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 2022

HIGHLIGHTS

- Total sales proceeds was RMB4,326.1 million, representing a decrease of 18.8% compared to the corresponding period in the last year
- Total rental income *note* was RMB697.3 million, representing an increase of 20.1% compared to the corresponding period in the last year
- Total operating revenue was RMB3,028.6 million, representing a decrease of 7.5% compared to the corresponding period in the last year
- Operating profit was RMB789.6 million, representing a decrease of 18.4% compared to the corresponding period in the last year
- Profit attributable to owners of the parent was RMB100.2 million, representing an increase of 34.5% compared to the corresponding period in the last year
- Basic earnings per share for the period was RMB1.9 cents, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2022

Note: Total rental income includes department store and real estate rental income

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 2022.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3.1*	**2,473,784**	2,688,170
Other income	*4*	**554,783**	585,911
Total operating revenue		**3,028,567**	3,274,081
Cost of sales		**(1,022,473)**	(1,117,318)
Employee expenses		**(245,535)**	(226,753)
Depreciation and amortisation		**(540,679)**	(537,366)
Payments for short-term leases and leases of low-value assets		**(6,520)**	(9,073)
Other operating expenses		**(493,721)**	(518,673)
Other gains and losses		**69,994**	103,063
Operating profit		**789,633**	967,961
Finance costs	*5*	**(534,820)**	(571,491)
Share of profits and losses of:			
A joint venture		**(592)**	(319)
Associates		**(8,660)**	(12,028)
PROFIT BEFORE TAX		**245,561**	384,123
Income tax expense	*6*	**(159,622)**	(276,931)
PROFIT FOR THE PERIOD		**85,939**	107,192

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Attributable to:			
Owners of the parent		**100,202**	74,523
Non-controlling interests		**(14,263)**	32,669
		85,939	107,192
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB1.9 cents**	RMB1.4 cents
Diluted		**RMB1.9 cents**	RMB1.4 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**85,939**	107,192
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(24,661)**	1,087
Other comprehensive loss 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	**(126,985)**	(52,341)
Income tax effect	**13,985**	13,085
	(113,000)	(39,256)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(137,661)**	(38,169)
TOTAL COMPREHENSIVE (LOSS)/INCOME, NET OF TAX	**(51,722)**	69,023
Attributable to:		
Owners of the parent	**(37,527)**	41,581
Non-controlling interests	**(14,195)**	27,442
	(51,722)	69,023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	30 June 2022 (Unaudited) ***RMB'000***	31 December 2021 (Audited) *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**8,121,012**	8,297,704
Investment properties	**21,508,240**	21,394,912
Right-of-use assets	**5,761,992**	5,946,016
Goodwill	**1,290,415**	1,322,252
Other intangible assets	**35,054**	37,446
Investment in a joint venture	**–**	592
Investments in associates	**493,135**	447,013
Equity investments designated at fair value through other comprehensive income	**1,046,722**	1,354,735
Financial assets at fair value through profit or loss	**9,177**	9,475
Prepayments	**209,530**	134,074
Deferred tax assets	**735,978**	745,925
Total non-current assets	**39,211,255**	39,690,144
CURRENT ASSETS		
Inventories	**284,340**	333,974
Completed properties held for sale	**2,276,473**	2,119,354
Properties under development	**5,059,809**	5,314,077
Financial assets at fair value through profit or loss	**44,571**	417,053
Trade and bills receivables	**20,673**	14,144
Prepayments, other receivables and other assets	**2,656,879**	2,511,938
Pledged deposits	**344,341**	147,114
Cash and cash equivalents	**1,077,462**	1,197,116
Total current assets	**11,764,548**	12,054,770

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2022

	Note	**30 June 2022 (Unaudited)** *RMB'000*	31 December 2021 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*9*	**1,850,271**	1,892,912
Contract liabilities, deposits received, accruals and other payables		**8,315,017**	8,317,028
Interest-bearing bank loans and other borrowings		**7,024,402**	6,412,887
Lease liabilities		**299,433**	276,666
Income tax payable		**379,237**	383,430
Dividend payable		**26,078**	26,076
Total current liabilities		**17,894,438**	17,308,999
NET CURRENT LIABILITIES		**(6,129,890)**	(5,254,229)
TOTAL ASSETS LESS CURRENT LIABILITIES		**33,081,365**	34,435,915
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**6,757,637**	7,901,982
Lease liabilities		**2,079,197**	2,100,472
Deferred tax liabilities		**4,298,523**	4,301,047
Other long-term liability		**3,768,626**	3,858,622
Provision for retirement benefits		**6,789**	6,789
Total non-current liabilities		**16,910,772**	18,168,912
Net assets		**16,170,593**	16,267,003

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2022

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**460,153**	460,153
Other reserves	**13,212,420**	13,255,109
	13,672,573	13,715,262
Non-controlling interests	**2,498,020**	2,551,741
Total equity	**16,170,593**	16,267,003

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Maoye International Holdings Limited (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, World Finance Centre, 4003 Shennan East Road, Shenzhen, the People's Republic of China (the "**PRC**"). The Company and its subsidiaries (collectively referred to as the "**Group**") are 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 2022 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 2021.

As at 30 June 2022, the Group had net current liabilities of approximately RMB6,129,890,000. 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 RMB1,617,999,000 and RMB736,837,000 of current liabilities as at 30 June 2022 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 2021, 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 3	Reference to the Conceptual Framework
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

(a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- *IFRS 16 Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Commissions from concessionaire sales	**418,162**	579,198
Direct sales	**784,416**	903,466
Sale of properties	**482,276**	524,164
Revenue from other source		
Rental income from the leasing of shop premises	**295,938**	236,712
Rental income from investment properties	**401,391**	344,030
Others	**91,601**	100,600
	2,473,784	2,688,170

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 2022 (unaudited)					
Segment revenue:					
Sales to external customers	**1,838,998**	**543,185**	**91,601**	**–**	**2,473,784**
Other income	**528,821**	**11,426**	**14,536**	**–**	**554,783**
Cost of sales	**(741,056)**	**(261,803)**	**(19,614)**	**–**	**(1,022,473)**
Employee expenses	**(184,129)**	**(22,686)**	**(38,720)**	**–**	**(245,535)**
Depreciation and amortisation	**(430,042)**	**(84,864)**	**(25,773)**	**–**	**(540,679)**
Payments for short-term leases and leases of low-value assets	**(5,928)**	**(222)**	**(370)**	**–**	**(6,520)**
Other operating expenses	**(399,224)**	**(56,017)**	**(38,480)**	**–**	**(493,721)**
Other gains and losses	**50,227**	**19,782**	**(15)**	**–**	**69,994**
Operating profit/(loss)	**657,667**	**148,801**	**(16,835)**	**–**	**789,633**
Finance costs	**(295,392)**	**(239,428)**	**–**	**–**	**(534,820)**
Share of profits and losses of associates and a joint venture	**(8,660)**	**(592)**	**–**	**–**	**(9,252)**
Segment profit/(loss) before tax	**353,615**	**(91,219)**	**(16,835)**	**–**	**245,561**
Income tax expense	**(97,206)**	**(61,622)**	**(794)**	**–**	**(159,622)**
Segment profit/(loss) for the period	**256,409**	**(152,841)**	**(17,629)**	**–**	**85,939**
Attributable to:					
Owners of the parent	**229,346**	**(111,501)**	**(17,643)**	**–**	**100,202**
Non-controlling interests	**27,063**	**(41,340)**	**14**	**–**	**(14,263)**
	256,409	**(152,841)**	**(17,629)**	**–**	**85,939**
Other segment information:					
Impairment losses recognised in the income statement	**(25,504)**	**–**	**–**	**–**	**(25,504)**
Impairment of goodwill	**(31,837)**	**–**	**–**	**–**	**(31,837)**
Gains on deemed disposal of shares in an associate	**54,782**	**–**	**–**	**–**	**54,782**
Investments in associates and a joint venture	**493,135**	**–**	**–**	**–**	**493,135**
Capital expenditure*	**(30,629)**	**(392,321)**	**(506)**	**–**	**(423,456)**

* *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 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
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:					
Reversal of 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.*

4. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Income from suppliers and concessionaires		
– Administration and management fee income	**368,871**	363,324
– Promotion income	**106,436**	111,230
– Credit card handling fees	**46,513**	63,701
Interest income	**7,001**	13,080
Others	**25,962**	34,576
	554,783	585,911

5. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Total interest expense on financial liabilities not at fair value through profit or loss	**572,297**	598,107
Less: Interest capitalised	**(37,477)**	(26,616)
	534,820	571,491

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Group:		
Current – CIT	**132,942**	175,635
Current – LAT	**23,035**	99,107
Deferred	**3,645**	2,189
Total tax charge for the period	**159,622**	276,931

7. DIVIDENDS

The board of directors did not propose an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 RMB100,202,000 (2021: RMB74,523,000) and the weighted average number of ordinary shares of 5,140,326,000 (Six months ended 30 June 2021: 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 2022 and 2021.

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 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 90 days	**1,011,758**	1,281,165
91 to 180 days	**373,646**	92,249
181 to 360 days	**135,380**	82,567
Over 360 days	**329,487**	436,931
	1,850,271	1,892,912

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. MACRO ECONOMY OVERVIEW

Since the first half of 2022, the international situation has been complicated and severe, and the world economic growth has slowed down. The domestic epidemic has spread frequently and caused serious impact on the stable operation of the economy. According to data released by the National Bureau of Statistics, the gross domestic product (GDP) in the first half of the year reached RMB56.26 trillion, representing a year-on-year increase of 2.5% at constant prices, which showed the growth rate has slowed down. In the first half of the year, the total retail sales of consumer goods reached RMB21.04 trillion, a year-on-year decrease of 0.7%. Since March 2022, regions across the country are being affected by the pandemic one after another, showing a downward trend year-on-year. In June, the total retail sales of consumer goods changed from a decline to a year-on-year increase of 3.1%, showing the effective control of the rebound of the epidemic. Under the guiding policies of overall planning of epidemic prevention and control and social economic growth, the foundation for stable economic recovery has been consolidated, and the level of market sales has been marginally improved.

According to statistics from the China National Commercial Information Center, in the first half of 2022, the retail sales of national 100 key large-scale retail enterprises decreased 14.1% year-on-year, while the retail sales in June decreased 3.2% year-on-year, which narrowed by 20.5 percentage points from the previous month, showing a continuous recovery trend. On the whole, affected by the epidemic, catering consumption with interacting and clustering characteristics still showed large decline, and the growth rate of retail sales has not yet turned positive. In terms of consumption trends, the proportion of online consumption continued to increase, and the sales of retail business which closely related to basic life, such as self-service supermarkets and community retail stores, showed a good growth trend.

II. OPERATION REVIEW

For the six months ended 30 June 2022, the Group operated and managed a total of 48 stores in 21 cities nationwide with gross floor area of approximately 3.1 million sq.m., of which operating area attributable to self-owned properties accounted for 77.9% (including gross floor area leased from related parties, 84.4%). 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 2022, 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	15	20	48
Gross Floor Area *(sq.m.)*	218,173	294,982	1,043,668	1,541,576	3,098,399

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.

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. The business operation has gradually recovered, and sustainable and healthy development has been achieved.

MAJOR OPERATIONAL HIGHLIGHTS

1. Adhere to professional operation and promote refined management

During the reporting period, facing the repeated impact of the local epidemic and the complex and ever-changing internal and external environment, the Group insisted on consolidating its internal strength and continued to improve and adjust its store layout, product categories and services, and organizational structure, which further improved the organization's operational efficiency and store management ability, and laid a good foundation for the Company's long-term development in the future.

During the reporting period, the Group continued to adhere to high-quality merchant management with deepened store value management system, conducted in-depth data mining and analysis on the value of key stores, made scientific plans and adjustments to the layout of multi-purpose stores, and further clarified its store and pricing policies, in order to achieve effective improvement of store performance. In terms of store operation, the Group has always insisted on improving the refined management capabilities of existing stores. Through the analysis of store consumption data, the layout of store formats and categories is reasonably planned according to the customer flows, so as to enhance the customer attraction of the stores and increase the customer's time spend and consumption levels in the stores.

At the same time, the Group adjusted the layout of product portfolios by enhancing the efficiency of supply chains, so as to strengthen product competitiveness in various aspects. For example, self-owned cosmetics achieved online and offline segmentation of inventories, which empowered the lean management of self-owned cosmetics in a better way and reduced the pressure of manual reconciliation of terminal staff. The Group has developed an independent procurement system of orders, which achieved accurate controls over the order and sales information of self-owned cosmetics. 8 stores operating high-end cosmetics nationwide fully applied the cosmetics management system and the granularity of which reached single-product level, coupled with the penetration into more opportunities for business growth by big market data and artificial intelligence, all of these improved the working efficiency of cosmetics teams.

The Group has always adhered to a customer-centric approach, focusing on the enhancement of customer experience and the improvement of customer service levels. During the reporting period, the Group optimized the functions of the customer parking system in stores, and further improved and upgraded the customer service facilities such as maternity rooms and customer service centers in some stores. Through the enhancement of store environment, experience, products and services, the competitiveness of store products and services are improved, and more attractive commercial space and life content is presented to the customers.

2. Actively promote service upgrade and organizational innovation through technology empowerment

During the reporting period, the Group proactively followed the development trend of the macro economy and the retail industry, and implemented a series of digital initiatives in a planned way to achieve technological empowerment, and continued to inject more vitality into the long-term development of the Group.

The Group's offline stores have fully promoted the cloud POS system, replacing traditional manual cashiers with various mobile payment methods. Online cashiers have also integrated additional functions such as membership points, shopping coupon management, and electronic invoices to improve operational efficiency and user experience. In addition, the Group has started to promote cleaning robots in some stores, which helps to improve work efficiency, extend working hours and increase work scenarios, and also helps to reduce the risk of manual contact and virus transmission during the epidemic.

During the reporting period, the Group's three-in-one store concessionaire-supplier "Xiao Hong Mao" merchant service platform was continuously optimized, providing updated functions including real-time access to commodity inventory, optimization of back-end management operations, and optimization of material malls, which further improved the convenience of merchant services and the timeliness of payment reconciliation, and increased merchant satisfaction and cooperation efficiency.

3. Online business continued to upgrade, online and offline marketing interaction, and the construction of an interconnected full retail ecosystem

During the reporting period, the Group continuously developed and improved the Group's online marketing APPs such as "Mao Yue Hui" and "Mao Le Hui" with the aim of "digital retail and smart business". The Group continued to expand the depth and width of the Group's online business layout through digital applications such as WeChat official account, enterprise WeChat, and Tik Tok live-streaming.

The Group continued to follow new forms, new channels and new contents of marketing activities, and actively researched differentiated, trendy and youthful brand strategies in response to the consumption upgrading and consumption stratification trends in the current economic environment. In addition, the Group adheres to the interaction and innovation of online and offline marketing, strengthens the coordination and linkage of omni-channel marketing activities, in order to achieve two-way traffic attraction between online and offline. During the reporting period, the Group continued its in-depth integration of offline store sales with the online marketing APP "Mao Le Hui", promoted the functional integration and data interconnection of online APPs such as "Mao Yue Hui" and "Mao Lehui", and realized the synchronization of online and offline products. At the same time, the Group has begun to integrate the supermarket business of some offline stores into the online platform, and continued to optimize the back-end inventory management, so as to achieve detailed inventory management at the supply end and real-time monitoring of online and offline inventory.

During the reporting period, the Group's stores comprehensively promoted the live broadcast among sales team, carried out marketing activities with implemented overall marketing plans, improved cross-merchant marketing linkages, and enhanced the explosive power of marketing activities. At the same time, the stores have increased the promotion points of the online APP to help attract new fans. The functions of the online platform have also been continuously optimized and upgraded according to the ever-changing market trends, and constantly carried out innovative marketing activities and optimized online product functions. During the reporting period, the WeChat mini-program "Mao Le Hui"conducted 322 live broadcasts, with a total number of viewers exceeding 1 million. At present, there are more than 300 brands on "Mao Le Hui", among which the online sales of various brands including Lancome, SK-II, Skin Ceuticals, La Mer have exceeded RMB10 million. In the first half of 2022, the sales of the entire online platform achieved RMB271 million, of which Tencent Huiju channel sales achieved RMB20.86 million, representing a year-on-year increase of 275%.

As the main bridge for maintaining and communicating with members of the Group, the "Mao Yue Hui" membership management system has been continuously upgraded in various aspects during the reporting period. The membership management system has been further improved. All aspects of the membership management system have been connected through digital operation, and the data review and refined analysis of marketing costs have been achieved. During the reporting period, the Group began to promote enterprise WeChat as a new channel for linking members, stores and brands, and achieved favorable member interaction effects. As of the first half of 2022, the total number of members served by the membership management system of "Mao Yue Hui" reached 16,410,000 people and the total consumption of members reached RMB2.744 billion.

4. Promote the construction of new stores steadily to prepare for better future growth

During the reporting period, the Group has been steadily promoting the development of Maoye Times Square located at Shuangliu in Chengdu. Its interior decoration construction and tenant sourcing is progressing at full speed and it is estimated that such project will open for business at the end of September 2022. The floor area of such project was 32,000 sq.m. and the operating area of which was approximately 17,800 sq.m., the Group is endeavoring to construct it as a community life center under the principle of "building for family"(為家而建). Currently, the tenant sourcing of such project is satisfactory and it is forecasted that such project will commence business with 100% occupancy rate and contribute sales of approximately RMB220 million annually.

At the same time, the reconstruction of Maoye Complex (North) located at Yanshikou in Chengdu and the planning of the plot owned by Chengdu Renhe Investment Co., Ltd., a subsidiary of the Group (i.e. the original Jincheng art palace project), are steadily pushing ahead.

5. Consolidate asset quality and optimize debt structure

During the reporting period, Zhongzhao Investment Management Co., Ltd.*（中兆投資管理有限公司, "**Zhongzhao Investment**"）, a wholly-owned subsidiary of the Company, disposed some of its shareholding in INZONEGROUP Co., Ltd.*（銀座集團股份有限公司, "**INZONEGROUP**", a company incorporated in the P.R.C. and listed on the Shanghai Stock Exchange, stock code: 600858）. Please refer to the announcement of the Company dated 21 June 2022 for details. The transaction helped the Group to further consolidate its asset quality, increase its cash flow level, and focus on the development of its main business lines. On the other hand, the Company has replaced some of its existing debts, further reducing financing costs and optimizing the debt structure. As of 30 June 2022, the Group's interest-bearing liabilities were further reduced from the end of the previous year, while financial expenses decreased, which helped the Group to continuously improve its profitability and achieve stable and healthy development of its operations.

PERFORMANCE OF TOP 10 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	846,923	18.8	63,243
2	Taiyuan Maoye Complex	506,963	7.6	252,882
3	Guanghua	356,904	12.6	67,914
4	Shenzhen Nanshan	300,922	12.8	44,871
5	Taizhou First Department Store	264,023	12.8	40,358
6	Victoria Commercial Building	245,504	19.2	48,187
7	Shenzhen Dongmen	230,559	25.3	40,710
8	Zibo Maoye Times Square	204,085	7.2	86,677
9	Xiandai Shopping Plaza	145,721	15.7	36,926
10	Victoria International Plaza	137,723	13.8	83,969

Notes:

1 Top 10 department stores are ranked by total sales proceeds and rental income during the first half of 2022.

2 Operation period was calculated until 30 June 2022.

III. FUTURE OUTLOOK

Looking ahead, the economic outlook and the retail industry are still full of uncertainties and challenges. In the post-epidemic era, local epidemics emerge one after another, which will continue to affect the process of economic recovery. The Group remains highly concerned on the current situation and will continue to enhance its wisdom and resilience in coexisting with the COVID-19 pandemic. The Group will closely follow the development trend of consumption and commerce, continue to consolidate high-quality service capabilities, improve store operating efficiency, and optimize store layout. At the same time, the Group will hold on to technological empowerment, actively explore and innovate in response to the transformation of online and offline consumption formats in the post-epidemic era, continue to promote digital upgrades, explore new areas of business growth, and achieve collaborative innovation and development of online and offline businesses.

FINANCIAL REVIEW

Total Sales Proceeds and Rental Income

For the six months ended 30 June 2022, total sales proceeds and rental income of the Group were RMB4,962.5 million, representing a decrease of 15.2% as compared with the corresponding period in 2021, mainly due to the impact of the macroeconomic environment and the domestic COVID-19 epidemic, which impacted the overall performance of the retail industry as well as the operation of the Group's stores.

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Total sales proceeds from concessionaire sales	**3,541,652**	4,422,302
Direct sales income	**784,416**	903,466
Rental income	**636,420**	523,197
Total sales proceeds and rental income	**4,962,488**	5,848,965

Among the total sales proceeds and rental income of the Group for the first half of 2022, total sales proceeds derived from concessionaire sales accounted for 71.4%, those derived from direct sales income accounted for 15.8%, and those derived from rental income accounted for 12.8%. For the six months ended 30 June 2022, the Group's sales proceeds from concessionaire sales were RMB3,541.7 million, representing a decrease of 19.9% as compared with the corresponding period in 2021; revenue from direct sales was RMB784.4 million, representing a decrease of 13.2% as compared with the corresponding period in 2021; rental income was RMB636.4 million, representing an increase of 21.6% as compared with the corresponding period in 2021.

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		Change
	2022	2021	
	(RMB'000)	*(RMB'000)*	*(%)*
Eastern China	**767,984**	833,022	–7.8%
Southern China	**1,597,683**	1,882,059	–15.1%
Southwestern China	**734,806**	868,480	–15.4%
Northern China	**1,862,015**	2,265,404	–17.8%
Total	**4,962,488**	5,848,965	–15.2%

For the six months ended 30 June 2022, sales of apparels (including men's and ladies' apparels) accounted for 27.7% (first half of 2021: 26.4%), jewelries accounted for 22.8% (first half of 2021: 22.9%), leisure and sports goods accounted for 11.4% (first half of 2021: 11.9%), shoes and leather goods accounted for 5.4% (first half of 2021: 6.2%), cosmetics accounted for 17.1% (first half of 2021: 16.7%) 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 15.6% (first half of 2021: 15.9%).

For the six months ended 30 June 2022, revenue of the Group amounted to RMB2,473.8 million, representing a decrease of 8.0% as compared with RMB2,688.2 million for the corresponding period last year. The main reason for the decrease in revenue was that due to the spread of the COVID-19 epidemic in many domestic areas in the first half of 2022, the Group's stores in various locations were short-term closed or had shortened business hours, resulting in a decrease in store operating revenue. In addition, the COVID-19 epidemic has spread in many places, and local governments have adopted different levels of prevention and control measures, which have also affected consumers' travel ability, psychological expectations and willingness to purchase houses, which has had a certain impact on the Group's property sales.

Other Income

For the six months ended 30 June 2022, other income of the Group amounted to RMB554.8 million, representing a decrease of 5.3% as compared with RMB585.9 million for the corresponding period last year. Other income mainly includes management fee income from franchised counters in stores, promotion income and credit card handling fee income. The amount of such income is generally linked to the sales level of the stores, and has declined to a certain extent during the reporting period.

Cost of Sales

For the six months ended 30 June 2022, cost of sales of the Group amounted to RMB1,022.5 million, representing a decrease of 8.5% as compared with RMB1,117.3 million for the corresponding period last year. The cost of sales mainly includes the cost of purchase of and changes in inventory in stores, as well as the cost of properties sold, and the decline in cost of sales is generally in line with the decline in revenue.

Employee Expenses

For the six months ended 30 June 2022, employee expenses of the Group amounted to RMB245.5 million, representing an increase of 8.3% as compared with RMB226.8 million for the corresponding period last year, mainly due to the increase in one-off expenses related to the Group's downsizing and organizational restructuring in the first half of 2022, as well as the increase in labor costs related to some hotels and property projects under development.

Depreciation and Amortization

For the six months ended 30 June 2022, depreciation and amortization of the Group amounted to RMB540.7 million, representing an increase of 0.6% as compared with RMB537.4 million for the corresponding period last year, which was broadly the same.

Other Operating Expenses

For the six months ended 30 June 2022, other operating expenses of the Group amounted to RMB493.7 million, representing a decrease of 4.8% as compared with RMB518.7 million for the corresponding period last year. Other operating expenses as a percentage to total sales proceeds and rental income increase from 8.9% for the first half of 2021 to 9.9% for the first half of 2022.

Other Gains and Losses

For the six months ended 30 June 2022, the Group recorded other gains of RMB70.0 million, representing a decrease of 32.1% as compared with RMB103.1 million for the corresponding period last year. Such decrease was mainly attributable to the decrease in fair value gains recognised from the Group's investment properties.

Operating Profit

Due to the combined effects of the above-mentioned factors, the Group recorded operating profit of RMB789.6 million for the six months ended 30 June 2022, representing a decrease of 18.4% as compared with RMB968.0 million for the corresponding period last year.

Finance Costs

For the six months ended 30 June 2022, finance costs of the Group amounted to RMB534.8 million, representing a decrease of 6.4% as compared with RMB571.5 million for the corresponding period of last year. This was primarily due to the reduced interest-bearing liabilities in the reporting period, and the financing cost of interest-bearing liabilities decreased slightly, which caused the year-on-year decrease in financial costs.

Income Tax Expense

For the six months ended 30 June 2022, income tax expense of the Group amounted to RMB159.6 million, representing an decrease of 42.4% as compared with RMB276.9 million for the corresponding period last year, mainly due to the decrease in corporate income tax and land appreciation tax paid in the reporting period.

Net Profit for the First Half of 2022

As a result of the foregoing, for the six months ended 30 June 2022:

– Net profit for the first half 2022 was RMB85.9 million, representing a decrease of 19.8% as compared with RMB107.2 million for the corresponding period of 2021.

Liquidity and Financial Resources

As at 30 June 2022, the Group's cash and cash equivalents amounted to RMB1,077.5 million, representing an decrease of RMB119.6 million as compared with the balance of RMB1,197.1 million as at 31 December 2021. The main cash inflow and cash outflow are set out as follows:

(1) Net cash inflow of RMB831.1 million from operating activities;

(2) Net cash inflow of RMB254.5 million from investment activities, mainly including:

   (i) the cash outflow of RMB78.9 million for purchases of items of property, plant and equipment;

   (ii) the cash inflow of RMB19.7 million from disposal of items of property, plant and equipment;

(iii) the cash inflow of RMB378.7 million from the redemption of financial assets at fair value through profit or loss;

(iv) the cash inflow of RMB181.9 million from the disposal of equity investments designated at fair value through other comprehensive income;

(v) the cash outflow of RMB11.0 million for the purchase of financial assets at fair value through profit or loss;

(vi) the cash outflow of RMB44.7 million for dividend paid by subsidiaries to non-controlling shareholders; and

(vii) the cash outflow of RMB197.2 million for the pledged bank deposits.

(3) Net cash outflow of RMB1,176.6 million from financing activities, mainly including:

(i) the cash inflow of RMB2,420.8 million from the increase in bank loans and other borrowings;

(ii) the cash outflow of RMB2,953.6 million for the repayment of bank loans and other borrowings;

(iii) the cash outflow of approximately RMB368.8 million for the payment of interest;

(iv) the cash outflow of approximately RMB143.1 million for the principal and interest elements of lease payments;

(v) the cash inflow of approximately RMB625.0 million from borrowings from fellow subsidiaries; and

(vi) the cash outflow approximately RMB756.8 million for the repayment of borrowings from fellow subsidiaries.

Interest-bearing Liabilities

As at 30 June 2022, total bank borrowings and corporate bonds of the Group were approximately RMB13,782.0 million (31 December 2021: RMB14,314.9 million). The interest-bearing gearing ratio[1] and net interest-bearing debt to equity ratio[2] were 27.0% and 78.6%, respectively (31 December 2021: 27.7% and 80.6%, respectively).

1 Interest-bearing gearing ratio = total interest-bearing debt/total assets = (bank borrowings + corporate bonds)/total assets

2 Net interest-bearing debt to equity ratio = net interest-bearing debt/equity = (bank borrowings + corporate bonds – cash and cash equivalents)/equity

Pledge of Assets

As at 30 June 2022, certain borrowings of the Group were secured by the Group's land and buildings, investment properties, right-of-use assets, properties under development and shares of subsidiary and financial assets held with net carrying amounts of approximately RMB3,854.7 million, RMB8,309.2 million, RMB230.7 million, RMB1,901.5 million and RMB1,102.0 million, respectively.

Foreign Currency Risks

During the reporting period, the Group recorded net loss on foreign exchange of approximately of RMB4.0 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 2022, 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 2022 (six months ended 30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2022, 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 2022, except for the following deviation:

Code Provision C.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 2022 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 2022 as set out in the preliminary announcement have been agreed by Ernst & Young, the Company's auditors to the amounts set out in the Group's unaudited consolidated financial statements for the period. The work performed by Ernst & Young, 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 Ernst & Young, 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 2022 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 2022

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.