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 2023

HIGHLIGHTS

- Total retail sales of stores reached RMB7,882.2 million
- Total sales proceeds and rental income were RMB4,437.9 million, representing a decrease of 10.6% compared to the corresponding period in the last year
- Total operating revenue was RMB2,819.4 million, representing a decrease of 6.9% compared to the corresponding period in the last year
- Net profit was RMB96.0 million, representing an increase of 11.8% compared to the corresponding period in the last year
- Basic earnings per share for the period was RMB1.6 cents, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2023

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 2023.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3.1*	**2,249,230**	2,473,784
Other income	*4*	**570,196**	554,783
Total operating revenue		**2,819,426**	3,028,567
Cost of sales		**(990,605)**	(1,022,473)
Employee expenses		**(204,935)**	(245,535)
Depreciation and amortisation		**(510,368)**	(540,679)
Payments for short-term leases and leases of low-value assets		**(1,507)**	(6,520)
Other operating expenses		**(493,331)**	(493,721)
Other gains and losses		**82,580**	69,994
Operating profit		**701,260**	789,633
Finance costs	*5*	**(486,918)**	(534,820)
Share of profits and losses of:			
A joint venture		**–**	(592)
Associates		**(4,569)**	(8,660)
PROFIT BEFORE TAX		**209,773**	245,561
Income tax expense	*6*	**(113,725)**	(159,622)
PROFIT FOR THE PERIOD		**96,048**	85,939

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Attributable to:			
Owners of the parent		**83,501**	100,202
Non-controlling interests		**12,547**	(14,263)
		96,048	85,939
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**RMB1.6 cents**	RMB1.9 cents
Diluted		**RMB1.6 cents**	RMB1.9 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**96,048**	85,939
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(36,475)**	(24,661)
Other comprehensive loss that will not to be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(14,208)**	(126,985)
Income tax effect	**3,552**	13,985
	(10,656)	(113,000)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(47,131)**	(137,661)
TOTAL COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**48,917**	(51,722)
Attributable to:		
Owners of the parent	**31,918**	(37,527)
Non-controlling interests	**16,999**	(14,195)
	48,917	(51,722)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**7,737,931**	7,928,703
Investment properties	**21,775,288**	21,480,749
Right-of-use assets	**5,267,652**	5,507,352
Goodwill	**1,260,531**	1,270,349
Other intangible assets	**30,209**	32,595
Investments in associates	**350,238**	362,833
Equity investments designated at fair value through other comprehensive income	**1,046,716**	1,101,520
Financial assets at fair value through profit or loss	**9,814**	9,654
Prepayments	**171,574**	115,042
Deferred tax assets	**730,848**	708,081
Total non-current assets	**38,380,801**	38,516,878
CURRENT ASSETS		
Inventories	**294,779**	352,487
Completed properties held for sale	**1,967,794**	2,170,243
Properties under development	**5,566,789**	5,486,731
Financial assets at fair value through profit or loss	**63,074**	35,425
Trade and bills receivables	**29,887**	28,331
Prepayments, other receivables and other assets	**2,479,201**	2,721,783
Pledged deposits	**368,907**	368,728
Cash and cash equivalents	**1,033,089**	556,293
Total current assets	**11,803,520**	11,720,021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2023

	Note	**30 June 2023 (Unaudited)** ***RMB'000***	31 December 2022 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*9*	**1,659,431**	1,600,620
Contract liabilities, deposits received, accruals and other payables		**8,604,582**	8,467,500
Interest-bearing bank loans and other borrowings		**6,349,160**	6,902,772
Lease liabilities		**323,281**	318,115
Income tax payable		**347,376**	351,936
Dividend payable		**26,081**	26,078
Total current liabilities		**17,309,911**	17,667,021
NET CURRENT LIABILITIES		**(5,506,391)**	(5,947,000)
TOTAL ASSETS LESS CURRENT LIABILITIES		**32,874,410**	32,569,878
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**6,054,455**	5,961,510
Lease liabilities		**1,734,644**	1,807,755
Deferred tax liabilities		**4,369,901**	4,340,089
Other long-term liability		**4,418,860**	4,116,172
Provision for retirement benefits		**6,261**	6,261
Total non-current liabilities		**16,584,121**	16,231,787
Net assets		**16,290,289**	16,338,091

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2023

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**460,153**	460,153
Other reserves	**13,349,639**	13,364,051
	13,809,792	13,824,204
Non-controlling interests	**2,480,497**	2,513,887
Total equity	**16,290,289**	16,338,091

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 Tower A, 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 2023 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 2022.

As at 30 June 2023, the Group had net current liabilities of approximately RMB5,506,391,000. 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 RMB1,712,912,000 and RMB723,168,000 of current liabilities as at 30 June 2023 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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

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	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Commissions from concessionaire sales	**383,310**	418,162
Direct sales	**823,121**	784,416
Sale of properties	**302,355**	482,276
Revenue from other source		
Rental income from the leasing of shop premises	**284,253**	295,938
Rental income from investment properties	**323,086**	401,391
Others	**133,105**	91,601
	2,249,230	2,473,784

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*	Total *RMB'000*
Period ended 30 June 2023 (unaudited)				
Segment revenue:				
Sales to external customers	**1,761,329**	**354,796**	**133,105**	**2,249,230**
Other income	**553,467**	**13,165**	**3,564**	**570,196**
Cost of sales	**(776,590)**	**(192,329)**	**(21,686)**	**(990,605)**
Employee expenses	**(160,375)**	**(13,917)**	**(30,643)**	**(204,935)**
Depreciation and amortisation	**(432,486)**	**(48,178)**	**(29,704)**	**(510,368)**
Payments for short-term leases and leases of low-value assets	**(558)**	**(355)**	**(594)**	**(1,507)**
Other operating expenses	**(397,022)**	**(49,335)**	**(46,974)**	**(493,331)**
Other gains and losses	**90,231**	**(7,505)**	**(146)**	**82,580**
Operating profit	**637,996**	**56,342**	**6,922**	**701,260**
Finance costs	**(256,313)**	**(230,605)**	**–**	**(486,918)**
Share of profits and losses of associates and a joint venture	**(4,569)**	**–**	**–**	**(4,569)**
Segment profit/(loss) before tax	**377,114**	**(174,263)**	**6,922**	**209,773**
Income tax expense	**(91,952)**	**(21,887)**	**114**	**(113,725)**
Segment profit/(loss) for the period	**285,162**	**(196,150)**	**7,036**	**96,048**
Attributable to:				
Owners of the parent	**252,027**	**(173,200)**	**4,674**	**83,501**
Non-controlling interests	**33,135**	**(22,950)**	**2,362**	**12,547**
	285,162	**(196,150)**	**7,036**	**96,048**
Other segment information:				
Impairment losses recognised in the income statement	**(30,258)**	**–**	**–**	**(30,258)**
Impairment of goodwill	**(9,818)**	**–**	**–**	**(9,818)**
Impairment of investment in an associate	**(8,026)**	**–**	**–**	**(8,026)**
Investments in associates	**350,238**	**–**	**–**	**350,238**
Capital expenditure*	**(27,788)**	**(453,655)**	**(114)**	**(481,557)**

* *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*	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	362,833	–	–	362,833
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.*

4. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Income from suppliers and concessionaires		
– Administration and management fee income	**337,852**	368,871
– Promotion income	**94,941**	106,436
– Credit card handling fees	**42,864**	46,513
Interest income	**2,235**	7,001
Government grants*	**57,980**	–
Others	**34,324**	25,962
	570,196	554,783

* *Government grants mainly represented subsidies for relocation provided by local government. There are no unfulfilled conditions or contingencies relating to these subsidies.*

5. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Total interest expense on financial liabilities not at fair value through profit or loss	**527,323**	572,297
Less: Interest capitalised	**(40,405)**	(37,477)
	486,918	534,820

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Group:		
Current – CIT	**86,239**	132,942
Current – LAT	**15,883**	23,035
Deferred	**11,603**	3,645
Total tax charge for the period	**113,725**	159,622

7. DIVIDENDS

The board of directors did not propose an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 RMB83,501,000 (Six months ended 30 June 2022: RMB100,202,000) and the weighted average number of ordinary shares of 5,140,326,000 (Six months ended 30 June 2022: 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 2023 and 30 June 2022.

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 2023	31 December 2022
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 90 days	**1,252,085**	1,136,461
91 to 180 days	**58,448**	54,445
181 to 360 days	**90,031**	69,252
Over 360 days	**258,867**	340,462
	1,659,431	1,600,620

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 2023, the domestic economy has passed the unblocking period of the epidemic smoothly, and the macro economy has rapidly achieved restorative growth. Since the beginning of this year, more attention was paid to economic work than before, and there are loud calls for greater macro policy allocation, and expectations for macro policy expansion are particularly high. In the first half of 2023, the gross domestic product (GDP) reached RMB59.3 trillion, a year-on-year increase of 5.5% at constant prices, representing 1.0 percentage points faster than the first quarter. In the first half of the year, the total retail sales of social consumer goods reached RMB22.8 trillion, a year-on-year increase of 8.2%.

In the context of continued economic recovery, the domestic consumer goods market will accelerate its recovery, and the retail industry is also showing a new development trend, and high-quality development is underway. According to statistics from the China National Commercial Information Center, the retail sales of the country's 100 key large-scale retail enterprises (mainly department stores) achieved a cumulative increase of 11.8% in the first half of 2023, of which the retail sales in June increased by 1.1% year-on-year. From the perspective of major commodity categories, except for the year-on-year decline in grain, oil and food, other categories achieved relatively rapid growth in retail sales, of which clothing categories, gold and silver jewelry categories, and household appliances categories increased by 15.9%, 16.2% and 13.6% respectively, achieving double-digit growth. On the whole, the development environment and development trend of the domestic consumer goods market since 2023 has shown a long-term good trend. Driven by the country's package of policies to expand domestic demand, restore and accelerate consumption, the domestic consumer goods market is expected to continue to accelerate its speed of recovery.

II. OPERATION REVIEW

For the six months ended 30 June 2023, the Group operated and managed a total of 49 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 78.1% (including gross floor area leased from related parties, 84.5%). 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 2023, the distribution of stores of the Group was as follows:

	Southern China	Southwestern China	Eastern China	Northern China	Total
Number of Stores *(Stores)*	6	8	15	20	49
Gross Floor Area *(sq.m.)*	218,409	324,502	1,043,668	1,541,576	3,128,155

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 striving to build a good reputation and continue to attract new and old customers through its diversified product portfolio and continuously improved consumer experience. During the reporting period, based on its main business and intensive cultivation, the Group consolidated its own resilience and strength in the complex and changing market environment, continuously improved the quality of operation and management, fully tapped into the performance growth potential of high-quality commodity resources, and continued to develop through brand adjustment and creative marketing. The business operations have gradually recovered, and sustainable and healthy development has been achieved.

MAJOR OPERATIONAL HIGHLIGHTS

1. Adhere to high-quality development, continue to promote brand upgrading and quality upgrading

During the reporting period, the Group seized market opportunities in the context of economic recovery, vigorously expanded the market centering on "recovery, reform and innovation", adhered to a high-quality development route, and further promoted business model renewal and system capacity building, in order to strive to improve operating performance through store brand upgrade and quality upgrade.

During the reporting period, the Group continued to strengthen the structural adjustment of store content and promote the overall brand upgrade and quality upgrade of the store, guided by customer demand and aimed at increasing customer flow and creating commercial value. The Qinhuangdao Maoye Complex store of the Group is currently in a leading position in the regional market in terms of volume, scale, brand value, and customer flow. Since 2023, the Qinhuangdao Maoye Complex store introduced China fashion brands and light luxury brands, and through building the two-way linkage between brand building and quality upgrading, the rental income and comprehensive gross profit of the store are showing a promising growth trend at present. The Taiyuan Maoye Complex store of the Group has gradually improved the collection of light luxury brands since 2022. At present, the Taiyuan Maoye Complex store has covered 19 light luxury first-line cosmetics, and has actively introduced famous watch brands. At present, the Taiyuan Maoye Complex store has gradually transformed from a shopping center dominated by young and fashionable customers to a high-end shopping center, with significant growth in unit price and performance.

In addition, the Group actively promotes the quality upgrade of stores by adjusting the business format and improving the efficiency of merchant leasing operations. During the reporting period, the Group adjusted and upgraded key stores in terms of quality and store image. Through hardware upgrades such as store ceilings, floors, and lighting upgrades, parking lot upgrades, and toilet renovations, the quality of stores has been comprehensively improved. The above measures benefited the Group to enhance its store image as a whole and consolidated the Group's market position in the mid-to-high-end retail market.

2. Adhere to performance-oriented, promote the strategy of transforming concessionaire sales to leasing, and promote the upgrading of store experiential formats

During the reporting period, the Group adhered to the performance-oriented approach and promoted the business transformation and upgrading of its stores. On one hand, the Group promoted the upgrading strategy of transforming concessionaire sales to leasing. On the other hand, the Group adhered to the transformation of stores from traditional retail to stores with social attributes or for experiential consumption, such as catering, entertainment and cultural activities. The Group adheres to high-quality merchant leasing management, deepens the store value management system, conducts in-depth data mining and analysis on the store value of key stores, scientifically plans and adjusts the layout of multiple locations, and further clarifies store policies and price mechanisms, in order to effectively improve store performance.

The Huaqiangbei store of the Group has always been a key cosmetics store in South China. While continuing to promote the strategy of transforming concessionaire sales to leasing, and increasing leasing facilities such as catering and entertainment, the rental income increased by 10% in the first half of 2023, and the store was able to maintain the concessionaire sales. In the first half of 2023, Huaqiang North Store's sales of cosmetics increased by 15% year-on-year, reflecting the overall success of the Group's strategy of transforming concessionaire sales to leasing, which will comprehensively promote the effective improvement of the Group's operating performance and operating efficiency.

3. Promote digital construction to upgrade the Group's business, marketing and organizational forms

During the reporting period, the Group adhered to promoting digital construction, and continued to inject more vitality into the long-term development of the Group through technological empowerment. The Group actively expanded community marketing and social marketing through Maolehui APP, WeChat mini programs, TikTok and other online sales platforms to enhance members' omni-channel consumption experience, strengthen shopping and service functions, and create a one-stop online service platform. At the same time, the Group strengthened data analysis and reporting, guided reverse merchant leasing through data analysis, in order to meet customers' needs more effectively.

In terms of customer base operations, the Group continued to promote online community operations, and reached customers through online applications such as Enterprise WeChat and DingTalk. In the first half of 2023, the number of community users (i.e. Enterprise WeChat, DingTalk users) increased 800% year-on-year, the amount of orders placed by community users increased by approximately 14 times year-on-year, reaching RMB23 million.

In terms of online promotion, the Group conducted a total of 202 mini program live broadcasts in the first half of 2023, of which 56 live broadcasts were conducted during the "618 promotion period", of which self-broadcasting accounted for 57%. During the reporting period, among the brands sold on the Maolehui APP, the online sales of various brands including Lancome, SK II, Shiseido, La Mer and others exceeded RMB10 million. In the first half of 2023, the sales across the Maolehui platform reached RMB210 million.

As the main bridge for the Group's membership maintenance and communication, the Maoyuehui membership management system continued to upgrade in various aspects during the reporting period, further improving the membership management system, and enhancing linkage with various aspects of the membership management system through digital operations. During the reporting period, the Group's Maoyuehui member management system attracted 471,000 new members. As at 30 June 2023, the total number of Maoyuehui service members reached 17.27 million, and the total consumption amount of members reached RMB2,339 million.

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

During the reporting period, the Group continued to promote the integrated development of its physical stores to consolidate the Group's nationwide store layout. At the same time, the Group actively promoted the customer attraction of its newly opened stores. The Group's Maoye Times Square located in Shuangliu Chengdu was officially opened on the New Year's Day of 2023. The construction area of the project is about 29,520 square meters, and the business area is about 17,800 square meters. It is located in the core residential area of Shuangliu with many large communities surrounding the store. The store is the first community-based living center "built for the home" in Shuangliu and it is expected to contribute sales of approximately RMB220 million each year.

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

5. **Improve financial conditions, release asset value, and increase cash flow levels**

During the reporting period, the Group actively improved its financial status, enhanced asset efficiency, and consolidated its ability to resist risks. In December 2022, Chengshang Group Holdings Co., Ltd. ("**Chengshang Holdings**", an indirect non-wholly owned subsidiary of the Group) entered into a compensation agreement for the relocation of land, properties and facilities with the relevant parties. For details, please refer to the announcements of the Company dated 9 December 2022, 22 December 2022 and 12 January 2023, and the circular dated 31 March 2023. As of the date of this announcement, the Group has received compensation for relocation totaling approximately RMB394.92 million. The above-mentioned transactions helped the Group to further strengthen its asset quality, increase its cash flow level, and focus on the main line of business development. On the other hand, the Group has replaced some of the existing debts, further reducing financing costs and optimizing the liability structure. As of 30 June 2023, the Group's total amount of interest-bearing liabilities reduced from RMB12,864.3 million as of 31 December 2022 to RMB12,403.6 million as of 30 June 2023, while the finance cost reduced year-on-year from RMB534.8 million during the first half of 2022 to RMB486.9 million during the first half of 2023. The decreased leverage will help 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	844,267	19.8	63,243
2	Taiyuan Maoye Complex	494,386	8.6	252,882
3	Guanghua	315,715	13.6	67,914
4	Shenzhen Nanshan	267,015	13.8	44,871
5	Taizhou First Department Store	266,276	13.8	40,358
6	Victoria Commercial Building	231,343	20.2	48,187
7	Zibo Maoye Times Square	171,245	8.2	86,677
8	Xiandai Shopping Plaza	147,086	16.7	36,926
9	Shenzhen Dongmen	136,258	26.4	40,710
10	Qinhuangdao Jindu	128,915	14.8	46,610

Notes:

[1] Top 10 department stores are ranked by total sales proceeds and rental income during the first half of 2023.

[2] Operation period was calculated until 30 June 2023.

III. FUTURE OUTLOOK

Looking forward to the future, the comprehensive recovery of the domestic economy has opened up a new era for the retail industry. The Group will continue to focus on its main business under the favorable general environment, take the commercial retail business as the core pillar, and comprehensively promote diversified and cross-regional coordinated development. The Group will closely follow the development trend of consumption and commerce, continue to strengthen its high-quality service capabilities, improve store operating efficiency, and optimize store layout. At the same time, the Group will be firm in scientific and technological innovation, take digital construction as its core advantage, actively explore and innovate, promote digital upgrades, open up new business growth areas, create a diversified business ecology, in order to inject new energy into the long-term development of the Group.

FINANCIAL REVIEW

Total Sales Proceeds and Rental Income

For the six months ended 30 June 2023, total sales proceeds and rental income of the Group were RMB4,437.9 million, representing a decrease of 10.6% as compared with the corresponding period in 2022, mainly due to the impact of the macroeconomic environment which resulted in insufficient market consumption demand, and the relatively slow recovery of the domestic retail environment, which impacted the operation of the Group's stores.

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Total sales proceeds from concessionaire sales	**3,059,861**	3,541,652
Direct sales income	**823,121**	784,416
Rental income	**554,897**	636,420
Total sales proceeds and rental income	**4,437,879**	4,962,488

Among the total sales proceeds and rental income of the Group for the first half of 2023, total sales proceeds derived from concessionaire sales accounted for 68.9%, those derived from direct sales income accounted for 18.5%, and those derived from rental income accounted for 12.6%. For the six months ended 30 June 2023, the Group's sales proceeds from concessionaire sales were RMB3,059.9 million, representing a decrease of 13.6% as compared with the corresponding period in 2022; direct sales income was RMB823.1 million, representing an increase of 4.9% as compared with the corresponding period in 2022; rental income was RMB554.9 million, representing a decrease of 12.8% as compared with the corresponding period in 2022.

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	
	2023	2022
	(RMB'000)	*(RMB'000)*
Eastern China	**678,792**	767,984
Southern China	**1,468,715**	1,597,683
Southwestern China	**525,993**	734,806
Northern China	**1,764,379**	1,862,015
Total	**4,437,879**	4,962,488

For the six months ended 30 June 2023, sales of apparels (including men's and ladies' apparels) accounted for 25.7% (first half of 2022: 27.7%), jewelries accounted for 22.5% (first half of 2022: 22.8%), leisure and sports goods accounted for 12.7% (first half of 2022: 11.4%), shoes and leather goods accounted for 6.1% (first half of 2022: 5.4%), cosmetics accounted for 20.3% (first half of 2022: 17.1%) 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 12.7% (first half of 2022: 15.6%).

For the six months ended 30 June 2023, revenue of the Group amounted to RMB2,249.2 million, representing a decrease of 9.1% as compared with RMB2,473.8 million for the corresponding period last year. The main reason for the decrease in revenue is due to the impact of differences in the delivery schedule of real estate projects and the slow recovery of retail market demand, resulting in a phased decline in the group's property sales and retail revenue. The Group will be committed to seizing the macro advantages of favorable policies such as promoting residential consumption, improving operational efficiency, and optimizing business management strategies in a timely manner, in order to promote the recovery and growth of its revenues.

Other Income

For the six months ended 30 June 2023, other income of the Group amounted to RMB570.2 million, representing an increase of 2.8% as compared with RMB554.8 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. Besides, the government grants received from the Group's relocation transaction in Chengdu North Railway Station were recognised as other income, which resulted in an increase of other income in the reporting period.

Cost of Sales

For the six months ended 30 June 2023, cost of sales of the Group amounted to RMB990.6 million, representing a decrease of 3.1% as compared with RMB1,022.5 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. Due to the decrease in cost of properties sold, the total cost of sales has decreased in the reporting period.

Employee Expenses

For the six months ended 30 June 2023, employee expenses of the Group amounted to RMB204.9 million, representing a decrease of 16.5% as compared with RMB245.5 million for the corresponding period last year. The decrease is mainly attributable to the Group's continuous effort in reducing cost and improving human resources efficiency, which resulted in a year-on-year decrease in employee expenses.

Depreciation and Amortisation

For the six months ended 30 June 2023, depreciation and amortisation of the Group amounted to RMB510.4 million, representing a decrease of 5.6% as compared with RMB540.7 million for the corresponding period last year, mainly due to the completion of depreciation and amortisation of the Group's certain store assets.

Other Operating Expenses

For the six months ended 30 June 2023, other operating expenses of the Group amounted to RMB493.3 million, representing an decrease of 0.1% as compared with RMB493.7 million for the corresponding period last year.

Other Gains

For the six months ended 30 June 2023, the Group recorded other gains of RMB82.6 million, representing an increase of 18.0% as compared with RMB70.0 million for the corresponding period last year. Such increase was mainly attributable to the increase in fair value gains from investment properties in the reporting period.

Operating Profit

Due to the combined effects of the above-mentioned factors, the Group recorded operating profit of RMB701.3 million for the six months ended 30 June 2023, representing a decrease of 11.2% as compared with RMB789.6 million for the corresponding period last year.

Finance Costs

For the six months ended 30 June 2023, finance costs of the Group amounted to RMB486.9million, representing a decrease of 9.0% as compared with RMB534.8 million for the corresponding period of last year. The decrease was primarily due to the reduced amount of interest-bearing liabilities in the reporting period, and the interest rates of interest-bearing liabilities decreased slightly, which caused the year-on-year decrease in finance costs.

Income Tax Expense

For the six months ended 30 June 2023, income tax expense of the Group amounted to RMB113.7 million, representing a decrease of 28.8% as compared with RMB159.6 million for the corresponding period last year, mainly due to the decrease in both the corporate income tax and the land appreciation tax paid in the reporting period.

Net Profit for the First Half of 2023

As a result of the foregoing, for the six months ended 30 June 2023:

– Net profit for the first half 2023 was RMB96.0 million, representing an increase of 11.8% as compared with RMB85.9 million for the corresponding period of 2022.

Liquidity and Financial Resources

As at 30 June 2023, the Group's cash and cash equivalents amounted to RMB1,033.1 million, representing an increase of RMB476.8 million as compared with the balance of RMB556.3 million as at 31 December 2022. The main cash inflow and cash outflow are set out as follows:

(1) Net cash inflow of RMB1,063.4 million from operating activities;

(2) Net cash inflow of RMB128.2 million from investment activities, mainly including:

   (i) the cash outflow of RMB57.0 million for purchases of items of property, plant and equipment;

   (ii) the cash inflow of RMB33.1 million from the redemption of financial assets at fair value through profit or loss;

   (iii) the cash inflow of RMB27.3 million from the disposal of equity investments designated at fair value through other comprehensive income;

   (iv) the cash outflow of RMB58.9 million for the purchase of financial assets at fair value through profit or loss;

   (v) The cash inflow of RMB228.7 million from disposal of investment properties; and

   (vi) the cash outflow of RMB50.4 million for dividend paid by subsidiaries to non-controlling shareholders.

(3) Net cash outflow of RMB673.9 million from financing activities, mainly including:

   (i) the cash inflow of RMB3,279.4 million from the increase in bank loans and other borrowings;

   (ii) the cash outflow of RMB3,740.1 million for the repayment of bank loans and other borrowings;

   (iii) the cash outflow of RMB326.4 million for the payment of interest;

   (iv) the cash outflow of RMB143.2 million for the principal and interest elements of lease payments;

   (v) the cash inflow of RMB607.7 million from borrowings from fellow subsidiaries; and

   (vi) the cash outflow of RMB305.0 million for the repayment of borrowings from fellow subsidiaries; and

   (vii) the cash outflow of RMB46.3 million for the payment of final dividend.

Interest-bearing Liabilities

As at 30 June 2023, total bank borrowings and corporate bonds of the Group were approximately RMB12,403.6 million (31 December 2022: RMB12,864.3 million). The interest-bearing gearing ratio[1] and net interest-bearing debt to equity ratio[2] were 24.7% and 69.8%, respectively (31 December 2022: 25.6% and 75.3%, 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 2023, certain borrowings of the Group were secured by the Group's buildings, investment properties, right-of-use assets, properties under development and shares of a subsidiary held with net carrying amounts of approximately RMB3,034.1 million, RMB9,796.2 million, RMB218.7 million, RMB1,940.7 million and RMB943.5 million, respectively.

Foreign Currency Risks

During the reporting period, the Group recorded net loss on foreign exchange of approximately of RMB4.4 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 2023, 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 2023 (six months ended 30 June 2022: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2023, 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 2023, 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 2023 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.

REVIEW OF THE INTERIM RESULTS BY AUDITOR

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been reviewed by the auditors of the Company, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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 2023 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, 17 August 2023

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Huang Mao Ru, Ms. Lu Xiaojuan and Mr. Tang Haifeng; one non-executive director, namely, Mr. Tony Huang; and three independent non-executive directors, namely, Mr. Rao Yong, Mr. Pao Ping Wing and Mr. Gao Yajun.