

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2011**

#### **HIGHLIGHTS**

- Total sales proceeds<sup>1</sup> increased to RMB5,133.3 million, representing an increase of 68.1%, and same-store<sup>2</sup> sales proceeds from concessionaire sales increased to RMB3,436.3 million, representing an increase of 27.4%
- Total operating revenue increased to RMB2,092.8 million, representing an increase of 81.8%
- Operating profit increased to RMB610.3 million, representing an increase of 45.9%

#### **RESULTS OF THE GROUP**

- Profit attributable to owners of the parent increased to RMB300.6 million, representing an increase of 5.2%, while without taking into account the effect of the discontinued operation<sup>3</sup>, profit attributable to owners of the parent increased by 9.4%
- Without taking into account the effect of share option expenses, profit attributable to owners of the parent increased to RMB325.7 million, representing an increase of 12.5%, while also without taking into account the effect of the discontinued operation, such profit attributable to owners of the parent increased by 16.9%

- Without taking into account the effect of share option expenses and non-operating gains and losses, profit attributable to owners of the parent increased by 16.9% to RMB317.5 million, while also without taking into account the effect of the discontinued operation, such profit attributable to owners of the parent increased by 16.8%
- Basic earnings per share for the period was RMB0.058

#### **RESULTS OF THE OPERATION OF DEPARTMENT STORES SEGMENT**

- Profit attributable to owners of the parent from the operation of department stores segment increased to RMB359.3 million, representing an increase of 20.9% compared with RMB297.1 million in the same period last year
- Without taking into account the effect of share option expenses, profit attributable to owners of the parent from the operation of department stores segment increased to RMB383.7 million, representing an increase of 27.6%, compared with RMB300.8 million in the same period last year
- Without taking into account the effect of share option expenses and non-operating gains and losses, profit attributable to owners of the parent from the operation of department stores segment increased to RMB375.6 million, representing an increase of 27.8%, compared with RMB294.0 million in the same period last year

#### *Notes:*

- <sup>1</sup> Total sales proceeds refers to the sum of total sales proceeds from concessionaire sales and revenue from direct sales at our department stores
- <sup>2</sup> Same-store refers to the stores which have opened or been acquired at the beginning of the previous fiscal year
- <sup>3</sup> Since the Group disposed of its automobile business in January 2010, the Group separated the automobile business from continuing operations and accounted for as a discontinued operation

#### **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 2011 with comparative figures for the corresponding period in the year 2010. The unaudited consolidated interim results have been reviewed by the auditors of the Company, Ernst & Young and the audit committee of the Company (the “Audit Committee”).

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 June 2011 (Unaudited) <i>RMB'000</i>	2010 (Unaudited) <i>RMB'000</i> (Restated)
<b>REVENUE</b>	4	<b>1,709,813</b>	917,606
Other income	5	<u>382,977</u>	<u>233,269</u>
Total operating revenue		<b>2,092,790</b>	1,150,875
Cost of sales		<b>(707,729)</b>	(300,812)
Employee expenses		<b>(197,003)</b>	(84,178)
Depreciation and amortisation		<b>(152,535)</b>	(93,435)
Operating lease rental expenses		<b>(109,089)</b>	(77,586)
Other operating expenses		<b>(354,665)</b>	(184,686)
Other gains		<u>38,492</u>	<u>8,227</u>
Operating profit		<b>610,261</b>	418,405
Finance costs	6	<b>(104,415)</b>	(39,954)
Share of profits and losses of associates		<u>948</u>	<u>2,972</u>
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>506,794</b>	381,423
Income tax expense	7	<u>(153,480)</u>	<u>(91,747)</u>
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>353,314</b>	289,676
<b>DISCONTINUED OPERATION</b>			
Profit for the period from a discontinued operation	8	<u>—</u>	<u>16,511</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>353,314</b></u>	<u>306,187</u>
Attributable to:			
Owners of the parent		<b>300,583</b>	285,815
Non-controlling interests		<u>52,731</u>	<u>20,372</u>
		<u><b>353,314</b></u>	<u>306,187</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
<b>Basic</b>			
For profit for the period		<u><b>RMB5.8 cents</b></u>	<u>RMB5.6 cents</u>
For profit from continuing operations		<u><b>RMB5.8 cents</b></u>	<u>RMB5.4 cents</u>
<b>Diluted</b>			
For profit for the period		<u><b>RMB5.8 cents</b></u>	<u>RMB5.6 cents</u>
For profit from continuing operations		<u><b>RMB5.8 cents</b></u>	<u>RMB5.4 cents</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<i>(Unaudited)</i>	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
<b>PROFIT FOR THE PERIOD</b>	<b><u>353,314</u></b>	<b><u>306,187</u></b>
Available-for-sale equity investments:		
Changes in fair value	<b>292,382</b>	(11,674)
Income tax effect	<b><u>(69,815)</u></b>	<u>3,052</u>
	<b>222,567</b>	(8,622)
Exchange differences on translation of foreign operations	<b><u>10,216</u></b>	<u>(601)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u>232,783</u></b>	<u>(9,223)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u>586,097</u></b>	<b><u>296,964</u></b>
Attributable to:		
Owners of the parent	<b>533,366</b>	276,592
Non-controlling interests	<b><u>52,731</u></b>	<u>20,372</u>
	<b><u>586,097</u></b>	<b><u>296,964</u></b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>30 June 2011 (Unaudited) RMB'000</b>	31 December 2010 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>3,177,492</b>	2,437,213
Investment properties	<b>323,012</b>	292,199
Land lease prepayments	<b>4,063,289</b>	3,657,010
Goodwill	<b>641,680</b>	537,050
Other intangible assets	<b>5,900</b>	4,148
Investments in associates	<b>12,707</b>	11,904
Available-for-sale equity investments	<b>972,306</b>	635,398
Other asset	<b>2,458</b>	2,458
Prepayments	<b>924,182</b>	1,115,458
Deferred tax assets	<b><u>69,275</u></b>	<u>61,647</u>
 Total non-current assets	 <b><u>10,192,301</u></b>	 <u>8,754,485</u>
<b>CURRENT ASSETS</b>		
Inventories	<b>241,759</b>	166,419
Completed properties held for sale	<b>489,091</b>	485,287
Properties under development	<b>1,506,777</b>	1,177,562
Equity investments at fair value through profit or loss	<b>11,181</b>	11,271
Trade receivables	<b>49,463</b>	15,794
Prepayments, deposits and other receivables	<b>484,266</b>	402,778
Due from related parties	<b>33,144</b>	9,919
Pledged deposits	<b>3,750</b>	1,350
Cash and cash equivalents	<b><u>1,668,284</u></b>	<u>1,024,073</u>
 Total current assets	 <b><u>4,487,715</u></b>	 <u>3,294,453</u>

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

	<i>Note</i>	<b>30 June 2011 (Unaudited) RMB'000</b>	31 December 2010 (Audited) RMB'000
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	<b>1,852,992</b>	1,688,373
Deposits received, accruals and other payables		<b>1,446,307</b>	1,611,369
Interest-bearing bank loans and other borrowings		<b>1,537,735</b>	851,024
Due to related parties		<b>54,442</b>	4,249
Tax payable		<b>116,331</b>	115,076
Total current liabilities		<b><u>5,007,807</u></b>	<u>4,270,091</u>
<b>NET CURRENT LIABILITIES</b>		<b><u>(520,092)</u></b>	<u>(975,638)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>9,672,209</u></b>	<u>7,778,847</u>
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds		<b>853,056</b>	860,441
Interest-bearing bank loans and other borrowings		<b>1,496,040</b>	1,564,776
Deferred tax liabilities		<b>663,243</b>	413,079
Total non-current liabilities		<b><u>3,012,339</u></b>	<u>2,838,296</u>
Net assets		<b><u>6,659,870</u></b>	<u>4,940,551</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>487,923</b>	461,587
Equity component of convertible bonds		<b>119,125</b>	119,125
Reserves		<b>4,802,346</b>	3,318,872
		<b>5,409,394</b>	3,899,584
Non-controlling interests		<b><u>1,250,476</u></b>	<u>1,040,967</u>
Total equity		<b><u>6,659,870</u></b>	<u>4,940,551</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

Maoye International Holdings Limited was incorporated in the Cayman Islands on 8 August 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands, and the head office and principal place of business of the Company is located at 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 2011 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 2010.

### 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 <i>RMB'000</i>	Property development <i>RMB'000</i>	Others <i>RMB'000</i>	Adjustments and eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Period ended 30 June 2011</b>					
<b>Segment revenue:</b>					
Sales to external customers	1,632,483	73,607	3,723	—	1,709,813
Intersegment revenue	—	9,493	—	(9,493)	—
Other income	<u>374,698</u>	<u>5,079</u>	<u>3,200</u>	<u>—</u>	<u>382,977</u>
	2,007,181	88,179	6,923	(9,493)	2,092,790
Cost of sales	(672,508)	(34,672)	(549)	—	(707,729)
Employee expenses	(186,375)	(8,493)	(2,135)	—	(197,003)
Depreciation and amortisation	(140,358)	(11,373)	(804)	—	(152,535)
Operating lease rental expenses	(109,089)	—	—	—	(109,089)
Other operating expenses	(331,470)	(28,730)	(3,958)	9,493	(354,665)
Other gains	<u>38,704</u>	<u>(207)</u>	<u>(5)</u>	<u>—</u>	<u>38,492</u>
Operating profit	606,085	4,704	(528)	—	610,261
Finance costs	(25,790)	(78,625)	—	—	(104,415)
Share of profits and losses of associates	<u>—</u>	<u>—</u>	<u>948</u>	<u>—</u>	<u>948</u>
Segment profit before tax from continuing operations	580,295	(73,921)	420	—	506,794
Income tax expense	<u>(165,605)</u>	<u>12,230</u>	<u>(105)</u>	<u>—</u>	<u>(153,480)</u>
Segment profit for the period from continuing operations	<u><u>414,690</u></u>	<u><u>(61,691)</u></u>	<u><u>315</u></u>	<u><u>—</u></u>	<u><u>353,314</u></u>
Attributable to:					
Owners of the parent	359,258	(58,886)	211	—	300,583
Non-controlling interests	<u>55,432</u>	<u>(2,805)</u>	<u>104</u>	<u>—</u>	<u>52,731</u>
	<u><u>414,690</u></u>	<u><u>(61,691)</u></u>	<u><u>315</u></u>	<u><u>—</u></u>	<u><u>353,314</u></u>
<b>Other segment information</b>					
Impairment losses recognised in the income statement	177	—	—	—	177
Depreciation and amortisation	140,358	11,373	804	—	152,535
Investments in associates	—	—	12,707	—	12,707
Capital expenditure	1,403,763	365,191	—	—	1,768,954*

\* 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.



	<b>Operation of department stores</b> <i>RMB'000</i>	<b>Property development</b> <i>RMB'000</i>	<b>Others</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Period ended 30 June 2010</b>				
<b>Segment revenue:</b>				
Sales to external customers	908,857	2,500	6,249	917,606
Other income	<u>232,424</u>	<u>—</u>	<u>845</u>	<u>233,269</u>
	1,141,281	2,500	7,094	1,150,875
Cost of sales	(300,608)	—	(204)	(300,812)
Employee expenses	(82,380)	(184)	(1,614)	(84,178)
Depreciation and amortisation	(87,292)	(5,426)	(717)	(93,435)
Operating lease rental expenses	(77,494)	—	(92)	(77,586)
Other operating expenses	(181,182)	(1,280)	(2,224)	(184,686)
Other gains	<u>8,227</u>	<u>—</u>	<u>—</u>	<u>8,227</u>
Operating profit	420,552	(4,390)	2,243	418,405
Finance costs	(11,986)	(27,968)	—	(39,954)
Share of profits and losses of associates	<u>2,708</u>	<u>—</u>	<u>264</u>	<u>2,972</u>
Segment profit before tax from continuing operations	411,274	(32,358)	2,507	381,423
Income tax expense	<u>(99,185)</u>	<u>8,066</u>	<u>(628)</u>	<u>(91,747)</u>
Segment profit for the period from continuing operations	<u>312,089</u>	<u>(24,292)</u>	<u>1,879</u>	<u>289,676</u>
Attributable to:				
Owners of the parent	297,110	(23,568)	1,260	274,802
Non-controlling interests	<u>14,979</u>	<u>(724)</u>	<u>619</u>	<u>14,874</u>
	<u>312,089</u>	<u>(24,292)</u>	<u>1,879</u>	<u>289,676</u>
<b>Other segment information</b>				
Impairment losses reversed in the income statement	(1,114)	—	—	(1,114)
Depreciation and amortisation	87,292	5,426	717	93,435
Investments in associates	—	—	13,217	13,217
Capital expenditure	1,332,176	469,544	—	1,801,720*

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

#### 4. REVENUE

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Commissions from concessionaire sales	<b>760,499</b>	494,103
Direct sales	<b>747,202</b>	330,181
Rental income from the leasing of shop premises	<b>82,343</b>	60,610
Management fee income from the operation of department stores	<b>1,871</b>	1,710
Rental income from investment properties	<b>65,427</b>	24,753
Sale of properties	<b>48,748</b>	—
Others	<b>3,723</b>	6,249
	<b><u>1,709,813</u></b>	<b><u>917,606</u></b>

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

Total sales proceeds from concessionaire sales	<b><u>4,386,125</u></b>	<b><u>2,722,664</u></b>
Commissions from concessionaire sales	<b><u>760,499</u></b>	<b><u>494,103</u></b>

#### 5. OTHER INCOME

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Income from suppliers and concessionaires		
- Administration and management fee income	<b>208,019</b>	139,917
- Promotion income	<b>98,388</b>	52,836
- Credit card handling fees	<b>57,103</b>	33,697
Interest income	<b>3,612</b>	3,321
Others	<b>15,855</b>	3,498
	<b><u>382,977</u></b>	<b><u>233,269</u></b>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank loans and other borrowings	<u>104,415</u>	<u>39,954</u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Group:		(Restated)
Current - CIT	155,143	86,633
Current - LAT	1,551	—
Deferred	<u>(3,214)</u>	<u>5,114</u>
Total tax charge for the period	<u>153,480</u>	<u>91,747</u>

## 8. PROFIT FOR THE PERIOD 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 was engaged in the 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 in the prior year 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 period are presented below:

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	—	906
Purchases of and changes in inventories	—	(670)
Employee expenses	—	(7)
Depreciation and amortisation	—	(309)
Other operating expenses	—	(50)
	<u>—</u>	<u>(50)</u>
Loss of the discontinued operation	—	(130)
Gain on disposal of a subsidiary	—	22,188
	<u>—</u>	<u>22,188</u>
Gain before tax from the discontinued operation	—	22,058
Income tax expense	—	(5,547)
	<u>—</u>	<u>(5,547)</u>
Profit for the period from the discontinued operation	<u>—</u>	<u>16,511</u>
Attributable to:		
Owners of the parent	—	11,013
Non-controlling interests	—	5,498
	<u>—</u>	<u>16,511</u>

## **9. 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 2011 attributable to ordinary equity holders of the parent of RMB300,583,000 (Six months ended 30 June 2010: RMB285,815,000) and the weighted average number of ordinary shares of 5,203,784,257 (Six months ended 30 June 2010: 5,139,856,000) in issue during the period.

The calculation of the amount of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, 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 period, 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.

## 10. DIVIDENDS

The Board does not recommend to declare an interim dividend for the six months ended 30 June 2011 (for the six months ended 30 June 2010: interim dividend of 1.8 HK cents per share).

## 11. TRADE AND BILLS PAYABLES

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

	<b>30 June 2011 (Unaudited) RMB'000</b>	31 December 2010 (Audited) RMB'000
Within 90 days	<b>1,296,324</b>	1,392,576
91 to 180 days	<b>364,861</b>	176,837
181 to 360 days	<b>100,864</b>	48,377
Over 360 days	<b><u>90,943</u></b>	<u>70,583</u>
	<b><u>1,852,992</u></b>	<u>1,688,373</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

During the first half of 2011, as domestic consumer price index continued to rise, as well as real estate market remained at an unrelentingly high price level, the Chinese government began to tighten its monetary policies. It raised the statutory deposit reserve ratio six times and interest rate three times within 6 months, which dampened consumer expectations and confidence. Since March 2011, the consumer confidence index has been declining for three consecutive months. Confronted with emerging challenges in domestic economy as well as a complex and volatile international environment, Chinese government continued to strengthen and refine macroeconomic regulations and controls. As a result, the overall economy has been progressing well and developing in the expected direction.

According to the statistics of the National Bureau of Statistics of China, domestic GDP for the first six months of 2011 increased by 9.6% compared to the previous corresponding period based on comparable prices; total retail sales of consumer goods increased by 16.8% compared to the same period last year; and contribution of final consumption to domestic GDP growth was 47.5%, which led to an increase of domestic GDP by 4.6 percentage points. Apart from these increases, beneficial factors such as stable growth in wages, adjustment in personal income tax threshold, the accelerated urbanization process and the expansion of middle class continued to provide the momentum for growth in the department store and retail industry.

## OPERATION REVIEW

During the first half of 2011, the Group adopted a series of effective measures with the concerted efforts of all levels of employees, to achieve a steady increase in sales. These measures included tier structure to allocate resources effectively, target oriented operation and budget management, as well as innovative marketing methods. For the six months ended 30 June 2011, the Group achieved the following results:

Total sales proceeds increased to RMB5,133.3 million, representing an increase of 68.1% as compared with the previous corresponding period, with the growth of same store sales proceeds from concessionaire sales amounting to 27.4%. Profit attributable to owners of the parent amounted to RMB300.6 million, representing an increase of 5.2% over the previous corresponding period, or an increase of 16.9% without taking into account the effect of non-operating gains and losses and share option expenses.

In respect of the operation of department stores segment, profit attributable to owners of the parent increased to RMB359.3 million, representing an increase of 20.9% compared with RMB297.1 million in the same period last year. Without taking into account the effect of share option expenses, profit attributable to owners of the parent from the operation of department stores segment increased to RMB383.7 million, representing an increase of 27.6%, compared with RMB300.8 million in the same period last year. While without taking into account the effect of share option expenses and non-operating gains and losses, profit attributable to owners of the parent from the operation of department stores segment increased to RMB375.6 million, representing an increase of 27.8%, compared with RMB294.0 million in the same period last year.

During the first half of 2011, the Group continued its strategy of prudent operation and proactive expansion and successively opened Yangzhou Store and Shandong Heze Store, further expanding the Group's store network. On 6 April 2011, the Group's Taiyuan Qinxianjie Complex (also known as “茂業天地”) was recognized as a “Major Project” (重點工程) in Shanxi province.

Following the successful offering of convertible bonds in October 2010, the Group successfully placed another 273 million shares through top-up placing to raise approximately HK\$1.04 billion in May 2011, for the support of the “Great Development” (大發展) strategy of the Group.

The Group took active measures to further develop innovative marketing. During the first half of 2011, the Group continued to actively promote creative activities such as the “Staff Shopping Day” (員工購物日), the “Joint Shopping Day” (聯購日) and “Special Promotions” (專場), during which most of the Group’s stores broke records in terms of sales achieved on a single day. In addition, the Group took initiatives to pursue cultural marketing. By virtue of the 15th anniversary of the Group, all of the Group’s stores simultaneously carried out the “15th Anniversary Celebrations” (十五週年慶). The event, coordinated with widespread media coverage, stirred up a series of cultural and promotional activities across the nation. During the course of these activities, the Group also launched intermittent unique promotional events which were well-received by consumers. This not only refined the management of promotional activities to enhance their effectiveness, but also contributed to the Group’s brand cohesion.

**PERFORMANCE OF MAJOR SAME STORES<sup>1</sup>**  
**(For the six months ended 30 June 2011)**

Store	Sales		Increase by Year %	Operation Period (Years)	Gross Floor Area (Sq.m.)	Operation Area (Sq.m.)	Average Value per Transaction (RMB)
	Proceeds from Concessionaire Sales (RMB'000)						
1	Shenzhen Huaqiangbei	885,731	21.3	7.8	59,787	45,677	681
2	Shenzhen Dongmen	385,968	17.5	14.4	47,436	33,680	558
3	Chengdu Yanshikou	313,121	16.2	6.1	53,873	40,674	593
4	Chongqing Jiangbei	290,106	39.2	6.8	53,542	36,276	468
5	Taizhou First Department Store	298,408	33.5	1.8	40,358	28,795	842
6	Taiyuan Liuxiang	196,459	29.1	2.6	30,616	22,105	500
7	Mianyang Xingda	146,713	27.6	2.8	27,617	19,884	576
8	Nanchong Wuxing	140,427	25.2	6.1	25,994	19,530	508
9	Zhuhai Xiangzhou	147,786	42.5	9.7	23,715	17,549	405
10	Qinhuangdao Jindu	125,025	26.6	2.8	46,610	33,606	384
11	Shenzhen Heping	79,909	55.4	11.8	23,078	17,309	366
12	Mianyang Linyuan	38,352	36.2	3.5	21,731	13,780	321
13	Nanchong Mofanjie	16,584	28.3	2.8	24,035	21,124	317
14	Shenzhen Nanshan	180,454	67.9	1.8	45,000	37,215	861

*Note:*

<sup>1</sup> Major same stores refer to same stores with a gross floor area of over 20,000 square metres.

## MARKET PERFORMANCE

### *Southern China Region*

The Southern China region remained the Group's biggest profit contribution segment with a number of mature stores with stable growth, and is also the Group's key development region. During the first half of 2011, the stores of the Group in the Southern China region actively adjusted their operation and marketing strategies and continuously developed new marketing models, achieving steady improvement in the regional performance. During the first half of 2011, contribution of total sales proceeds from the Southern China region to the Group's total sales proceeds reached 36.6%, with same-store sales growth of 27.2% of sales proceeds from concessionaire sales.

Shenzhen Huaqiangbei Store, the flagship store of the Group, has remained popular in the industry with its comprehensive product offering and plentiful brands, and in the past two years has further enhanced the shopping experience for its customers with the introduction of various complementary facilities such as cinemas, thematic restaurants and children's playgrounds. As a number of high end brands were introduced at the store and overall store image continued to be upgraded, ticket per sales steadily rose. In March 2011, the "Premium International Cosmetics Festival" (一線國際化妝品節) organized by the store achieved unprecedented success, with sales reaching RMB10 million within ten days and at the same time establishing a positive marketing image. The opening up of the Shenzhen metro lines 2 and 3 in June 2011 also brought more customer traffic to the store. During the first half of 2011, Huaqiangbei Store recorded same-store sales growth of 21.3% of sales proceeds from concessionaire sales.

In addition, Huaqiangbei Store has become well known for its flexible and diversified marketing initiatives. In recent years, Huaqingbei Store concentrated its efforts on members' marketing, as is evident from the successful organization of four sessions of the "Members' Privilege Day" (會員尊享日). The "Members' Privilege Day" has become a marketing and service brand well recognized by consumers as well as the industry.

Shenzhen Dongmen Store, the first store of the Group, has been actively changing its business concepts and strategies and is apt at implementing innovative marketing strategies. Between late April and early May 2011, Dongmen Store conducted storefront upgrade to launch new brand concessionaires. Taking this opportunity, the store made use of the theme "2011 Opening of New Concessionaires" (2011新櫃開業) to coincide with the promotional activities during the May 1st golden week, capitalizing on the discount season between spring and summer to launch a "Gift on Purchase" (買送) promotional activity and achieving great results.



In addition, as a result of persistent adjustments in branding, product mix and floor layouts of the store, sales of Dongmen Store increased steadily. During the first half of 2011, Dongmen Store recorded same-store growth of 17.5% of sales proceeds from concessionaire sales.

Shenzhen Nanshan Store, the Group's third-generation boutique department store (第三代精品百貨店), has achieved satisfactory operating results since commencement of business in September 2009. Not only did the store realize its objective of 'making profit in the opening year', but it also speeded up the fostering of a business climate by strengthening brand adjustment and increasing efforts in innovations in marketing activities. During the slack season of summer, targeting the unique features of the Nanshan business circle and taking advantage of its own rich resources of external alliances, Nanshan Store launched a 100-day Maoye Babies' MBA Summer Camp entitled "Sunshine 100 — More Wonderful With You" (陽光100 · 有你更精彩), which was widely acclaimed by parents in the area. This not only brought increased customer traffic to the Nanshan Store, but also enhanced the awareness of the store in the Nanshan business circle as well as in Shenzhen. During the first half of 2011, Nanshan Store recorded same-store growth of 67.9% of sales proceeds from concessionaire sales.

### ***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 operation standards and service quality of its stores, optimizing merchandise categories and brand mix and actively launching innovative marketing activities. During the first half of 2011, contribution of total sales proceeds from the Southwestern China region to the Group's total sales proceeds reached 24.4%, with same-store sales growth of 25.9% of sales proceeds from concessionaire sales.

Chengdu Yanshikou Store, one of our flagship stores in the Southwestern China region, continued its brand adjustment and upgrade as well as focused on marketing innovation. It organized a "VIP Day" (VIP尊享會員日) on 17 June 2011 with great success, which, though lasting only for 15 hours, brought customers an immensely enjoyable shopping experience and the store achieved sales which are several times higher than that of a normal day. This event not only greatly stimulated consumption demand but also further enhanced Yanshikou Store's position and influence in the Yanshikou business circle. During the first half of 2011, despite the adverse impact of surrounding road works and the starting up of construction of the Yanshikou Phase II Project, Yanshikou Store recorded same-store growth of 16.2% of sales proceeds from concessionaire sales.

Chongqing Jiangbei Store, another flagship store of the Group in the Southwestern China region, continued its brand upgrade and adjustment and its focus on marketing innovation. Even during low season, it still proactively sought breakthrough and, adopting the marketing concept of “Targeting Sales in Peak Season and Attracting Customer Traffic in Low Season” (旺季做銷售，淡季聚人氣), conducted promotional activities via multiple channels and formats. On 30 June 2011, Jiangbei Store organized the event of “630VIP” during the short holiday of the “Red Song” (紅歌) contest in Chongqing, which attracted nearly 60,000 customers and set the whole city a stir, recording increased sales which are nearly 4 times above the usual level. As a result of a series of effective measures, Jiangbei Store grew rapidly and recorded same-store growth of 39.2% of sales proceeds from concessionaire sales during the first half of 2011.

The four stores that the Group acquired in 2008 in Sichuan, i.e., Mianyang Linyuan Store, Mianyang Xingda Store, Nanchong Wuxing Store and Nanchong Mofanjie Store, are all situated in prime commercial locations. Through continuous adjustments in brand upgrading, brand mix and floor layouts, the overall shopping environment of the four stores has been substantially enhanced, with the result that these stores have become the best and largest department stores locally with the most comprehensive merchandise offerings and best ambience. After nearly three years’ development, Mianyang Linyuan Store, Mianyang Xingda Store and Nanchong Wuxing Store have become the Group’s high growth anchor stores. The sales of Nanchong Mofanjie Store are expected to increase with the improvement of its surrounding road infrastructure. During the first half of 2011, Mianyang Linyuan Store, Mianyang Xingda Store and Nanchong Wuxing Store recorded same-store growth in sales proceeds from concessionaire sales of 36.2%, 27.6% and 25.2% respectively.

### ***Eastern China Region***

The Eastern China region is the Group’s key strategic development area. During the first half of 2011, the Group opened another new store “Shandong Heze Store” in this area through acquisition. At present, the Group is operating and managing 10 stores in the Eastern China region, located respectively in Wuxi, Changzhou, Taizhou, Zibo, Yangzhou, Heze and elsewhere. The Group also plans to open new stores in Linyi and Huaian. During the first half of 2011, total sales proceeds generated by the Eastern China region accounted for 17.6% of total sales proceeds of the Group, and sales proceeds from concessionaire sales recorded same-store growth of 33.5%.

Taizhou First Department Store Co., Ltd. (“Taizhou First Department Store”) has achieved outstanding performance since it was acquired in October 2009. After a brief fostering period of one and a half years, this store has progressively been

transformed into the Group's flagship store in the Eastern China region. The second "Staff Shopping Day" launched by Taizhou First Department Store on 30 June 2011 achieved sensational results in Taizhou city, recording remarkable sales performance of RMB15.0 million within merely 6 hours of the activity. During the first half of 2011, sales proceeds from concessionaire sales in Taizhou First Department Store recorded same-store growth of 33.5%.

Since the completion of acquisition of Zibo Dongtai Building Co., Ltd. (淄博東泰商廈有限公司) ("Dongtai Shangsha") in January 2011 which owns and/or operates 4 stores comprising of Dongtai Shopping Plaza (東泰廣場店), Dongtai Building (東泰商廈店), Taikerong Store (泰客榮店) and Dongtai Shangcheng Store (東泰商城店), the Group has achieved good results through optimized management, upgrading of the stores and adjustment of the merchandise mix, by utilizing its excellent new store integration capabilities and extensive supplier resources. Dongtai Shangsha, actively learning the operational experience from other stores in the Group, successfully launched a variety of large-scale innovative promotional activities during the first half of 2011 and received wide acclaim from consumers. Taikerong Store launched a large-scale, unprecedented marketing reward activity at the end of May this year prior to overall expansion and upgrading of brands, recording a daily customer flow of over 20,000 on average, which achieved a substantial growth by comparison even with the sales peak during the Spring Festival golden week, and hitting a record in sales volume. This activity strengthened consumer loyalty and heightened their expectations and also enhanced suppliers' confidence in collaborating with the Group towards a bright future, marking the successful convergence and integration of Dongtai Shangsha with the Group.

### ***Northern China Region***

The Northern China region is also a key development region of the Group. At present, the Group successfully operates eight department stores in Northern China and will open more stores in the future, including Shenyang Tiexi Store, Taiyuan Qinxianjie Store, Baoding Yanzhao Store and others. During the first half of 2011, total sales proceeds generated by the Northern China region accounted for 21.4% of total sales proceeds of the Group and sales proceeds from concessionaire sales recorded same-store growth of 28.1%.

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 store layout in the two stores. The operating results of the two stores improved substantially as a result of meticulous upgrading and adjustments carried out by the Group as compared with the

results prior to the acquisitions. The two stores currently have become major promising stores with high growth potential of the Group. During the first half of 2011, proceeds from concessionaire sales in Qinhuangdao Jindu Store and Tiayuan Liuxiang Store recorded same-store growth of 26.6% and 29.1% respectively. During the first half of 2011, the profit generated from Liuxiang Store recorded a substantial growth of 73.9%, as compared with the same period last year.

Since successfully obtaining the effective control of Qinhuangdao Bohai Logistics Holding Corporation Ltd. (“Bohai Logistics”, a company listed on the Shenzhen Stock Exchange, stock code: 000889) on 30 June 2010, the Group has actively redistributed various resources in the Northern China region and transferred its advanced management concepts and strong new store integration capabilities to Bohai Logistics in order to create a new situation for Bohai Logistics in various areas such as management, operation and finance. During the first half of 2011, Bohai Logistics recorded a substantial increase in its net profit compared with the same period last year, please refer to the announcement dated 16 August 2011 made by Bohai Logistics for the detailed information.

### **The Opening of New Stores and Network Expansion**

Yangzhou Wenchang Store successfully acquired by the Group was officially re-launched in May 2011. This store, located in the Wenchang business circle of Guangling District, the core business circle of Yangzhou City of Jiangsu Province, covered an aggregate gross floor area of 21,485 sq.m. The store, together with a number of successfully run stores and stores to be opened in the Eastern China region, will generate synergies that will further enhance the Group’s market position and influence in the Yangtze River Delta and even the economic circle in the Eastern China region.

In March 2011, Chengshang Group Co., Ltd (成商集團股份有限公司) (“Chengshang Group”, a subsidiary of the Company listed on the Shanghai Stock Exchange, stock code: 600828) acquired 90% equity interests in Heze Huihe Commercial Centre Co., Ltd. in Shandong (荷澤惠和商業中心有限公司) (“Heze Huihe”) at a total consideration of RMB134.1 million. Heze Huihe owns Huihe Commercial Plaza (惠和商業廣場) with gross floor area of approximately 29,426 sq.m. and also leases and operates Dongfanghong Supermarket (東方紅超市) with gross floor area of approximately 12,000 sq.m. and three community convenience stores with gross floor area of approximately 200 sq.m.. Huihe Commercial Plaza is the first department store shopping mall in Heze City and is located in the major department store business circle in Heze City. This acquisition is a major breakthrough in expansion into the Shandong area for the Group, facilitating the Group’s business development in Shandong Province and further consolidating its market position in the Eastern China region.

During the first half of 2011, the Group's newly opened stores had a total gross floor area of approximately 50,731 sq.m. As of 30 June 2011, the Group operated and managed 37 stores in 17 cities, covering the four regions of Southern China, Southwestern China, Northern China and Eastern China, with an gross floor area of approximately 1.084 million sq.m., of which approximately 70,350 sq.m. are managed stores (the Group ceased to manage Chongqing Jiefangbei Store after the termination of its operation in February 2011). In terms of gross floor area of the stores operated by the Group (excluding that of managed stores), self-owned properties accounted for 61.8%, properties leased from connected parties accounted for 28.6% and properties leased from independent third parties accounted for 9.6%.

## **Outlook**

In June 2011 during the visit to Europe, Premier Wen Jiabao of the State Council of China conveyed to the world that China's inflation had been put under control. We believe that Premier Wen's high-profile statement will help to stabilize domestic inflation expectations and raise China's economic development to a higher level.

Between 2005 and 2010, the compound growth rates of per capita income of urban and rural population were 12.7% and 12.6% respectively, sustaining a fast rate of growth. Meanwhile, consumer demand continued to rise. While consumers paid attention to pricing, they also began to place emphasis on non-pricing factors such as brand and shopping experience. With the continual improvement of the social security system and the deepening of reform of the income distribution system, development scope for the consumer market will continue to expand. In addition, due to the acceleration of urbanization and the growth in numbers of emerging consumer groups of the post-80s and post-90s, the level of consumption will be greatly enhanced. The current macroeconomic and microeconomic environment poses opportunities for the retail industry.

Looking ahead, the Group will effectively seize opportunities and continue to implement its "Great Development" strategy to speed up strategic coverage of business nationally. In addition to consolidating and developing in the southern and southwestern regions of China, the Group will make strenuous efforts to expand into the eastern and Bohai rim economic circle of China. The Group will extend its geographical reach throughout the country through multiple channels including acquisition, construction of self-owned stores and leasing.

Meanwhile, the Group will flexibly adjust operational strategies, increase innovative marketing activities and reduce the frequencies and occurrences of price marketing to improve the gross margin of the stores; and actively foster new stores by effectively transferring successful operation and management concepts of mature stores to new stores to enhance profitability.

In terms of internal management, in order to cater to the strategic needs of “Great Development”, the Group will speed up the transition of its headquarter management from affair management to strategic management; and consolidate regional store resources and development regions to optimize support for development of the stores. The Group has established the Southern China Regional Company to effectively consolidate resources, and reinforce capabilities of the region in operational planning, responsiveness and support of the stores, thus attaining optimum effectiveness in resources allocation. The Group will establish regional companies in the Eastern, Northern and Southwestern Regions of China on the basis of the establishment of the Southern China Regional Company. Regional companies are being positioned as the centre to consolidate and share resources, and the center of management. As a result, this will facilitate highly effective operational decisions, steady improvement of the performance of stores within the region, and a win-win operational model in collaboration with suppliers. The Group will focus on the implementation of management reform and transition to further strengthen the development of company processes and systems; improve the standardized guide to opening a chain store, chain store operation manual and project acquisition manual, and standardize store operation as well as the workflow of project acquisition; and continue to refine management, reinforce store management by tier and enhance the operational management of stores.

The Group will proactively speed up the opening of new stores through accelerating project construction and the recruitment of suppliers. In the second half of 2011, the Group expects to open more stores including Shenyang Tiexi Store and Shangdong Linyi Store. In the future, the Group will continue to expand stores network 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 six months ended 30 June 2011, total sales proceeds of the Group increased to RMB5,133.3 million, representing an increase of 68.1% as compared to the same period in 2010.

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Total sales proceeds from concessionaire sales	<b>4,386,125</b>	2,722,664
Direct sales	<b><u>747,202</u></b>	<u>330,181</u>
Total Sales Proceeds	<b><u>5,133,327</u></b>	<u>3,052,845</u>

Among the total sales proceeds of the Group in the first half of 2011, total sales proceeds derived from concessionaire sales accounted for 85.4% and those derived from direct sales accounted for 14.6%. Same-store sales proceeds from concessionaire sales increased to RMB3,436.3 million, representing an increase of 27.4% as compared to the same period in 2010, of which total same-store sales proceeds from concessionaire sales in Southern China region increased by 27.2%, total same-store sales proceeds from concessionaire sales in Southwestern China region increased by 25.9%, total same-store sales proceeds from concessionaire sales in Northern China region increased by 28.1%, and total same-store sales proceeds from concessionaire sales in Eastern China region increased by 33.5%. For the six months ended 30 June 2011, the Group's commission rates from concessionaire was 17.3%, representing a decrease of 0.8% for the same period last year. The decrease was mainly due to the lower commission rate of new stores during the initial opening period and the reduction of brands with higher commission rate but low sales contribution with the introduction of brands with high sales 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 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 steady growth in sales and commissions simultaneously.

Total sales proceeds in the first half of 2011 comprised sales of apparel (44.5%) (first half of 2010: 46.7%), cosmetics and jewelry (21.5%) (first half of 2010: 19.9%), shoes and leather goods (13.4%) (first half of 2010: 13.0%) and others such as children's wear and toys, household and electronic appliances, etc. (20.6%) (first half of 2010: 20.4%). The percentage attributable to each product category to total sales proceeds was similar to that of the first half of 2010.

For the six months ended 30 June 2011, revenue of the Group amounted to RMB1,709.8 million, representing an increase of 86.3% as compared with RMB917.6 million for the same period of last year. The commissions from concessionaire sales and revenue from direct sales increased by RMB266.4 million and RMB417.0 million, respectively.

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

For the six months ended 30 June 2011, other income of the Group amounted to RMB383.0 million, representing an increase of 64.2% as compared with RMB233.3 million for the same period last year. This was primarily resulted from the increase of sales proceeds of concessionaire sales.

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

For the six months ended 30 June 2011, cost of sales of the Group amounted to RMB707.7 million, representing a increase of 135.3% as compared with RMB300.8 million for the same period last year. This was primarily due to the direct sale business increased by 126.3% as compared with the same period last year.

***Employee Expenses (excluding the employee expenses of a discontinued operation)***

For the six months ended 30 June 2011, employee expenses of the Group amounted to RMB197.0 million, representing an increase of 134.0% as compared with the employee expenses of RMB84.2 million for the same period last year. The increase was primarily attributable to the inclusion of staff costs for the new stores opened in the second half of 2010 and the first half of 2011 and the share option expenses and the annual adjustments on employees' wages, among which, employee expenses incurred due to the share option expenses increased by RMB21.3 million, staff costs for the new stores increased by RMB51.3 million, and same-store staff costs increased by RMB23.3 million, and other employee expenses increased by RMB16.9 million. The employee expenses as percentage of total sales proceeds in the first half of 2011 increased to 3.8% as compared with 2.8% for the first half of 2010.



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

For the six months ended 30 June 2011, depreciation and amortisation of the Group amounted to RMB152.5 million, representing an increase of 63.3% as compared with RMB93.4 million for the same period last year. The increase was primarily due to the depreciation of properties acquired for the new stores from the second half of 2010 to the first half of 2011. The depreciation and amortisation as percentage of total sales proceeds in the first half of 2011 decreased to 3.0% as compared with 3.1% for the first half of 2010.

***Operating Lease Rental Expenses***

For the six months ended 30 June 2011, operating lease rental expenses of the Group amounted to RMB109.1 million, representing an increase of 40.6% as compared with RMB77.6 million for the same period last year. This was primarily due to the increase in newly leased area during the second half of 2010 and the first half of 2011. The operating lease rental expenses as percentage of total sales proceeds in the first half of 2011 decreased to 2.1% as compared with 2.5% for the first half of 2010.

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

For the six months ended 30 June 2011, other operating expenses of the Group amounted to RMB354.7 million, representing an increase of 92.0% as compared with RMB184.7 million for the same period last year. This was primarily due to the launch of new stores in the second half of 2010 and the first half of 2011. The other operating expenses as percentage of total sales proceeds in the first half of 2011 increased to 6.9% as compared with 6.0% for the first half of 2010.

***Other Gains***

For the six months ended 30 June 2011, other gains of the Group amounted to RMB38.5 million, representing an increase of 367.9% as compared with RMB 8.2 million in the same period last year. This was primarily due to the 80% loss (which amounted to RMB23.6 million) recorded at the Shenyang Jinlang Store borne by Shenyang Maoye Property Company Limited (“Maoye Property”) (瀋陽茂業置業有限公司), a connected person of the Company, pursuant to the Joint Operation Agreement entered into between Shenyang Maoye Department Store Limited (瀋陽茂業百貨有限公司) (a wholly-owned subsidiary of the Group) and Maoye Property dated 15 July 2011 in relation to joint operation of the Jinlang Store. Among them, other gains in the first half of 2010 was arrived at after deducting the gain of

RMB22.2 million from disposal of a subsidiary in the first half of 2010, which was shown separately in the item of discontinued operation in the interim condensed consolidated income statement due to its nature of a discontinued operation (please refer to note 8).

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

For the six months ended 30 June 2011, operating profit of the Group amounted to RMB610.3 million, representing an increase of 45.9% as compared with RMB418.4 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 2010.

***Finance Costs***

For the six months ended 30 June 2011, finance costs of the Group amounted to RMB 104.4 million, representing an increase of 161.3% as compared with RMB40.0 million for the same period last year. This was due to the increase in average balance of bank loans and the interests on convertible bonds issued in October 2010 being included as compared to the same period of last year.

***Income Tax Expense (excluding the income tax expenses of a discontinued operation)***

For the six months ended 30 June 2011, income tax expense of the Group amounted to RMB153.5 million, representing an increase of 67.3% as compared with RMB91.7 million for the same period last year. For the six months ended 30 June 2011, the effective tax rate applicable to the Group was 30.3% (for the six months ended 30 June 2010: 24.1%), which was mainly due to that the loss incurred by offshore companies caused by share option expenses and finance costs arising from the issuance of convertible bonds which was not deductible in calculating the income tax of onshore companies, and the increase in the enterprise income tax rate applicable to Shenzhen and Zhuhai regions from 22.0% in 2010 to 24.0% in 2011.

***Profit Attributable to Owners of the Parent***

As a result of the foregoing, for the six months ended 30 June 2011:

- Profit attributable to owners of the parent increased to RMB300.6 million, representing an increase of 5.2%, while without taking into account the effect of the discontinued operation in the same period last year, profit attributable to owners of the parent increased by 9.4%.

- Without taking into account the effect of share option expenses, profit attributable to owners of the parent increased to RMB325.7 million, representing an increase of 12.5%, and while also without taking into account the effect of the discontinued operation in the same period last year, such profit attributable to owners of the parent increased by 16.9%.
- Without taking into account the effect of share option expenses and non-operating gains and losses, profit attributable to owners of the parent increased by 16.9% to RMB317.5 million, and while also without taking into account the effect of the discontinued operation, such profit attributable to owners of the parent increased by 16.8%.

Among them, the results of the operation of department stores segment are as follows: Profit attributable to owners of the parent increased to RMB359.3 million, representing an increase of 20.9%, compared with RMB297.1 million in the same period last year; Without taking into account the effect of share option expenses, profit attributable to owners of the parent increased to RMB383.7 million, representing an increase of 27.6%, compared with RMB300.8 million in the same period last year; While without taking into account the effect of share option expenses and non-operating gains and losses, profit attributable to owners of the parent increased to RMB375.6 million, representing an increase of 27.8%, compared with RMB294.0 million in the same period last year.

Detailed analysis is as follows:

	<b>Six months ended 30 June</b>		
	<b>2011</b>	<b>2010</b>	<b>Growth</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<b>rate</b>
Profit attributable to owners of the parent	300,583	285,815	5.2%
Adjustment items:			
1. Without taking into account non-operating gains and losses*	(8,166)	(17,921)	
2. Without taking into account share option expenses	25,074	3,771	
Profit attributable to owners of the parent after adjustment	317,491	271,665	16.9%
<b>Without taking into account the effect of the discontinued operation in the same period last year</b>			
Profit attributable to owners of the parent	300,583	274,802	9.4%
Adjustment items:			
1. Without taking into account non-operating gains and losses*	(8,166)	(6,808)	
2. Without taking into account share option expenses	25,074	3,771	
Profit attributable to owners of the parent after adjustment	317,491	271,765	16.8%
<b>Results of the department stores segment</b>			
Profit attributable to owners of the parent	359,258	297,110	20.9%
Adjustment items:			
1. Without taking into account non-operating gains and losses*	(8,102)	(6,809)	
2. Without taking into account share option expenses	24,442	3,676	
Profit attributable to owners of the parent after adjustment	375,598	293,977	27.8%

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

### ***Liquidity and Financial Resources***

As at 30 June 2011, the Group's cash and cash equivalents amounted to RMB1,668.3 million, increased by RMB644.2 million as compared to RMB1,024.1 million as at 31 December 2010. The main cash inflow and cash outflow are set out as following:

- (1) net cash inflow of RMB375.3 million arising from operating activities;
- (2) net cash outflow arising from investing activities amounted to RMB1,003.0 million, mainly included payments and prepayments for properties, plant and equipment amounting to RMB224.7 million, payments for land lease prepayment amounting to RMB476.4 million, and payments for acquisition of subsidiaries amounting to RMB220.4 million, and
- (3) net cash inflow of RMB1,275.0 million from financing activities mainly due to the increase in bank loans and placing of new shares.

As at 30 June 2011, total bank loans of the Group were RMB3,033.8 million (31 December 2010: RMB2,415.8 million), of which RMB1,537.7 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 20.0% as at 31 December 2010 to 20.7% as at 30 June 2011.

### ***Investment in Listed Shares***

The Group currently owns minority interests in companies 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 two A share and B share companies listed in the PRC as at 30 June 2011, and relevant summary information relating to these companies.

<b>Investment</b>	<b>The Group's Shareholding</b>	<b>Principal Business</b>	<b>Geographical Location</b>
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 original cost of the investments 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 30 June 2011, the Group's interest-bearing bank loans amounting to RMB2,653.8 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 RMB562.4 million, RMB153.9 million, RMB1,446.8 million, RMB182.5 million and RMB206.7 million respectively.

As at 30 June 2011, the Group's bills payables amounting to RMB2.9 million were secured by the Group's investment properties and land lease prepayments with net carrying amounts of approximately RMB9.8 million and RMB19.0 million respectively, and the Group's time deposits amounting to RMB3.8 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 gain in foreign currency of approximately RMB0.5 million.

For the six months ended 30 June 2011, 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, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2011, except for the issue of 42,483,000 shares of the Company under the share option scheme and the top-up placing of an aggregate of 273,000,000 new ordinary shares to investors as set out in the Company's announcements dated 22 May 2011 and 2 June 2011.

## **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 six months ended 30 June 2011.

## **CORPORATE GOVERNANCE**

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

### **Code Provision A.2.1**

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

## **AUDIT COMMITTEE**

The Audit Committee, comprising all the independent non-executive directors of the Company, has reviewed the results of the Group for the six months ended 30 June 2011 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](http://www.hkexnews.hk)) and on the website of the Company ([www.maoye.cn](http://www.maoye.cn)). The interim report for the six months ended 30 June 2011 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, 16 August 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.*