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 2014

HIGHLIGHTS

- Total sales proceeds[1] were RMB5,617.5 million, representing a decrease of 3.2%, and same-store[2] sales proceeds from concessionaire sales decreased to RMB4,520.7 million, representing a decrease of 2.0%
- Total operating revenue was RMB2,111.3 million, representing a decrease of 7.8%
- Operating profit was RMB773.4 million, representing an increase of 2.0%
- Interim dividend is 3.1 HK cents per share

RESULTS OF THE GROUP

- Profit attributable to owners of the parent was RMB427.0 million, representing an increase of 7.2%
- Without taking into account the effect of non-operating gains and losses, profit attributable to owners of the parent decreased by 2.8% to RMB328.9 million
- Basic earnings per share for the period were RMB8.2 cents

RESULTS OF THE OPERATION OF DEPARTMENT STORES SEGMENT

- Profit attributable to owners of the parent from the operation of department stores segment was RMB463.8 million, representing an increase of 16.7% compared with RMB397.4 million in the same period last year
- Without taking into account the effect of non-operating gains and losses, profit attributable to owners of the parent from the operation of department stores segment increased to RMB416.2 million, representing an increase of 9.9% compared with RMB378.6 million in the same period last year

RESULTS OF THE OPERATION OF PROPERTY DEVELOPMENT SEGMENT

- Operating revenue of property development segment was RMB80.1 million, representing a decrease of 67.2%
- Presale of non-core property was RMB468.1 million. Besides, amount of RMB25.7 million was recognised into revenue, representing a decrease of 53.5% compared to the same period last year

Notes:

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

2 Same-store refers to the stores in operation as of 30 June 2014 which have been opened or consolidated into the Group's financial statements by acquisition at the beginning of the previous fiscal year

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 2014 with comparative figures for the corresponding period in 2013. 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 STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
	Notes	**2014**	2013
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
REVENUE	4	**1,690,016**	1,870,672
Other income	5	**421,240**	417,988
Total operating revenue		**2,111,256**	2,288,660
Cost of sales		**(601,510)**	(690,162)
Employee expenses		**(221,923)**	(205,908)
Depreciation and amortisation		**(192,925)**	(179,251)
Operating lease rental expenses		**(115,596)**	(120,990)
Other operating expenses		**(412,660)**	(414,596)
Other gains		**206,767**	80,353
Operating profit		**773,409**	758,106
Finance costs	6	**(63,744)**	(73,964)
Share of profits and losses of associates		**(20,642)**	(452)
PROFIT BEFORE TAX		**689,023**	683,690
Income tax expense	7	**(192,217)**	(207,511)
PROFIT FOR THE PERIOD		**496,806**	476,179
Attributable to:			
Owners of the parent		**427,035**	398,316
Non-controlling interests		**69,771**	77,863
		496,806	476,179
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**RMB8.2 cents**	RMB7.5 cents
Diluted		**RMB8.2 cents**	RMB7.5 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**496,806**	476,179
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**(53,869)**	(74,313)
Reclassification adjustments for gain included in the consolidated statement of profit or loss		
- Gain on deemed disposal	**(35,613)**	—
Income tax effect	**22,370**	22,415
	(67,112)	(51,898)
Exchange differences on translation of foreign operations	**(14,767)**	14,429
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(81,879)**	(37,469)
OTHER COMPREHENSIVE INCOME, NET OF TAX	**(81,879)**	(37,469)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**414,927**	438,710
Attributable to:		
Owners of the parent	**345,156**	360,847
Non-controlling interests	**69,771**	77,863
	414,927	438,710

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2014 (Unaudited) *RMB'000*	31 December 2013 (Audited) *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**5,280,902**	4,870,979
Investment properties	**541,625**	545,962
Land lease prepayments	**4,307,339**	4,408,731
Goodwill	**637,348**	637,348
Other intangible assets	**3,849**	4,571
Investments in associates	**427,409**	—
Available-for-sale equity investments	**530,573**	825,469
Prepayments	**938,862**	1,191,690
Deferred tax assets	**313,887**	253,579
Total non-current assets	**12,981,794**	12,738,329
CURRENT ASSETS		
Inventories	**194,299**	227,894
Completed properties held for sale	**1,421,969**	763,762
Properties under development	**5,070,018**	4,676,226
Equity investments at fair value through profit or loss	**802**	887
Trade receivables	**43,161**	52,562
Prepayments, deposits and other receivables	**809,893**	477,893
Due from related parties	**66,226**	114,933
Pledged deposits	**59,043**	47,194
Cash and cash equivalents	**1,623,962**	978,447
Total current assets	**9,289,373**	7,339,798

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

	Note	**30 June 2014 (Unaudited)** *RMB'000*	31 December 2013 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	10	**1,984,261**	2,447,580
Deposits received, accruals and other payables		**2,939,279**	2,685,580
Interest-bearing bank loans and other borrowings		**1,461,467**	1,751,494
Convertible bonds		**12,330**	12,023
Due to related parties		**78,180**	84,271
Tax payable		**131,845**	167,636
Total current liabilities		**6,607,362**	7,148,584
NET CURRENT ASSETS		**2,682,011**	191,214
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,663,805**	12,929,543
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**7,451,645**	5,007,069
Deferred tax liabilities		**623,120**	591,610
Total non-current liabilities		**8,074,765**	5,598,679
Net assets		**7,589,040**	7,330,864
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**467,449**	467,449
Treasury shares		**(7,451)**	—
Equity component of convertible bonds		**56,546**	56,546
Reserves		**5,559,737**	5,214,581
Proposed final dividend		**—**	123,571
		6,076,281	5,862,147
Non-controlling interests		**1,512,759**	1,468,717
Total equity		**7,589,040**	7,330,864

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 Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands, and the head office and principal place of business of the Company is located at 38/F, World Finance Centre, 4003 Shennan East Road, Shenzhen, the People's Republic of China (the "**PRC**"). The Group is principally engaged in the operation and management of department stores and property development in Mainland China.

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 interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with International Accounting Standard 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 2013.

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 and leasing out of commercial properties for the operation of department stores by third parties;

(b) the property development segment is principally engaged in the development and sale of commercial and residential properties as well as leasing out of commercial properties other than for the operation of department stores; and

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

The management of the Company 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 attributable to owners of the parent.

Intersegment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Operation of department stores *RMB'000*	Property development *RMB'000*	Others *RMB'000*	Adjustments and eliminations *RMB'000*	Total *RMB'000*
Period ended 30 June 2014					
Segment revenue:					
Sales to external customers	1,623,896	63,642	2,478	—	1,690,016
Intersegment revenue	—	8,818	—	(8,818)	—
Other income	412,865	7,682	693	—	421,240
Cost of sales	(588,495)	(12,891)	(124)	—	(601,510)
Employee expenses	(185,126)	(34,872)	(1,925)	—	(221,923)
Depreciation and amortisation	(169,198)	(22,023)	(1,704)	—	(192,925)
Operating lease rental expenses	(108,130)	(11,619)	(60)	4,213	(115,596)
Other operating expenses	(346,036)	(68,280)	(2,949)	4,605	(412,660)
Other gains/(loss)	112,836	94,573	(642)	—	206,767
Operating profit/(loss)	752,612	25,030	(4,233)		773,409
Finance costs	(13,757)	(49,911)	(76)	—	(63,744)
Share of profits and losses of associates	(20,642)	—	—	—	(20,642)
Segment profit/(loss) before tax	718,213	(24,881)	(4,309)	—	689,023
Income tax expense	(197,488)	5,080	191	—	(192,217)
Segment profit/(loss) for the period	520,725	(19,801)	(4,118)	—	496,806
Attributable to:					
Owners of the parent	463,756	(33,543)	(3,178)	—	427,035
Non-controlling interests	56,969	13,742	(940)	—	69,771
	520,725	(19,801)	(4,118)	—	496,806
Other segment information					
Impairment losses recognised in the statement of profit or loss	203	15,069	—	—	15,272
Impairment losses reversed in the statement of profit or loss	(123)	—	—	—	(123)
Investments in associates	427,409	—	—	—	427,409
Capital expenditure*	547,337	1,104,974	195	—	1,652,506

* 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.

	Operation of department stores *RMB'000*	Property development *RMB'000*	Others *RMB'000*	Adjustments and eliminations *RMB'000*	Total *RMB'000*
Period ended 30 June 2013					
Segment revenue:					
Sales to external customers	1,639,528	227,681	3,463	—	1,870,672
Intersegment revenue	—	11,015	—	(11,015)	—
Other income	409,905	5,393	2,690	—	417,988
Cost of sales	(649,718)	(40,313)	(131)	—	(690,162)
Employee expenses	(178,168)	(24,832)	(2,908)	—	(205,908)
Depreciation and amortisation	(162,381)	(15,454)	(1,416)	—	(179,251)
Operating lease rental expenses	(123,807)	(5,686)	(50)	8,553	(120,990)
Other operating expenses	(344,995)	(67,490)	(4,573)	2,462	(414,596)
Other gains	76,736	3,603	14	—	80,353
Operating profit/(loss)	667,100	93,917	(2,911)	—	758,106
Finance costs	(23,333)	(50,631)	—	—	(73,964)
Share of profits and losses of associates	—	—	(452)	—	(452)
Segment profit/(loss) before tax	643,767	43,286	(3,363)	—	683,690
Income tax expense	(195,901)	(11,962)	352	—	(207,511)
Segment profit/(loss) for the period	447,866	31,324	(3,011)	—	476,179
Attributable to:					
Owners of the parent	397,381	3,101	(2,166)	—	398,316
Non-controlling interests	50,485	28,223	(845)	—	77,863
	447,866	31,324	(3,011)	—	476,179
Other segment information					
Impairment losses recognised in the statement of profit or loss	87	—	—	—	87
Impairment losses reversed in the statement of profit or loss	(124)	—	—	—	(124)
Investments in associates	—	—	4,859	—	4,859
Capital expenditure*	329,302	950,307	29	—	1,279,638

* 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.

4. REVENUE

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Commissions from concessionaire sales	**862,842**	833,143
Direct sales	**653,331**	714,442
Rental income from the leasing of shop premises	**103,204**	89,883
Management fee income from the operation of department stores	**4,519**	2,060
Rental income from investment properties	**37,981**	172,511
Sale of properties	**25,661**	55,170
Others	**2,478**	3,463
	1,690,016	1,870,672

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

Total sales proceeds from concessionaire sales	**4,964,126**	5,087,975
Commissions from concessionaire sales	**862,842**	833,143

5. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Income from suppliers and concessionaires		
- Administration and management fee income	**202,811**	203,004
- Promotion income	**125,017**	113,892
- Credit card handling fees	**63,937**	64,588
Interest income	**10,036**	14,591
Others	**19,439**	21,913
	421,240	417,988

6. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**63,744**	73,964

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Group:		
Current CIT	**197,014**	204,846
Current LAT	**1,632**	1,451
Deferred	**(6,429)**	1,214
Total tax charge for the period	**192,217**	207,511

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2014 attributable to ordinary equity holders of the parent of RMB427,035,000 (Six months ended 30 June 2013: RMB398,316,000) and the weighted average number of ordinary shares of 5,223,074,000 (Six months ended 30 June 2013: 5,306,375,229) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2014 and 2013 in respect of a dilution as the convertible bonds had an anti-dilutive effect on the basic earnings per share amounts presented.

9. DIVIDENDS

The Board has resolved to declare an interim dividend for the six months ended 30 June 2014 of HK3.1 cents in cash per share totalling HK$161.1 million (equivalent to approximately RMB127.8 million) (for the six months ended 30 June 2013: HK$146.4 million). The interim dividend will be paid on Tuesday, 23 September 2014 to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 16 September 2014.

10. TRADE AND BILLS PAYABLES

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

	30 June 2014 (Unaudited) *RMB'000*	31 December 2013 (Audited) *RMB'000*
Within 90 days	**1,380,270**	1,939,607
91 to 180 days	**327,528**	227,599
181 to 360 days	**132,673**	159,272
Over 360 days	**143,790**	121,102
	1,984,261	2,447,580

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

In the first half of 2014, the Group actively responded to the dual challenges of the slow growth of consumption and rise of e-business by adopting a series of effective measures and still recorded a slight increase in its performance.

- Total sales proceeds were RMB5,617.5 million, representing a decrease of 3.2% compared to the same period last year; same-store sales growth of concessionaire sales decreased by 2.0%;

- Total operating revenue was RMB2,111.3 million, representing a decrease of 7.8% compared to the same period last year;

- Profit attributable to owners of the parent was RMB427.0 million, representing an increase of 7.2% compared to the same period last year.

1. **Maintaining a stable gross profit margin by adopting a profit-oriented approach**

   In the first half of 2014, to respond to the impact of weak consumption and rise of e-business, the Group continued to upgrade and adjust its key stores, introduced differentiated brands and continued to implement the strategy of "transformation of department stores into shopping centres" to reinforce comprehensive services. While striving to provide customers with an experience irreplaceable by online services, the Group effectively managed the sales promotion efforts and frequency so as to maintain the gross profit margin at a stable level. In addition, the sales from VIP members of the Group increased by 20% compared to the same period last year.

   Stores upgraded and transformed by the Group last year have all achieved positive operating performance this year. In the first half of 2014, the Group further enhanced strategic cooperation with suppliers and continued to optimize and adjust the merchandise mix in accordance with regional location, store positioning and consumer groups. Shenzhen Huaqiang North Store is currently undergoing comprehensive upgrade and has introduced more light luxury brands. Meanwhile, the layout and structure of floors of Chongqing Jiangbei Store and Zibo Maoye Complex have also been further improved to enhance customers' shopping experience. In addition, Chengdu Chunxi Store, which was successfully recovered by the Group last year, has also started to undergo a comprehensive, floor by floor and step by step hardware upgrade and its new look will be unveiled in the portal zone of the core business district in Chengdu.

The Group actively conducted differentiated brand operations, and has successively introduced second- and third-tier international brands and domestic fashion brands and continued to lead the fashion trend in different regions while avoiding the vicious cycle of price competition among similar goods, safeguarding the brand influence and appeal of *Maoye Department Store*.

By adhering to the concept of the "transformation of department stores into shopping centres", the Group continued to reduce the operating area of the department store business and increased ancillary and comprehensive services, such as leisure and catering, to provide customers with an enhanced shopping experience.

2. **Introducing incentive plans**

In the first half of 2014, the Group adjusted the incentive mechanism for its staff, introduced various profit-oriented incentive plans and expanded the awards eligibility. As a result , twenty-one stores were awarded different prizes, which increased staff's work initiative and efficiency, improved the operating performance and further attracted and retained talents.

3. **Effectively promoting big data potential tapping, improving the quality of operational management**

In May 2014, with the official launch of the ERP information system, the system will cover management modules such as purchasing, operations, customer relationship management (CRM), OA system, finance and human resources. The Group will implement a systematic information flow management.

Information flow can lead to the establishment of a big data platform which can carry out accurate analyses of customers' consumption behavior, and in turn assist in providing customized value-added services for customers and suppliers. The informationization of internal approval flow will help to quantify the operating standards at the execution level, and further achieve refined management and increase the Group's market competitiveness.

4. **Increase in shareholding of Commercial City**

On 16 February 2014, Zhongzhao Investment Management Co., Ltd. ("**Zhongzhao Investment Management**"), a wholly-owned subsidiary of the Group, entered into an agreement with Shenyang Commercial City (Group) Co. Ltd., pursuant to which Zhongzhao Investment Management agreed to acquire 20,907,940 shares of Shenyang Commercial City Co. Ltd. ("**Commercial City**"), representing 11.74% of its issued share capital, for a consideration of

RMB206,988,606. Together with the previous acquisition of Commercial City, the Company held a total of 29.22% shares of Commercial City. Through this acquisition of shares, Zhongzhao Investment Management became the largest shareholder of Commercial City. This has strengthened the Group's department store and retail market competitiveness in Shenyang, the largest city in Northeast, which will help to increase the Group's influence in North China.

5. **Continuing with diversified financing**

In May 2014, the Group successfully issued US$300 million three-year senior guaranteed notes. In February and June 2014, Shenzhen Maoye Trade Building Co., Ltd., a wholly-owned subsidiary of the Company, successfully issued RMB700 million three-year medium-term notes and RMB400 million one-year short-term financing notes, respectively, with a fixed coupon rate of 6.7% and 5.3%, respectively, in China's interbank market in succession.

The successful issuance of US dollar bonds, medium-term notes and short-term financing notes has offered long-term and stable capital support for the development of the Group, widened the Group's financing channels in a diversified manner and further optimized the Company's debt structure.

Performance of major same stores[1]

	Store Name	Proceeds of Concessionaire Sales *(RMB'000)*	Same Store Sales Growth *%*	Operation Period[2] *(years)*	Gross Floor Area *(m^2)*	Ticket Per Sale *(RMB)*
1	Shenzhen Huaqiangbei	808,943	-4.8%	10.7	59,787	868
2	Shenzhen Dongmen	413,758	-2.8%	17.3	47,436	803
3	Taizhou First Department	357,517	-3.5%	4.7	40,358	972
4	Shenzhen Nanshan	296,706	9.7%	4.8	44,871	1,167
5	Chongqing Jiangbei	263,237	-10.6%	9.7	52,281	635
6	Qinhuangdao Xiandai Shopping Plaza	261,836	-4.0%	4.1	36,897	666
7	Taiyuan Liuxiang	238,344	1.1%	5.7	31,448	643
8	Qinhuangdao Jindu	237,388	6.3%	5.8	46,610	477
9	Qinghuangdao Shangcheng	171,366	-20.0%	4.1	26,696	1,211
10	Zhuhai Xiangzhou	165,096	11.1%	12.7	23,715	501
11	Nanchong Wuxing	162,921	2.0%	9.1	25,195	655
12	Zibo Maoye Plaza	147,597	-1.8%	3.6	36,791	415
13	Mianyang Xingda	135,631	-9.8%	5.8	27,535	607
14	Shenzhen Outlet	131,870	14.9%	14.8	23,048	503

Notes:

1 Major stores are same stores with sales proceeds per annum of over RMB100 million.

2 Operation period was calculated till 30 June 2014.

PROPERTY DEVELOPMENT

As of 30 June 2014, the Group operated and managed 40 stores across 18 cities in China, including Shenzhen and Zhuhai in Guangdong Province; Chengdu and Mianyang in Sichuan Province; Chongqing; Wuxi, Taizhou, Yangzhou, Changzhou and Liyang in Jiangsu Province; Zibo, Heze and Linyi in Shandong Province; Qinhuangdao and Baoding in Hebei Province; Shenyang in Liaoning Province and Taiyuan in Shanxi Province. Among the total gross floor area of 1.422 million square metres, self-owned areas accounted for 76.7% (excluding the gross floor area of managed stores), areas leased from connected parties accounted for 15.1%, while areas leased from independent third parties accounted for 8.1%. In addition, the Group also has projects under development in Taiyuan of Shanxi Province; Jinzhou of Liaoning Province; Baoding and Qinhuangdao of Hebei Province; Weifang and Laiwu of Shandong Province; Nanjing, Huaian, Wuxi and Taizhou of Jiangsu Province; and Baotou of Inner Mongolia Autonomous Region.

OUTLOOK

In the second half of 2014, the Group plans to open Taiyuang Qinxianjie Street Store, and take proactive and effective measures to promote the strategic transformation of the Company and improve the operating performance of the Company:

Firstly, identify the development trend of the trade mix in accordance with the changes in the market environment and consumption environment, and actively adjust the trade mix and operation mode based on the characteristics of local customers and their preferences for goods structure, marketing and experience.

Secondly, continue to introduce differentiated brands, especially the light luxury brands, select and identify brand portfolios in an innovative way and focus on providing customers with goods of better quality.

Thirdly, enhance customer service and member management, complete a comprehensive and in-depth analysis of the consumption behavior of members through the intelligent information system and achieve the customization of the marketing approach.

Fourthly, actively promote the expansion of multiple channels online and the integration of online and offline resources by focusing on the application of new technology, and facilitate the construction of the store omni-channel service system by focusing on market resources, data sharing and analysis and technical operations etc.

FINANCIAL REVIEW

Total Sales Proceeds and Revenue

For the six months ended 30 June 2014, total sales proceeds of the Group were RMB5,617.5 million, representing a decrease of 3.2% compared to the same period of 2013. The decrease of total sales proceeds was primarily due to strategic adjustment in operation area by the Group.

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Total sales proceeds from concessionaire sales	**4,964,126**	5,087,975
Direct Sales	**653,331**	714,442
Total Sales Proceeds	**5,617,457**	5,802,417

Among the total sales proceeds of the Group in the first half of 2014, total sales proceeds derived from concessionaire sales accounted for 88.4% and those derived from direct sales accounted for 11.6%.

The total sales proceeds and same-store sales growth of sales proceeds derived from concessionaire sales of the Group in the four regions are set out as follows:

	Total sales proceeds *(RMB'000)*	**Contribution to the total sales proceeds of the Group** *(%)*	**Same-store sales growth of sales proceeds derived from concessionaire sales** *(%)*
Southern China	1,990	35.4	0.1
South-western China	1,239	22.1	-7.5
Eastern China	1,172	20.9	-7.0
Northern China	1,216	21.7	5.3
Total	5,617	100	-2.0

For the six months ended 30 June 2014, same-store sales proceeds from concessionaire sales decreased to RMB4,520.7 million, representing a decrease of 2.0% compared to the same period last year. The Group's commission rate from concessionaire sales was 17.4%, representing an increase of one percent point compared with 16.4% for the same period last year. The decrease of same-store proceeds was primarily due to the influence from the category of gold jewelry. Due to the significant price fluctuation of gold price in the first half of 2013, there was a dramatic rise in the sales of gold and jewelry.

Total sales proceeds in the first half of 2014 comprised sales of apparel (45.2%) (first half of 2013: 42.3%), cosmetics and jewelries (22.8%) (first half of 2013: 24.1%), shoes and leather goods (12.9%) (first half of 2013: 12.8%) and others such as children's wear and toys, household and electronic appliances (19.1%) (first half of 2013: 20.8%). The percentage attributable to each product category to total sales proceeds is similar to that in the first half of 2013.

For the six months ended 30 June 2014, revenue of the Group amounted to RMB1,690.0 million, representing a decrease of 9.7% compared with RMB1,870.7 million for the same period last year. The decrease of revenue was mainly due to the recognition of rental income of RMB135.0 million from Chengdu Chunxi Store in the same period last year.

Other Income

For the six months ended 30 June 2014, other income of the Group amounted to RMB421.2 million, which was similar to that in the same period last year.

Cost of Sales

For the six months ended 30 June 2014, cost of sales of the Group amounted to RMB601.5 million, representing a decrease of 12.8% compared with RMB690.2 million for the same period last year. The decrease in cost of sales was primarily due to the decrease in property sales and direct sales compared to the same period last year.

Employee Expenses

For the six months ended 30 June 2014, employee expenses of the Group amounted to RMB221.9 million, representing an increase of 7.8% compared with the employee expenses of RMB205.9 million for the same period last year. The increase of employee expenses was attributable to employee expenses arising from the pipeline stores, such as Taiyuan Qinxianjie Store, Baoding Yanzhao Store and Taizhou East Plaza.

Depreciation and Amortisation

For the six months ended 30 June 2014, depreciation and amortisation of the Group amounted to RMB192.9 million, representing an increase of 7.6% compared with RMB179.3 million for the same period last year, which was primarily due to the increase of property depreciation caused by the increase of fixed assets resulted from completion of new stores and upgrading of certain self-owned stores. The depreciation and amortisation as percentage of total sales proceeds in the first half of 2014 increased to 3.4% compared with 3.1% for the first half of 2013.

Operating Lease Rental Expenses

For the six months ended 30 June 2014, operating lease rental expenses of the Group amounted to RMB115.6 million, representing a decrease of 4.5% compared with RMB121.0 million for the same period last year, which was mainly caused by the change of Jinlang Store in Shenyang and Wujing Store in Changzhou to management stores from leased stores. The operating lease rental expenses as percentage of total sales proceeds in the first half of 2014 is 2.1%, similar to that of the first half of 2013.

Other Operating Expenses

For the six months ended 30 June 2014, other operating expenses of the Group amounted to RMB412.7 million, which was similar to that in the same period last year. The other operating expenses as percentage of total sales proceeds in the first half of 2014 increased to 7.3% compared with 7.1% in the first half of 2013.

Other Gains

For the six months ended 30 June 2014, other gains of the Group amounted to RMB206.8 million, representing an increase of 157.3% compared with RMB80.4 million in the same period last year. This was primarily due to the gain on disposal of Nanchong Mofanjie Store in the first half of 2014 by the Group of RMB104.1 million.

Operating Profit

For the six months ended 30 June 2014, operating profit of the Group amounted to RMB773.4 million, representing an increase of 2.0% compared with RMB758.1 million for the same period last year. This was primarily due to the decrease in the cost of sales compared to the same period last year, and the increase in other gains of the Group arising from the disposal of Nanchong Mofanjie Store.

Finance Costs

For the six months ended 30 June 2014, finance costs of the Group amounted to RMB63.7 million, representing a decrease of 13.8% compared with RMB74.0 million in the same period last year. This was primarily due to the increase in capitalised interest in the first half of 2014 compared to the same period of 2013, which offsets more finance costs.

Income Tax Expense

For the six months ended 30 June 2014, income tax expense of the Group amounted to RMB192.2 million, representing a decrease of 7.4% compared with RMB207.5 million in the same period last year. For the six months ended 30 June 2014, the effective income tax rate applicable to the Group was 27.9% (for the six months ended 30 June 2013: 30.4%). The decrease in income tax was primarily due to the repaid income tax of RMB17.3 million from Chongqing Maoye Department Store Co., Ltd. in the same period last year.

Profit Attributable to Owners of the Parent

As a result of the foregoing, for the six months ended 30 June 2014:

— Profit attributable to owners of the parent increased by 7.2% to RMB427.0 million.

— Without taking into account the effect of non-operating gains and losses, profit attributable to owners of the parent decreased by 2.8% to RMB328.9 million.

Among these, the results of the operation of department stores segment are as follows: Profit attributable to owners of the parent increased by 16.7% to RMB463.8 million compared with RMB397.4 million in the same period last year.

Liquidity and Financial Resources

As at 30 June 2014, the Group's cash and cash equivalents amounted to RMB1,624.0 million, increased by RMB645.5 million compared to RMB978.4 million as at 31 December 2013. The main cash inflow and cash outflow are set out as follows:

(1) net cash outflow of RMB333.8 million arising from operating activities;

(2) net cash outflow arising from investment activities which amounted to RMB755.7 million, which mainly includes payments for properties and equipment amounting to RMB401.7 million, purchase of available-for-sale equity investments amounting to 207.0 million, prepayment of land lease amounting to RMB83.9 million, and prepayments for acquisition of subsidiaries amounting to RMB105.0 million; and

(3) net cash inflow of RMB1,741.6 million arising from financing activities, mainly includes: 1) net increase in cash inflow arising from bank loans and other borrowings of RMB3,831.6 million; 2) cash outflow arising from repayment of bank loans and other borrowings of RMB1,684.7 million; 3) cash outflow arising from payment of interest, payment of final dividend for 2013 and repurchase of shares which amounted to RMB236.6 million, RMB123.6 million and RMB7.5 million, respectively.

Interest-bearing Loans

As at 30 June 2014, total bank loans, medium-term financing notes, short-term financing notes and convertible bonds of the Group were RMB8,925.4 million (31 December 2013: RMB6,770.6 million). The gearing ratio[1] and net gearing ratio[2] were 40.1% and 96.2%, respectively (31 December 2013: 33.7% and 79.0%, respectively).

1 Gearing ratio = total debt/total assets = (bank loans + medium-term financing notes + short-term financing notes + convertible bonds)/total assets

2 Net gearing ratio = net debt/equity = (bank loans + medium-term financing notes + short-term financing notes + convertible bonds-cash and cash equivalents)/equity

Investment in Listed Shares

The Group currently owns minority interests in a company with department store operation 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 one A share listed in the PRC as at 30 June 2014, and relevant summarised information relating to this company.

Investment	The Group's Shareholding	Principal Business	Geographical Location
Dashang Co., Ltd. (大商股份有限公司)	5.00%	Owns a number of department stores in Northern China	Dalian City, Liaoning Province

The total original cost of the investments in the above company was RMB491.5 million, which was financed by the Group's cash inflow from operations.

Pledge of Assets

As at 30 June 2014, the Group's collateral interest-bearing bank loans amounting to RMB8,913.1 million were secured by the Group's land and buildings, investment properties, land lease prepayments, completed properties held for sale with net carrying amounts of approximately RMB779.9 million, RMB50.3 million, RMB735.6 million and RMB318.0 million, respectively.

Foreign Currency Risk

The Group's certain cash and bank balances and investments are denominated in Hong Kong dollars and, therefore, the Group is exposed to foreign currency risk. During the period under review, the Group recorded a net gain in foreign currency of approximately RMB19.8 million.

For the six months ended 30 June 2014, the Group had not entered into any arrangements to hedge foreign currency risk. The Group's operating cash flow is not exposed to any foreign exchange fluctuation risks.

PURCHASE OR SALE OF LISTED SHARES OF THE COMPANY

The Company repurchased a total of 7,474,000 shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the six months ended 30 June 2014. Such shares were cancelled upon repurchase and accordingly the issued capital of the Company was reduced by the nominal value of these shares.

Details of the repurchase are summarised as follows:

Month of repurchase	Total number of shares repurchased	Repurchase price per share Highest	Repurchase price per share Lowest	Aggregate consideration
		HK$	*HK$*	*HK$*
June 2014	7,474,000	1.28	1.22	9,371,150

Except as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2014.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend for the six months ended 30 June 2014 of HK3.1 cents in cash per share totalling HK$161.1 million (equivalent to approximately RMB127.8 million) (for the six months ended 30 June 2013: HK$146.4 million). The interim dividend will be paid on Tuesday, 23 September 2014 to shareholders whose names appear on the Register of Members of the Company at the close of business on Tuesday, 16 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Monday, 15 September 2014 to Tuesday, 16 September 2014 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to be eligible to receive the interim dividend for the six months ended 30 June 2014, unregistered holders of shares of the Company should ensure all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 12 September 2014.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2014, except for the following deviation:

Code Provision A.2.1

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.

CLARIFICATION OF THE ANNOUNCEMENT OF THE COMPANY DATED 14 MARCH 2014 IN CONNECTION WITH COMMERCIAL CITY

Reference is made to the announcement of the Company dated 14 March 2014. The Company would like to clarify that as a result of assessment by the management which has been reviewed by the Company's auditors, Commercial City did not become a subsidiary of the Company under International Financial Reporting Standards and will not be consolidated into the consolidated financial statements of the Company. As at 30 June 2014, Commercial City is 29.22% owned by Zhongzhao Investment Management, a wholly-owned subsidiary of the Company.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Company repurchased a total of 17,968,000 shares on the Stock Exchange during 2 to 17 July 2014. Such shares were cancelled upon repurchase and accordingly the issued capital of the Company was reduced by the nominal value of these shares.

On 8 July 2014, the Group completed the issue of the financial notes with a principal amount of RMB800 million with a term of 365 days at the interest rate of 5.0% per annum.

On 24 July 2014, Maoye Logistics Corporation Ltd. ("**Maoye Logistics**"), a subsidiary of the Company entered into an acquisition agreement with Xiaochang Yingxigu Investment Centre and Beijing Bosheng Yoshi Technology Development Co., Ltd. (the "**Vendors**") for the acquisition of Beijing TrustMeDu Sci-tech Co., Ltd. ("**Beijing TrustMeDu**"). Pursuant to the acquisition agreement, Maoye Logistics agreed to purchase and the Vendors agreed to sell 100% of Beijing TrustMeDu's total issued share capital in aggregate for a consideration of approximately RMB878 million (subject to adjustment based on the formal valuation report). The consideration shall be satisfied as to 15%(approximately RMB132 million) in cash and as to 85%(approximately RMB746 million) by the allotment and issue of Maoye Logistics shares. As a result, 148,665,400 Maoye Logistics shares will be issued to the Vendors at an issue price of RMB5.02 per share, subject to adjustment. Separately, on 24 July 2014, Maoye Logistics entered into the subscription agreement with Shanghai Fengyou Investment Management Centre ("**Shanghai Fengyou**"), pursuant to which Maoye Logistics would allot and issue and Shanghai Fengyou would subscribe to such number of shares of Maoye Logistics representing an aggregate value of RMB132 million. As a result, 26,235,060 shares of Maoye Logistics will be issued to Shanghai Fengyou at an issue price of RMB5.02 per share, subject to adjustment. The proceeds of the subscription will be applied to settle the cash consideration of the acquisition of Beijing TrustMeDu.

On 29 July 2014, the Company had exercised the early redemption option and redeemed the whole of the HK$16,300,000 Convertible Bonds outstanding together with accrued and unpaid interest thereon.

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 2014 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 2014 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, 28 August 2014

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.