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 FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

- Total sales proceeds and rental income were RMB7,627.8 million, representing a decrease of 3.2% compared to the corresponding period in the last year
- Total operating revenue was RMB3,889.4 million, representing an increase of 2.3% compared to the corresponding period in the last year
- Operating profit was RMB1,361.7 million, representing an increase of 4.1% compared to the corresponding period in the last year
- EBITDA was RMB1,941.5 million, representing an increase of 12.3% compared to the corresponding period in the last year
- Net profit was RMB422.0 million, representing a decrease of 17.1% compared to the corresponding period in the last year
- Basic earnings per share for the period was RMB5.6 cents, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2019

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") 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 2019.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
REVENUE	*3.1*	**3,124,103**	2,972,662
Other income	*4*	**765,313**	829,789
Total operating revenue		**3,889,416**	3,802,451
Cost of sales		**(1,174,537)**	(957,164)
Employee expenses		**(300,421)**	(301,439)
Depreciation and amortisation		**(571,207)**	(408,664)
Operating lease rental expenses		**–**	(218,145)
Payments for short term leases and leases of low value assets		**(21,901)**	–
Other operating expenses		**(635,917)**	(624,103)
Other gains and losses		**176,236**	15,589
Operating profit		**1,361,669**	1,308,525
Finance costs	*5*	**(619,677)**	(433,185)
Share of profits and losses of associates and a joint venture		**8,660**	11,711
PROFIT BEFORE TAX		**750,652**	887,051
Income tax expense	*6*	**(328,655)**	(377,858)
PROFIT FOR THE PERIOD		**421,997**	509,193

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

For the six months ended 30 June 2019

	Note	Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Attributable to:			
Owners of the parent		**286,535**	379,307
Non-controlling interests		**135,462**	129,886
		421,997	509,193
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*7*	**RMB5.6 cents**	RMB7.4 cents
Diluted		**RMB5.6 cents**	RMB7.4 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**421,997**	509,193
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**17,263**	174,230
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Changes in fair value on equity instruments designated at fair value through other comprehensive income	**134,690**	(198,061)
Income tax effect	**(33,673)**	49,516
	101,017	(148,545)
Gains on property revaluation	**67,923**	1,046,200
Income tax effect	**(16,980)**	(261,551)
	50,943	784,649
OTHER COMPREHENSIVE INCOME, NET OF TAX	**169,223**	810,334
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**591,220**	1,319,527
Attributable to:		
Owners of the parent	**448,132**	1,116,681
Non-controlling interests	**143,088**	202,846
	591,220	1,319,527

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**9,302,019**	9,918,778
Investment properties	**17,638,824**	16,334,049
Right-of-use assets	**7,218,870**	–
Prepaid land lease payments	**–**	4,417,142
Goodwill	**1,349,931**	1,395,097
Other intangible assets	**48,801**	50,611
Investments in associates	**2,149,957**	2,129,808
Investment in a joint venture	**2,139**	1,703
Equity instruments designated at fair value through other comprehensive income	**1,447,605**	1,312,915
Financial assets at fair value through profit or loss	**5,480**	208,080
Prepayments	**508,896**	424,646
Deferred tax assets	**647,740**	587,435
Total non-current assets	**40,320,262**	36,780,264
CURRENT ASSETS		
Inventories	**230,068**	234,870
Completed properties held for sale	**1,072,428**	1,371,672
Properties under development	**6,191,699**	5,686,270
Financial assets at fair value through profit or loss	**287**	144
Trade receivables	**10,262**	6,800
Prepayments, deposits and other receivables	**3,052,977**	3,382,845
Pledged deposits	**299,187**	201,948
Cash and cash equivalents	**1,881,393**	3,304,911
Total current assets	**12,738,301**	14,189,460

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2019

	Note	**30 June 2019 (Unaudited)** *RMB'000*	31 December 2018 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*8*	**3,049,997**	3,757,829
Deposits received, accruals and other payables		**9,460,117**	9,254,049
Interest-bearing bank loans and other borrowings		**7,721,014**	7,083,421
Lease liabilities		**243,013**	–
Tax payable		**310,173**	529,953
Dividend payable		**433**	433
Total current liabilities		**20,784,747**	20,625,685
NET CURRENT LIABILITIES		**(8,046,446)**	(6,436,225)
TOTAL ASSETS LESS CURRENT LIABILITIES		**32,273,816**	30,344,039
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**9,837,970**	11,158,502
Lease liabilities		**2,790,464**	–
Deferred tax liabilities		**4,004,371**	3,882,199
Other long-term liability		**194**	204
Provision for retirement benefits		**8,248**	8,248
Total non-current liabilities		**16,641,247**	15,049,153
Net assets		**15,632,569**	15,294,886

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2019

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**460,153**	460,153
Equity component of convertible bonds	**55,538**	55,538
Other reserves	**12,035,396**	11,784,317
	12,551,087	12,300,008
Non-controlling interests	**3,081,482**	2,994,878
Total equity	**15,632,569**	15,294,886

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company 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 address is P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands and the head office and principal place of business of the Company is located at 38/F, Tower A, 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.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard ("**IAS**") 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 for the year ended 31 December 2018.

As at 30 June 2019, the Group had net current liabilities of approximately RMB8,046,446,000. The Group's ability to repay its debts when they fall due relies heavily on its future operating cash flow and its ability to renew the bank loans and other borrowings.

In view of the above, the directors have carefully assessed the Group's liquidity position having taken into account (i) the estimated operating cash inflows of the Group for the next twelve months from the end of the current reporting period; (ii) obtain of the new bank loans and renew of bank loans within the next twelve months and the unutilized banking facilities; (iii) having taken into account that RMB4,912,530,000 and RMB661,001,000 of current liabilities as at 30 June 2019 are contract liabilities and deposits received in nature of which the Group will not be expecting any cash outflow.

On the basis of the above consideration, the directors believe that the Group can satisfy its financial obligations in the foreseeable future and accordingly, the interim financial report has been prepared on a going concern basis.

2.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new and revised International Financial Reporting Standards ("**IFRSs**") effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

Other than as explained below regarding the impact of IFRS 16 Leases, the new and revised standards above will not have a material effect on this interim condensed consolidated financial information.

Adoption of IFRS 16

IFRS 16 replaces IAS 17 Leases, IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases – Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of land and buildings. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The Group elected to present the lease liabilities separately in the statement of financial position.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying IAS 40.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	7,813,189
Decrease in prepaid land lease payments	(4,417,142)
Decrease in prepayments, other receivables and other assets	(337,577)
Increase in total assets	3,058,470
Liabilities	
Increase in lease liability	3,058,470
Increase in total liabilities	3,058,470

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as of 31 December 2018 is as follows:

	RMB'000 (unaudited)
Operating lease commitments as at 31 December 2018	3,844,503
Incremental borrowing rate as at 1 January 2019	6.76%
Discounted operating lease commitments at 1 January 2019	3,147,270
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(129,028)
Commitments relating to leases of low-value assets	(9)
Add: Payments in optional extension periods not recognized as at 31 December 2018	40,237
Lease liabilities as at 1 January 2019	3,058,470

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Right-of-use assets				
	Land	**Buildings**	**Sub-total**	**Investment properties**	**Lease liabilities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	4,581,155	3,232,034	7,813,189	10,027,156	3,058,470
Additions	–	20,649	20,649	–	20,649
Depreciation charge	(87,801)	(170,952)	(258,753)	–	–
Interest expense	–	–	–	–	100,077
Increase in fair value	–	–	–	215,892	–
Payments	–	–	–	–	(145,719)
Recognition of change in fair value of land upon transfer to investment properties	–	–	–	95,630	–
Transfer from land	–	–	–	356,215	
Transfer to investment properties	(356,215)	–	(356,215)	–	–
As at 30 June 2019	4,137,139	3,081,731	7,218,870	10,694,893	3,033,477

The Group recognised rental expenses from short-term leases of RMB21,896,000 and leases of low-value assets of RMB5,000.

3.1 DISAGGREGATION OF REVENUE

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Commissions from concessionaire sales	**942,271**	1,069,395
Direct sales	**950,557**	904,548
Sale of properties	**530,639**	384,503
Management fee income from the operation of department stores	**377**	377
Revenue from other source		
Rental income from the leasing of shop premises	**303,316**	339,346
Rental income from investment properties	**302,182**	195,870
Others	**94,761**	78,623
	3,124,103	2,972,662

Disaggregated revenue information for revenue from contracts with customers

The Group's entire revenue of goods and services transferred is recognized at a point in time. No analysis of timing information is therefore presented.

The Group's entire revenue is attributable to the market in Mainland China. No analysis of geographical information is therefore presented.

3.2 OPERATING SEGMENT INFORMATION

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

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

(b) the property development segment is principally engaged in the development and sale of commercial and residential properties as well as the 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.

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

3.2 OPERATING SEGMENT INFORMATION (Continued)

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 2019 (unaudited)					
Segment revenue:					
Sales to external customers	2,433,939	595,160	95,004	–	3,124,103
Intersegment revenue	–	3,471	–	(3,471)	–
Other income	741,114	12,245	11,954	–	765,313
Cost of sales	(847,999)	(317,023)	(9,515)	–	(1,174,537)
Employee expenses	(237,031)	(26,308)	(37,082)	–	(300,421)
Depreciation and amortisation	(465,923)	(83,446)	(21,838)	–	(571,207)
Payments for short term leases and leases of low value assets	(20,601)	(578)	(722)	–	(21,901)
Other operating expenses	(531,717)	(71,947)	(35,724)	3,471	(635,917)
Other gains/(loss)	97,427	78,813	(4)	–	176,236
Operating profit	1,169,209	190,387	2,073	–	1,361,669
Finance costs	(443,519)	(176,158)	–	–	(619,677)
Share of profits and losses of associates and a joint venture	9,224	(564)	–	–	8,660
Segment profit before tax	734,914	13,665	2,073	–	750,652
Income tax expense	(215,427)	(114,263)	1,035	–	(328,655)
Segment profit/(loss) for the period	519,487	(100,598)	3,108	–	421,997
Attributable to:					
Owners of the parent	364,357	(80,985)	3,163	–	286,535
Non-controlling interests	155,130	(19,613)	(55)	–	135,462
	519,487	(100,598)	3,108	–	421,997
Other segment information:					
Impairment losses recognised in the income statement	6,743	7,243	–	–	13,986
Impairment losses reversed in the income statement	(466)	–	–	–	(466)
Investments in associates and a joint venture	2,149,957	2,139	–	–	2,152,096
Goodwill impairment	45,166	–	–	–	45,166
Capital expenditure*	19,084	817,174	39	–	836,297

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

3.2 OPERATING SEGMENT INFORMATION (Continued)

	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 2018 (unaudited)					
Segment revenue:					
Sales to external customers	2,453,332	438,387	80,943	–	2,972,662
Intersegment revenue	–	2,786	–	(2,786)	–
Other income	767,008	8,302	54,479	–	829,789
Cost of sales	(794,898)	(154,266)	(8,000)	–	(957,164)
Employee expenses	(251,917)	(17,906)	(31,616)	–	(301,439)
Depreciation and amortisation	(332,417)	(54,864)	(21,383)	–	(408,664)
Operating lease rental expenses	(217,181)	(594)	(370)	–	(218,145)
Other operating expenses	(503,435)	(87,206)	(36,248)	2,786	(624,103)
Other gains	7,682	7,663	244	–	15,589
Operating profit	1,128,174	142,302	38,049	–	1,308,525
Finance costs	(287,583)	(145,602)	–	–	(433,185)
Share of profits and losses of associates and a joint venture	10,940	771	–	–	11,711
Segment profit/(loss) before tax	851,531	(2,529)	38,049	–	887,051
Income tax expense	(269,175)	(107,869)	(814)	–	(377,858)
Segment profit/(loss) for the period	582,356	(110,398)	37,235	–	509,193
Attributable to:					
Owners of the parent	440,102	(98,077)	37,282	–	379,307
Non-controlling interests	142,254	(12,321)	(47)	–	129,886
	582,356	(110,398)	37,235	–	509,193
Other segment information:					
Impairment losses recognised in the income statement	253	–	2,000	–	2,253
Impairment losses reversed in the income statement	(472)	–	–	–	(472)
Investments in associates and a joint venture	1,851,856	–	–	–	1,851,856
Capital expenditure*	73,959	858,215	27	–	932,201

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

4. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Income from suppliers and concessionaires		
– Administration and management fee income	**386,531**	373,579
– Promotion income	**220,913**	266,468
– Credit card handling fees	**96,933**	91,163
Interest income	**36,737**	35,798
Others	**24,199**	62,781
	765,313	829,789

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Total interest expense on financial liabilities not at fair value through profit or loss	**740,167**	563,714
Less: Interest capitalised	**(120,490)**	(130,529)
	619,677	433,185

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Group:		
Current – CIT	**242,136**	356,151
Current – LAT	**75,304**	10,914
Deferred	**11,215**	10,793
Total tax charge for the period	**328,655**	377,858

7. 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 2019 attributable to ordinary equity holders of the parent of RMB286,535,000 (Six months ended 30 June 2018: RMB379,307,000) and the weighted average number of ordinary shares of 5,140,326,000 (Six months ended 30 June 2018: 5,140,326,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during those periods.

8. TRADE AND BILLS PAYABLES

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

	30 June	31 December
	2019	2018
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 90 days	**2,572,608**	3,211,374
91 to 180 days	**223,592**	133,195
181 to 360 days	**94,299**	152,632
Over 360 days	**159,498**	260,628
	3,049,997	3,757,829

The trade payables are non-interest-bearing and are normally settled within 90 days.

9. EVENTS AFTER THE REPORTING PERIOD

(a) On 12 July 2019, Maoye Commercial and Zhongzhao (the "**Vendors**"), two subsidiaries of the Company, entered into an agreement with Commercial City (the "**Purchaser**"), an associate of the Company, pursuant to which the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, at the consideration of RMB6.66 per share, from the Vendors rata to their respective equity interests in Shenzhen UGO E-Commerce Co., Ltd ("**UGO**"). As at the date of this statement, the transaction has not been completed yet.

(b) On 8 July 2019, Maoye Shangsha, the Company's subsidiary, received a subpoena issued by the Court regarding legal proceedings commenced by Asia-Europe Industry and Trade Co., Ltd. ("**AEIT**") (the "**Litigation**"). AEIT is a shareholder with a 45% equity interest of Zhanye Property Co., Ltd. ("**Zhanye Property**") and Liaoning Logistics Co., Ltd. ("**Liaoning Logistics**"), another subsidiary of the Company, is a shareholder with a 51% equity interest of Zhanye Property. In June 2014, Maoye Shangsha purchased a 99.94% equity interest of Liaoning Logistics from Commercial City. At the point of the acquisition, Maoye Shangsha was the majority shareholder of Commercial City.

The litigation claimed by AEIT is against Maoye Shangsha for abusing its position as the majority shareholder of Liaoning Logistics and Commercial City, to delay the repayment of Zhanye Property's loan from a third party, which caused liquidated damages, interest and penalty to Zhanye Property. The total amount of compensation claimed in respect of the loss and relevant litigation costs is RMB36,391,199.

The Court will hear the Litigation on 23 August 2019. The Company is seeking legal advice on the Litigation and will defend against the claims should the Litigation proceed.

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO ECONOMY OVERVIEW

In the first half of 2019, under the relatively complicated situation both domestically and internationally, the overall performance of the PRC economy maintained stable with good momentum. The economic structure continued to be optimized and adjusted while keeping relatively stable growth, with GDP growth increased by 6.3% on a year-on-year basis, falling 0.5 percentage point as compared to the corresponding period of the previous year. Disposable income per capita of PRC reached RMB15,294, representing an actual growth of 6.5% after taking out the price factor and a slight decrease of 0.1 percentage point as compared to the corresponding period of the previous year.

In recent years, urbanization rate of PRC has gradually increased and disposable income of her residents also increased steadily. With a solid foundation, consumption growth will continue to serve as the main engine of economic growth. However, for the first half of 2019, the global economy remained weak. The Sino-US trade friction unexpectedly escalated and the downward pressure on the domestic economy increased. In the macro environment of financial de-leveraging, consumers' expectations fell and the consumer market was under pressure in the short term. For the first half of 2019, total retail sales of consumer goods amounted to RMB19,521.0 billion, representing an increase of 8.4% year-on-year, down 1 percentage point as compared to the corresponding period of the previous year. Online retail sales also fell, with nationwide online retail sales for the first half of the year amounting to RMB4,816.1 billion, representing an increase of 17.8% year-on-year but a decrease of 12.3 percentage points year-on-year. The proportion of online retail sales in the total retail sales of consumer goods continued to increase, accounting for 24.7% of the latter, whereas physical retail sales accounted for 75.3%.

According to the data of the National Commercial Information Centre（全國商業信息中心）of PRC, during the first half of 2019, the aggregate retail sales of the top 100 key large nationwide retailers increased by 0.3% on a year-on-year basis, and the growth rate was 1.4 percentage points lower than the corresponding period of the previous year, and the concentration of the top 100 retailers has improved. On the other hand, with the acceleration of innovation and transformation of the industry, the effectiveness of online and offline integration was first seen. The self-sourcing and operation model have been deeply explored and diversified development has emerged. With IP, culture and experience as an effective tool for customer retention, as well as continuous integration of new technology such as Internet of Things, big data and artificial intelligence, precise marketing is enhanced and the upgrading of traditional department store retail industry has accelerated.

OPERATION REVIEW

For the six months ended 30 June 2019, the Group operated and managed a total of 59 stores in 21 cities nationwide with total operating area of approximately 2.95 million sq.m. of which operating area attributable to self-owned properties accounted for 76.46%. Coverage of key cities included Shenzhen and Zhuhai in Guangdong; Chengdu, Nanchong and Mianyang in Sichuan; Chongqing; Wuxi, Taizhou and Nanjing in Jiangsu; Zibo and Heze in Shandong; Qinhuangdao and Baoding in Hebei; Shenyang in Liaoning; Taiyuan in Shanxi; Baotou and Hohhot in Inner Mongolia. As at 30 June 2019, the distribution of stores of the Group was as follows:

	Southern China	Southwestern China	Eastern China	Northern China	Total
Number of Stores	6	7	14	32	59
Operating Area *(sq.m.)*	218,072	336,994	940,027	1,453,405	2,948,498

Notes:

1. Southern China region includes: Shenzhen and Zhuhai.

2. Southwestern China region includes: Chengdu, Mianyang, Chongqing and Nanchong.

3. Eastern China region includes: Zibo, Heze, Changzhou, Nanjing, Taizhou, Wuxi, Yangzhou, Huaian and Laiwu.

4. Northern China region includes: Baotou, Hohhot, Qinhuangdao, Shenyang, Baoding, Jinzhou and Taiyuan.

During the reporting period, the Group proactively captured the trend of consumption upgrading and changes in the industry. The physical environment of stores was upgraded based on customers' needs with products mix continuously adjusted and optimized. The model of business solicitation was broadened and online marketing channels were steadily strengthened. Intelligent management of properties was innovated for enhancing the customer retention capability. Meanwhile, the Group continued to advance the strategies of "centerization" and differentiation of shopping, accelerate adjustment and upgrading of stores, strengthen refined management and enhance the operation management efficiency of stores.

MAJOR OPERATING HIGHLIGHTS

1. Continuing to advance the strategy of "centerization"of shopping, and transforming the business model substantially from joint venture to lease

In the face of the slowdown in the growth of the industry, rising cost of various elements and increasingly competitive macro environment, the Group continued to reform operation model. By appropriately reducing the joint area and increasing the leased area, the Group has established experiential business ecosystem of generic shopping centres while increasing the proportion of rental income which is more stable. Under this strategy, the rental income of the Group's stores in the first half of 2019 reached RMB540.7 million, representing a year-on-year increase of 13.6%.

Meanwhile, regarding the introduction of retail tenants, we continued to optimize the mixture of categories and increase the proportion of experience-consumption and high-traffic categories such as catering, sports, e-sports and education, as well as increasing the traffic of the stores, thus creating a joint effect with the joint ventures and self-operating businesses.

2. Active adjustment of the strategies of business solicitation of brands, following the trends of changes in consumption

Amid the increase of downward pressure in the domestic economy and gradual increase of the proportion of expenditure on real estate, healthcare and education to household income, the consumption view of some people started to change from blindly pursuing expensive goods to looking for cost-effectiveness and personalization. To follow the trend of changes in consumption using its extensive experience in business solicitation and operation, the Group has advanced the refined management of stores in brand mix based on the specific situation of each store. The Group introduced more youthful brands and brands of "cost effective + good-looking" appropriately added to attract more customers.

3. *Intelligent upgrade of retail of Maoye empowered by big data*

During the reporting period, the Group continued to aim at "digital retail, intelligent business" and captured new opportunities in the development of the retail industry. Through "Mao Yue Hui"(茂悅薈), Mao Le Hui (茂樂惠) and "Xiao Hong Mao"(小紅茂) APP and applet, the Group has constructed the digital operating system to support the upgrade of consumers' experience at physical stores and further explore customer value and intelligent retail.

- During the reporting period, a total of 68 items about consumption behaviors such as members' value contribution, product preferences and trading behavior were added in the membership management system of "Mao Yue Hui"(茂悅薈). Member categorization was more refined and marketing more precise. With 8 new marketing approaches in member recruitment and incentives for consumption, along with timely statistical analysis, stores have continuously optimize members maintenance and marketing activities. In the first half of 2019, 484,531 new members were recruited, among which 330,369 had made consumption in the first half of the year, achieving conversion rate of 68.18% of new members.

- "Mao Le Hui"(茂樂惠) online store, a newly-developed WeChat applet, was launched on 13 April 2019. As at the date of this announcement, the online store can be accessed by APP, H5 and Wechat applet, among which, the Wechat applet became a new growth point for online sales. In the first half of 2019, the WeChat applet developed 48,216 new users through the approach of coupons for new users and display promotion at offline stores, generating 3,319 orders.

- The "Xiao Hong Mao"(小紅茂) merchant service APP was continuously optimized. On the basis of the suppliers service platform, new functions were added, including self-service SMS marketing for merchants, WeChat customer service, convenient orders inquiry and multi-channels orders consolidation, enhancing management efficiency and service level of merchants, thereby improving sales performance. For the first half of 2019, the APP had more than 15,000 new users, with a total of over 70,000 users, and daily active users of more than 3,000.

4. Focusing on improving consumer experience, continuing to advance further upgrades and transformation of stores

With the development of the economy, consumer experience is gradually replacing the sale of goods as the major force in attracting customers for shopping centers. To enhance customer retention capability, the Group has conducted upgrades and transformation of older stores in the following aspects: Firstly, upgrading of hardware facilities; Secondly, improving the service awareness of staff members and their skills. In the first half of 2019, adhering to the core principle for employees of "sincere service", a number of training and skill competitions were organized in various stores in order to improve customer satisfaction for our service; Thirdly, consolidating the nationwide extensive resources of suppliers and partners of the Group to offer more quality and affordable goods to consumers; Fourthly, developing experience and supporting facilities such as photo-taking points for KOLs, children's playground and leisure book bars; Fifthly, adjusting division of department stores to optimize the display of items. Through the above measures, the traffic of stores in the regions of Southern China, Taiyuan, Qinhuangdao, Baoding and Wuxi has increased significantly.

5. Stores network further expanded, with the grand opening of Maoye Complex in Huai'an and Jinzhou

During the reporting period, two new shopping centres in Liaoning and Jiangsu were opened. As at 30 June 2019, the number of stores of the Group increased to 59. With the number further increased, the scale effect was further enhanced.

In February 2019, Maoye Complex in Jinzhou, located in the core business district of Jinzhou City, Liaoning Province, was grandly opened. The project is a signature urban experiential shopping centre, integrating entertainment, cultural museum, swimming pool and gymnasium, cinema and youth development centre, creating a place for reading, entertainment and leisure in Jinzhou and a new platform for leisure activities for families and youth.

In April 2019, Maoye Complex in Huai'an of Jiangsu Province was successfully opened. With nearly 100 premium brands, it offers high-end cinemas, more than ten specialty stores in cosmetics, maternal and baby products, fast fashion and a sports arena, and is the first shopping mall in Huai'an with industry standards and a number of premium brands.

PERFORMANCE OF MAJOR DEPARTMENT STORES[1]

No.	Store Name	Total sales proceeds and rental income *(RMB'000)*	Operation Period[2] *(Years)*	Operating Area *(m^2)*
1	Shenzhen Huaqiangbei	929,748	15.8	63,243
2	Guanghua	454,361	9.6	67,914
3	Victory Commercial Building	440,910	16.2	44,221
4	Taiyuan Maoye Complex	397,406	2.6	246,224
5	Victory International Plaza	385,208	11.5	83,969
6	Shenzhen Dongmen	383,323	22.3	40,709
7	Shenzhen Nanshan	380,320	9.8	44,871
8	Taizhou First Department Store	333,709	9.8	40,358
9	Chengdu Maoye Complex	274,068	14.1	87,309
10	Victory Shopping Center	242,212	12.8	63,695
11	Qinhuangdao Jindu	234,059	10.8	46,610
12	Xiandai Shopping Plaza	223,585	9.1	36,897

Notes:

1 Major department stores are stores with sales proceeds and rental income over RMB200 million in the first half of 2019.

2 Operation period was calculated until 30 June 2019.

OUTLOOK

For the second half of 2019, the Group will continue to maintain a steady and solid development strategy. While focusing on the operation scale and enhancing benefits, business innovation and transformation will be strengthened, with a focus on the following:

Firstly, continuing to advance the development of department stores in the form of generic shopping centres, increasing personalized and differentiated products and brands, and continuously enhancing the experience of consumers, thereby enhancing their trust and satisfaction;

Secondly, actively improving operation capabilities, adhering to the core of leading service and quality first. With a focus on customer experience, service quality is enhanced, product categorization optimized, and business solicitation channels broadened;

Thirdly, continuing to promote the digital construction of Maoye. With digital operation achieved, operational advantages brought by big data is fully leveraged, and business analysis capabilities and operational efficiency continuously improved;

Fourthly, continuously exploring financing channels and proactively exploring innovative financial instruments to construct a multi-channel and comprehensive financing system. Debt structure is continuously optimized to control financing cost;

Fifthly, strengthen its effort in disposing of the non-core assets and further optimizing the cash flow of the Group.

FINANCIAL REVIEW

Total Sales Proceeds and Rental Income

For the six months ended 30 June 2019, total sales proceeds and rental income of the Group were RMB7,627.8 million, representing a decrease of 3.2% compared to the same period of 2018. The decrease of total sales proceeds and rental income was primarily due to the decrease in sales proceeds from concessionaire sales due to the impact from the overall economic environment.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Total sales proceeds from concessionaire sales	**6,136,548**	6,497,665
Direct sales	**950,557**	904,548
Rental income	**540,734**	476,132
Total sales proceeds and rental income	**7,627,839**	7,878,345

Among the total sales proceeds and rental income of the Group in the first half of 2019, total sales proceeds derived from concessionaire sales accounted for 80.4%, those derived from direct sales accounted for 12.5%, and those derived from rental income accounted for 7.1%. For the six months ended 30 June 2019, sales proceeds from concessionaire sales were RMB6,136.5 million, representing a decrease of 5.6% compared to the same period in 2018; rental income were RMB540.7 million, representing an increase of 13.6% compared to the same period in 2018.

The total sales proceeds and rental income of the Group in the four regions are set out as follows:

	Total sales proceeds and rental income Six months ended 30 June		**Growth of the total sales proceeds and rental income**
	2019	2018	
	(RMB'000)	*(RMB'000)*	*(%)*
Southern China	**2,080,823**	1,980,339	**5.1**
Southwestern China	**1,426,436**	1,658,988	**-14.0**
Eastern China	**931,324**	1,028,327	**-9.4**
Northern China	**3,189,256**	3,210,691	**-0.7**
Total	**7,627,839**	7,878,345	**-3.2**

For the six months ended 30 June 2019, sales of apparels (including men's and ladies' apparels) accounted for 32.1% (first half of 2018: 34.0%), jewelries accounted for 18.7% (first half of 2018: 16.5%), leisure and sports goods accounted for 11.6% (first half of 2018: 11.4%), shoes and leather goods accounted for 7.9% (first half of 2018: 8.8%), cosmetics accounted for 10.6% (first half of 2018: 8.5%), others (including branded merchandise, children's items, bedroom and household goods, home appliances, supermarket and others) accounted for 19.1% (first half of 2018: 20.8%).

For the six months ended 30 June 2019, revenue of the Group amounted to RMB3,124.1 million, representing an increase of 5.1% compared with RMB2,972.7 million for the same period last year. The increase of revenue was mainly because (i) the revenue derived from the real estate project of Huai'an Zhiye and Maoye Haoyuan of the Group has significantly increased; and (ii) the direct sales revenue from Shenzhen Huaqiangbei store and Taiyuan Maoye Complex has significantly increased.

Other Income

For the six months ended 30 June 2019, other income of the Group amounted to RMB765.3 million, representing a decrease of 7.8% compared with RMB829.8 million for the same period last year. The decrease of the other income was primarily due to the decrease in sales income, mainly the decrease in concessionaire sales and the decrease in other incomes.

Cost of Sales

For the six months ended 30 June 2019, cost of sales of the Group amounted to RMB1,174.5 million, representing an increase of 22.7% compared with RMB957.2 million for the same period last year. This was primarily because the increase in revenue from sales of projects of the property segment during the period which led to the increase in costs.

Employee Expenses

For the six months ended 30 June 2019, employee expenses of the Group amounted to RMB300.4 million, representing a decrease of 0.3% compared with RMB301.4 million for the same period last year, which was mainly due to merger of rosters in some areas to improve manpower resources.

Depreciation and Amortization

For the six months ended 30 June 2019, depreciation and amortization of the Group amounted to RMB571.2 million, representing an increase of 39.8% compared with RMB408.7 million for the same period last year, which was primarily due to the application of IFRS 16 new accounting standard on leases during the period which led to amortization of the recognized right-of-use assets in the leasing term.

Payments For Short Term Leases and Leases Of Low Value Assets/Operating Lease Rental Expenses

For the six months ended 30 June 2019, payments for short-term leases and leases of low value assets of the Group amounted to RMB21.9 million, representing a decrease of 90.0% compared with operating lease rental expenses of RMB218.1 million for the same period last year, which was mainly due to the application of IFRS 16 new accounting standard on leases during the period. Pursuant to the accounting standard, the relevant rent was not accounted in this item.

Other Operating Expenses

For the six months ended 30 June 2019, other operating expenses of the Group amounted to RMB635.9 million, representing an increase of 1.9% compared with RMB624.1 million in the same period last year. The other operating expenses as percentage of total sales proceeds and rental income increased to 8.3% in 2019 compared with 7.9% in the first half of 2018.

Other Gains

For the six months ended 30 June 2019, other gains of the Group was recorded as gain of RMB176.2 million (same period last year: other gains of RMB15.6 million). This was primarily because of changes in fair value of the Group's investment properties.

Operating Profit

For the six months ended 30 June 2019, operating profit of the Group was RMB1,361.7 million, representing an increase of 4.1% as compared with RMB1,308.5 million in the same period last year. This was primarily due to (i) the revenue derived from the real estate project of Huai'an Zhiye and Maoye Haoyuan of the Group has recorded a significant increase; and (ii) changes in fair value of the Group's investment properties.

Finance Costs

For the six months ended 30 June 2019, finance costs of the Group amounted to RMB619.7 million, representing an increase of 43.1% compared with RMB433.2 million in the same period last year. This was primarily due to (i) the increase in financing interest rate of interest-bearing liabilities and (ii) the application of IFRS 16 new accounting standard on leases during the period. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made, resulting in the increase in financial fees.

Income Tax Expense

For the six months ended 30 June 2019, income tax expense of the Group amounted to RMB328.7 million, representing a decrease of 13.0% compared with RMB377.9 million in the same period last year. This was primarily due to the decrease of the profit before tax.

Net Profit for the first half of 2019

As a result of the foregoing, for the six months ended 30 June 2019:

– Net profit for the first half of 2019 were RMB422.0 million, representing a decrease of 17.1% as compared with RMB509.2 million for the same period in 2018.

Liquidity and Financial Resources

As at 30 June 2019, the Group's cash and cash equivalents amounted to RMB1,881.4 million, representing a decrease by RMB1,423.5 million compared to RMB3,304.9 million as at 31 December 2018. The main cash inflow and cash outflow are set out as follows:

(1) Net cash inflow of RMB453.0 million arising from operating activities;

(2) Net cash outflow of RMB282.7 million arising from investment activities, which mainly includes: (i) cash inflow from disposal of financial assets at fair value through profit or loss amounting to RMB202.5 million; (ii) dividends received from equity investments designated at fair value through other comprehensive income amounting to RMB7.7 million; (iii) cash inflow of RMB4.0 million from disposal of the 200,000 shares of UGO; (iv) outstanding payment of RMB39.9 million for the consideration with respect to the acquisition of UGO, investment payment of RMB1 million to Qinghehong; (v) payments for properties, equipment, investment property in construction progress amounting to approximately RMB295.3 million; (vi) outflow of pledged bank deposits of RMB97.2 million; and (vii) cash outflow from the profit distribution to small and medium shareholders of Maoye Commercial amounting to RMB29.0 million;

(3) Net cash outflow of RMB1,611.2 million arising from financing activities, which mainly includes: (i) net increase in cash inflow arising from bank loans of RMB4,651.9 million; (ii) cash outflow arising from repayment of bank loans and other borrowings of RMB5,334.7 million; (iii) cash outflow arising from repayment of interest of approximately RMB615.2 million; (iv) distributed dividends of approximately RMB164.5 million to the Company; (v) lease expenses of RMB145.7 million included in the new accounting standard on leases; (vi) cash outflow arising from increasing in the equity interest of Maoye Commercial of approximately RMB60.1 million by Baotou Maoye Dongzheng; (vii) cash inflow arising from borrowings from fellow subsidiaries amounting to approximately RMB269.0 million; and (viii) cash outflow arising from repayment of borrowings to fellow subsidiaries amounting to RMB251.8 million.

Interest-bearing Liabilities

As at 30 June 2019, total bank loans, USD senior guarantee notes and corporate bonds of the Group were approximately RMB17,559.0 million (31 December 2018: RMB18,241.9 million). The gearing ratio[1] and net gearing ratio[2] were 33.1% and 100.3%, respectively (31 December 2018: 35.8% and 97.7%, respectively).

1 Gearing ratio = total debt/total assets = (interest-bearing liabilities + USD senior guarantee notes + corporate bonds)/total assets

2 Net gearing ratio = net debt/equity = (net interest-bearing liabilities + USD senior guarantee notes + corporate bonds - cash and cash equivalents)/equity

Pledge of Assets

As at 30 June 2019, the Group's secured interest-bearing bank loans amounting to RMB16,022.6 million were secured by the Group's land and buildings, investment properties, right-of-use assets, and properties under development with net carrying amounts of approximately RMB2,613.1 million, RMB7,972.2 million, RMB388.4 million, and RMB862.8 million, respectively, as well as certain shares of Maoye Commercial held by the Group, certain shares of ZJBC Information Technology Co., Ltd. (中嘉博創信息技術股份有限公司) and equity investments designated at fair value through other comprehensive income with net carrying amounts of approximately RMB5,746.3 million, RMB1,646.2 million and RMB731.8 million, respectively.

Foreign Currency Risk

The Company issued USD150 million and USD100 million senior guaranteed notes with term of 2 years in September and October 2018 respectively, which is exposed to the effect of foreign exchange fluctuation risks. During the reporting period, the Group recorded a foreign exchange net gain of RMB0.094 million on exchange. Since the business of the Group was mainly focused on mainland China, its operation was not exposed to any foreign exchange fluctuation risks.

For the six months ended 30 June 2019, the Group had not entered into any arrangements to hedge its foreign currency risk. The Group's operating cash flow is not exposed to foreign exchange fluctuation risks.

INTERIM DIVIDEND

The Board does not recommend to declare an interim dividend for the six months ended 30 June 2019 (Six months ended 30 June 2018: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has repurchased part of the outstanding notes in an aggregate principal amount of US$27,850,000 (the "**Repurchased Notes**") via open market during the period from November 2018 to 10 May 2019. The Repurchased Notes represent 11.14% of the initial principal amount of the Notes. The Repurchased Notes were duly cancelled on 10 May 2019. After the cancellation of the Repurchased Notes, the outstanding principal amount of the Notes will be US$222,150,000, representing 88.86% of the initial principal amount of the Notes (For details, please refer to the announcement of the Company dated 15 May 2019, capitalised terms used in this paragraph shall have the same meanings as those defined in that announcement).

Save as disclosed above, neither the Company nor its subsidiaries had purchased, sold or redeemed the Company's listed securities during the six months ended 30 June 2019.

COMPENSATION ARISING FROM ACQUISITION OF SHARES OF NON-WHOLLY-OWNED SUBSIDIARY AND NOT MEETING PROFIT GUARANTEE

Baotou Maoye Dongzheng Real Estate Development Co., Ltd. ("**Baotou Maoye Dongzheng**"), a wholly-owned subsidiary of the Company, has acquired shares in Maoye Commercial (representing approximately 1.86% of Maoye Commercial) on the market in a series of transactions conducted between 23 March 2018 and 20 February 2019. In addition, according to supplementary terms of the agreement, on 23 May 2019, other shareholders of Maoye Commercial gave certain shares of Maoye Commercial to Baotou Maoye Dongzheng at no costs. On the date of this announcement, Baotou Maoye Dongzheng's shareholding in Maoye Commercial was 1.90% and Maoye Shangsha's shareholding in Maoye Commercial was 80.90%, therefore, the Group's shareholding in Maoye Commercial was 82.80%.

The entitlement of Maoye Commercial to repurchase the Compensation Shares from Maoye Shangsha, Demao and Hezhengmao (together as the "**Vendors**") at a total consideration of RMB1 in accordance with the terms of the Compensation Agreement, as the 2018 Profit Guarantee was not met, the Compensation Shares would instead be transferred from the Vendors, respectively, to the shareholders of Maoye Commercial as listed on the shareholders' register of Maoye Commercial as of the close of trading on 27 March 2019, in proportion to their then shareholdings in Maoye Commercial, for no consideration. On 23 May 2019, the Vendors respectively completed the transfers of the Compensation Shares to the Transferees. Upon completion of such transfers, Maoye Shangsha's shareholding has decreased from 1,406,857,724 shares to 1,401,135,188 shares (For details, please refer to announcement of the Company dated 23 May 2019, capitalised terms used in this paragraph shall have the same meanings as those defined in that announcement).

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Listing Rules during the six months ended 30 June 2019, except for the following deviation:

Code Provision A.2.1

Currently, Mr. Huang Mao Ru ("**Mr. Huang**") 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 unaudited interim results of the Group for the six months ended 30 June 2019 and discussed with the management on the accounting principles and practices adopted by the Group, risk management and internal control systems and financial reporting matters.

The figures in respect of the Group's unaudited interim condensed consolidated statement of financial position, unaudited interim condensed consolidated statement of profit or loss, unaudited interim condensed consolidated statement of comprehensive income and the related notes thereto for the six months ended 30 June 2019 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's unaudited interim condensed consolidated financial statements for the period. The work performed by the Company's auditors in this respect did not constitute a review engagement in accordance with Hong Kong Standards on Review Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, based on the information available and to the best of the Board's knowledge, information and belief, the Company has maintained sufficient public float under the Listing Rules and agreed by the Stock Exchange.

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 2019 containing information required by Appendix 16 to 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 Company's 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, 22 August 2019

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