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 2021

HIGHLIGHTS

- Total sales proceeds and rental income were RMB5,849.0 million, representing an increase of 29.7% compared to the corresponding period in the last year
- Total operating revenue was RMB3,274.1 million, representing a decrease of 11.6% compared to the corresponding period in the last year
- Operating profit was RMB968.0 million, representing a decrease of 8.2% compared to the corresponding period in the last year
- EBITDA was RMB1,493.0 million, representing a decrease of 5.6% compared to the corresponding period in the last year
- Net profit was RMB107.2 million, representing a decrease of 15.8% compared to the corresponding period in the last year
- Basic earnings per share for the period was RMB1.4 cents, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2021

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 2021.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3.1*	**2,688,170**	3,185,687
Other income	*4*	**585,911**	517,808
Total operating revenue		**3,274,081**	3,703,495
Cost of sales		**(1,117,318)**	(1,553,618)
Employee expenses		**(226,753)**	(200,940)
Depreciation and amortisation		**(537,366)**	(536,797)
Payments for short-term leases and leases of low-value assets		**(9,073)**	(3,615)
Other operating expenses		**(518,673)**	(441,013)
Other gains and losses		**103,063**	87,449
Operating profit		**967,961**	1,054,961
Finance costs	*5*	**(571,491)**	(717,699)
Share of profits and losses of:			
Associates		**(12,028)**	(9,803)
A joint venture		**(319)**	(602)
PROFIT BEFORE TAX		**384,123**	326,857
Income tax expense	*6*	**(276,931)**	(199,581)
PROFIT FOR THE PERIOD		**107,192**	127,276

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Attributable to:			
Owners of the parent		**74,523**	137,126
Non-controlling interests		**32,669**	(9,850)
		107,192	127,276
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*8*	**RMB1.4 cents**	RMB2.7 cents
Diluted		**RMB1.4 cents**	RMB2.7 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**107,192**	127,276
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,087**	41,657
Other comprehensive income that will 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	**(52,341)**	53,613
Income tax effect	**13,085**	(13,403)
	(39,256)	40,210
OTHER COMPREHENSIVE INCOME, NET OF TAX	**(38,169)**	81,867
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**69,023**	209,143
Attributable to:		
Owners of the parent	**41,581**	211,495
Non-controlling interests	**27,442**	(2,352)
	69,023	209,143

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**8,215,738**	8,392,910
Investment properties	**19,690,772**	19,441,153
Right-of-use assets	**6,140,525**	6,335,008
Goodwill	**1,361,122**	1,361,122
Other intangible assets	**39,290**	41,589
Investment in a joint venture	**772**	1,091
Investments in associates	**795,056**	1,069,334
Equity investments designated at fair value through other comprehensive income	**1,463,801**	1,520,533
Financial assets at fair value through profit or loss	**10,960**	10,712
Prepayments	**170,447**	166,485
Deferred tax assets	**646,497**	640,401
Total non-current assets	**38,534,980**	38,980,338
CURRENT ASSETS		
Inventories	**294,990**	264,448
Completed properties held for sale	**2,186,854**	2,442,287
Properties under development	**6,127,712**	5,770,812
Trade receivables	**10,030**	11,015
Prepayments, other receivables and other assets	**2,414,609**	2,517,598
Financial assets at fair value through profit or loss	**44,300**	28,028
Pledged deposits	**181,736**	245,919
Cash and cash equivalents	**1,185,788**	1,046,689
Total current assets	**12,446,019**	12,326,796

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2021

	Note	**30 June 2021 (Unaudited)** *RMB'000*	31 December 2020 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*9*	**1,904,290**	2,466,217
Contract liabilities, deposits received, accruals and other payables		**11,807,648**	11,773,729
Interest-bearing bank loans and other borrowings		**6,179,105**	4,987,441
Lease liabilities		**285,621**	262,934
Tax payable		**383,790**	529,973
Dividend payable		**25,527**	25,527
Total current liabilities		**20,585,981**	20,045,821
NET CURRENT LIABILITIES		**(8,139,962)**	(7,719,025)
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,395,018**	31,261,313
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**8,496,561**	9,355,018
Lease liabilities		**2,286,548**	2,333,243
Deferred tax liabilities		**4,104,976**	4,110,375
Other long-term liability		**5,187**	158
Provision for retirement benefits		**6,855**	6,855
Total non-current liabilities		**14,900,127**	15,805,649
Net assets		**15,494,891**	15,455,664

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2021

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**460,153**	460,153
Other reserves	**12,549,573**	12,507,992
	13,009,726	12,968,145
Non-controlling interests	**2,485,165**	2,487,519
Total equity	**15,494,891**	15,455,664

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 information for the six months ended 30 June 2021 has 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 2020.

As at 30 June 2021, the Group had net current liabilities of approximately RMB8,139,962,000. 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 unutilised banking facilities; (iii) having taken into account that RMB1,990,253,000 and RMB679,714,000 of current liabilities as at 30 June 2021 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 2020, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

    The Group had an interest-bearing bank loans and other borrowing denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 30 June 2021. Since the interest rate of this borrowing was not replaced by RFR during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rate of this borrowing is replaced by RFR in a future period, the Group will apply this practical expedient upon the modification of this borrowing provided that the "economically equivalent" criterion is met.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

However, the Group elected to apply lease modification accounting, rather than variable lease payment for all rent concessions granted by the lessors as a result of the pandemic during the period ended 30 June 2021. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB3,043,000 has been accounted for as a lease modification by derecognising part of the lease liabilities and crediting to right-of-use assets for the period ended 30 June 2021.

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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Commissions from concessionaire sales	**579,198**	504,361
Direct sales	**903,466**	683,658
Sale of properties	**524,164**	1,402,249
Management fee income from the operation of department stores	**–**	314
Revenue from other source		
Rental income from the leasing of shop premises	**236,712**	233,825
Rental income from investment properties	**344,030**	316,501
Others	**100,600**	44,779
	2,688,170	3,185,687

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	Property development	Others	Adjustments and eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Period ended 30 June 2021 (unaudited)					
Segment revenue:					
Sales to external customers	**2,005,861**	**581,709**	**100,600**	**–**	**2,688,170**
Intersegment revenue	**–**	**2,433**	**–**	**(2,433)**	**–**
Other income	**551,335**	**17,430**	**17,146**	**–**	**585,911**
Cost of sales	**(843,419)**	**(254,413)**	**(19,486)**	**–**	**(1,117,318)**
Employee expenses	**(175,393)**	**(19,262)**	**(32,098)**	**–**	**(226,753)**
Depreciation and amortisation	**(433,986)**	**(84,667)**	**(18,713)**	**–**	**(537,366)**
Payments for short-term leases and leases of low-value assets	**(7,197)**	**(1,231)**	**(645)**	**–**	**(9,073)**
Other operating expenses	**(396,837)**	**(74,526)**	**(49,743)**	**2,433**	**(518,673)**
Other gains and losses	**(42,428)**	**146,141**	**(650)**	**–**	**103,063**
Operating profit/(loss)	**657,936**	**313,614**	**(3,589)**	**–**	**967,961**
Finance costs	**(332,238)**	**(239,253)**	**–**	**–**	**(571,491)**
Share of profits and losses of associates and a joint venture	**(12,028)**	**(319)**	**–**	**–**	**(12,347)**
Segment profit/(loss) before tax	**313,670**	**74,042**	**(3,589)**	**–**	**384,123**
Income tax expense	**(109,969)**	**(166,862)**	**(100)**	**–**	**(276,931)**
Segment profit/(loss) for the period	**203,701**	**(92,820)**	**(3,689)**	**–**	**107,192**

	Operation of department stores RMB'000	Property development RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Attributable to:					
Owners of the parent	**149,764**	**(71,746)**	**(3,495)**	**–**	**74,523**
Non-controlling interests	**53,937**	**(21,074)**	**(194)**	**–**	**32,669**
	203,701	**(92,820)**	**(3,689)**	**–**	**107,192**
Other segment information:					
Impairment losses recognised in the income statement	**(23,215)**	**–**	**–**	**–**	**(23,215)**
Impairment of investment in an associate	**102,932**	**–**	**–**	**–**	**102,932**
Gains on partial disposal of shares in an associate	**(18,003)**	**–**	**–**	**–**	**(18,003)**
Investments in associates and a joint venture	**795,056**	**772**	**–**	**–**	**795,828**
Capital expenditure*	**26,618**	**460,126**	**12**	**–**	**486,756**

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

	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
Gains on partial disposal of 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.*

4. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Income from suppliers and concessionaires		
– Administration and management fee income	**363,324**	317,390
– Promotion income	**111,230**	109,358
– Credit card handling fees	**63,701**	53,158
Interest income	**13,080**	12,919
Others	**34,576**	24,983
	585,911	517,808

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Total interest expense on financial liabilities not at fair value through profit or loss	**598,107**	751,175
Less: Interest capitalised	**(26,616)**	(33,476)
	571,491	717,699

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Group:		
Current – CIT	**175,635**	189,947
Current – LAT	**99,107**	36,725
Deferred	**2,189**	(27,091)
Total tax charge for the period	**276,931**	199,581

7. DIVIDENDS

The board of directors did not propose an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of RMB74,523,000 (six months ended 30 June 2020: RMB137,126,000) and the weighted average number of ordinary shares of 5,140,326,000 (six months ended 30 June 2020: 5,140,326,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

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 2021 (Unaudited) ***RMB'000***	31 December 2020 (Audited) *RMB'000*
Within 90 days	**1,450,796**	2,029,504
91 to 180 days	**138,421**	71,812
181 to 360 days	**15,214**	24,375
Over 360 days	**299,859**	340,526
	1,904,290	2,466,217

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. MACRO ECONOMY OVERVIEW

In the first half of 2021, facing the complicated and ever-changing domestic and foreign environment, China continued to strengthen and expand COVID-19 pandemic prevention and control and economic and social development, as well as accurately implemented macroeconomic policies. The gross domestic product of China reached RMB53 trillion, representing a year-on-year increase of 12.7%. With the steady recovery of the national economy, the total retail sales of consumer goods increased by 23% year-on-year and 9% as compared with the corresponding period in 2019, with an average growth rate of 4.4% in two years. The recovery of the consumer market has been further strengthened.

In the first half of 2021, the retail industry remained to be affected by the sporadic cases of COVID-19. According to the statistics of the National Statistical Society of China, in the first half of 2021, due to the low base in the same period, the retail sales of 100 key large-scale retail enterprises nationwide increased by 22.5% year-on-year and decreased by 27% in the first half of 2020 as compared with the corresponding period. The retail market has not yet recovered to the level of the corresponding period in 2019.

Against the background of the post-pandemic era, companies have actively responded to the epidemic prevention and control measures in various regions of China and actively promoted the vaccination of employees. At the same time, companies have carried out their own upgrades and reforms through continuous renewal of offline scenarios, extensive application of online scenarios, continuous updates and upgrades of the functions of online APP mall and enabling digitalization, so as to maintain the continuous development of the industry. The function of APP mall is continuously upgraded, and through enabling digitalization, it maintains sustainable development for the industry.

II. OPERATION REVIEW

For the six months ended 30 June 2021, the Group operated and managed a total of 48 stores in 21 cities nationwide with gross floor area of approximately 3.0 million sq.m., of which operating area attributable to self-owned properties accounted for 77.2% and the proportion of gross floor area of related party leases reached 83.8%. Coverage of key cities included Shenzhen and Zhuhai in Guangdong; Chengdu, Nanchong and Mianyang in Sichuan; Chongqing; Wuxi, Yangzhou, Taizhou, Nanjing and Huai'an in Jiangsu; Zibo, Laiwu and Heze in Shandong; Qinhuangdao and Baoding in Hebei; Shenyang and Jinzhou in Liaoning; Taiyuan in Shanxi; Hohhot and Baotou in Inner Mongolia. As at 30 June 2021, 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.)*	218,174	294,982	935,113	1,548,602	2,996,871

Notes:

1. Southern China region includes: Shenzhen and Zhuhai.

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

3. Eastern China region includes: Zibo, Laiwu, Heze, Wuxi, Yangzhou, Taizhou, Nanjing and Huai'an.

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

In the first half of 2021, the Group achieved total sales proceeds and rental income of RMB5,849.0 million, representing a year-on-year increase of 29.7%; a net profit of RMB107.2 million was recorded, representing a year-on-year decrease of 15.8%.

As one of the leading mid-to-high-end physical retailers in China, the Group has been committed to building a good reputation through diversified product mix and continuously improving consumer experience, so as to continue to attract new and old customers. During the reporting period, the Group laid foundation for its principal businesses and made intensive and penetrative efforts, consolidated its own resilience and strength in a complicated and ever-growing market environment, continuously improved the quality of operation and management, fully dug into the growth potential of high-quality commodity resources and continued to grow through brand adjustment and creative marketing, so as to gradually recover its operating condition.

1. Adhering to our mission and striving to create the future

During the reporting period, in the face of the complicated operating environment caused by the sporadic cases of COVID-19, the Company continued to promote its internal corporate culture, strengthen its development belief and constantly promote the optimization of internal management systems, processes and risk control systems. Different levels of personnel of the Company learns' the culture of the Company, increases the cohesion of the Company's employees and improves the execution ability of the employees of the Company. At the same time, the Company continuously pays attention to the development trend of the retail industry, strengthens the research on macro-economy and industry development trends and explores new profit drivers. The Company will continue to cultivate talents, build excellent operation management and professional service teams, improve employee satisfaction and professionalism and achieve simultaneous growth of employees and the Company. The Company will improve resource integration capabilities continuously to establish long-term and stable, good and complementary strategic relationships with cooperative suppliers, so as to achieve win-win cooperation. The Company will continuously increase its brand building efforts, comprehensively enhance industry and regional awareness and reputation and win the trust, love and loyalty of consumers. The Company strives to continue to improve the quality of life of consumers and lead a modern, healthy and comfortable lifestyle and shopping environment, so as to satisfy the shopping demands of consumers to the fullest extent.

2. Invest in quality commodity resources to consolidate and strengthen commodity capabilities

During the reporting period, the Group accelerated the adjustment of the planning of commodities in its stores, strengthened strategic cooperation with brands and actively adjusted the product portfolio layout to strengthen product sales capabilities. We continued to introduce key opinion leader (KOL) brand stores, regional debut brand stores and benchmark brand flagship stores to increase vitality of commercial projects and enhance the Group's competitiveness. At the same time, the Group regarded commodity resources as its core competitiveness, followed the trend of consumption upgrading and accelerated the pace of brand introduction, so as to focus on the demand of quality lifestyle of young customers. We will focus on strengthening the updates and upgrades of the brand to ensure the replacement and update rate of brands in the Group's stores.

During the reporting period, the Group paid close attention especially to the development trend of the beauty market, and implemented targeted development strategies for the promising beauty sector, including cooperation with a number of well-known beauty brands to launch attractive products in conjunction with customized service experiences to attract more young consumers. The Group wishes to make use of such measures to enhance its youthful and trendy brand image and explore the feasibility of establishing more stores.

3. Build up scenario-based experience to consolidate offline services and experience advantages

During the reporting period, the Group adhered to the operating philosophy of "operating customer flow and empowering merchants" and continued to adjust the trade mix and upgrades, increase scenario-based experience, improve offline shopping experience continuously and attract customer flow and actively introduce diversified consumption scenarios for brand owners and consumers, such as dining, children, cinemas and playgrounds, so as to extend the staying time of customers and boost sales, which helped to build the image of the malls and strengthened the differentiation. On the other hand, the Group continued to upgrade and adjust fashion trends and brands and integrated the characteristics of stores with various details and processes like store designs, organization of goods and customer services. More and more living scenarios and lifestyles will be integrated into the scenarios of stores continuously, which create space for leisure and play, carry out community neighborhood activities, parent-child activities and social marketing, children's growth, catering and supermarket combinations, in order to attract customers and enhance the competitiveness of stores.

During the reporting period, the Group actively explored research and development of innovative payment methods, such as the use of mobile cashier systems (including payment systems such as tablets, mobile phones and applets). After customers purchased goods in the stores, they could make combined payments in the mobile cash register system at the counters, coupled with promotion activities like sales, discounts and gift coupons, customers could enjoy the discount events without leaving the counter. Event coupons could be issued directly to the membership accounts of customers in the form of e-vouchers, and the shopping receipt could be printed and scanned according to the preference of customers, so as to provide customers with convenient payment methods, avoid crowded queues in large-scale promotional activities and improve consumer satisfaction while reducing the use of traditional payment processes, which greatly saves the operating costs of the Company.

4. **The constant upgrading and updating of online platforms contribute to the rapid development of businesses**

During the reporting period, the Group continued to adhere to its objective to achieve "digital retail, intelligent business" and commenced the digitalization of shopping centers through APPs or applets such as "Mao Yue Hui (茂悅薈)", "Mao Le Hui (茂樂惠)" and "Xiao Hong Mao (小紅茂)" or digitalized tools, which helped platform merchants better connect and serve customers surrounding the business districts. At the same time, we have reached strategic cooperation with Douyin platform and Tencent Huiju (騰訊惠聚) respectively to promote online introduction through various methods such as Tencent paid advertising, Douyin, Tencent Huiju, cooperation with Tencent games, WeChat public accounts, private domain operation, Xiaohongshu and Weibo, which greatly enhanced the Group's ability to solicit customers.

During the reporting period, the membership management system of "Mao Yue Hui" always adhered to its core concept of being customer-centric, and its membership management system has been gradually improving, which achieved the automation of marketing, sales and service activities through membership digitization and created a one-stop customer service system, so that users could experience more time-saving, labor-saving, efficient and caring member services. At the same time, the membership management system continued to be upgraded and updated, the functional modules like stored value cards, Huixiang Card (惠享卡) and recharge in member points mall were optimized, and data analysis capabilities such as Douyin Mall member synchronization and Tencent advertising member behavior data docking functions were newly added. As the membership management system was inter-connected with various business systems of the Group's stores, we gradually provided users with a precise and personalized consumer experience. In the first half of 2021, the number of new members for the membership management system of "Mao Yue Hui" reached 710,000 people, achieving a conversion rate of 31%.

During the reporting period, the “Mao Le Hui” online beauty vertical e-commerce platform achieved two-way diversion of online and offline customers and attracted new and old members to continue shopping and consumption by abundant online events. By the mutual automatic point accumulation function of Maoye and brand owners, the one-button point accumulation service for shopping of customers is solved. In the first half of the year, “Mao Le Hui” continued to release new marketing functions, such as distribution, APP exclusive prices and other new methods to support the fulfilment of annual performance target. The current newcomer benefits, share of discount vouchers, membership level purchase and other marketing functions have effectively improved the performance of applet malls. At the same time, it has reached strategic cooperation with Douyin and Tencent Huiju third-party platforms. It connected the goods, orders and after-sales services on various platforms through API, which achieved automatic processing throughout processes and establish a three-dimensional online operation platform and sales platform. By quickly building WeChat groups, it enhanced the operating capacity of “Mao Le Hui”. Various methods like the expansion of live broadcast platforms and operation of Douyin stores achieved online and offline integration effectively, which restored popularity and increased traffic. In the first half of 2021, the sales amounts arising from an event jointly held by the Company and influencers on Donyin with millions of followers reached RMB60 million, the number of viewers watching the live broadcasts reached 10.47 million and the number of consumers reached 110,000 people, and the scale of online business reached new breakthroughs, with newly registered members of “Mao Le Hui” exceeding 347,000 people and the sales amounting to RMB260 million, representing year-on-year growth of 64% and 61% respectively.

During the reporting period, the three-in-one store-concessionaire-supplier “Xiao Hong Mao” merchant service platform was continuously optimized, including real-time access to product inventory, optimization of backstage management operations, optimization of physical malls, while the cash register system was upgraded, electronic mobile payment collection methods such as Huixiang Card（惠享卡）and electronic stored value cards were added, so as to help stores improve management efficiency and counter performance.

5. **Disposal of non-core listed equity investments**

Zhongzhao Investment Management Co., Ltd.（中兆投資管理有限公司）, a wholly-owned subsidiary of the Company, continued to dispose of approximately 4.32% of the total issued share capital of ZhongJia BoChuang Information Technology Co., Ltd.（中嘉博創信息技術股份有限公司）(“**ZhongJia BoChuang**”, a joint stock company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000889)) on the open market. Together with approximately 9.67% of the issued share capital of ZhongJia BoChuang sold in 2020, approximately 13.99% of the issued share capital of ZhongJia BoChuang have been sold in aggregate. As of 16 July 2021, the interests in ZhongJia BoChuang held by the Company was reduced from approximately 22.18% to 8.19%.

The proceeds from the disposal of non-core listed assets would further optimize the Group’s financial position, strengthen and consolidate the capital base of the Group and assist in the focus on core business for 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] *(Year)*	Gross floor Area *(m^2)*
1	Shenzhen Huaqiangbei	1,028,395	17.8	63,243
2	Taiyuan Maoye Complex	467,010	6.6	252,882
3	Guanghua	373,896	11.6	67,914
4	Taizhou First Department Store	316,093	11.8	40,358
5	Shenzhen Nanshan	315,772	11.8	44,871
6	Victory Commercial Building	311,466	18.2	44,221
7	Victory International Plaza	283,214	13.5	83,969
8	Shenzhen Dongmen	264,684	24.3	40,710

Notes:

1 Major department stores are stores with total sales proceeds and rental income of over RMB250 million for the first half of 2021.

2 Operation period was calculated until 30 June 2021.

III. FUTURE OUTLOOK

Looking ahead, the economic outlook and retail industry are still full of uncertainties and challenges. In the post-pandemic era, the ongoing and repeated resurgence of sporadic cases will continue to affect the progress of economic recovery. The Group pays great attention to the situation, and will continue to improve its wisdom and resilience to coexist with the COVID-19 pandemic and continuously improve the quality of its own services and operations, so as to maintain its core competitiveness in the ever-growing competitive business environment. The Group will also firmly uphold the direction of digitalization, actively promote digital upgrades, create online and offline omni-channel solutions and improve refined operation capabilities. The Group will regard commercial retail and real estate development as our core industries, with industrial investment and capital operation as the linkage, so as to promote diversified and cross-regional development in various areas.

FINANCIAL REVIEW

Total Sales Proceeds and Rental Income

For the six months ended 30 June 2021, total sales proceeds and rental income of the Group were RMB5,849.0 million, representing an increase of 29.7% as compared with the corresponding period in 2020. The main reason of the increase in total sales proceeds and rental income was that although the retail sector was affected by the COVID-19 pandemic in certain areas, it was more controllable in general as compared with the corresponding period in 2020. With the gradual recovery of the economy, the Group continued to improve the operating results of stores, enhanced operating efficiency and accelerated the expansion of its online businesses.

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Total sales proceeds from concessionaire sales	**4,422,302**	3,331,797
Direct sales income	**903,466**	683,658
Rental income	**523,197**	492,747
Total sales proceeds and rental income	**5,848,965**	4,508,202

Among the total sales proceeds and rental income of the Group for the first half of 2021, total sales proceeds derived from concessionaire sales accounted for 75.6%, those derived from direct sales income accounted for 15.4%, and those derived from rental income accounted for 9.0%. For the six months ended 30 June 2021, the Group's sales proceeds from concessionaire sales were RMB4,422.3 million, representing an increase of 32.7% as compared with the corresponding period in 2020; rental income was RMB523.2 million, representing an increase of 6.2% as compared with the corresponding period in 2020.

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

	Total sales proceeds and rental income Six months ended 30 June		
	2021	2020	**Change**
	(RMB'000)	*(RMB'000)*	*(%)*
Eastern China	**833,022**	706,364	**17.9%**
Southern China	**1,882,059**	1,325,581	**42.0%**
Southwestern China	**868,480**	823,135	**5.5%**
Northern China	**2,265,404**	1,653,122	**37.0%**
Total	**5,848,965**	4,508,202	**29.7%**

For the six months ended 30 June 2021, sales of apparels (including men's and ladies' apparels) accounted for 26.4% (first half of 2020: 28.1%), jewelries accounted for 22.9% (first half of 2020: 18.4%), leisure and sports goods accounted for 11.9% (first half of 2020: 13.0%), shoes and leather goods accounted for 6.2% (first half of 2020: 6.8%), cosmetics accounted for 16.7% (first half of 2020: 16.3%) and others (including branded merchandise, children's items, bedroom and household goods, home appliances, food, family goods, fresh products, retail, ancillary and others) accounted for 15.9% (first half of 2020: 17.4%).

For the six months ended 30 June 2021, revenue from core business of the Group amounted to RMB2,688.2 million, representing a decrease of 15.6% as compared with RMB3,185.7 million for the corresponding period last year. The decrease in revenue was mainly because of the year-on-year decrease in the income of property sales recognized according to the schedule of the Group's property projects.

Other Income

For the six months ended 30 June 2021, other income of the Group amounted to RMB585.9 million, representing an increase of 13.2% as compared with RMB517.8 million for the corresponding period last year. The main reason was that the retail sector was affected by the COVID-19 pandemic in certain areas, but it was more controllable in general as compared with the corresponding period in 2020. With the gradual recovery of the economy, the Group continued to improve the operating results of stores, enhanced operating efficiency and accelerated the expansion of its online businesses.

Cost of Sales

For the six months ended 30 June 2021, cost of sales of the Group amounted to RMB1,117.3 million, representing a decrease of 28.1% as compared with RMB1,553.6 million for the corresponding period last year. This was primarily due to the decrease of income from property sales of property projects recognized during the current period, resulting in the decrease in relevant costs.

Employee Expenses

For the six months ended 30 June 2021, employee expenses of the Group amounted to RMB226.8 million, representing an increase of 12.9% as compared with RMB200.9 million for the corresponding period last year. As the corresponding period in 2020 was the most severe period under the COVID-19 pandemic, the government of China implemented preferential social security policies and enterprises could enjoy reduction or exemption of social security expenses, thus the employee expenses increased as compared with the corresponding period in 2020.

Depreciation and Amortization

For the six months ended 30 June 2021, depreciation and amortization of the Group amounted to RMB537.4 million, representing an increase of 0.1% as compared with RMB536.8 million for the corresponding period last year, which was broadly the same.

Lease Rental Expenses of Short-term Leases and Low-value Subject Assets

For the six months ended 30 June 2021, the lease rental expenses of short-term leases and low-value subject assets of the Group amounted to RMB9.1 million, representing an increase of 151.0% as compared with RMB3.6 million for the corresponding period last year, which was mainly due to the addition of certain short-term leases during the current period.

Other Operating Expenses

For the six months ended 30 June 2021, other operating expenses of the Group amounted to RMB518.7 million, representing an increase of 17.6% as compared with RMB441.0 million for the corresponding period last year. Other operating expenses as a percentage to total sales proceeds and rental income decreased from 9.8% for the first half of 2020 to 8.9% for the first half of 2021.

Other Gains and Losses

For the six months ended 30 June 2021, the Group recorded other gains of RMB103.1 million and other gains for the corresponding period last year was RMB87.4 million. Such increase was mainly due to the fluctuation of fair value of the Group's investment properties.

Operating Profit

For the six months ended 30 June 2021, the Group recorded operating profit of RMB968.0 million, representing a decrease of 8.2% as compared with RMB1,055.0 million for the corresponding period last year. This was primarily due to the year-on-year decrease in the gains of sales of properties carried forward during the period according to the schedule of the Group's property projects.

Finance Costs

For the six months ended 30 June 2021, finance costs of the Group amounted to RMB571.5 million, representing a decrease of 20.4% as compared with RMB717.7 million for the corresponding period of last year. This was primarily due to the fact that the principal of interest-bearing liabilities for the current period decreased year-on-year as compared with the corresponding period of 2020 and that the corresponding finance costs recorded a year-on-year decrease.

Income Tax Expense

For the six months ended 30 June 2021, income tax expense of the Group amounted to RMB276.9 million, representing an increase of 38.7% as compared with RMB199.6 million for the corresponding period last year. The main reason was the year-on-year increase in the total profit for the current period.

Net Profit for the First Half of 2021

As a result of the foregoing, for the six months ended 30 June 2021:

– Net profit for the first half 2021 was RMB107.2 million, representing a decrease of 15.8% as compared with RMB127.3 million for the corresponding period of 2020.

Liquidity and Financial Resources

As at 30 June 2021, the Group's cash and cash equivalents amounted to RMB1,185.8 million, representing an increase of RMB139.1 million as compared with the balance of RMB1,046.7 million as at 31 December 2020. The main cash inflow and cash outflow are set out as follows:

(1) Net cash inflow of RMB26.4 million arising from operating activities;

(2) Net cash outflow of RMB159.5 million arising from investment activities, mainly including:

    (i) the outflow of RMB150.4 million arising from investments in properties, equipment and investment property;

    (ii) the outflow of RMB133.6 million arising from the purchase of financial assets at fair value through profit or loss;

    (iii) the inflow of RMB109.4 million arising from the buyback of financial assets at fair value through profit or loss;

    (iv) the inflow of RMB182.8 million arising from the partial disposal of certain equity interest in ZhongJia BoChuang;

    (v) the outflow of RMB231.8 million arising from the payment for the acquisition of the equity interests in Renhe Investment;

    (vi) receipts of the dividends in a total amount of RMB3.2 million from the financial assets at fair value through profit or loss and from the equity instruments designated at fair value through other comprehensive income;

(vii) the profit distribution of approximately RMB29.8 million to small and medium shareholders of Maoye Commercial; and

(viii) the inflow of RMB64.2 million arising from the release of pledge of restricted bank deposits; and

(3) Net cash inflow of RMB267.3 million arising from financing activities, mainly including:

(i) the cash inflow of RMB3,216.1 million arising from the increase in bank loans and other borrowings;

(ii) the cash outflow of RMB2,882.9 million arising from the repayment of bank loans and other borrowings;

(iii) the cash outflow of approximately RMB387.5 million arising from the payment of interest;

(iv) the rental expenses of approximately RMB171.1 million included in the new accounting standard on leases;

(v) the cash inflow of approximately RMB550.0 million arising from borrowings from fellow subsidiaries; and

(vi) the cash outflow approximately RMB57.3 million arising from the repayment of borrowings from fellow subsidiaries.

Interest-bearing Liabilities

As at 30 June 2021, total bank borrowings and corporate bonds of the Group were approximately RMB14,675.7 million (31 December 2020: RMB14,342.5 million). The interest-bearing gearing ratio[1] and net interest-bearing debt to equity ratio[2] were 28.8% and 87.1%, respectively (31 December 2020: 28.0% and 86.0%, respectively).

[1] Interest-bearing gearing ratio = total interest-bearing debt/total assets = (bank borrowings + USD senior guaranteed notes + corporate bonds)/total assets

[2] Net interest-bearing debt to equity ratio = net interest-bearing debt/equity = (bank borrowings + USD senior guaranteed notes + corporate bonds – cash and cash equivalents)/equity

Contingent Liabilities

The first court hearing in relation to the litigation filed by Shenyang Asian and European Industry and Trade Group Co., Ltd. (瀋陽亞歐工貿集團有限公司), the non-controlling shareholder of Shenyang Zhanye Property Co., Ltd. (瀋陽展業置地有限公司)("**Zhanye Property**"), with the Shenyang Municipal Intermediate People's Court to claim for the return of capital contribution of approximately RMB74.0 million withdrawn by Liaoning Logistics Co, Ltd.,(遼寧物流有限公司)a subsidiary of the Company, together with related interest to Zhanye Property, was held on 7 June 2021. The Company, based on the advice from the Company's legal counsel, believes that the ultimate outcome of the litigation cannot be reliably estimated.

Pledge of Assets

As at 30 June 2021, the Group's secured interest-bearing bank loans amounting to RMB11,370.7 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 RMB4,280.4 million, RMB8,147.6 million, RMB162.8 million and RMB1,817.4 million, respectively.

Foreign Currency Risks

During the reporting period, the Group recorded net gain on foreign exchange of approximately of RMB3.4 million. Since the business of the Group was mainly focused in mainland China, its operation was not exposed to any foreign exchange fluctuation risk.

For the six months ended 30 June 2021, the Group had not entered into any arrangement to hedge its foreign currency risk. The Group's operating cash flow was 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 2021 (six months ended 30 June 2020: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, the Company and its subsidiaries have not purchased, sold or redeemed listed securities of the Company.

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 2021, 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 2021 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 2021 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 2021 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, 18 August 2021

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.