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 2020

HIGHLIGHTS

- Total sales proceeds and rental income were RMB4,508.2 million, representing a decrease of 40.9% compared to the corresponding period in the last year
- Total operating revenue was RMB3,703.5 million, representing a decrease of 4.8% compared to the corresponding period in the last year
- Operating profit was RMB1,055.0 million, representing a decrease of 22.5% compared to the corresponding period in the last year
- EBITDA was RMB1,581.4 million, representing a decrease of 18.6% compared to the corresponding period in the last year
- Net profit was RMB127.3 million, representing a decrease of 69.8% compared to the corresponding period in the last year
- Basic earnings per share for the period was RMB2.7 cents, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2020

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Maoye International Holdings Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3.1*	**3,185,687**	3,124,103
Other income	*4*	**517,808**	765,313
Total operating revenue		**3,703,495**	3,889,416
Cost of sales		**(1,553,618)**	(1,174,537)
Employee expenses		**(200,940)**	(300,421)
Depreciation and amortisation		**(536,797)**	(571,207)
Payments for short-term leases and leases of low-value assets		**(3,615)**	(21,901)
Other operating expenses		**(441,013)**	(635,917)
Other gains and losses		**87,449**	176,236
Operating profit		**1,054,961**	1,361,669
Finance costs	*5*	**(717,699)**	(619,677)
Share of profits and losses of:			
Associates		**(9,803)**	9,224
A joint venture		**(602)**	(564)
PROFIT BEFORE TAX		**326,857**	750,652
Income tax expense	*6*	**(199,581)**	(328,655)
PROFIT FOR THE PERIOD		**127,276**	421,997

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Attributable to:			
Owners of the parent		**137,126**	286,535
Non-controlling interests		**(9,850)**	135,462
		127,276	421,997
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*8*	**RMB2.7 cents**	RMB5.6 cents
Diluted		**RMB2.7 cents**	RMB5.6 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**127,276**	421,997
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**41,657**	17,263
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Equity instruments designated at fair value through other comprehensive income		
Changes in fair value	**53,613**	134,690
Income tax effect	**(13,403)**	(33,673)
	40,210	101,017
Gains on property revaluation	**–**	67,923
Income tax effect	**–**	(16,980)
	–	50,943
OTHER COMPREHENSIVE INCOME, NET OF TAX	**81,867**	169,223
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**209,143**	591,220
Attributable to:		
Owners of the parent	**211,495**	448,132
Non-controlling interests	**(2,352)**	143,088
	209,143	591,220

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**8,178,158**	8,380,692
Investment properties	**19,963,323**	19,692,166
Right-of-use assets	**6,569,039**	6,874,493
Goodwill	**1,301,704**	1,339,782
Other intangible assets	**43,839**	46,165
Investment in a joint venture	**1,672**	1,274
Investments in associates	**1,558,263**	1,868,366
Equity investments designated at fair value through other comprehensive income	**1,550,825**	1,497,212
Financial assets at fair value through profit or loss	**1,150**	206,000
Prepayments	**159,107**	623,248
Deferred tax assets	**629,899**	637,270
Total non-current assets	**39,956,979**	41,166,668
CURRENT ASSETS		
Inventories	**227,212**	205,299
Completed properties held for sale	**2,436,064**	1,751,103
Properties under development	**5,387,948**	6,099,155
Trade and bills receivables	**9,695**	8,598
Prepayments, deposits and other receivables	**2,751,430**	3,155,399
Financial assets at fair value through profit or loss	**3,898**	3,001
Pledged deposits	**226,104**	208,265
Cash and cash equivalents	**1,054,913**	1,232,571
Total current assets	**12,097,264**	12,663,391

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2020

	Note	**30 June 2020 (Unaudited) *RMB'000***	31 December 2019 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*9*	**2,301,930**	2,633,692
Contract liabilities, deposits received, accruals and other payables		**11,569,206**	11,224,625
Interest-bearing bank loans and other borrowings		**7,233,294**	9,274,381
Lease liabilities		**269,714**	259,977
Tax payable		**353,751**	435,167
Dividend payable		**41,595**	19,317
Total current liabilities		**21,769,490**	23,847,159
NET CURRENT LIABILITIES		**(9,672,226)**	(11,183,768)
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,284,753**	29,982,900
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**7,951,000**	6,845,531
Lease liabilities		**2,463,723**	2,597,508
Deferred tax liabilities		**4,217,198**	4,238,263
Other long-term liability		**170**	138,483
Provision for retirement benefits		**8,086**	8,086
Total non-current liabilities		**14,640,177**	13,827,871
Net assets		**15,644,576**	16,155,029

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2020

	30 June 2020 (Unaudited) ***RMB'000***	31 December 2019 (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	**12,584,965**	12,514,655
	13,100,656	13,030,346
Non-controlling interests	**2,543,920**	3,124,683
Total equity	**15,644,576**	16,155,029

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 2020 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 Interim Financial Reporting.

The interim condensed consolidated financial information does 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 2019.

As at 30 June 2020, the Group had net current liabilities of approximately RMB9,672,226,000. 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 RMB3,558,855,000 and RMB685,648,000 of current liabilities as at 30 June 2020 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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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 2019, except for the adoption of following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to the customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) The amendment of IFRS 9, and IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office buildings and retail stores have been reduced or waived by the lessors as a result of the covid-19 pandemic. However, the Group elected to apply lease modification accounting, rather than variable lease payment during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB12,335,000 has been accounted for as a lease modification by derecognising part of the lease liabilities and crediting to the corresponding right-of-use assets for the period ended 30 June 2020.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Commissions from concessionaire sales	**504,361**	942,271
Direct sales	**683,658**	950,557
Sale of properties	**1,402,249**	530,639
Management fee income from the operation of department stores	**314**	377
Revenue from other source		
Rental income from the leasing of shop premises	**233,825**	303,316
Rental income from investment properties	**316,501**	302,182
Others	**44,779**	94,761
	3,185,687	3,124,103

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

	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 2020 (unaudited)					
Segment revenue:					
Sales to external customers	**1,681,080**	**1,459,639**	**44,968**	**–**	**3,185,687**
Intersegment revenue	**–**	**2,047**	**–**	**(2,047)**	**–**
Other income	**492,825**	**16,797**	**8,186**	**–**	**517,808**
Cost of sales	**(635,686)**	**(912,637)**	**(5,295)**	**–**	**(1,553,618)**
Employee expenses	**(155,379)**	**(17,610)**	**(27,951)**	**–**	**(200,940)**
Depreciation and amortisation	**(441,320)**	**(74,670)**	**(20,807)**	**–**	**(536,797)**
Payments for short-term leases and leases of low-value assets	**(2,403)**	**(560)**	**(652)**	**–**	**(3,615)**
Other operating expenses	**(356,469)**	**(66,200)**	**(20,391)**	**2,047**	**(441,013)**
Other gains and losses	**113,036**	**(25,140)**	**(447)**	**–**	**87,449**
Operating profit/(loss)	**695,684**	**381,666**	**(22,389)**	**–**	**1,054,961**
Finance costs	**(438,227)**	**(279,472)**	**–**	**–**	**(717,699)**
Share of profits and losses of associates and a joint venture	**(9,803)**	**(602)**	**–**	**–**	**(10,405)**
Segment profit/(loss) before tax	**247,654**	**101,592**	**(22,389)**	**–**	**326,857**
Income tax expense	**(39,297)**	**(157,288)**	**(2,996)**	**–**	**(199,581)**
Segment profit/(loss) for the period	**208,357**	**(55,696)**	**(25,385)**	**–**	**127,276**
Attributable to:					
Owners of the parent	**174,164**	**(11,782)**	**(25,256)**	**–**	**137,126**
Non-controlling interests	**34,193**	**(43,914)**	**(129)**	**–**	**(9,850)**
	208,357	**(55,696)**	**(25,385)**	**–**	**127,276**
Other segment information:					
Impairment losses recognised in the income statement	**5,913**	**–**	**–**	**–**	**5,913**
Gain on deemed disposal of partial shares in an associate	**(30,952)**	**–**	**–**	**–**	**(30,952)**
Goodwill impairment	**38,078**	**–**	**–**	**–**	**38,078**
Investments in associates and a joint venture	**1,558,263**	**1,672**	**–**	**–**	**1,559,935**
Capital expenditure*	**77,594**	**929,386**	**2**	**–**	**1,006,982**

* *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 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 and losses	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.*

4. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Income from suppliers and concessionaires		
– Administration and management fee income	**317,390**	386,531
– Promotion income	**109,358**	220,913
– Credit card handling fees	**53,158**	96,933
Interest income	**12,919**	36,737
Others	**24,983**	24,199
	517,808	765,313

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Total interest expense on financial liabilities not at fair value through profit or loss	**751,175**	740,167
Less: Interest capitalised	**(33,476)**	(120,490)
	717,699	619,677

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Group:		
Current – CIT	**189,947**	242,136
Current – LAT	**36,725**	75,304
Deferred	**(27,091)**	11,215
Total tax charge for the period	**199,581**	328,655

7. DIVIDENDS

The Board did not propose an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil), and the Group paid final dividend for the year ended 31 December 2019 of HK1.98 cents per ordinary share.

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 2020 attributable to ordinary equity holders of the parent of RMB137,126,000 (Six months ended 30 June 2019: RMB286,535,000) and the weighted average number of ordinary shares of 5,140,326,000 (Six months ended 30 June 2019: 5,140,326,000) in issue during the period.

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

9. TRADE AND BILLS PAYABLES

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

	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 90 days	**1,720,740**	2,100,267
91 to 180 days	**200,110**	25,935
181 to 360 days	**51,731**	4,881
Over 360 days	**329,349**	502,609
	2,301,930	2,633,692

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

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO ECONOMY OVERVIEW

In the first half of 2020, facing the tough challenges brought about by the outbreak of the novel coronavirus ("**COVID-19**"), the PRC's GDP growth decreased by 1.6% on a year-on-year basis. In terms of quarters, the GDP in the first quarter was down by 6.8% and in the second quarter was up by 3.2% year-on-year. With the achievements in prevention and control of COVID-19 and the resumption of work and production, PRC's economy has steadily recovered with growth turned from negative to positive. The overall economy has shown an obvious recovery trend.

In the first half of 2020, the PRC's total retail sales of consumer goods amounted to RMB17,000 billion, down by 11.4% on a year-on-year basis. Among which, the amount was down by 3.8% in the second quarter year-on-year. Such decrease was significantly narrowed by 15.2% as compared with the first quarter. The decrease in market demand and the sharp decrease in production caused apparent impacts on investment, consumption and exports. Consumption-related industries such as tourism, catering, retail, entertainment, transport and logistics, off-line education and training were the most severely impacted.

The first quarter of 2020 marked the peak for COVID-19 in the PRC. In order to control the spread of COVID-19, local governments in the PRC introduced many strict preventive measures and management regulations, which significantly and adversely impacted the normal operation hours and customer flow for department stores and shopping centres. According to the statistics of the National Commercial Information Centre（全國商業信息中心）of PRC, during the first half of 2020, the aggregate retail sales of goods of the top 100 key large nationwide retailers decreased by 27% on a year-on-year basis. In particular, such amount was down by 17.5% in the second quarter year-on-year. The decrease was significantly narrowed by 17.6% as compared with the first quarter. The effective measures adopted in the PRC in controlling the spread of COVID-19 and resuming the economy raised market confidence and consumption has displayed a steady and gradual recovery.

OPERATION REVIEW

For the six months ended 30 June 2020, the Group operated and managed a total of 48 stores in 21 cities nationwide with total operating area of approximately 3.04 million sq.m. of which operating area attributable to self-owned properties accounted for 78.99% and the proportion of gross floor area of related party leases reached 85.58%. Coverage of key cities included Shenzhen and Zhuhai in Guangdong; Chengdu in Sichuan; Chongqing; Wuxi, Taizhou and Nanjing in Jiangsu; Zibo in Shandong; Qinhuangdao and Baoding in Hebei; Shenyang in Liaoning; Taiyuan in Shanxi; Baotou and Hohhot in Inner Mongolia. As at 30 June 2020, the distribution of stores of the Group was as follows:

	Southern China	**Southwestern China**	**Eastern China**	**Northern China**	**Total**
Number of Stores *(stores)*	6	7	14	21	48
Gross Floor Area *(sq.m.)*	218,172	337,720	935,085	1,546,876	3,037,853

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, Nanjing, Taizhou, Wuxi, Yangzhou, Huai’an and Laiwu.

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

5. During the reporting period, as the operating rights of 12 shops in Hohhot and Baotou in Inner Mangolia were outsourced, the shops above were not included in the statistics of the report.

In the first half of 2020, the Group recorded total operating revenue of RMB3,703.5 million, representing a year-on-year decrease of 4.8%; a net profit of RMB127.3 million was recorded, representing a year-on-year decrease of 69.8%.

During the reporting period, due to the impact of COVID-19, residents were required to quarantine at home, resulting in the significant decrease in the traffic of stores. During this period, the Group actively responded to the call of the Government and actively fulfilled its social responsibility by providing tenants with rent reduction support to get through the tough times during COVID-19. Meanwhile, the Group strengthened its measures to reduce cost and enhance efficiency, uplift its corporate profitability and actively develop online marketing channels. With the integration of online and offline channels, the Group realized cross referrals and cross sales, promoted diversified business development, continued to advance in the adjustment and upgrade of stores, strengthened and refined the measures in management and the continuation in reducing financial leverage, resulting in the effective enhancement in the Group's resistance to risks. Its achievements were mainly reflected in the following aspects:

1. Actively fulfil its social responsibilities and assist the suppliers to ride through the tough times during the epidemic

During the reporting period, COVID-19 brought uncertainty to the domestic and global retail markets. While coping with the market risks, the Group actively responded to the call of the Government and actively fulfiled its social responsibility. In the first quarter of 2020, under the impact of COVID-19, the department store and shopping centre segment suspended its operation in stages and shortened business hours. In order to assist the tenants to get through the tough times during COVID-19, the Group actively supported tenants with rent reduction. Also, the Group adopted dynamic epidemic prevention and control in accordance with the latest development of COVID-19 for the provision of a safe shopping environment for the consumers. As COVID-19 was gradually under control in the second quarter in the PRC, the Group actively responded to the consumption incentive policy issued by the Government and organised various marketing activities.

As of 30 June 2020, the Group owned 48 stores. In terms of mode of business, the Group owned 15 shopping centres, 30 department stores and supermarkets and 3 outlets. As COVID-19 was effectively under control in the PRC, different stores of the Group moved forward and effectively enhanced their resistance to risks. Moreover, during the reporting period, the Group continued to advance in the adjustment and upgrade of stores by improving the store environment, enhancing the experience and interactive elements, design and artistic elements, increasing operation efficiency and service level. Such measures increased the stores' appeal to the customers.

2. Rapid expansion of online business and expedite the layout of Maoye retail omni-channel

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"（茂悦薈）, "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 digital retail.

During the reporting period, new consumption behavour related functions were added to the "Mao Yue Hui" membership management system such as members' insights, parking ticket management, data service and role management. Membership categorization was more refined and marketing was more precise. The newly added marketing methods of "Jiu Gong Ge" lucky draw, member discount unit, scan for points, free gifts with purchase of a target amount, along with timely statistics and analysis, assisted the stores to continuously optimize member maintenance and marketing efforts. Adhering to the customer-oriented principle, through consolidating the member points mall, bank notes, electronic stored value and gift cards as well as integrating Mao Zhi Xing（茂智行）parking payment, the member service and experience were improved. The number of new members for the membership management system of "Mao Yue Hui" reached 500,000 people in the first half of 2020, achieving a conversion rate of over 29%.

During the reporting period, the "Mao Le Hui" online beauty vertical e-commerce platform further extended the offline consumption environment to online. With exclusive online product support from over 20 brands, the Group's operation was supplemented with additional volume and sales channels. With years of reliance on offline stores and products resources, "Mao Le Hui" enhanced the omni-channel marketing capability, assisted offline store sales, continued to advance the thematic, digital, social, intelligent new retail for the reconstruction of the consumption connection. Also, "Mao Le Hui" reconstructed the ordering operation mechanism from the bottom level to avoid unilateral order, enhanced the cashier efficiency in stores, supported the filing and post-record for joint venture products and strengthened the refined data support for the concessionaire products. In the first half of 2020, newly registered members of "Mao Le Hui" exceeded 200,000 people, representing a 240% year-on-year growth rate.

During the reporting period, the store-concessionaire-supplier three-in-one "Xiao Hong Mao" merchant service platform was continuously optimized. With the addition of quick payment by mobile phone and Pad terminal, the Maoye concessionaire was providing nine new mobile payment methods. With the provision of materials procurement, merchant payment, store service, data enquiry and quick payment, the sales results could be traced to detail of induced consumption. The "Xiao Hong Mao" included the daily environment of Maoye store employees and merchants and realized the seamless connection between the stores and merchants. It could assist the merchants to enhance their management efficiency and service level, and thus increase their sales volume.

3. Control cost and enhance efficiency to create core competitiveness

During the reporting period, with the economy declined and the growth in sales further slowed down, the Company constantly deepened the internal management, reduced manpower cost and improved manpower structure to establish a sound risk and crisis management mechanism for the improvement in the corporate's profitability. Also, regarding the enhancement of market management efficacy, the Company strengthened measures in precision marketing and dynamic tracing to adjust the marketing strategy in a timely manner. Regarding adding income and cutting expenses as well as enhancing quality and increasing efficacy, the Company adhered to be value-driven, strengthened results evaluation, enhanced cost refined management and budget control. Regarding efficacy generated by capital, the Company enhanced risk management, further improved asset structure and financing structure, reduced financing costs effectively and strictly control the increase in asset to liability ratio. Regarding increasing asset profitability, the Company implemented multi-level cost control and strengthened expenses control and management to reduce the Company's operating cost. Moreover, as at 30 June 2020, the Group maintained the proportion of gross floor area of self-owned property in stores at a high level of 78.99% and the proportion of gross floor area of related party leases reached 85.58%. This could effectively reduce the impact of price fluctuations in the rental market.

During the reporting period, the Group continued to create highly effective supply chain and conducted self-sourcing and operation for creating core competitiveness, which mainly included the following: first, matching the store with positioning that corresponds with product category to enhance coherence and continuity for establishing a clear brand image; second, strengthening the in-depth cooperation of brands and suppliers for complementary advantages; third, actively exploring self-sourcing and self-operating to gradually expand self-operate ratio; fourth, researching bespoke production and development for own brands. Moreover, the continued increase in proportion of product categories with high gross profit such as international cosmetic products and Internet celebrity dining, in particular cosmetics, not only led to the sales in cosmetics, but also the consumption of other categories and enhance the young and trendy image of the relevant stores.

4. Reduce financial leverage and further improve debt structure

During the reporting period, the stock pledge ratio of Maoye Commercial Co., Ltd. ("**Maoye Commercial**", a non-wholly owned subsidiary of the Group listed on the Shanghai Stock Exchange, stock code: 600828) continued to decrease. As at 30 June 2020, the stock pledge ratio was 24.99%, and it was further decreased to 14.30% on 19 August 2020. The further decrease in financial leverage helped reduce the Group's financial risks.

During the period from September 2019 to 30 July 2020, the Group has further repurchased part of the outstanding Notes with an original total principal amount of US$250 million 13.25% senior notes due 2020 in an aggregate principal amount of US$126.75 million via open market (the "**Further Repurchased Notes**"). The Further Repurchased Notes represented approximately 50.70% of the initial principal amount of the Notes. After the cancellation of the Further Repurchased Notes, the aggregate outstanding principal amount of the Notes was US$95.4 million, representing 38.16% of the initial principal amount of the Notes. Such measures further improved the Group's debt structure and enhanced the risks prevention capability. For details, please refer to the announcement of the Company dated 30 July 2020, capitalised terms used in this paragraph shall have the same meanings as those defined in that announcement.

5. Disposal of non-core listed equity investments

In May 2020, the Group announced the disposal of certain equity interests in Zhongjiabochuang Information Technology Co., Ltd.(中嘉博創信息技術股份有限公司)("**Zhongjiabochuang**", a company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000889)) by Zhongzhao Investment Management Co., Ltd.(中兆投資管理有限公司). The total consideration for disposal of an aggregate of 32,424,495 shares in Zhongjiabochuang was RMB331.65 million, which represented approximately 4.85% of the issued share capital of Zhongjiabochuang. Upon completion of the transactions, the equity interest in Zhongjiabochuang held by the Group was reduced from 22.18% to 17.65%. The Group received approximately RMB30.95 million in investment income from the transactions. For details, please refer to the announcements of the Company dated 11 May 2020, 15 May 2020 and 19 May 2020.

The proceed from the disposal of non-core listed assets would further consolidate the Group's financial position and capital base and assisted in the focus on core business for the further facilitation of the Group's future business growth and development.

PERFORMANCE OF MAJOR DEPARTMENT STORES[1]

No.	Store Name	Total sales proceeds and rental income *(RMB'000)*	Operation Period[2] *(Years)*	Gross Floor Area *(m^2)*
1	Shenzhen Huaqiangbei	693,841	16.8	63,243
2	Guanghua	315,072	10.6	67,914
3	Taizhou First Department Store	240,088	10.8	40,358
4	Shenzhen Nanshan	232,039	10.8	44,871
5	Victory Commercial Building	227,667	17.2	44,221
6	Taiyuan Maoye Complex	289,258	5.6	252,882
7	Victory International Plaza	219,460	12.5	83,969
8	Shenzhen Dongmen	204,384	23.3	40,709

Notes:

1 Major department stores are stores with sales proceeds and rental income over RMB200 million in the first half of 2020.

2 Operation period was calculated until 30 June 2020.

Going forward, the Group will continue to maintain a steady and solid development strategy. While maintaining long-term competitiveness for the sustainable development, concentrating on further enhancing core competitiveness, focusing on the operation scale and enhancing benefits, the Group will strengthen business innovation and transformation.

FINANCIAL REVIEW

Total Sales Proceeds and Rental Income

For the six months ended 30 June 2020, total sales proceeds and rental income of the Group were RMB4,508.2 million, representing a decrease of 40.9% compared to the same period of 2019. The decrease of total sales proceeds and rental income was primarily due to the extensive business impact on the department and retail industry from the outbreak of COVID-19 since early 2020. The traffic of the stores of the Group significantly decreased which led to the significant decrease in sales proceeds and rental income.

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Total sales proceeds from concessionaire sales	**3,331,797**	6,136,548
Direct sales	**683,658**	950,557
Rental income	**492,747**	540,734
Total sales proceeds and rental income	**4,508,202**	7,627,839

Among the total sales proceeds and rental income of the Group in the first half of 2020, total sales proceeds derived from concessionaire sales accounted for 73.9%, those derived from direct sales accounted for 15.2%, and those derived from rental income accounted for 10.9%. For the six months ended 30 June 2020, sales proceeds from concessionaire sales were RMB3,331.8 million, representing a decrease of 45.7% compared to the same period in 2019; rental income were RMB492.7 million, representing a decrease of 8.9% compared to the same period in 2019.

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		
	2020	2019	**Changes**
	(RMB'000)	*(RMB'000)*	*(%)*
Eastern China	**706,364**	931,324	**–24.2%**
Southern China	**1,325,581**	2,080,823	**–36.3%**
Southwestern China	**823,135**	1,426,436	**–42.3%**
Northern China	**1,653,122**	3,189,256	**–48.2%**
Total	**4,508,202**	7,627,839	**–40.9%**

For the six months ended 30 June 2020, sales of apparels (including men's and ladies' apparels) accounted for 28.1% (first half of 2019: 33.4%), jewelries accounted for 18.4% (first half of 2019: 19.4%), leisure and sports goods accounted for 13.0% (first half of 2019: 12.1%), shoes and leather goods accounted for 6.8% (first half of 2019: 8.2%), cosmetics accounted for 16.3% (first half of 2019: 10.9%), others (including branded merchandise, children's items, bedroom and household goods, retail, ancillary and others) accounted for 17.4% (first half of 2019: 16.0%).

For the six months ended 30 June 2020, revenue of the Group amounted to RMB3,185.7 million, representing an increase of 2.0% compared with RMB3,124.1 million for the same period last year. The increase in revenue was mainly because of the progress made in real estate projects in Taizhou, Baotou, Chuzhou and Taiyuan of Maoye Property, which had resulted in a significant increase in income from property sales.

Other Income

For the six months ended 30 June 2020, other income of the Group amounted to RMB517.8 million, representing a decrease of 32.3% compared with RMB765.3 million for the same period last year. The decrease of the other income was primarily due to the impact from the outbreak of COVID-19, which led to the decrease in the revenue derived from the Group's department store segment and the significant decrease in revenue derived from administration and management fees and sales promotion.

Cost of Sales

For the six months ended 30 June 2020, cost of sales of the Group amounted to RMB1,553.6 million, representing an increase of 32.3% compared with RMB1,174.5 million for the same period last year. This was primarily due to the increase in property cost derived from the increase in income from property segment for the Group.

Employee Expenses

For the six months ended 30 June 2020, employee expenses of the Group amounted to RMB200.9 million, representing a decrease of 33.1% compared with RMB300.4 million for the same period last year, which was mainly due to (i) the enhanced human resources management of the Group which led to a decrease in relevant staff cost, and (ii) the business of Inner Mongolia Victory Supermarket sub-contracted to other third party since July 2019 which led to a year-on-year decrease in staff cost.

Depreciation and Amortization

For the six months ended 30 June 2020, depreciation and amortization of the Group amounted to RMB536.8 million, representing a decrease of 6.0% compared with RMB571.2 million for the same period last year, which was primarily due to (i) the transfer of Wuxi Yibai store from fixed asset to investment properties in mid-last year; and (ii) depreciation expiration of certain assets.

Payments for Short-term Leases and Leases of Low-value Assets

For the six months ended 30 June 2020, payments for short-term leases and leases of low-value assets of the Group amounted to RMB3.6 million, representing a decrease of 83.6% compared with RMB21.9 million for the same period last year, which was mainly due to certain high-value lease contracts with undefined lease extension option in the first half of 2019 were officially extended in the second half of 2019 and the first half of 2020 and was included in the new accounting standard for leases, resulting in the significant decrease in payments for short-term leases and leases of low-value assets for the period as compared to the same period of last year.

Other Operating Expenses

For the six months ended 30 June 2020, other operating expenses of the Group amounted to RMB441.0 million, representing a decrease of 30.6% compared with RMB635.9 million in the same period last year. The other operating expenses as percentage of total sales proceeds and rental income increased to 9.8% in the first half of 2020 compared with 8.3% in the first half of 2019.

Other Gains and Losses

For the six months ended 30 June 2020, other gains of the Group was recorded as gain of RMB87.4 million (first half of 2019: other gains of RMB176.2 million). Such decrease was primarily because of reasons including the fluctuations in the fair value of the Group's investment properties.

Operating Profit

For the six months ended 30 June 2020, operating profit of the Group was RMB1,055.0 million, representing a decrease of 22.5% as compared with RMB1,361.7 million in the same period last year. This was primarily due to the extensive business impact on the department and retail industry from the outbreak of COVID-19 since early 2020. The traffic of the stores of the Group significantly decreased which led to the significant decrease in sales proceeds and rental income.

Finance Costs

For the six months ended 30 June 2020, finance costs of the Group amounted to RMB717.7 million, representing an increase of 15.8% compared with RMB619.7 million in the same period last year. This was primarily because the loan interest from external financial institution no longer satisfied the requirement for interest capitalization after the completion of most of the Group's construction projects.

Income Tax Expense

For the six months ended 30 June 2020, income tax expense of the Group amounted to RMB199.6 million, representing a decrease of 39.3% compared with RMB328.7 million in the same period last year. This was primarily due to the decrease in profits before tax.

Net Profit for the first half of 2020

As a result of the foregoing, for the six months ended 30 June 2020:

– Net profit for the first half of 2020 were RMB127.3 million, representing a decrease of 69.8% as compared with RMB422.0 million for the same period in 2019.

Liquidity and Financial Resources

As at 30 June 2020, the Group's cash and cash equivalents amounted to RMB1,054.9 million, representing a decrease by RMB177.7 million compared to RMB1,232.6 million as at 31 December 2019. The main cash inflow and cash outflow are set out as follows:

(1) Net cash inflow of RMB48.1 million arising from operating activities;

(2) Net cash inflow of RMB254.1 million arising from investment activities, which included:

  (i) the payments of properties, equipment and investment property amounting to RMB150.1 million;

  (ii) the cash inflow of RMB205.0 million from buyback of financial assets at fair value through profit or loss;

  (iii) the cash outflow from the profit distribution to small and medium shareholders of Maoye Commercial amounting to approximately RMB89.4 million;

  (iv) the inflow of RMB331.5 million from disposal of certain equity interest in Zhongjiabochuang;

  (v) the outflow of pledged bank deposits of RMB17.8 million; and

(3) Net cash outflow of RMB422.2 million arising from financing activities, which mainly included:

(i) the increase in cash inflow arising from bank loans and other borrowings of RMB4,845.3 million;

(ii) the cash outflow arising from repayment of bank loans and other borrowings of RMB5,781.0 million;

(iii) the cash outflow arising from repayment of interest of approximately RMB550.5 million;

(iv) the lease expenses of approximately RMB162.2 million included in the new accounting standard on leases; and

(v) net cash inflow arising from borrowings from fellow subsidiaries amounting to approximately RMB1,366.2 million.

Interest-bearing Liabilities

As at 30 June 2020, total bank loans, USD senior guarantee notes and corporate bonds of the Group were approximately RMB15,184.3 million (31 December 2019: RMB16,119.9 million). The gearing ratio[1] and net gearing ratio[2] were 29.2% and 90.3%, respectively (31 December 2019: 29.9% and 92.2%, 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 2020, the Group's secured interest-bearing bank loans amounting to RMB10,193.9 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 RMB3,668.9 million, RMB8,505.5 million, RMB399.8 million, and RMB436.0 million, respectively, as well as certain shares of Maoye Commercial held by the Group, certain shares of Zhongjiabochuang and equity investments designated at fair value through other comprehensive income with fair value of approximately RMB1,512.3 million, RMB192.1 million and RMB769.0 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. As at 30 June 2020, the Group has repurchased US$121.9 million, which is exposed to the effect of foreign exchange fluctuation risks. During the reporting period, the Group recorded foreign exchange net losses of RMB98.7 million on exchange. Since the business of the Group was mainly focused in mainland China, its operation was not exposed to any foreign exchange fluctuation risks.

For the six months ended 30 June 2020, 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 2020 (Six months ended 30 June 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has further repurchased part of the outstanding notes in an aggregate principal amount of US$126,750,000 via open market during the period from September 2019 to 30 July 2020. The Further Repurchased Notes represent 50.70% of the initial principal amount of the Notes. The Further Repurchased Notes were duly cancelled on 30 July 2020. After the cancellation of the Further Repurchased Notes, the outstanding principal amount of the Notes will be US$95,400,000, representing 38.16% of the initial principal amount of the Notes (for details, please refer to the announcement of the Company dated 30 July 2020, 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 2020.

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 2020, 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 2020 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 consolidated statement of financial position, unaudited consolidated statement of profit or loss, unaudited consolidated statement of comprehensive income and the related notes thereto for the six months ended 30 June 2020 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 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 2020 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, 26 August 2020

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Huang Mao Ru, Mr. Zhong Pengyi and Ms. Lu Xiaojuan; one non-executive Director, namely, Mr. Wang Bin; and three independent non-executive Directors, namely, Mr. Rao Yong, Mr. Pao Ping Wing and Mr. Gao Yajun.