group amounted to RMB113.8 million, representing an increase of 94.7% as compared to RMB58.4 million for the same period of last year. This was due to the increase in average balance of loans as compared to the same period of last year.

Income Tax Expense (excluding the other income of discontinued operation)

For the year ended 31 December 2010, income tax expense of the Group was RMB197.8 million, representing an increase of 36.9% as compared to RMB144.5 million for the same period last year. During the year ended 31 December 2010, the effective tax rate applicable to the Group was 24.6% (for the 12 months ended 31 December 2009: 22.4%), which was a result of the increase in the enterprise income tax rate applicable to Shenzhen and Zhuhai regions from 20.0% in 2009 to 22.0% in 2010.

Profit Attributable to Owners of the Parent

As a result of the foregoing, for the year ended 31 December 2010, profit attributable to owners of the parent amounted to RMB576.6 million, representing an increase of 22.7% as compared to RMB470.1 million in 2009, while without taking into account the effect of share option expenses, representing an increase of 31.0%; while without taking into account the effect of share option expenses and non-operating gains and losses, representing an increase of 37.0%. Detailed analysis is as follows:

	2010 *(RMB'000)*	2009 *(RMB'000)*
Profit attributable to owners of the parent	**576,597**	470,107
Adjustment items:		
1. Without taking into account non-operating gains and losses*	**(30,994)**	(42,915)
2. Without taking into account share option expenses	**39,469**	--
Profit attributable to owners of the parent after adjusting	**585,072**	427,192
Growth rate	**37.0%**	

* Non-operating gains and losses represent gains or losses on equity investments at fair value through profit or loss, available-for-sale equity investments, investment in subsidiaries and associate and disposal of items of property, plant and equipment, investment properties and land lease prepayments, etc.

Liquidity and Financial Resources

As at 31 December 2010, the Group's cash and cash equivalents amounted to RMB1,024.1 million, increased by RMB567.1 million as compared to RMB457.0 million as at 31 December 2009. The main cash inflow and cash outflow are set out as following:

(1) net cash inflow of RMB1,663.5 million arising from operating activities;

(2) net cash outflow arising from investing activities amounted to RMB2,292.6 million, mainly included payments for properties and equipment amounted to RMB528.7 million, prepayment and purchase of land lease prepayment amounted to RMB1,242.6 million, and prepayment of debts amounting to RMB255.6 million in relation to acquisition of a subsidiary; and

(3) net cash inflow of RMB1,201.1 million from financing activities for reasons such as the issue of convertible bonds and the increase in bank loans.

As at 31 December 2010, total bank loans of the Group were RMB2,415.8 million (31 December 2009: RMB1,432.0 million), of which RMB851.0 million will mature within one year.

The debt to total assets ratio of the Group, expressed as a percentage of interest-bearing bank loans over total assets, increased from 19.8% as at 31 December 2009 to 20.0% as at 31 December 2010.

Investment in Listed Shares

The Group currently owns minority interests in companies with department store operations listed in the PRC. The Directors believe these investments will bring long-term benefits to the Group. The following table sets out the Group's interests in two companies listed in PRC as at 31 December 2010, and relevant summary information relating to these companies.

Investment	**The Group's Shareholding**	**Principal Business**	**Geographical Location**
Shenzhen International Enterprises Co., Ltd. (深圳市國際企業股份有限公司)	13.18%	The first listed retail enterprise in Shenzhen	Shenzhen City, Guangdong Province
Shen Yang Commercial City Co., Ltd. (沈陽商業城股份有限公司)	10.67%	Owns a number of department stores in Shenyang	Shenyang City, Liaoning Province

The total cost of the investments of the Group in the above companies was RMB206.7 million, which was financed by the Group's cash inflow from operations.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at the date of this announcement.

Pledge of Assets

As at 31 December 2010, the Group's interest-bearing bank loans amounting to RMB2,415.8 million were secured by the Group's land and buildings, investment properties, land lease prepayments, completed properties held for sale and properties under development with net carrying amounts of approximately RMB656.5 million, RMB336.6 million, RMB1,182.3 million, RMB182.5 million and RMB14.4 million, respectively.

As at 31 December 2010, the Group's bills payables amounting to RMB4.5 million were secured by the Group's investment properties and land lease prepayments with net carrying amounts of approximately RMB10.2 million and RMB20.8 million respectively, and the Group's deposits amounting to RMB1.4 million.

Foreign Currency Risk

The Group's certain cash and bank balances and investments are denominated in Hong Kong dollars, so the Group is exposed to foreign currency risk. During the period under review, the Group recorded a net loss from foreign currency of approximately RMB0.7 million.

For the year ended 31 December 2010, the Group had not entered into any arrangements to hedge its foreign currency risk. The Group's operating cash flow is not exposed to any foreign exchange fluctuation risks.

EVENTS AFTER THE REPORTING PERIOD

(i) On 19 November 2010, the Group entered into an agreement with Zibo Dongtai Group Co., Ltd. (淄博東泰集團有限公司) to acquire an 80% equity interest in Dongtai Shangsha for a cash consideration of RMB405,560,000. The transaction was completed on 27 January 2011.

(ii) On 23 December 2010, the Group successfully bid for a 70% equity interest in Yangzi River Department Store in a public auction and then entered into an agreement with Yangzhou Commercial Company (揚州商業大廈) and Yangzhou Yangzi River Investment Development Group (揚州市揚子江投資發展集團有限公司), who are independent third parties, pursuant to which Maoye China has agreed to purchase a 70% of the equity interest in Yangzi River Department Store for a cash consideration of RMB174,463,940. The transaction was completed on 1 January 2011.

(iii) On 24 January 2011, the Group was granted banking facilities by a bank amounting to RMB200 million for a period of 12 months. Additionally, on 28 January 2011, the Group was granted banking facilities by another bank amounting to RMB150 million for a period of 12 months.

EMPLOYEES

As at 31 December 2010, the Group had a total of approximately 9,246 employees (as at 31 December 2009: 4,065 employees). Salaries, bonuses and benefits are determined with reference to market terms and the performance, qualification 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 year ended 31 December 2010.

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 2010. 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 the 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 year ended 31 December 2010 and have discussed with the management the accounting principles and practices adopted by the Group, and its internal controls and financial reporting matters.

PUBLICATION OF ANNUAL 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 annual report for the year ended 31 December 2010 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, 1 March 2011

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Huang Mao Ru, Mr. Zhong Pengyi, Ms. Wang Fuqin and Mr. Wang Bin; and three independent non-executive directors, namely, Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen.