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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 2024**

HIGHLIGHTS

- Total retail sales of stores reached RMB4,524.5 million
- Total sales proceeds was RMB3,363.7 million, representing a decrease of 13.4% compared to the corresponding period in the last year
- Total rental income was RMB632.9 million, representing an increase of 14.1% compared to the corresponding period in the last year
- Total operating income was RMB3,018.3 million, representing an increase of 7.1% compared to the corresponding period in the last year
- Net profit was RMB115.6 million, representing an increase of 20.3% compared to the corresponding period in the last year
- Basic earnings per share for the period was RMB2.0 cents, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2024

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 2024.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	Note	RMB'000	RMB'000
Revenue	3.1	2,493,460	2,249,230
Other income	4	524,869	570,196
Total operating income		3,018,329	2,819,426
Cost of goods and properties sold		(1,192,089)	(990,605)
Employee expenses		(205,072)	(204,935)
Depreciation and amortisation		(494,445)	(510,368)
Payments for short-term leases and leases of low-value assets		(4,853)	(1,507)
Other operating expenses		(522,441)	(493,331)
Other gains and losses		29,449	90,606
Operating profit		628,878	709,286
Finance costs	5	(347,242)	(486,918)
Share of loss and impairment of investment in an associate		(21,291)	(12,595)
Profit before income tax		260,345	209,773
Income tax expense	6	(144,786)	(113,725)
Profit for the period		115,559	96,048

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
PROFIT OR LOSS (Continued)**

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	<i>Note</i>	RMB'000	RMB'000
Attributable to:			
Owners of the Company		100,935	83,501
Non-controlling interests		14,624	12,547
		<u>115,559</u>	<u>96,048</u>
Earnings per share for profit attributable to			
owners of the Company	<i>8</i>		
Basic		<u>RMB2.0 cents</u>	<u>RMB1.6 cents</u>
Diluted		<u>RMB2.0 cents</u>	<u>RMB1.6 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the period	<u>115,559</u>	<u>96,048</u>
Other comprehensive income/(loss)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>1,693</u>	<u>(36,475)</u>
Other comprehensive loss that will not to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at fair value through other comprehensive income	<u>(457,054)</u>	(14,208)
Income tax effect	<u>114,172</u>	<u>3,552</u>
Other comprehensive loss, net of tax	<u>(341,189)</u>	<u>(47,131)</u>
Total comprehensive (loss)/income	<u>(225,630)</u>	<u>48,917</u>
Attributable to:		
Owners of the Company	<u>(240,697)</u>	31,918
Non-controlling interests	<u>15,067</u>	<u>16,999</u>
	<u>(225,630)</u>	<u>48,917</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	30 June 2024 (Unaudited) <i>RMB'000</i>	31 December 2023 (Audited) <i>RMB'000</i>
<i>Note</i>		
ASSETS		
Non-current Assets		
Property, plant and equipment	7,896,967	7,554,770
Investment properties	21,822,172	21,806,780
Right-of-use assets	4,814,868	4,972,486
Goodwill	1,260,531	1,260,531
Other intangible assets	23,131	27,778
Investment in an associate	132,149	153,440
Equity investments designated at fair value through other comprehensive income	280,029	756,773
Financial assets at fair value through profit or loss	10,279	9,650
Prepayments	98,280	116,099
Pledged deposits	21,060	–
Deferred tax assets	933,195	852,983
	<u>37,292,661</u>	<u>37,511,290</u>
Current assets		
Inventories	251,120	289,292
Completed properties held for sale	2,269,867	1,856,508
Properties under development	4,374,855	5,792,874
Financial assets at fair value through profit or loss	7,654	21,826
Trade and notes receivables	27,835	26,810
Prepayments and other receivables	2,425,962	2,576,417
Pledged deposits	178,601	245,519
Cash and cash equivalents	715,912	722,822
	<u>10,251,806</u>	<u>11,532,068</u>
Total assets	<u>47,544,467</u>	<u>49,043,358</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

30 June 2024

		30 June 2024	31 December 2023
	<i>Note</i>	(Unaudited) <i>RMB'000</i>	(Audited) <i>RMB'000</i>
LIABILITIES			
Current liabilities			
Trade and notes payables	10	1,453,535	1,458,160
Contract liabilities, deposits received, accruals and other payables		12,963,467	8,635,553
Interest-bearing bank borrowings		5,545,505	6,938,555
Lease liabilities		302,457	296,821
Income tax payable		419,471	434,998
Dividend payable		467	465
		20,684,902	17,764,552
Net current liabilities		(10,433,096)	(6,232,484)
Total assets less current liabilities		26,859,565	31,278,806
Non-current liabilities			
Interest-bearing bank borrowings		5,607,238	4,858,605
Lease liabilities		1,338,131	1,471,041
Deferred tax liabilities		4,256,184	4,302,304
Other payables		107	4,720,243
Provision for retirement benefits		4,123	4,123
		11,205,783	15,356,316
Total liabilities		31,890,685	33,120,868

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (Continued)**

30 June 2024

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
EQUITY		
Equity attributable to owners of the Company		
Share capital	460,153	460,153
Reserves	<u>12,707,080</u>	<u>12,982,811</u>
	13,167,233	13,442,964
Non-controlling interests	<u>2,486,549</u>	<u>2,479,526</u>
Total equity	<u>15,653,782</u>	<u>15,922,490</u>
Total equity and liabilities	<u><u>47,544,467</u></u>	<u><u>49,043,358</u></u>

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 (the “**Immediate Holding Company**”) and MOY International Holdings Limited, respectively, which were incorporated in the British Virgin Islands. The ultimate controlling shareholder of the Company is Mr. Huang Mao Ru (the “**Ultimate Controlling Shareholder**”).

The interim condensed consolidated financial statements for the six months ended 30 June 2024 (the “**Interim Financial Information**”) is presented in Renminbi (“**RMB**”), unless otherwise stated, and was approved for issue by the Company on 16 August 2024.

2.1 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting*. The Interim Financial Information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023, (“**2023 Financial Statements**”) which have been prepared in accordance with International Financial Reporting Standards (“**IFRS Accounting Standards**”).

As at 30 June 2024, the Group had net current liabilities of approximately RMB10,433,096,000, had current bank borrowings of RMB5,545,505,000 that will fall due in the next 12 months and had current balances of RMB6,531,678,000 due to fellow subsidiaries and the Immediate Holding Company, which are controlled by the Ultimate Controlling Shareholder. The Group’s ability to repay its debts when they fall due relies heavily on its future operating cash flows, its ability to renew the bank borrowings and the continuous financial support of the Ultimate Controlling Shareholder.

The directors have carefully assessed the Group's liquidity position having taken into account:

- (1) the Group's expected cash inflows from operating activities in the next 12 months;
- (2) the directors of the Company are confident that the bank borrowings that will expire during the next 12 months could be renewed upon expiration based on the Group's past experience and credit standing; and
- (3) the Ultimate Controlling Shareholder, the fellow subsidiaries and the Immediate Holding Company committed, to provide financial support for the continuing operations of the Company to enable it to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the next 12 months from 30 June 2024.

The directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future of not less than 12 months from the end of the reporting period. The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the Interim Financial Information.

2.2 ACCOUNTING POLICIES

The accounting policies adopted in this Interim Financial Information are consistent with those of the 2023 Financial Statements, as described in those annual consolidated financial statements, except for the adoption of amended IFRS Accounting Standards effective as of 1 January 2024. Income tax expense was recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

(a) New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the financial period beginning on 1 January 2024. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

(b) New standards, amendments to standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued and are effective for annual periods beginning on or after 1 January 2025 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendment to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint venture	To be determined

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards, amendments to standards and interpretations to the existing IFRS Accounting Standards.

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	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers		
Commissions from concessionaire sales	303,859	383,310
Direct sales	691,236	823,121
Sale of properties	664,624	302,355
Revenue from other source		
Rental income from the leasing of shop premises	322,449	284,253
Rental income from investment properties	368,230	323,086
Others	143,062	133,105
	<u>2,493,460</u>	<u>2,249,230</u>

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 generated from Mainland China. No analysis of geographical information is therefore presented.

3.2 OPERATING SEGMENT INFORMATION

	Operation of department stores <i>RMB'000</i>	Property development <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2024 (unaudited)				
Segment revenue:				
Sales to external customers	1,630,277	721,657	141,526	2,493,460
Other income	495,484	23,313	6,072	524,869
Cost of goods and properties sold	(659,307)	(504,647)	(28,135)	(1,192,089)
Employee expenses	(145,979)	(13,632)	(45,461)	(205,072)
Depreciation and amortisation	(424,164)	(45,172)	(25,109)	(494,445)
Payments for short-term leases and leases of low-value assets	(4,654)	(2)	(197)	(4,853)
Other operating expenses	(412,050)	(54,391)	(56,000)	(522,441)
Other gains and losses	54,941	(25,246)	(246)	29,449
Operating profit/(loss)	534,548	101,880	(7,550)	628,878
Finance costs	(177,093)	(170,149)	–	(347,242)
Share of loss and impairment of investment in an associate	(21,291)	–	–	(21,291)
Segment profit/(loss) before income tax	336,164	(68,269)	(7,550)	260,345
Income tax expense	(82,445)	(62,331)	(10)	(144,786)
Segment profit/(loss) for the period	253,719	(130,600)	(7,560)	115,559
Attributable to:				
Owners of the Company	222,926	(114,482)	(7,509)	100,935
Non-controlling interests	30,793	(16,118)	(51)	14,624
	253,719	(130,600)	(7,560)	115,559
Other segment information:				
Expected credit losses recognised in the consolidated statement of profit or loss	(69,346)	–	–	(69,346)
Impairment of investment in an associate	(17,244)	–	–	(17,244)
Investments in an associate as at the end of the reporting period	132,149	–	–	132,149
Capital expenditure*	(12,073)	(142,585)	(5,358)	(160,016)

* *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
Six months 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 goods and properties sold	(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	98,257	(7,505)	(146)	90,606
Operating profit	646,022	56,342	6,922	709,286
Finance costs	(256,313)	(230,605)	–	(486,918)
Share of loss and impairment of investment in an associate	(12,595)	–	–	(12,595)
Segment profit/(loss) before income 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 Company	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:				
Expected credit losses recognised in the consolidated statement of profit or loss	(30,258)	–	–	(30,258)
Impairment of goodwill	(9,818)	–	–	(9,818)
Impairment of investment in an associate	(8,026)	–	–	(8,026)
Investments in an associate as at the end of the reporting period	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.

The Group's chief operating decision-maker ("CODM") managed the Group through business nature, instead of geography. No segment assets and liabilities are presented as they were not provided to the CODM for the purpose of resource allocation and performance assessment. More than 90% of the carrying value of the Group's non-current assets, excluding financial instruments and deferred income tax assets, are situated in Mainland China.

4. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Income from lessees and concessionaires		
– Administration and management fee income	347,889	337,852
– Promotion income	88,120	94,941
– Sales handling fees	39,207	42,864
Interest income	4,833	2,235
Government grants*	–	57,980
Others	44,820	34,324
	<u>524,869</u>	<u>570,196</u>

* *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	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings and other payables	340,786	463,153
Interest on lease liabilities	54,101	64,170
Total interest expense incurred	394,887	527,323
Less: Interest capitalised	(47,645)	(40,405)
	<u>347,242</u>	<u>486,918</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Group:		
Current income tax:		
– Corporate income tax	106,971	86,239
– Land appreciation tax	48,544	15,883
Deferred income tax	(10,729)	11,603
	<hr/>	<hr/>
Total tax charge for the period	144,786	113,725
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7. DIVIDENDS

The board of directors did not propose an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

The final dividend of RMB35,034,000 for the year of 2023 was approved by the Company's annual general meeting on 7 May 2024 and was paid on 31 May 2024.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of RMB100,935,000 (Six months ended 30 June 2023: RMB83,501,000) and the weighted average number of shares of 5,140,326,000 (Six months ended 30 June 2023: 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 2024 and 2023.

9. TRADE AND NOTES RECEIVABLES

An ageing analysis of the trade and notes receivables as at the end of the reporting period, based on the invoice dates, is as follows:

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 90 days	18,799	17,355
91 to 180 days	233	314
181 to 360 days	113	5,977
Over 360 days	25,906	20,382
	45,051	44,028
<i>Less: impairment allowance</i>	(17,216)	(17,218)
	27,835	26,810

10. TRADE AND NOTES PAYABLES

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

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 90 days	937,842	869,889
91 to 180 days	140,457	124,863
181 to 360 days	132,961	90,068
Over 360 days	242,275	373,340
	1,453,535	1,458,160

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. MACROECONOMIC OVERVIEW

In the first half of 2024, China was able to achieve overall economic stability while also ensuring progress and production growth. Demand, investment and consumption continued to recover, and consumer prices were generally stable. The macroeconomic growth rate fell slightly year-on-year, falling short of the market's expectations. Despite the fluctuations in overall operation, the trend was still positive. According to the National Bureau of Statistics, the gross domestic product (GDP) of mainland China reached RMB61.68 trillion in the first half of 2024, representing a year-on-year increase of 5.0% at constant prices; on a quarterly basis, the GDP grew by 5.3% year-on-year in the first quarter and by 4.7% in the second quarter, representing a quarter-on-quarter increase of 0.7 percentage points.

With the full resumption of normal operation in the society, China's overall consumer market is slowly warming up, with various industries, business formats and categories recovering to varying degrees. In the first half of the year, total retail sales of social consumer goods reached approximately RMB23.6 trillion, representing a year-on-year increase of 3.7%, a decline of 0.4 percentage points compared with the growth rate from January to May. In terms of type of consumption, retail sales of goods increased by 3.2% year-on-year to RMB20.97 trillion from January to June, while catering sales increased by 7.9% year-on-year to RMB2.6 trillion. In terms of consumption patterns, national online retail sales increased by 9.8% year-on-year to RMB7.0 trillion from January to June, while online retail sales of physical goods increased by 8.8% year-on-year to RMB5.95 trillion, with the categories of food, clothing and consumer goods increasing by 17.8%, 7% and 7.8% respectively. In the first half of the year, offline retail sales as a whole showed that consumption of services was better than that of goods. In terms of business format, the sales of convenience stores, specialty stores and supermarkets in retail units above designated size increased year-on-year, while the consumption at department stores and branded stores was under pressure, and the business formats of catering and experiential service continued to enjoy a better growth. From the commodity category, the sales of living goods, household electrical appliances, grain, oil and food increased year-on-year, while the consumption of clothing, daily necessities, traditional clothing, cosmetics, gold and jewelry was under pressure. Overall, demand has yet to warm up, with consumers becoming more rational and pragmatic, favoring consumption in the categories of catering, experiential consumption, leisure, outdoor sports, economical, practical and daily necessities.

On the whole, China was able to achieve overall economic stability, and ensured sustained and steady growth despite short-term ups and downs. With the gradual deepening of the country's accumulated economic policies and the gradual realization of their effects, the domestic economy is expected to consolidate its upturn in the second half of the year, with the economic growth rate expected to pick up, and consumer confidence and purchasing power expected to further recover and strengthen.

II. OPERATION REVIEW

For the six months ended 30 June 2024, 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%, or 84.5% if gross floor area leased from related parties is included. 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, Jinan and Heze in Shandong; Qinhuangdao and Baoding in Hebei; Shenyang and Jinzhou in Liaoning; Taiyuan in Shanxi; and Hohhot and Baotou in Inner Mongolia. As at 30 June 2024, the distribution of stores of the Group was as follows:

	Southern China	Southwestern China	Eastern China	Northern China	Total
Number of Stores (<i>Stores</i>)	6	8	15	20	49
Gross Floor Area (<i>sq.m</i>)	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, Jinan, 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 of the Group have gradually recovered, and sustainable and healthy development has been achieved.

MAJOR OPERATIONAL HIGHLIGHTS

1. **Keep abreast of changes in the market and demand, deepen store upgrades, promote refined management of commodities, and enhance brand and quality**

During the reporting period, the Group, under the general environment of the full resumption of normal operation in the society, was keen to sense the pulse of the market and grasp the market opportunities, focused on its main business, continued to keep abreast of the market changes and grasp the needs of the consumers, and strengthened the operational value of its stores across the country through all-round adjustments, optimizations and upgrades. During the reporting period, the Group continued to deepen its store upgrades, strengthened refined management of commodities, enhanced quality and brand upgrades, and optimized its business formats to keep the Group's business model up-to-date and improve its operating system, continue to implement the Group's high-quality development route and achieve stable development and enterprising spirit of the Group.

During the reporting period, on the one hand, the Group, guided by customers' needs and with the objective of strengthening the Group's ability to sustain its operations, continued to promote refined management of commodities across its stores nationwide, integrating and innovating on all fronts in terms of quality, brand, category mix, management and service, and replacing the old with the new in order to cope with the ever-evolving consumer trends. In terms of the layout of core categories, the Group focused on selecting consumer products with market popularity, maturity, cost performance and brand potential, while stepping up efforts to introduce and co-operate with chain brands, flagship stores and first stores, as well as to develop nationwide strategic alliances. On the other hand, the Group continued to deepen the adjustment of the business structure of each store, implement refined operation of commodities, and actively enhance brand and quality upgrades to further strengthen the Group's sustainable competitiveness. During the reporting period, in terms of category sales, the Group's Huaqiangbei store, the star store of the Group's cosmetics sales, continued to maintain good sales results and was favored by consumers. Meanwhile, Qinhuangdao Maoye Complex's sales of cosmetics performed impressively during the period, with total sales amounting to RMB30.92 million, maintaining a growth trend. In terms of brand entry, Huawei Flagship Store, Uniqlo and UR were introduced into the Southwestern China stores; KKV Collection Store, Micun Bibimbap and Xita Laotaitai were introduced into the Qinhuangdao Maoye Complex; and Nike 1200 store and lululemon were introduced into the Taiyuan Maoye Complex. With the Group's continuous optimization and enhancement in terms of brand, quality, scene creation, refined product mix and targeted store layout, some of the Group's key stores, such as Qinhuangdao Maoye Complex and Taiyuan Maoye Complex, achieved growth in terms of both customer traffic and business performance in the first half of 2024.

Meanwhile, the Group endeavored to improve its operational effectiveness by keeping abreast of changes in the market and demand, adjusting its leasing and operation strategies and business formats, grasping consumer opportunities and implementing a one-store-one-strategy management strategy. During the reporting period, the Group continued to promote the adjustment and upgrading of its key stores across the country, to plan the layout of stores in a scientific and targeted manner, and to strengthen refined operations, which effectively empowered the effectiveness of leasing and operation. For example, the Qinhuangdao Maoye Complex store has expanded its operation area for the catering offering by introducing 36 popular brands and implementing the strategy of switching from large stores to small stores according to local conditions, which has enriched the business formats while increasing the GMV per square meter and revenue. In terms of the layout of business formats, the Group has continued to introduce high-demand businesses such as national fashion brands, light luxury outdoor sports brands, internet celebrities, and night economy consumer categories; at the same time, it has also increased the co-operation with and entry of cost-effective, economical, practical and affordable consumer categories to keep abreast of the consumer trends of the new era.

In addition, during the reporting period, the Group implemented external adjustment and internal control through refined management, and implemented targeted optimization, streamlining, and simplification in the supply chain of services and commodities and other operational aspects, thereby achieving the effect of reducing the costs, increasing the efficiency and improving the operating effectiveness of the Group. For example, the Group attempted to appropriately self-manage its commodities and services, reduce the number of intermediaries in the supply chain, seek innovations in technology, and appropriately apply AI technology. As a result, the Group was able to enhance its overall efficiency and effectiveness while further strengthening its operational capabilities and adaptability to the times in this lukewarm environment.

2. Deepen the strategy of transforming concessionaire sales to leasing and shopping centers, optimize and upgrade business formats to enhance operational value

During the reporting period, the Group adhered to its performance-driven approach and continued to promote its strategy of transforming concessionaire sales to leasing and shopping centers in its stores, adhering to the transformation and iteration of its business formats and continuously empowering its operational effectiveness. On the one hand, the Group has continued to optimize and upgrade the business formats in its stores, with an emphasis on increasing the proportion of experiential business formats, such as catering, leisure, entertainment, culture and other experiential consumptions, as well as ancillary services with social attributes and other popular consumption categories, in order to cope with the changes in consumer preferences in the new era, and to consolidate the effectiveness of the strategy of transforming concessionaire sales to leasing. On the other hand, the Group has continued to deepen the transformation of department stores to shopping centers. In its key stores across the country, the Group has created a variety of business formats, provided more experiential service facilities and contents, equipped diversified shopping scenes, adjusted the spatial layout and strengthened the quality of operation and management to give customers more experience and emotional value, so as to stabilize and attract customer traffic while increasing the rate of customer visits and stay in the store.

During the first half of 2024 the Group's Taiyuan Maoye Complex, Qinhuangdao Maoye Complex, Shandong Zibo Maoye Times Square, Maoye Mall City and Wuxi Shopping Mall were some of the typical examples of the effectiveness of the Group's strategy of transforming concessionaire sales to leasing and shopping centers. In terms of performance, for the first half of 2024, the Group recorded a 14.1% increase in total rental income year-on-year, and some stores also achieved a certain degree of improvement in rental and comprehensive gross profit.

3. Improve digitalization, explore new growth areas in business and continuously deepen the layout of marketing channels

During the reporting period, the Group continued to improve and expand its digital business platform, explore new growth areas in marketing, actively lay out e-commerce channels, and achieve integrated multi-channel operations through the in-depth integration of online and offline channels. Taking performance as the guide and customer needs as the center, the Group has fully obtained public and private traffic through various application ecologies such as the online platform “Mao Le Hui”, Tik Tok, Xiaohongshu and WeChat mini programs, and seized consumer opportunities to actively develop online retailing of all types of products and related business support in conjunction with a variety of marketing combinations; meanwhile, as the Group’s one-stop member service management platform, “Mao Yue Hui” provides comprehensive consumer and service support for online and offline members, aiming to maintain continuous and full-cycle interaction with customers to enhance the consumer experience; at the same time, its diversified data analytics functions help the Group to provide more targeted services to customers and enhance the overall sales efficiency.

In terms of operation and promotion, the Group continued to pay attention to new trends in the development of marketing activities, and was keen to grasp the replacement and iteration of various mainstream new modes, new channels and contents, and swiftly analyzed, adjusted and innovated its marketing portfolio strategies to cope with market challenges and actively maintain its competitive edge. During the reporting period, consumer spending was significantly downgraded, competition due to homogeneity of products intensified and e-commerce sales entered an era of stock and price competition. The Group has strengthened the promotion of the “Mao Le Hui” online shopping mall and the “Mao Yue Hui” membership management platform through various channels, such as WeChat, Tik Tok, Xiaohongshu, official account, and has concentrated its advantageous sales resources on the online and offline synchronization and combination sales of offline stores’ self-operated and joint-operated full range of products, achieve the coordination and linkage of omni-channel marketing, two-way traffic attraction between online and offline, and operational effectiveness in terms of cost reduction and efficiency enhancement.

In the first half of 2024, cosmetics online sales category still maintained the usual good momentum, with brands such as Lancome, Estee Lauder, Shiseido, La Mer achieving sales of more than RMB10 million, and more than 20 brands achieving sales of more than RMB1 million. At the same time, the “Mao Le Hui” official website mini program’s “cloud package store” project attracted a number of brands in the first half of the year. With 12 sessions of the “cloud package store” project held, the advertisement placement reached nearly RMB2 million, and the mini program brought a GMV of RMB24.04 million; Tik Tok live-streaming platform strengthened the self-broadcasting business segment during the period, with the highest daily sales of counter’s self-broadcasting reaching RMB23,000. During the period, the highest single-day sales of the popular and new product Armani lip glaze exceeded 500 pieces; Xiaohongshu is our new sales platform for the year. Our team created a new model of brand + shopping mall + celebrity cooperation by tapping into brand and celebrity opportunities and adhering to the concept of reducing costs and increasing efficiency, and created a single-day single-event turnover of more than RMB600,000 in the first cooperation with Darphin; in the first half of 2024, the sales of the entire platform of “Mao Le Hui” reached RMB105 million, 66 thousand new members were attracted, the conversion rate of new members was 17%, and the consumption of the stock members increased compared with the same period of last year.

As a platform for continuous and full-cycle interaction between the Group and its customers, the “Mao Yue Hui” membership management system carries services and functions that integrate online and offline omni-channel marketing. During the reporting period, “Mao Yue Hui” carried out in-depth refinement and optimization of its online and offline member services and management. A survey conducted on user satisfaction in the store membership operation showed that there were no negative feedbacks on the functions of “Mao Yue Hui”, which further enhanced user experience, increased user stickiness and facilitated business growth. During the period, key enhancements were made, such as ongoing functionality updates and interface optimization, further improvements to the parking payment function, automatic upgrade management of membership levels, and enhancement of the redemption function for member bonus points, vouchers and member marketing activities. During the reporting period, the “Mao Yue Hui” membership management system attracted 454.6 thousand new members. As at 30 June 2024, the total number of members served by “Mao Yue Hui” reached 18.36 million and the total consumption of members reached RMB1,780 million.

4. Establish the new before abolishing the old, innovate amidst stability, and build strength for the future

During the reporting period, the Group continued to consolidate and enhance its competitiveness by focusing on its core business, comprehensively adjusting and upgrading its stores across the country, adhering to the transformation of department stores to shopping centers, actively exploring the development of new retail formats, adopting one-store-one-strategy targeted marketing, and continuously upgrading the quality of its operations. The Group's Qinhuangdao Maoye Complex has completed its renovation, expansion and upgrading, and a number of stores across the country are integrating local culture, with the aim of reinventing the art of commercial space and creative layouts to empower innovation in the business formats and transformation to shopping centers, and to enhance customer experience and shopping satisfaction in line with the new trend of consumption transformation.

In March 2024, the overall conceptual design plan for the redevelopment of the northern area of Chengdu Yanshikou Maoye Complex was considered and approved by the Architecture and Landscape Art Professional Committee of Chengdu Land and Spatial Planning Commission. In the future, the Company will continue to actively and steadily push forward the construction process of the project.

PERFORMANCE OF TOP 10 DEPARTMENT STORES¹

No.	Store Name	Total Sales	Operation	Gross
		Proceeds and Rental Income (RMB'000)	Period ² (Years)	floor Area (m ²)
1	Shenzhen Huaqiangbei	713,498	20.8	63,243
2	Taiyuan Maoye Complex	405,614	9.6	252,882
3	Guanghua	270,174	14.6	67,914
4	Maoye Commercial Store	235,964	21.2	48,187
5	Shenzhen Nanshan	229,554	14.8	44,871
6	Zibo Maoye Times Square	201,141	9.2	86,677
7	Taizhou First Department Store	188,498	14.8	40,358
8	Xiandai Shopping Plaza	153,081	17.7	36,926
9	Qinhuangdao Jindu	152,153	15.8	46,610
10	Maoye Mall City	127,540	10.6	131,987

Notes:

¹ Top 10 department stores are ranked by total sales proceeds and rental income during the first half of 2024.

² Operation period was calculated until 30 June 2024.

III. FUTURE OUTLOOK

Looking ahead to the second half of 2024, although the external environment will remain complex and volatile, and the domestic economy will face a number of difficulties and challenges, with the continued release of the effects of the country's proactive economic policies, domestic demand and consumption will continue to pick up moderately, and consumption of services is expected to recover rapidly, so the basic trend of the domestic economy picking up will remain unchanged. Business iteration and competition in the industry are the essence of business operation. In the face of challenges and changes in the market, the Group has always maintained its original intention to focus on its core business, with commercial retailing as its core pillar, and to promote diversified and synergistic development across different regions on all fronts. The Group will keep abreast of the market trend and make upgrades and adjustments in an all-round and multi-dimensional manner to keep abreast of the times, get rid of the stale and take in the fresh and enhance refined operations, so as to continue to consolidate the Group's internal core strengths and maintain good sustainability in order to embrace a new round of development opportunities. At the same time, the Group will continue to build and improve its digital intelligence, insist on integration and innovation with technology, continue to explore and develop new modes of digital operations, tap new business growth points, strengthen the integration of online and offline businesses, enhance the Group's operational efficiency and effectiveness, and build a diversified digital business ecosystem, so as to empower the Group to embrace the new opportunities and new tracks in the future.

FINANCIAL REVIEW

Total Sales Proceeds and Rental Income

For the six months ended 30 June 2024, the total sales proceeds and rental income of the Group were RMB3,996.7 million, representing a decrease of 9.9% as compared with the corresponding period in 2023, mainly due to impact of the gradual transformation of the business model from department store direct sales and franchised counters to shopping malls leasing. The Group's same store sales proceeds and rental income amounted to RMB3,965.5 million, representing a decrease of 9.9% as compared to 2023.

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	RMB'000
Total sales proceeds from concessionaire sales	2,672,507	3,059,861
Direct sales income	691,236	823,121
Rental income	632,909	554,897
Total sales proceeds and rental income	<u>3,996,652</u>	<u>4,437,879</u>

Among the total sales proceeds and rental income of the Group for the first half of 2024, total sales proceeds derived from concessionaire sales accounted for 66.9%, those derived from direct sales income accounted for 17.3%, and those derived from rental income accounted for 15.8%. For the six months ended 30 June 2024, the Group's sales proceeds from concessionaire sales were RMB2,672.5 million, representing a decrease of 12.7% as compared with the corresponding period in 2023; direct sales income was RMB691.2 million, representing a decrease of 16.0% as compared with the corresponding period in 2023; rental income was RMB632.9 million, representing an increase of 14.1% as compared with the corresponding period in 2023.

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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Eastern China	629,295	678,792
Southern China	1,238,975	1,468,715
Southwestern China	442,010	525,993
Northern China	1,686,372	1,764,379
	<hr/>	<hr/>
Total	<u>3,996,652</u>	<u>4,437,879</u>

For the six months ended 30 June 2024, sales of apparels (including men's and ladies' apparels) accounted for 27.2% (first half of 2023: 25.7%), jewelries accounted for 19.0% (first half of 2023: 22.5%), leisure and sports goods accounted for 13.5% (first half of 2023: 12.7%), shoes and leather goods accounted for 6.0% (first half of 2023: 6.1%), cosmetics accounted for 20.1% (first half of 2023: 20.3%) and others (including branded merchandise, children's items, bedroom and household goods, home appliances, food, family goods, fresh products, retail, ancillary and others) accounted for 14.2% (first half of 2023: 12.7%).

For the six months ended 30 June 2024, revenue of the Group amounted to RMB2,493.5 million, representing an increase in total of approximately RMB244.3 million as compared with RMB2,249.2 million for the corresponding period last year. The main reason for the increase in revenue is due to the impact of differences in the delivery schedule of real estate projects an increase of RMB362.3 million in property delivery income is recognized during this period.

Other Income

For the six months ended 30 June 2024, other income of the Group amounted to RMB524.9 million, representing a decrease in total of approximately RMB45.3 million as compared with RMB570.2 million for the corresponding period last year. The main reason for the decrease in other income is mainly due to the receipt of RMB58.0 million in government grants for the Group's relocation transaction in Chengdu North Railway Station in the corresponding period last year, and the absence of such income during this period.

Cost of Goods and Properties sold

For the six months ended 30 June 2024, cost of goods and properties sold of the Group amounted to RMB1,192.1 million, representing an increase of 20.3% as compared with RMB990.6 million for the corresponding period last year. The cost of goods and properties sold mainly includes the cost of purchase of and changes in inventory in stores, as well as the cost of property sales. Due to the increase in cost of property sales, the total cost of goods and properties sold has increased in the reporting period.

Employee Expenses

For the six months ended 30 June 2024, employee expenses of the Group amounted to RMB205.1 million, representing an increase of 0.1% as compared with RMB204.9 million for the corresponding period last year, which is basically remaining unchanged.

Depreciation and Amortisation

For the six months ended 30 June 2024, depreciation and amortisation of the Group amounted to RMB494.4 million, representing a decrease of 3.1% as compared with RMB510.4 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 2024, other operating expenses of the Group amounted to RMB522.4 million, representing an increase of 5.9% as compared with RMB493.3 million for the corresponding period last year. The main reason for the increase in other operating expenses during this period is mainly due to the year-on-year increase in the expected credit impairment loss accrued by the Group during the period.

Other Gains

For the six months ended 30 June 2024, the Group recorded other gains of RMB29.4 million, representing a decrease of 67.5% as compared with RMB90.6 million for the corresponding period last year. Such decrease was mainly attributable to the decrease in fair value gains from investment properties year-on-year.

Operating Profit

For the six months ended 30 June 2024, the Group's operating profit amounted to RMB628.9 million, representing a decrease of 11.3% as compared to RMB709.3 million for the corresponding period in 2023. The decrease was primarily due to (i) the year-on-year increase in the expected credit impairment loss accrued by the Group during the period; and (ii) the year-on-year decrease in the gain from changes in the fair value of the Group's investment properties during the period; excluding the effect of the above factors, the Group's gross profit from operations would remain at the same level for both periods.

Finance Costs

For the six months ended 30 June 2024, finance costs of the Group amounted to RMB347.2 million, representing a decrease of 28.7% as compared with RMB486.9 million for the corresponding period of last year. The decrease was primarily due to (i) the decrease in the size of interest-bearing liabilities during the year; (ii) a slight decrease in the interest rate on interest-bearing liabilities financing; and (iii) decrease in the interest on the borrowings of Maoye Shangsha during the period from Maoye Group and Chongde Property.

Income Tax Expense

For the six months ended 30 June 2024, income tax expense of the Group amounted to RMB144.8 million, representing an increase of 27.3% as compared with RMB113.7 million for the corresponding period last year, the increase in income tax was primarily due to the increase in total operating profit and land appreciation tax for the period.

Net Profit for the First Half of 2024

As a result of the foregoing, for the six months ended 30 June 2024:

- Net profit for the first half 2024 was RMB115.6 million, representing an increase of 20.3% as compared with the corresponding period of 2023.

Liquidity and Financial Resources

As at 30 June 2024, the Group had net current liabilities of approximately RMB10,433,096,000 as set out in Note 2.1 of the Interim Condensed Consolidated Financial Statements.

As at 30 June 2024, the Group's cash and cash equivalents amounted to RMB715.9 million, representing a decrease of RMB6.9 million as compared with the balance of RMB722.8 million as at 31 December 2023. The main cash inflow and cash outflow are set out as follows:

- (1) Net cash inflow of RMB891.0 million from operating activities;
- (2) Net cash outflow of RMB22.4 million from investment activities, mainly including:
 - (i) the total cash outflow of RMB62.6 million for the purchase of property, plant and equipment;
 - (ii) the cash outflow of RMB82.7 million for the purchase of financial assets at fair value through profit or loss;
 - (iii) the cash inflow of RMB99.5 million from the disposal of financial assets at fair value through profit or loss;
 - (iv) the cash inflow of RMB19.1 million from the disposal of equity investments at fair value through other comprehensive income; and
 - (v) receipt of dividends from financial assets at fair value through profit or loss and equity investments at fair value through other comprehensive income totaling RMB4.6 million; and

- (3) Net cash outflow of RMB875.6 million from financing activities, mainly including:
- (i) the cash inflow of RMB2,993.1 million from the increase in bank loans;
 - (ii) the cash outflow of RMB3,637.5 million for the repayment of bank loans;
 - (iii) the cash outflow of RMB312.9 million for the payment of interest;
 - (iv) rental expenses included in the new leasing standards of approximately RMB136.0 million;
 - (v) the net cash inflow of RMB271.3 million from borrowings from fellow subsidiaries; and
 - (vi) the distribution of shareholders' dividend of RMB35.0 million by Maoye International Holdings Limited.

Interest-bearing Liabilities

As at 30 June 2024, total bank borrowings of the Group were approximately RMB11,152.7 million (31 December 2023: RMB11,797.2 million). The interest-bearing gearing ratio¹ and net interest-bearing debt to equity ratio² were 23.5% and 66.7%, respectively (31 December 2023: 24.1% and 69.6%, respectively).

¹ Interest-bearing gearing ratio = total interest-bearing debt/total assets = (bank borrowings + corporate bonds + U.S. dollar senior secured notes)/total assets

² Net interest-bearing debt to equity ratio = net interest-bearing debt/total equity = (bank borrowings + corporate bonds + U.S. dollar senior secured notes – cash and cash equivalents)/total equity

Pledge of Assets

As at 30 June 2024, certain borrowings of the Group were secured by the Group's land and buildings, investment properties, properties under development and right-of-use assets with a net carrying amount of approximately RMB3,549.4 million, RMB10,120.3 million, RMB1,342.2 million and RMB178.8 million, respectively.

Foreign Currency Risks

During the reporting period, the Group recorded net loss on foreign exchange of approximately RMB0.8 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 2024, 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 2024 (six months ended 30 June 2023: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2024, neither the Company nor its subsidiaries had purchased, sold or redeemed the Company's listed securities.

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 C1 of the Listing Rules during the six months ended 30 June 2024, except for the following deviation:

Code Provision C.2.1

Currently, Mr. Huang Mao Ru is both the Chairman and Chief Executive Officer of the Company. As Mr. Huang Mao Ru 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 Mao Ru 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 2024 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 2024 have been reviewed by the auditors of the Company, PricewaterhouseCoopers, 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 2024 containing information required by Appendix D2 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, 16 August 2024

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.