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 2012

HIGHLIGHTS

- Total sales proceeds[1] increased to RMB5,397.8 million, representing an increase of 5.2%, and same-store[2] sales proceeds from concessionaire sales increased to RMB4,352.7 million, representing an increase of 2.4%
- Total operating revenue increased to RMB2,132.9 million, representing an increase of 1.9%
- Operating profit increased to RMB832.2 million, representing an increase of 36.4%
- Interim dividend is HK3.2 cents per share

RESULTS OF THE GROUP

- Profit attributable to owners of the parent increased to RMB467.9 million, representing an increase of 55.7%
- Without taking into account the effect of non-operating gains and losses, profit attributable to owners of the parent increased by 5.7% to RMB309.2 million
- Basic earnings per share for the period were RMB8.7 cents

RESULTS OF THE OPERATION OF DEPARTMENT STORES SEGMENT

- Profit attributable to owners of the parent from the operation of department stores segment increased to RMB523.3 million, representing an increase of 45.7% compared with RMB359.3 million in the same period last year
- Without taking into account the effect of non-operating gains and losses, profit attributable to owners of the parent from the operation of department stores segment increased to RMB365.2 million, representing an increase of 4.0% compared with RMB351.2 million in the same period last year

Notes:

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

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

INTERIM RESULTS

The Board of Directors (the "**Board**") of Maoye International Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2012 with comparative figures for the corresponding period in 2011. The unaudited consolidated interim results have been reviewed by the auditors of the Company, Ernst & Young, and the audit committee of the Company (the "**Audit Committee**").

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June **2012** **(Unaudited)** ***RMB'000***	2011 (Unaudited) *RMB'000*
REVENUE	4	**1,724,177**	1,709,813
Other income	5	**408,701**	382,977
Total operating revenue		**2,132,878**	2,092,790
Cost of sales		**(703,137)**	(707,729)
Employee expenses		**(156,161)**	(197,003)
Depreciation and amortisation		**(179,290)**	(152,535)
Operating lease rental expenses		**(120,350)**	(109,089)
Other operating expenses		**(378,173)**	(354,665)
Other gains		**236,468**	38,492
Operating profit		**832,235**	610,261
Finance costs	6	**(107,592)**	(104,415)
Share of profits and losses of associates		**185**	948
PROFIT BEFORE TAX		**724,828**	506,794
Income tax expense	7	**(198,390)**	(153,480)
PROFIT FOR THE PERIOD		**526,438**	353,314
Attributable to:			
Owners of the parent		**467,874**	300,583
Non-controlling interests		**58,564**	52,731
		526,438	353,314
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**RMB8.7 cents**	RMB5.8 cents
Diluted		**RMB8.7 cents**	RMB5.8 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**526,438**	353,314
Available-for-sale equity investments:		
Changes in fair value	**15,066**	292,382
Income tax effect	**487**	(69,815)
	15,553	222,567
Exchange differences on translation of foreign operations	**(3,580)**	10,216
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**11,973**	232,783
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**538,411**	586,097
Attributable to:		
Owners of the parent	**479,847**	533,366
Non-controlling interests	**58,564**	52,731
	538,411	586,097

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2012	31 December 2011
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**3,869,398**	3,646,710
Investment properties	**460,156**	428,221
Land lease prepayments	**3,878,820**	3,963,985
Goodwill	**641,680**	641,680
Other intangible assets	**6,042**	6,823
Investments in associates	**12,310**	12,260
Available-for-sale equity investments	**714,418**	782,205
Other assets	**2,458**	2,458
Prepayments	**1,569,654**	1,102,725
Loan and receivable	**100,000**	—
Deferred tax assets	**98,382**	83,907
Total non-current assets	**11,353,318**	10,670,974
CURRENT ASSETS		
Inventories	**255,515**	281,977
Completed properties held for sale	**484,784**	524,734
Properties under development	**2,593,841**	1,791,198
Equity investments at fair value through profit or loss	**9,483**	8,674
Trade receivables	**59,043**	47,912
Prepayments, deposits and other receivables	**435,755**	587,945
Due from related parties	**89,367**	43,772
Pledged deposits	**20,210**	1,530
Cash and cash equivalents	**1,020,490**	1,425,837
Total current assets	**4,968,488**	4,713,579

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

	Note	**30 June 2012 (Unaudited)** *RMB'000*	31 December 2011 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	10	**1,864,356**	1,953,827
Deposits received, accruals and other payables		**1,451,130**	1,972,429
Interest-bearing bank loans and other borrowings		**2,328,256**	1,485,973
Due to related parties		**12,527**	31,486
Tax payable		**138,924**	111,253
Total current liabilities		**5,795,193**	5,554,968
NET CURRENT LIABILITIES		**(826,705)**	(841,389)
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,526,613**	9,829,585
NON-CURRENT LIABILITIES			
Convertible bonds		**861,236**	844,363
Interest-bearing bank loans and other borrowings		**2,286,804**	1,642,698
Deferred tax liabilities		**552,695**	597,406
Total non-current liabilities		**3,700,735**	3,084,467
Net assets		**6,825,878**	6,745,118
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**480,407**	481,988
Equity component of convertible bonds		**119,125**	119,125
Reserves		**4,893,490**	4,595,558
Proposed final dividend		**—**	256,125
		5,493,022	5,452,796
Non-controlling interests		**1,332,856**	1,292,322
Total equity		**6,825,878**	6,745,118

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 2012 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 2011.

3. SEGMENT INFORMATION

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

(a) the operation of department stores segment comprises concessionaire and direct sales of merchandise and leasing out of commercial properties for the operation of department stores by third parties;

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

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

The management of the Company monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit attributable to owners of the parent.

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

	Operation of department stores *RMB'000*	Property development *RMB'000*	Others *RMB'000*	Adjustments and eliminations *RMB'000*	Total *RMB'000*
Period ended 30 June 2012					
Segment revenue:					
Sales to external customers	1,622,022	98,464	3,691	—	1,724,177
Intersegment revenue	—	10,128	—	(10,128)	—
Other income	397,078	10,063	1,560	—	408,701
Cost of sales	(660,416)	(42,564)	(157)	—	(703,137)
Employee expenses	(142,970)	(10,445)	(2,746)	—	(156,161)
Depreciation and amortisation	(163,854)	(13,848)	(1,588)	—	(179,290)
Operating lease rental expenses	(120,350)	—	—	—	(120,350)
Other operating expenses	(350,002)	(35,640)	(2,659)	10,128	(378,173)
Other gains	234,015	2,453	—	—	236,468
Operating profit/(loss)	815,523	18,611	(1,899)	—	832,235
Finance costs	(23,644)	(83,828)	(120)	—	(107,592)
Share of profits and losses of associates	—	—	185	—	185
Segment profit/(loss) before tax	791,879	(65,217)	(1,834)	—	724,828
Income tax expense	(215,203)	16,304	509	—	(198,390)
Segment profit/(loss) for the period	576,676	(48,913)	(1,325)	—	526,438
Attributable to:					
Owners of the parent	523,328	(53,715)	(1,739)	—	467,874
Non-controlling interests	53,348	4,802	414	—	58,564
	576,676	(48,913)	(1,325)	—	526,438
Other segment information					
Impairment losses recognised in the income statement	176	575	(67)	—	684
Depreciation and amortisation	163,854	13,848	1,588	—	179,290
Investments in associates	—	—	12,310	—	12,310
Capital expenditure*	330,876	849,010	632	—	1,180,518

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

	Operation of department stores RMB'000	Property development RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Period ended 30 June 2011					
Segment revenue:					
Sales to external customers	1,632,483	73,607	3,723	—	1,709,813
Intersegment revenue	—	9,493	—	(9,493)	—
Other income	374,698	5,079	3,200	—	382,977
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	38,704	(207)	(5)	—	38,492
Operating profit/(loss)	606,085	4,704	(528)	—	610,261
Finance costs	(25,790)	(78,625)	—	—	(104,415)
Share of profits and losses of associates	—	—	948	—	948
Segment profit/(loss) before tax	580,295	(73,921)	420	—	506,794
Income tax expense	(165,605)	12,230	(105)	—	(153,480)
Segment profit/(loss) for the period	414,690	(61,691)	315	—	353,314
Attributable to:					
Owners of the parent	359,258	(58,886)	211	—	300,583
Non-controlling interests	55,432	(2,805)	104	—	52,731
	414,690	(61,691)	315	—	353,314
Other segment information					
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.

4. REVENUE

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Commissions from concessionaire sales	**799,584**	760,499
Direct sales	**734,199**	747,202
Rental income from the leasing of shop premises	**86,279**	82,343
Management fee income from the operation of department stores	**1,960**	1,871
Rental income from investment properties	**34,341**	65,427
Sale of properties	**64,123**	48,748
Others	**3,691**	3,723
	1,724,177	1,709,813

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

Total sales proceeds from concessionaire sales	**4,663,631**	4,386,125
Commissions from concessionaire sales	**799,584**	760,499

5. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Income from suppliers and concessionaires		
- Administration and management fee income	**224,520**	208,019
- Promotion income	**95,443**	98,388
- Credit card handling fees	**60,650**	57,103
Interest income	**6,345**	3,612
Others	**21,743**	15,855
	408,701	382,977

6. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**107,592**	104,415

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Group:		
Current - CIT	**222,107**	155,143
Current - LAT	**1,372**	1,551
Deferred	**(25,089)**	(3,214)
Total tax charge for the period	**198,390**	153,480

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

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2012 attributable to ordinary equity holders of the parent of RMB467,874,000 (Six months ended 30 June 2011: RMB300,583,000) and the weighted average number of ordinary shares of 5,371,143,627 (Six months ended 30 June 2011: 5,203,784,257) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2012 and 2011 in respect of a dilution as the share options outstanding or convertible bonds had an anti-dilutive effect on the basic earnings per share amounts presented.

9. DIVIDENDS

The Board has resolved to declare an interim dividend for the six months ended 30 June 2012 of HK3.2 cents in cash per share totalling HK$171.8 million (equivalent to approximately RMB140.9 million) (for the six months ended 30 June 2011: Nil). The interim dividend will be paid on Monday, 10 September 2012 to shareholders whose names appear on the Register of Members of the Company at the close of business on Monday, 3 September 2012.

10. TRADE AND BILLS PAYABLES

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

	30 June 2012 (unaudited) ***RMB'000***	31 December 2011 (audited) *RMB'000*
Within 90 days	**1,437,279**	1,622,517
91 to 180 days	**167,495**	133,373
181 to 360 days	**181,330**	156,271
Over 360 days	**78,252**	41,666
	1,864,356	1,953,827

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

During the first half of 2012, China's economy faced severe challenges amid the difficult and complicated global economic environment arising from the lingering influence of the European debt crisis and the critical financial situation of the United States. China recorded a GDP growth of 7.6% in the second quarter of 2012, which was the lowest level recorded in the past three years. Consumer confidence has been significantly affected by the economic fluctuations. Since March 2012, total retail sales of consumer goods have dropped for four consecutive months and growth of the department store industry has slowed down.

Operation Review

Under the impact of the domestic and global economic environment, the same-store sales growth ("**SSSG**") of the Group experienced a slow down in the first quarter of 2012. Fortunately, with timely adjustments, the Group was able to record mild growth in the first half of 2012. The Group recorded total sales proceeds of RMB5,397.8 million, representing an increase of 5.2% compared to the same period last year, among which the SSSG from concessionaire sales amounted to 2.4%. Profit attributable to owners of the parent was RMB467.9 million, representing an increase of 55.7% compared to the same period last year.

Opening of new stores and network expansion

On 16 February 2012, the Group successfully acquired a parcel of land located at a prime location within the commercial circle of Fuzi Temple in Nanjing city, Jiangsu Province, with a total site area of approximately 13,452.5 square metres ("**Target Land**") for a total consideration of RMB650.0 million. The Company plans to construct and operate a department store on the Target Land. Having a presence in Nanjing is an important step for the Group's business strategy in the Eastern China region. The Group will use Nanjing as a base for operation of department stores, together with the 11 stores already operating in Eastern China, to take advantage of the affluent consumer market in the Eastern China region.

On 11 July 2012, the Group's second store in Shenyang, the Tiexi Store, opened. Shenyang Tiexi Store was built on land acquired by the Group, with gross floor area of 49,600 square metres. It is located in the most prosperous area in the Shenyang Tiexi business district with the most promising development potential, and surrounded by huge potential consumer groups and strong business ambience.

Reorganising assets to optimise resource allocation

Since the first half of 2012, the Group actively carried out the reorganisation of the assets of Qinhuangdao Bohai Logistics Holding Corporation Ltd. ("**Bohai Logistics**"), a company listed on the Shenzhen Stock Exchange (stock code: 000889) and a subsidiary of the Group, and the Qinhuangdao Jindu Store which was wholly-owned by the Group by transferring the entire issued share capital of the holding company of the Qinhuangdao Jindu Store to Bohai Logistics. Such asset reorganisation has been approved by the board of directors and by the shareholders at the general meeting of Bohai Logistics and is pending approval from the China Securities Regulatory Commission.

As a result of the above reorganisation, the Group is expected to benefit from the resource integration and its market position in the Bohai district is expected to be further consolidated. The Qinhuangdao Jindu Store recorded a SSSG of 43.0% of concessionaire sales in the first half of 2012.

Issuance of short-term financing notes

In February and July 2012, the Group issued two tranches of short-term financing notes of RMB800 million each with fixed coupon interest rate of 6.14% and 4.29%, respectively, in the national inter-bank market of the PRC, which amounted to RMB1.6 billion in aggregate. The first tranche and second tranche of the Notes will mature on 16 February 2013 and 26 July 2013, respectively. The successful issuance of the short-term financial notes replenished the operating capital and reduced the financing costs of the Group.

Acquisition of shares in Dashang Co., Ltd.

From 5 June 2012 to 25 July 2012, the Group acquired in aggregate 13,325,022 shares of Dashang Co., Ltd. ("**Dashang**") (being a company listed on the Shanghai Stock Exchange (stock code: 600694)), representing approximately 4.5% of the issued share capital of Dashang as of 31 December 2011, through on-market purchases on the Shanghai Stock Exchange (the "**Transaction**"). The aggregate cost of the Transaction was approximately RMB450,105,110. Dashang is principally engaged in the operation and management of department stores and other areas of retail industry in the PRC. The Company is optimistic towards the prospect of retail industry, and is of the view that the Transaction will bring in long-term benefits to the Group.

Operational Management

Organisational restructuring

Since the second half of 2011, the Group has in stages set up four major regional centres in Southern China, South-western China, Eastern China and Northern China, respectively, so as to establish a well-defined and efficient management structure comprising the headquarters, regional centres and stores. In April 2012, the fourth regional centre, the Northern China centre, was set up, signifying the official establishment of a distinct three-tier management structure of the Group. This structure will allow the Group to promptly integrate regional resources, take advantage of the synergistic effects between regions, strengthen competitiveness in the regions and boost operational efficiency.

Continuing to promote meticulous management

In the first half of 2012, the Group continued to promote a management model that is customer-oriented and focused on performance excellence. In line with the changes brought about by the three-tier management model, the Group further improved and standardised mechanisms and streamlined processes. In addition, the Group formulated comprehensive plans to enhance its information system and implemented such plans in stages.

Retaining talents and incentives

The Group attaches high importance to retaining and training talents. In addition to the MBA training course for store managers in 2011, the Group continued to strengthen internal training for team building in 2012 by enhancing the training programme for the middle-tier management team. It formulated effective and specific incentive policies according to the grade and maturity of stores to fully unleash the potential of the team.

Customer loyalty programme

The Group values its relationship with customers. During the period under review, the Group actively promoted the customer loyalty programme and launched various activities for its members in order to build long-term relationships with members. As soon as the "Cross-industry alliance" scheme of the Group is approved, more value-added services will be provided to customers to further enhance customer loyalty.

Performance of major stores[1]

	Store Name	Proceeds of Concessionaire Sales	Same Store Sales Growth compared to same period in 2011	Operation Period	Gross Floor Area	Ticket Per Sale
		(RMB'000)	*%*	*(years)*	*(sq.m.)*	*(RMB)*
1	Shenzhen Huaqiangbei	852,125	(3.8)	8.8	59,787	760
2	Shenzhen Dongmen	393,207	1.9	15.4	47,436	676
3	Chengdu Yanshikou	315,134	0.6	7.1	53,873	755
4	Taizhou First Department	313,371	5.0	2.8	40,358	894
5	Chongqing Jiangbei	287,908	(0.8)	7.8	53,542	565
6	Qinhuangdao Xiandai Shopping Plaza	240,806	10.0	2.1	36,897	585
7	Qinghuangdao Shangcheng[2]	216,873	(14.8)	2.1	26,696	810
8	Shenzhen Nanshan	213,532	18.3	2.8	45,000	1,001
9	Taiyuan Liuxiang	200,541	2.1	3.6	30,616	547
10	Qinhuangdao Jindu	178,758	43.0	3.8	46,610	441
11	Zhuhai Xiangzhou	156,032	5.6	10.7	23,715	362
12	Nanchong Wuxing	152,868	8.9	7.1	25,994	575
13	Mianyang Xingda	147,051	0.2	3.8	27,617	606
14	Shenzhen Outlet[3]	98,230	22.9	12.8	23,078	405

Notes:

1. Major stores are same stores with total sales proceeds per annum of over RMB100 million.
2. The first floor of Qinhuangdao Shangcheng was upgraded in the first half of 2012 for the introduction of luxury brands, such as Lancome. As a result, its sales performance was affected.
3. Shenzhen Heping Store has been renamed Shenzhen Outlet Store.

PROPERTY DEVELOPMENT

As at 30 June 2012, the Group operated and managed 37 stores across 18 cities in China, including Shenzhen and Zhuhai in Guangdong Province; Chengdu, Nanchong, Luzhou and Mianyang in Sichuan Province; Chongqing; Wuxi, Taizhou, Yangzhou, and Changzhou in Jiangsu Province; Zibo and Linyi in Shandong Province; Qinhuangdao and Baoding in Hebei Province; Shenyang in Liaoning Province and Taiyuan in Shanxi Province. Among the total gross floor area of 1,123,453 square metres, self-owned areas accounted for 63.8% (excluding the gross floor area for managed stores), areas leased from connected parties accounted for 27.5%, while areas leased from independent third parties accounted for 8.7%. Save for the above, the Group also has projects under development in Chengdu of Sichuan Province; Taiyuan of Shanxi Province; Jinzhou of Liaoning Province; Baoding of Hebei Province; Nanjing, Huaian, Wuxi and Taizhou of Jiangsu Province; and Baotou of Inner Mongolia Autonomous Region.

Outlook

In the second half of 2012, the Group will focus on maintaining the growth of developed stores and enhancing the profitability of new stores. It will also strengthen cost control, reduce costs of operations and strengthen meticulous management. Moreover, the Group will speed up the development of store classification, strengthen resource integration of the four major regional brands, and prepare for the opening of new stores. In the second half of 2012, the Group plans to open a new store in Liyang of Jiangsu Province.

In the second half of the year, on the basis of its strong foundation and strengths, the Group will leverage the extensive distribution of its stores and their advantageous location within core commercial zones to strengthen cooperation with suppliers and actively bring in high profile brands of excellent quality and outstanding sales performance to enrich its product portfolio and develop stores with unique features.

Financial Review

Total Sales Proceeds and Revenue

For the six months ended 30 June 2012, total sales proceeds of the Group increased to RMB5,397.8 million, representing an increase of 5.2% compared to the same period in 2011.

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Total sales proceeds from concessionaire sales	**4,663,631**	4,386,125
Direct sales	**734,199**	747,202
Total Sales Proceeds	**5,397,830**	5,133,327

Among the total sales proceeds of the Group in the first half of 2012, total sales proceeds derived from concessionaire sales accounted for 86.4% and those derived from direct sales accounted for 13.6%.

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

	Total sales proceeds *(RMB'million)*	**Contribution to the total sales proceeds of the Group** *(%)*	**Same-store sales growth of sales proceeds derived from concessionaire sales** *(%)*
Eastern China	1,066.5	19.8	(3.0)
Southern China	1,912.9	35.4	1.6
South-western China	1,248.0	23.1	0.6
Northern China	1,170.4	21.7	7.7
Total	5,397.8	100.0	2.4

For the six months ended 30 June 2012, same-store sales proceeds from concessionaire sales increased to RMB4,352.7 million, representing an increase of 2.4% compared to the same period in 2011. The Group's commission rates from concessionaire sales was 17.1%, representing a mild decrease of 0.2% compared with 17.3% for the same period last year. During the review period, the Group strived to enhance the integration of the stores which were newly acquired and opened, 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 gradually lowered the proportion of price marketing and introduced innovative marketing modes. These measures effectively reduced the extent of decrease of commission rate.

Total sales proceeds in the first half of 2012 comprised sales of apparel (46.3%) (first half of 2011: 44.5%), cosmetics and jewelry (21.2%) (first half of 2011: 21.5%), shoes and leather goods (13.1%) (first half of 2011: 13.4%) and others such as children's wear and toys, household and electronic appliances (19.4%) (first half of 2011: 20.6%). The percentage attributable to each product category to total sales proceeds is similar to that of the first half of 2011.

For the six months ended 30 June 2012, revenue of the Group amounted to RMB1,724.2 million, representing an increase of 0.8% compared with RMB1,709.8 million for the same period last year. The slow revenue growth was due to economic fluctuations in the first half of 2012.

Other Income

For the six months ended 30 June 2012, other income of the Group amounted to RMB408.7 million, representing an increase of 6.7% compared with RMB383.0 million for the same period last year. This was primarily resulted from the increase of administration and management fee income.

Cost of Sales

For the six months ended 30 June 2012, cost of sales of the Group amounted to RMB703.1 million, representing a decrease of 0.6% compared with RMB707.7 million for the same period last year. This was primarily due to the decrease of direct sale business by 1.7% compared with the same period last year.

Employee Expenses

For the six months ended 30 June 2012, employee expenses of the Group amounted to RMB156.2 million, representing a decrease of 20.7% compared with the employee expenses of RMB197.0 million for the same period last year. This was mainly because of the reversal of share option expenses of RMB25.5 million in the first half of 2012. The employee expenses as percentage of total sales proceeds in the first half of 2012 decreased to 2.9% compared with 3.8% for the first half of 2011.

Depreciation and Amortisation

For the six months ended 30 June 2012, depreciation and amortisation of the Group amounted to RMB179.3 million, representing an increase of 17.5% compared with RMB152.5 million for the same period last year. The increase was primarily due to increase of properties depreciation caused by a new store opened in the second half of 2011 and the upgrading of certain self-owned stores. The depreciation and amortisation as percentage of total sales proceeds in the first half of 2012 increased to 3.3% compared with 3.0% for the first half of 2011.

Operating Lease Rental Expenses

For the six months ended 30 June 2012, operating lease rental expenses of the Group amounted to RMB120.4 million, representing an increase of 10.3% compared with RMB109.1 million for the same period last year. This was primarily due to new premises leased for operation of department stores by the Group in the second half of 2011. The operating lease rental expenses as percentage of total sales proceeds in the first half of 2012 increased to 2.2% compared with 2.1% for the first half of 2011.

Other Operating Expenses

For the six months ended 30 June 2012, other operating expenses of the Group amounted to RMB378.2 million, representing an increase of 6.6% compared with RMB354.7 million for the same period last year. This was primarily due to the launch of a new store in the second half of 2011 and an increase of city maintenance and construction tax and local education surcharges. The other operating expenses as percentage of total sales proceeds in the first half of 2012 increased to 7.0% compared with 6.9% for the first half of 2011.

Other Gains

For the six months ended 30 June 2012, other gains of the Group amounted to RMB236.5 million, representing an increase of 514.3% compared with RMB38.5 million in the same period last year. This was primarily due to the gain on disposal of shares in Shenzhen International Enterprises Co., Ltd (a company listed on the Shenzhen Stock Exchange, stock code: 000056) in the first half of 2012 by the Group of approximately RMB184.3 million.

Operating Profit

For the six months ended 30 June 2012, operating profit of the Group amounted to RMB832.2 million, representing an increase of 36.4% compared with RMB610.3 million for the same period last year. This was primarily due to the contribution from strong growth in other gains of the Group arising from the disposal of shares in Shenzhen International Enterprises Co., Ltd in the first half of 2012 as mentioned above.

Finance Costs

For the six months ended 30 June 2012, finance costs of the Group amounted to RMB107.6 million, representing an increase of 3.0% compared with RMB104.4 million for the same period last year. This was primarily due to the increase in average balance of bank loans compared to the same period last year.

Income Tax Expense

For the six months ended 30 June 2012, income tax expense of the Group amounted to RMB198.4 million, representing an increase of 29.3% compared with RMB153.5 million for the same period last year. This was mainly due to a significant increase of profit before tax of the Group and the increase in the enterprise income tax rate applicable to Shenzhen and Zhuhai regions from 24.0% in 2011 to 25.0% in 2012. For the six months ended 30 June 2012, the effective income tax rate applicable to the Group was 27.4% (for the six months ended 30 June 2011: 30.3%).

Profit Attributable to Owners of the Parent

As a result of the foregoing, for the six months ended 30 June 2012:

— Profit attributable to owners of the parent increased by 55.7% to RMB467.9 million.

— Without taking into account the effect of non-operating gains and losses, profit attributable to owners of the parent increased by 5.7% to RMB309.2 million.

Among them, the results of the operation of department stores segment are as follows: Profit attributable to owners of the parent increased by 45.7% to RMB523.3 million compared with RMB359.3 million for the same period last year; and without taking into account the effect of non-operating gains and losses, profit attributable to owners of the parent increased by 4.0% to RMB365.2 million.

Detailed analysis is as follows:

	Six months ended 30 June		
	2012 ***(RMB'000)***	2011 *(RMB'000)*	Growth rate
Profit attributable to owners of the parent	**467,874**	300,583	55.7%
Adjustment items:			
Without taking into account non-operating gains and losses*	**(158,661)**	(8,166)	
Profit attributable to owners of the parent after adjustment	**309,213**	292,417	5.7%
Results of the department stores segment:			
Profit attributable to owners of the parent	**523,328**	359,258	45.7%
Adjustment items:			
Without taking into account non-operating gains and losses*	**(158,132)**	(8,102)	
Profit attributable to owners of the parent after adjustment	**365,196**	351,156	4.0%

* *Non-operating gains and losses represent gains or losses on equity investments at fair value through profit or loss, available-for-sale equity investments, 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 2012, the Group's cash and cash equivalents amounted to RMB1,020.5 million, decreased by RMB405.3 million compared to RMB1,425.8 million as at 31 December 2011. The main cash inflow and cash outflow are set out as follows:

(1) net cash inflow of RMB207.3 million arising from operating activities;

(2) net cash outflow arising from investment activities amounted to RMB1,671.7 million, which mainly includes payments for properties and equipment amounting to RMB343.0 million, prepayment and purchase of land lease prepayment amounting to RMB1,305.8 million, and purchase of available-for-sale equity investments amounting to RMB207.0 million; and

(3) net cash inflow of RMB1,060.8 million from financing activities for reasons such as issue of short-term notes and increase of bank loans.

As at 30 June 2012, total bank loans and short-term notes of the Group were RMB4,615.1 million (31 December 2011: RMB3,128.7 million), of which RMB2,328.3 million will mature within one year.

The debt to total assets ratio of the Group (expressed as a percentage of the aggregate of interest-bearing bank loans and the short-term financing notes over total assets) increased from 20.3% as at 31 December 2011 to 28.3% as at 30 June 2012.

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 three A share and B share companies listed in the PRC as at 30 June 2012, and relevant summarised information relating to these companies.

Investment	**The Group's Shareholding**	**Principal Business**	**Geographical Location**
Shenzhen International Enterprises Co., Ltd. (深圳市國際企業股份有限公司)	7.03%	The first listed retail enterprise in Shenzhen	Shenzhen City, Guangdong Province
Shen Yang Commercial City Co., Ltd. (瀋陽商業城股份有限公司)	10.24%	Owns a number of department stores in Shenyang	Shenyang City, Liaoning Province

Investment	The Group's Shareholding	Principal Business	Geographical Location
Dashang Co., Ltd. (大商股份有限公司)	2.11%	Owns a number of department stores in Northern China	Dalian City, Liaoning Province

The total original cost of the investments in the above companies was RMB348.5 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 30 June 2012.

Pledge of Assets

As at 30 June 2012, the Group's collateral interest-bearing bank loans amounting to RMB3,259.2 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 RMB672.1 million, RMB121.3 million, RMB610.1 million, RMB353.1 million and RMB222.1 million, respectively.

As at 30 June 2012, the Group's bills payables amounting to RMB0.9 million were secured by the Group's time deposits amounting to RMB0.1 million.

Foreign Currency Risk

The Group's certain cash and bank balances and investments are denominated in Hong Kong dollars and, therefore, the Group is exposed to foreign currency risk. During the period under review, the Group recorded a net gain in foreign currency of approximately RMB0.1 million.

For the six months ended 30 June 2012, 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

The Company repurchased a total of 17,933,000 shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the six months ended 30 June 2012. Such shares were cancelled upon repurchase and accordingly the issued capital of the Company was reduced by the nominal value of these shares.

Details of the repurchase are summarised as follows:

Month of repurchase	Total number of shares repurchased	Repurchase price per share Highest	Lowest	Aggregate consideration
		HK$	*HK$*	*HK$'000*
January 2012	17,933,000	1.90	1.59	31,378

Except as disclosed above, neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2012.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Friday, 31 August 2012 to Monday, 3 September 2012 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to be eligible to receive the interim dividend for the six months ended 30 June 2012, unregistered holders of shares of the Company should ensure all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 30 August 2012.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the former Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the new Corporate Governance Code during the period from 1 April 2012 to 30 June 2012 as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), except for the following deviations:

Code Provision A.2.1

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

Code Provision A.6.7

One of the independent non-executive directors was unable to attend the annual general meeting of the Company held on 5 April 2012 due to his unavoidable business engagement.

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 2012 and discussed with the management on the accounting principles and practices adopted by the Group, internal controls and financial reporting matters.

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

This announcement was published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.maoye.cn). The interim report for the six months ended 30 June 2012 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, 15 August 2012

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.