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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 2009

HIGHLIGHTS

- Total sales proceeds of the Group for the year (representing the sum of total sales proceeds from concessionaire sales and revenue from direct sales at the department stores) increased to RMB4,854.7 million, representing an increase of 21.5%;
- Same-store sales proceeds from concessionaire sales represented an increase of 6.8%;
- Total operating revenue increased to RMB2,156.4 million, representing an increase of 9.6%;
- Operating profit amounted to RMB708.2 million, representing an increase of 9.5% excluding the effect of one-off income;
- Profit attributable to owners of the parent reached RMB470.1 million, representing an increase of 7.1% excluding the effect of one-off income;
- Basic earnings per share for the year were RMB9.1 cents; and
- Proposed final dividend is 1.5 HK cents per share.

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

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 2009 with comparative figures for the year 2008.

CONSOLIDATED INCOME STATEMENT

		For the year ended 31 December	
	<i>Notes</i>	2009	2008
		<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	3	1,702,012	1,492,595
Other income	4	<u>454,348</u>	<u>474,840</u>
Total operating revenue		2,156,360	1,967,435
Purchases of and changes in inventories		(736,112)	(622,326)
Employee expenses		(141,096)	(126,712)
Depreciation and amortisation		(154,120)	(124,183)
Operating lease rental expenses		(131,658)	(122,580)
Other operating expenses		(343,875)	(309,477)
Other gains		<u>58,715</u>	<u>78,321</u>
Operating profit		708,214	740,478
Finance costs	5	(58,427)	(55,368)
Share of profits and losses of associates		<u>269</u>	<u>2,724</u>
PROFIT BEFORE TAX		650,056	687,834
Income tax expense	6	<u>(145,886)</u>	<u>(144,516)</u>
PROFIT FOR THE YEAR		<u><u>504,170</u></u>	<u><u>543,318</u></u>
Attributable to:			
Owners of the parent		470,107	520,969
Minority interests		<u>34,063</u>	<u>22,349</u>
		<u><u>504,170</u></u>	<u><u>543,318</u></u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO EQUITY			
HOLDERS OF THE PARENT	7		
Basic		<u><u>RMB9.1 cents</u></u>	<u><u>RMB10.8 cents</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended	
	31 December	
	<i>2009</i>	<i>2008</i>
	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT FOR THE YEAR	<u>504,170</u>	<u>543,318</u>
OTHER COMPREHENSIVE INCOME		
Available-for-sale equity investments:		
Changes in fair value	367,224	78,505
Income tax effect	<u>(91,024)</u>	<u>(19,386)</u>
	276,200	59,119
Exchange differences on translation of foreign operations	<u>(93)</u>	<u>(53,365)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>276,107</u>	<u>5,754</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>780,277</u>	<u>549,072</u>
Attributable to:		
Owners of the parent	746,214	526,723
Minority interests	<u>34,063</u>	<u>22,349</u>
	<u>780,277</u>	<u>549,072</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	1,637,471	1,133,610
Investment properties	104,103	110,495
Land lease prepayments	2,290,912	2,005,236
Goodwill	95,997	45,286
Other intangible assets	3,237	—
Investments in associates	13,437	30,598
Available-for-sale equity investments	1,331,829	487,330
Other asset	2,458	—
Prepayments	696,169	383,566
Deferred tax assets	<u>34,449</u>	<u>28,353</u>
Total non-current assets	<u>6,210,062</u>	<u>4,224,474</u>
CURRENT ASSETS		
Inventories	100,714	96,330
Equity investments at fair value through profit or loss	39,168	4,579
Trade receivables	268	1,912
Prepayments, deposits and other receivables	386,356	288,189
Due from related parties	3,739	5,086
Pledged deposits	12,902	12,391
Cash and cash equivalents	<u>457,001</u>	<u>867,900</u>
	1,000,148	1,276,387
Assets of a disposal group classified as held for sale	<u>37,404</u>	<u>—</u>
Total current assets	<u>1,037,552</u>	<u>1,276,387</u>

		As at 31 December	
		2009	2008
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
CURRENT LIABILITIES			
Trade and bills payables	9	933,043	939,017
Deposits received, accruals and other payables		750,438	733,096
Interest-bearing bank loans		163,667	361,000
Due to related parties		2,337	2,885
Income tax payable		<u>66,179</u>	<u>29,916</u>
		1,915,664	2,065,914
Liabilities directly associated with a disposal group classified as held for sale		<u>9,504</u>	<u>—</u>
Total current liabilities		<u>1,925,168</u>	<u>2,065,914</u>
NET CURRENT LIABILITIES		<u>(887,616)</u>	<u>(789,527)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,322,446</u>	<u>3,434,947</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		1,268,300	160,000
Deferred tax liabilities		<u>298,559</u>	<u>133,842</u>
Total non-current liabilities		<u>1,566,859</u>	<u>293,842</u>
Net assets		<u>3,755,587</u>	<u>3,141,105</u>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		461,587	461,587
Reserves		2,887,939	2,282,001
Proposed final dividend	8	<u>67,800</u>	<u>99,658</u>
		3,417,326	2,843,246
Minority interests		<u>338,261</u>	<u>297,859</u>
Total equity		<u>3,755,587</u>	<u>3,141,105</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Maoye International Holdings Limited was incorporated on 8 August 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands (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 38/F, World Finance Centre, 4003 Shennan East Road, Shenzhen, the People's Republic of China (the "PRC"). The Company and its subsidiaries are principally engaged in the operation and management of department stores in 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 annual consolidated financial statements for the year ended 31 December 2009 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. REVENUE AND SEGMENT INFORMATION

REVENUE

	For the year ended	
	31 December	
	2009	2008
	RMB'000	RMB'000
Commissions from concessionaire sales	786,649	712,826
Direct sales	473,258	419,478
Sale of automobiles	322,369	255,731
Rental income from the leasing of shop premises	107,072	94,689
Management fee income from the operation of department stores	2,973	3,083
Others	9,691	6,788
	<u>1,702,012</u>	<u>1,492,595</u>

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

Total sales proceeds from concessionaire sales	<u>4,381,479</u>	<u>3,576,270</u>
Commissions from concessionaire sales	<u>786,649</u>	<u>712,826</u>

SEGMENT INFORMATION

Operating segments

The following tables present revenue, profit and expenditure information for the Group's operating segments for the years ended 31 December 2009 and 2008.

	Operation of department stores <i>RMB'000</i>	Sale of automobiles <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2009				
Segment revenue:				
Sales to external customers	1,369,952	322,369	9,691	1,702,012
Other income	<u>418,294</u>	<u>1,920</u>	<u>28,072</u>	<u>448,286</u>
Total	<u><u>1,788,246</u></u>	<u><u>324,289</u></u>	<u><u>37,763</u></u>	<u><u>2,150,298</u></u>
Segment results	<u><u>706,298</u></u>	<u><u>5,465</u></u>	<u><u>4,613</u></u>	716,376
Interest income				6,062
Unallocated gains				58,715
Corporate and other unallocated expenses				(72,939)
Finance costs				(58,427)
Share of profits and losses of associates	—	—	269	<u>269</u>
Profit before tax				650,056
Tax				<u>(145,886)</u>
Profit for the year				<u><u>504,170</u></u>
Other segment information:				
Depreciation and amortisation	127,786	1,595	7,895	137,276
Corporate and other unallocated amounts				<u>16,844</u>
				<u><u>154,120</u></u>
Capital expenditure	854,715	43	112,304	967,062*
Impairment of goodwill	—	—	4,800	4,800
Reversal of impairment of inventories	(4,154)	—	—	(4,154)
Impairment of trade receivables	—	—	15	15
Impairment/(reversal of impairment) of other receivables	<u>(558)</u>	<u>35</u>	<u>—</u>	<u>(523)</u>

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

	Operation of department stores	Sale of automobiles	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2008				
Segment revenue:				
Sales to external customers	1,230,076	255,731	6,788	1,492,595
Other income	<u>399,459</u>	<u>1,651</u>	<u>24,828</u>	<u>425,938</u>
Total	<u>1,629,535</u>	<u>257,382</u>	<u>31,616</u>	<u>1,918,533</u>
Segment results	<u>709,872</u>	<u>(2,954)</u>	<u>4,513</u>	711,431
Interest income				48,902
Unallocated gains				78,321
Corporate and other unallocated expenses				(98,176)
Finance costs				(55,368)
Share of profits and losses of associates	(543)	—	3,267	<u>2,724</u>
Profit before tax				687,834
Tax				<u>(144,516)</u>
Profit for the year				<u>543,318</u>
Other segment information:				
Depreciation and amortisation	96,922	1,765	7,754	106,441
Corporate and other unallocated amounts				<u>17,742</u>
				<u>124,183</u>
Capital expenditure	1,948,527	1,733	256	1,950,516
Impairment of inventories	667	—	—	667
Impairment of trade receivables	83	—	—	83
Impairment of other receivables	1,407	—	—	1,407
Reversal of impairment of an amount due from a related party	<u>(3,870)</u>	<u>—</u>	<u>—</u>	<u>(3,870)</u>

4. OTHER INCOME

	For the year ended	
	31 December	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Income from suppliers and concessionaires		
- Administration and management fee income	250,796	226,522
- Promotion income	90,967	105,011
- Credit card handling fees	50,314	43,051
Rental income from investment properties	46,366	42,077
Interest income	6,062	48,902
Others	<u>9,843</u>	<u>9,277</u>
	<u>454,348</u>	<u>474,840</u>

5. FINANCE COSTS

	For the year ended	
	31 December	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans	<u>58,427</u>	<u>55,368</u>

6. INCOME TAX EXPENSE

	For the year ended	
	31 December	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Current - PRC		
Charge for the year	148,548	116,864
Deferred	<u>(2,662)</u>	<u>27,652</u>
Total tax charge for the year	<u>145,886</u>	<u>144,516</u>

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

The calculation of basic earnings per share is based on the profit for the year ended 31 December 2009 attributable to owners of the parent of RMB470,107,000 (2008: RMB520,969,000) and the 5,139,856,000 ordinary shares in issue during the year (2008: the weighted average of 4,834,255,760 ordinary shares deemed to have been in issue).

There was no potential dilutive ordinary share in existence for the years ended 31 December 2009 and 2008, accordingly, no diluted earnings per share amount has been presented.

8. DIVIDENDS

The Board has recommended the payment of a final dividend for the year ended 31 December 2009 of 1.5 HK cents in cash per share totalling HK\$77,097,840 (equivalent to approximately RMB67,799,841) (2008: 2.2 HK cents per share). During the year 2009, the Company declared and paid an interim dividend of 1.6 HK cents in cash per share (2008 interim: 3.3 HK cents per share). On the assumption that the approval is obtained at the forthcoming annual general meeting for the payment of the proposed final dividend, the Company shall be paying a full year dividend of 3.1 HK cents in cash per share for the year 2009, an aggregate amount of HK\$159,335,536, equivalent to approximately RMB140,275,922 (2008: 5.5 HK cents per share), representing approximately 29.8% of the year's profit attributable to owners of the parent.

The final dividend will be paid on or about Thursday, 6 May 2010 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 30 April 2010.

9. 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	
	2009	2008
	RMB'000	RMB'000
Within 90 days	767,737	731,492
91 to 180 days	63,064	93,061
181 to 360 days	30,489	53,461
Over 360 days	<u>71,753</u>	<u>61,003</u>
	<u>933,043</u>	<u>939,017</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

During the first half of 2009, amid the unprecedented global financial crisis, the operating environment of the department store industry in the PRC was challenging. Since the beginning of the second half of 2009, however, benefiting from the continuing recovery of the overall macro-economic environment and improvement in consumer confidence, department store business gradually picked up. In 2009 as a whole, thanks to the leadership of the Board and the concerted efforts of employees at all levels, the Group maintained stable and sustainable development. In 2009, the Group achieved the followings:

- The Group's total sales proceeds (the sum of total concessionaire sales and revenue from direct sales of department stores of the Group) rose to RMB4,854.7 million, representing an increase of 21.5% on a year-on-year basis.
- Total operating revenue amounted to RMB2,156.4 million, representing a year-on-year increase of 9.6%.
- Same-store growth of sales proceeds from concessionaire sales increased steadily. The same-store growth of sales proceeds from concessionaire sales was 6.8% for the full year of 2009, with same-store growth of sales proceeds from concessionaire sales for the second half of 2009 reaching 12.6%.
- Profit attributable to owners of the parent was RMB470.1 million, representing a decrease of 9.8% when compared with 2008 and a year-on-year increase of 7.1% excluding the effect of one-off income.

In the second half of 2009, under the impact of a number of operational reform measures introduced by the Group, same-store growth in sales proceeds from concessionaire sales increased steadily to 4.1% in the third quarter of 2009 and 19.2% in the fourth quarter of 2009.

The Group continued to appoint senior management staff with extensive experience in the retail industry, brought in new management experience and concepts to the department store industry, emphasized stores as profit centers and reinforced store operation. The Group also further optimized the Group's organization structure by dividing the internal management structure into frontline and back offices to enhance management efficiency.

In 2009, the Group has upgraded its information system and further refined its supplier service platform. A policy of “Triple Services” (services for suppliers, customers and staff) and “Triple Incentives” (incentives for suppliers, staff of suppliers and base-level staff of the Group itself) was implemented and a total of approximately RMB10 million bonuses was incurred in 2009 to motivate all parties to take initiative to enhance store performance.

The Group continues its efforts to boost customer loyalty and enhance value-added services for members. During the year under review, the percentage of sales to members to total sales proceeds increased to 31.8% from 25.4% in 2008, with sales to members for the second half of 2009 reaching 32.5%. With the upgrading of the membership system and the improvement of members’ services, the percentage of sales to members to total sales proceeds will further increase in the future.

Market Performance

Southern China Region

In 2009, in the face of the impact of the financial crisis on the export-oriented economies in the coastal region in the south, the stores of the Group in the southern China region actively adjusted their operation and marketing strategies. The region recorded annual same-store growth of sales proceeds from concessionaire sales of 5.1% for the full year of 2009, with same-store growth rate for the second half of 2009 amounted to 11.3% and 17.2% for the fourth quarter of 2009. In terms of marketing and promotion, the mode of “coupon based promotion” was introduced this year for the first time in addition to “direct discount” and “cash rewards”. The move received encouraging response from consumers. In 2009, sales per ticket of the stores in the southern China region increased steadily to RMB502, representing an increase of 19.0% on a year-on-year basis.

With regard to its flagship store, the Shenzhen Huaqiangbei Store, the Group upgraded the overall shopping environment. A number of prestigious food and beverage companies and the BONA cinema were brought in. They cover an area of approximately 10,000 square meters and most stores are expected to open at the end of March 2010. Although in the short term the area expansion of the above complimentary facilities may put certain pressure on the sales growth as a result of the reduced retail space, in the long run it will help to enhance customers’ shopping experience while lengthening customers’ stay. It will also add variety to the Group’s marketing campaigns and accordingly increase sales volume and profitability. In

2009, Huaqiangbei Store also introduced the innovation “Members’ Day” promotional activities for the first time. These activities were well-received by consumers, generating record-sales results. In 2009, same-store growth of sales proceeds from concessionaire sales from Huaqiangbei Store was 2.2%, which showed a monthly upward trend, with same-store growth rate for the fourth quarter of 2009 reaching 19.8%.

The first store of the Group, Shenzhen Dongmen Store, underwent the greatest adjustment in branding, product mix and floor layouts from February to April 2009 since its establishment in 1997. The initiative was to maximize the strength of the store and the sales of best performing and strong growth potential brands and product categories. After the adjustment, sales of the store increased steadily. During the period from 31 October to 3 November 2009, the Dongmen Store launched the Seventh Thanksgiving Celebration and was opened for 68 hours consecutively. It recorded approximately RMB200 million in sales revenue (including coupons), a remarkable feat that represented a 50% increase compared with that of 2008. The Thanksgiving Celebration included cosmetics and jewelry for the first time, with the addition of numerous key brands at the same time, maximizing coverage for the event in terms of category and brand. In 2009, the Dongmen Store recorded same-store growth of 8.2% in sales proceeds from concessionaire sales, with same-store growth of 13.2% recorded for the fourth quarter of 2009.

Southwest Region

In 2009, the southwest region recorded same-store growth of 10.6% in sales proceeds from concessionaire sales, with same-store growth for the second half of 2009 reaching 15.4% and for the fourth quarter of 2009 reaching 23.6%. Sales per ticket of the stores in the southwest region reached RMB343 in 2009, representing an increase of 8.7% on a year-on-year basis.

In January 2010, Chengshang Group announced the successful disposal of its non-core business, namely, the automobile business, such that the Group can concentrate on its core business.

Performance of Major Stores

Store	Huaqiangbei Store	Dongmen Store	Jiangbei Store	Yanshikou Store
City	Shenzhen	Shenzhen	Chongqing	Chengdu
Commencement date	Phase 1: October 2003 Phase 2: September 2005	March 1997	October 2004	June 2005
Operation area (sq. m)	45,677	33,680	36,276	40,674
2009 sales proceeds from concessionaire sales (RMB million)	1,376.2	603.3	354.8	483.4
2009 sales per ticket (RMB)	560	502	342	480
Growth in sales proceeds from concessionaire sales for full year of 2009	2.2%	8.2%	4.8%	10.9%
Growth in sales proceeds from concessionaire sales for the first half of 2009	-5.9%	2.8%	-0.1%	10.7%
Growth in sales proceeds from concessionaire sales for the third quarter of 2009	2.0%	7.2%	2.1%	0.7%
Growth in sales proceeds from concessionaire sales for the fourth quarter of 2009	19.8%	13.2%	16.3%	20.5%

New Stores Opening and Network Expansion

In 2009, the Group accelerated and strengthened its business expansion across the country by entering into a new development phase of high speed and high quality. In 2009, the Group successfully completed the acquisition of Shenyang Maoye Times Property Co., Ltd. (“Shenyang Tiexi”), Taizhou First Department Store Co., Ltd. (“Taizhou Yibai”) and a piece of land in Chengdu (“Chengdu South project”), signed an equity transfer agreement to acquire the 90% equity interest in Wuxi Yibai Property Limited (“Wuxi Yibai”) and became the single largest shareholder of an A-share listed company — Qinghuangdao Bohai Logistics Holding Corporation Ltd.

(“Bohai Logistics”) (Stock code: 000889). During the second half of 2009, the Group began construction of a number of projects including Shenyang Tiexi, Chengdu South and Yanshikou Phase 2, steadily expanding nationwide through multi-channels and multi-means.

On 26 September 2009, the Shenzhen Nanshan Store was launched after a grand opening. The store is the Group’s fifth department store in Shenzhen with a gross floor area of approximately 45,000 square metres. It is also the first third-generation new-style department store under Maoye positioned to offer high-end fine products. The store has brought in a number of international brands to provide more quality choices for customers. It was able to achieve a current year profit for the year of opening, though affected by a one-off pre-opening expense charged to the profit and loss.

On 29 September 2009, the Longquanyi Store located at the Chengdu People’s Department Store commenced operation. Longquanyi Store is the fifth department store operated by Chengshang in Chengdu. The opening of the Longquanyi Store further strengthened the Group’s leading position in the Chengdu department store sector.

On 13 October 2009, the Group completed the acquisition of Taizhou Yibai. As at 31 December 2009, the Group held a total of 97.3% equity interest in Taizhou Yibai. Taizhou Yibai is a prestigious department store enterprise with 40 years of history. During the process of business integration, Maoye adopted a localization policy in staffing and introduced budgeting and management by objectives reforms. Leveraging on the Group’s resources, after a brief consolidation period of two months, Taizhou Yibai recorded sales of RMB61.24 million during the Christmas season from 24 to 27 December 2009, representing an increase of 119% year-on-year and setting an all-time high sales record. In 2009, Taizhou Yibai realized annual sale proceeds of RMB606.0 million including value-added tax. The net profit realized within two and a half months since the acquisition surpassed its annual profit of 2008, illustrating once again the proven management ability and the successful expansion model of Maoye.

As at the date of this announcement, the Company owned 101,260,836 shares in Bohai Logistics, representing 29.9% of its issued share capital, and became its single largest shareholder. In December 2009, the Company nominated three directors to the board of directors of Bohai Logistics. Bohai Logistics operates four department stores in Qinhuangdao City and is a leading department store operator in the area. Together with the Group’s Jindu Store in Qinhuangdao, they account for most of the market share in department store sector in this region.

In 2009, the Group increased the gross floor area of its stores by 93,731 square metres through self-construction, acquisition and leasing. This represented a 18.9% increase in the gross floor area of stores (excluding management stores). As at 31 December 2009, the Group operated and managed 22 stores nationwide, covering the southern, southwestern, northern and eastern regions of China, with a total gross floor area (including management stores) of 701,363 square metres. As at 31 December 2009, 52.8% of the gross floor area of the store properties was owned by the Group, 34.4% was leased from the controlling shareholder, and 12.8% was leased from independent third parties.

From 2007 to 2009, the compound annual growth rate (CAGR) of the total gross floor area of the Group's stores reached 21.0%.

In January and February 2010, the Group opened two new stores, namely, Changzhou Wujin Store and Chengdu Qingjiang Store. Changzhou Wujin Store is one of the largest department stores in Changzhou with a gross floor area of 22,500 square meters. Chengdu Qingjiang Store is positioned as a community service store using the "People's Department Store" brand. It has a gross floor area of 5,033 square meters. The opening of the two new stores further enhanced the store network of the Group in eastern China and southwestern China.

Outlook

In 2010, the Group will continue to strengthen its internal operations management, enhance strategic collaboration with suppliers and adjust its product mix in various aspects. A centralized customer service centre will be established to standardize customer service nationwide, and hence raising service quality systematically. Leveraging on the new membership card platform, membership cards applicable to Maoye Stores nationwide will be issued to increase the frequency of member visits to stores and to cultivate and enhance customer loyalty. In addition, stores will be managed by tier and store budgets will be drawn up according to store development cycle. Substantial promotion will be made by innovative market method such as membership marketing and cultural marketing, and the frequency and number of price reduction marketing initiatives will be reduced to increase the profitability of existing department stores. New business models will be developed to create additional niches for performance growth. The Company will continue to implement in full force the policy of "Triple Services; Triple Incentives" in order to motivate staff, suppliers and customers, thus enabling services for suppliers, customers and staff to become even more market-oriented and sophisticated. In 2010, the Group will implement the Share Option Incentive Scheme to reward excellent staff who have made contributions to the Group. The policies mentioned above have already achieved initial results. The Group recorded growth in concessionaire sales proceeds

of nearly 50.0% in January and February 2010, with same-store growth rate of 26.0%. Meanwhile, same-store sales growth for Chinese New Year holidays (13 February - 19 February 2010) was 30.0% as compared to the corresponding Chinese New Year holidays last year.

Looking forward in 2010, the Group will continue to implement the strategy of “Mass Development” to expand its network of stores. Besides the Changzhou Wujin Store opened on 9 January 2010 and Chengdu Qingjiang Store opened on 10 February 2010, the Group will open more new stores, such as Shenyang Jinlang Store, Shenyang Tiexi Store and others later on in 2010. The Group plans to increase the gross floor area of its stores by at least 200,000 square meters per year from 2010 to 2011.

Financial Review

Total Sales Proceeds

For the year ended 31 December 2009, total sales proceeds of the Group (representing the sum of the total sales proceeds from concessionaire sales and the revenue from direct sales at the department stores of the Group) increased to RMB4,854.7 million, representing an increase of 21.5% as compared to the year 2008. The same-store sales proceeds from concessionaire sales increased to RMB3,555.9 million, representing an increase of 6.8% as compared to the year 2008, in which the total same-store sales proceeds from concessionaire sales in Southern China region increased by 5.1% and the total same-store sales proceeds from concessionaire sales in Southwest region increased by 10.6%.

For the year ended 31 December 2009, the commission rate from concessionaire sales was 18.0%, representing a decrease of 1.9% as compared to the year 2008. The decrease was mainly attributed to the lower commission rate of new stores during the initial opening period and the increase on discounts as a result of the promotions in 2009. 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 mature 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 the steady growth in sales and commissions simultaneously.

Among the total sales proceeds of the Group in 2009, the total sales proceeds derived from concessionaire sales accounted for 90.3% and those derived from direct sales accounted for 9.7%.

The total sales proceeds in 2009 comprised sales of apparel (45%), cosmetics and jewelry (19%), shoes and leather goods (14%) and others such as sportswear, children's wear and toys, household and electronic appliances, etc. (22%). The percentage attributable by each category to the total sales proceeds was similar to that of the year 2008.

Revenue

For the year ended 31 December 2009, revenue of the Group amounted to RMB1,702.0 million, representing an increase of 14.0% as compared with RMB1,492.6 million in the year 2008. The increase was primarily due to the combined effect of the following factors:

- (1) Revenue from concessionaire sales and direct sales increased to RMB127.6 million due to store expansion; and
- (2) Growth in the sales of automobile amounted to RMB66.6 million, primarily attributed to the recovery of economics.

Other Income

For the year ended 31 December 2009, other income of the Group amounted to RMB454.3 million, representing a decrease of 4.3% as compared with RMB474.8 million in the year 2008. This was primarily due to:

- (1) the absence of non-recurring interest income of RMB28.6 million arising from the initial public offering and RMB12.3 million interest received from an associate in 2008; and
- (2) the positive impact of growth in revenue from concessionaire sales.

Purchases of and Changes in Inventories

For the year ended 31 December 2009, purchases of and changes in inventories of the Group amounted to RMB736.1 million, representing an increase of 18.3% as compared with RMB622.3 million in the year 2008. This is in line with the increase of revenue from automobile sales and direct sales.

Employee Expenses

For the year ended 31 December 2009, employee expenses of the Group amounted to RMB141.1 million. The increase compared to RMB126.7 million in the year 2008 was primarily attributable to the inclusion of the full year staff costs of the new stores opened in 2008 and the inclusion of the staff costs for new stores opened in 2009.

Depreciation and Amortisation

For the year ended 31 December 2009, depreciation and amortisation of the Group amounted to RMB154.1 million, representing an increase of 24.1% as compared with RMB124.2 million in the year 2008. The increase was primarily due to the inclusion of the depreciation and amortisation expenses for the new stores opened in 2009 and the inclusion of the full year depreciation and amortisation expenses for the new stores opened in 2008.

Operating Lease Rental Expenses

For the year ended 31 December 2009, operating lease rental expenses of the Group amounted to RMB131.7 million, representing an increase of 7.4% as compared with RMB122.6 million in the year 2008. This increase was primarily due to the expansion of floor area of the existing stores.

Other Operating Expenses

For the year ended 31 December 2009, other operating expenses of the Group amounted to RMB343.9 million, representing an increase of 11.1% as compared with RMB309.5 million in the year 2008. This was primarily due to the newly opened stores in the second half of 2009.

Other Gains

For the year ended 31 December 2009, other gains of the Group amounted to RMB58.7 million, representing a decrease of 25.0% as compared with RMB78.3 million in the year 2008. This was primarily due to the combined effect of the following factors:

- (1) Disposal of 5 million shares in Chengshang Group (an A-share listed subsidiary of the Group) in 2008 by a subsidiary of the Company, Shenzhen Maoye Shangsha Company Limited (深圳茂業商廈有限公司) which resulted in investment gains before tax of RMB80.0 million;
- (2) Gain arising from the disposal of a piece of land owned by Chengshang Group in 2009 according to the government's urban construction which resulted in gains of RMB29.7 million;

- (3) Fair value gain on equity investments at fair value through profit or loss in 2009 was RMB9.0 million (2008: loss of RMB9.9 million); and
- (4) Foreign exchange loss reduced by RMB11.0 million as compared with the year 2008.

Operating Profit

For the year ended 31 December 2009, operating profit of the Group amounted to RMB708.2 million, representing a decrease of 4.4% as compared with RMB740.5 million in the year 2008. The decrease was primarily due to the decrease of one-off income as compared with the year 2008. Operating profit increased by 9.5% as compared with the year 2008, excluding the effect of one-off income.

Finance Costs

For the year ended 31 December 2009, finance costs of the Group amounted to RMB58.4 million, representing an increase of 5.5% as compared with RMB55.4 million in the year 2008. This was the result of the increase of average bank loan balance.

Income Tax Expense

For the year ended 31 December 2009, income tax expense of the Group amounted to RMB145.9 million, representing an increase of 0.9% as compared with RMB144.5 million in the year 2008. For the year ended 31 December 2009, the effective tax rate applicable to the Group was 22.4% (2008: 21.0%), which was a result of the increase in the enterprise income tax rate applicable to Shenzhen and Zhuhai regions from 18% in 2008 to 20% in 2009.

Profit Attributable to Owners of the Parent

For the year ended 31 December 2009, profit attributable to owners of the parent amounted to RMB470.1 million, representing a decrease of 9.8% as compared with RMB521.0 million in the year 2008. The decrease was mainly due to the decrease of one-off income as compared with the year 2008. Profit attributable to owners of the parent increased by 7.1% compared with the year 2008, excluding the effect of one-off income. Detailed analysis is as follows:

	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Profit attributable to owners of the parent	470.1	521.0
Effect of one-off gain arising from the disposal of 5,000,000 shares in Chengshang Group	—	(65.6)
Decrease in non-recurring interest income arising in 2009 as compared with that in 2008	—	(34.8)
Effect of one-off income arising from the disposal of a piece of land by Chengshang Group in 2009*	<u>(19.8)</u>	<u>—</u>
Profit attributable to owners of the parent after adjusting	<u>450.3</u>	<u>420.6</u>
Growth rate	7.1%	

* Chengshang Group obtained a one-off land disposal income of RMB29.7 million, of which profit attributable to owners of the parent amounted to RMB19.8 million as calculated based on the proportional equity interest held by the Group of 66.77%.

Liquidity and Financial Resources

As at 31 December 2009, the Group's cash and cash equivalents amounted to RMB457.0 million and decreased by RMB410.9 million as compared to RMB867.9 million as at 31 December 2008. This was mainly due to:

- (1) Net cash inflow arising from operating activities amounted to RMB682.8 million;
- (2) Net cash inflow from financing activities amounted to RMB604.9 million arising from reasons such as the increase in bank loans; and
- (3) Net cash outflow arising from investing activities amounted to RMB1,693.7 million, among which payments for properties and equipment amounted to

RMB416.6 million, payments for land lease prepayment amounted to RMB514.8 million, acquisition of subsidiaries amounted to RMB245.5 million as well as purchase of available-for-sale equity investments amounted to RMB474.3 million.

As at 31 December 2009, total bank loans of the Group were RMB1,432.0 million (2008: RMB521.0 million), among which RMB163.7 million will mature within the coming year.

The debt to total assets ratio of the Group, expressed as a percentage of interest-bearing bank loans over total assets, increased from 9.5% as at 31 December 2008 to 19.8% as at 31 December 2009.

Investment in Listed Shares

As at 3 March 2010, the Company's investment in three listed companies in the category of commerce during the period of economic downturn achieved high asset appreciation, details of which are as follows:-

Company	Percentage of interest held	Cost RMB' million	Market value RMB' million	Percentage of appreciation in value
Qinhuangdao Bohai Logistics Holding Corporation Ltd.	29.90%	570	834	46%
Shenzhen International Enterprises Co., Ltd.	13.18%	103	243	136%
Shen Yang Commercial City Co., Ltd.	10.67%	<u>104</u>	<u>279</u>	168%
Total		<u>777</u>	<u>1,356</u>	75%

As at 3 March 2010, the 136 million shares of Chengshang Group (a company listed on the Shanghai Stock Exchange, stock code: 600828) held by the Group had a market value of RMB4.29 billion, representing an appreciation of RMB3.9 billion, which was 9 times of the acquisition cost.

Main properties of the Group

As at 31 December 2009, the value of the Group's major properties appraised by DTZ Debenham Tie Leung is as follows:

Category I: Properties held by the Group for self-occupation

Department Store Property	Book Value* RMB'000	Appraised value RMB'000	Attributable interest to the Group	Appraised value in existing state attributable to the Group RMB'000	Latest pledge status
SZ Dongmen store	244,401	2,306,000	100.00%	2,306,000	Pledged
SZ Nanshan store	973,874	2,367,000	100.00%	2,367,000	Partially pledged
Qinhuangdao Jindu store	295,596	697,000	100.00%	697,000	unpledged
Taiyuan Liuxiang store**	479,370	519,000	100.00%	519,000	unpledged
Taizhou Yibai Store	362,300	611,000	97.30%	594,503	Partially pledged
Chengdu Yanshikou store	172,995	2,183,000	66.77%	1,457,589	Pledged
Nanchong Five Star store	77,365	326,000	66.77%	217,670	unpledged
Nanchong Mofanjie store**	48,363	191,000	66.77%	127,531	unpledged
Mianyang Linyuan store	78,866	216,000	66.77%	144,223	unpledged
Mianyang Xingda store	<u>272,430</u>	<u>629,000</u>	66.77%	<u>419,983</u>	unpledged
	<u>3,005,560</u>	<u>10,045,000</u>		<u>8,850,499</u>	

Category II: Investment properties held by the Group

Property	Book Value* <i>RMB'000</i>	Appraised value <i>RMB'000</i>	Attributable interest to the Group	Appraised value in existing state attributable to the Group <i>RMB'000</i>	Latest pledge status
Commercial building at No. 12 Zongfu Road, Jinjiang District, Chengdu	219,553	1,000,000	66.77%	667,700	Pledged
No. 49 Hongji Middle Road, Jinjiang District, Chengdu	22,950	55,000	66.77%	36,724	unpledged
No.68 Zouma Street, Jinjiang District, Chengdu	177	360	66.77%	240	unpledged
No. 6 Upper Dongda Street, Jinjiang District, Chengdu	39,644	222,000	66.77%	148,229	unpledged
No. 2 Gongjiao Road, Jinniu District, Chengdu	<u>35,321</u>	<u>197,000</u>	66.77%	<u>131,537</u>	Pledged
	<u>317,645</u>	<u>1,474,360</u>		<u>984,430</u>	

Category III: Properties held by the Group under construction

Property	Book Value* RMB'000	Appraised value RMB'000	Attributable interest to the Group	Appraised value in existing state		Appraised value after Completion RMB'000
				to the Group	Latest pledge status	
Yanshikou Phase II	122,686	1,440,000	66.77%	961,488	Partially pledged	3,459,000
Shenyang Tiexi**	90,491	270,000	100.00%	365,000	unpledged	949,000
Taiyuan Qinxianjie**	645,021	2,223,000	100.00%	2,223,000	unpledged	8,117,000
Chengdu Southern	107,935	365,000	66.77%	243,711	unpledged	946,000
	<u>966,133</u>	<u>4,298,000</u>		<u>3,793,199</u>		<u>13,471,000</u>

Category IV: Property for future construction

Property	Book Value* RMB'000	Appraised value RMB'000	Attributable interest to the Group	Appraised value in existing state		Appraised value after Completion RMB'000
				to the Group	Latest pledge status	
Wuxi Yibai#	50,000	922,000	90.00%	829,800	unpledged	2,000,000
Total	<u>4,339,338</u>	<u>16,739,360</u>		<u>14,457,928</u>		<u>15,471,000</u>

* Book value refers to all net carrying value booked to property, plant and equipment, land lease prepayment, investment property and non-current prepayment as at 31 December 2009.

** Taiyuan Liuxiang store, Nanchong Mofanjie store, Shenyang Tiexi project and Taiyuan Qinxianjie project are in the process of applying for land use right certificates.

On 19 November 2009, the Group signed an equity transfer agreement to acquire the 90% shares of the land for a total consideration of RMB337.5 million. As at 31 December 2009, the Group has paid RMB50.0 million.

Contingent Liabilities

On 16 July 2009, Chengdu Watsons Economic Development Co., Ltd (成都屈臣經濟發展有限公司) (“Chengdu Watsons”) issued proceedings against Sichuan Xinglida Group Industry Co., Ltd (四川興力達集團實業有限公司) (“Xinglida Group”), an independent third party and Chengdu People’s Department Store (Group) Mianyang Co., Ltd. (“Chengshang Mianyang”) (成都人民商場(集團)綿陽有限公司) in respect of the early termination of the lease of a building previously owned by Xinglida Group to Chengdu Watsons. Xinglida Group has transferred ownership of the building to Chengshang Mianyang in September 2008 and the lease of the building to Chengdu Watsons was terminated subsequently. Chengdu Watsons has claimed an amount of approximately RMB13,252,000 from Xinglida Group and Chengshang Mianyang together for compensation of its loss due to the early termination of the lease.

Pledge of Assets

As at 31 December 2009, Group’s interest-bearing bank loans amounting to RMB1,394.0 million were secured by the Group’s buildings, investment properties and land lease prepayments with net carrying amounts of approximately RMB350.9 million, RMB68.6 million and RMB1,005.1 million respectively.

As at 31 December 2009, the Group’s bills payables amounting to RMB29.0 million were secured by the Group’s investment properties and land lease prepayments with net carrying amounts of approximately RMB11.0 million and RMB24.3 million respectively, and the Group’s time deposits amounting to RMB12.9 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 year under review, the Group recorded a net loss in foreign currency of approximately RMB0.4 million.

For the year ended 31 December 2009, 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.

EMPLOYEES

As at 31 December 2009, the Group had a total of approximately 4,065 employees. Salaries, bonuses and benefits are determined with reference to market terms and the performance, modifications and experience of individual employees.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2009.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Wednesday, 28 April 2010 to Friday, 30 April 2010 (both dates inclusive), during such period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting and the entitlement of the aforementioned proposed final dividend, unregistered holders of shares of the Company should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 27 April 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its code of conduct governing the directors' dealings in the Company's securities. The Company has made specific enquiries with all of its directors, who have confirmed their compliance with the required standard set out in the Model Code throughout the year ended 31 December 2009.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of its shareholders and enhancing corporate value. Detailed corporate governance practices will be stated in the Company's annual report for the year ended 31 December 2009. The Board is of the view that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 14 of the Listing Rules, except for the following deviation:

Code Provision A.2.1

This code provision stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, Mr. Huang Mao Ru is both the Chairman and Chief Executive Officer of the

Company. As Mr. Huang is the founder of the Group and has extensive experience in the department store industry and commercial real estate industry, the Board believes that it is in the best interest of the Group to have Mr. Huang taking up both roles for continuous effective management and business development of the Group.

AUDIT COMMITTEE

The Audit Committee, comprising all the three independent non-executive directors of the Company, has reviewed the audited consolidated annual results of the Group for the year ended 31 December 2009 and discussed with the management on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

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

This announcement 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 2009 containing information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 5 March 2010

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