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 2017

HIGHLIGHTS

- Total sales proceeds were RMB7,447.0 million, representing an increase of 29.8% compared to the corresponding period in the last year
- Total operating revenue was RMB3,580.9 million, representing an increase of 56.5% compared to the corresponding period in the last year
- Earnings before interest, taxes, depreciation and amortisation (EBITDA) was RMB1,891.7 million, representing an increase of 113.8% compared to the corresponding period in the last year
- The net profit was RMB604.1 million, representing an increase of 381.6% compared to the corresponding period in the last year
- Profit attributable to owners of the parent was RMB536.0 million, representing an increase of 517.8% compared to the corresponding period in the last year
- Basic earnings per share for the period was RMB10.4 cents

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 2017.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 *(Unaudited)* *RMB'000*	2016 *(Unaudited)* *(Restated)* *RMB'000*
REVENUE	4	**2,938,481**	1,802,628
Other income	5	**642,422**	485,588
Total operating revenue		**3,580,903**	2,288,216
Cost of sales		**(1,230,233)**	(632,116)
Employee expenses		**(294,512)**	(238,380)
Depreciation and amortisation		**(436,098)**	(320,619)
Operating lease rental expenses		**(209,035)**	(110,229)
Other operating expenses		**(621,013)**	(445,539)
Other gains		**651,258**	11,083
Operating profit		**1,441,270**	552,416
Finance costs	6	**(452,438)**	(306,265)
Share of profits and losses of associates		**14,347**	11,833
PROFIT BEFORE TAX		**1,003,179**	257,984
Income tax expense	7	**(399,080)**	(132,553)
PROFIT FOR THE PERIOD		**604,099**	125,431
Attributable to:			
Owners of the parent		**535,999**	86,755
Non-controlling interests		**68,100**	38,676
		604,099	125,431
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		**RMB10.4 cents**	RMB1.7 cents
Diluted		**RMB10.4 cents**	RMB1.7 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	*(Unaudited)*
		(Restated)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**604,099**	125,431
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Identified as impairment loss of available-for-sale equity investments	**—**	3,640
Changes in fair value	**(95,366)**	(350,934)
Income tax effect	**23,842**	86,823
	(71,524)	(260,471)
Defined benefit retirement plans	**—**	626
Exchange differences on translation of foreign operations	**16,250**	(25,012)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(55,274)**	(284,857)
TOTAL COMPREHENSIVE INCOME/(LOSS), NET OF TAX	**548,825**	(159,426)
Attributable to:		
Owners of the parent	**480,905**	(197,454)
Non-controlling interests	**67,920**	38,028
	548,825	(159,426)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2017

	Note	**30 June 2017** *(Unaudited)* *RMB'000*	31 December 2016 *(Audited)* *(Restated)* *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**12,156,264**	12,566,816
Investment properties		**10,035,631**	9,730,242
Land lease prepayments		**5,590,164**	5,650,727
Goodwill		**1,495,313**	1,592,664
Other intangible assets		**42,847**	48,292
Investments in associates		**1,834,326**	2,533,377
Available-for-sale equity investments		**1,970,068**	1,768,191
Prepayments		**344,218**	323,855
Deferred tax assets		**515,180**	580,617
Total non-current assets		**33,984,011**	34,794,781
CURRENT ASSETS			
Inventories		**236,010**	279,543
Completed properties held for sale		**996,793**	1,447,664
Properties under development		**5,469,796**	4,850,424
Equity investments at fair value through profit or loss		**111**	246,584
Trade receivables		**23,160**	20,354
Prepayments and other receivables		**2,951,332**	3,062,374
Pledged deposits		**630,283**	146,028
Cash and cash equivalents		**1,126,095**	1,127,580
Total current assets		**11,433,580**	11,180,551
CURRENT LIABILITIES			
Trade and bills payables	9	**2,646,550**	3,073,406
Deposits received, accruals and other payables		**7,367,157**	8,045,464
Interest-bearing bank loans and other borrowings		**8,115,606**	10,714,305

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As At 30 June 2017

	30 June 2017 *(Unaudited)* *RMB'000*	31 December 2016 *(Audited)* *(Restated)* *RMB'000*
Tax payable	**422,475**	379,318
Dividend payable	**433**	433
Total current liabilities	**18,552,221**	22,212,926
NET CURRENT LIABILITIES	**(7,118,641)**	(11,032,375)
TOTAL ASSETS LESS CURRENT LIABILITIES	**26,865,370**	23,762,406
NON-CURRENT LIABILITIES		
Interest-bearing bank loans and other borrowings	**11,103,210**	8,442,087
Deferred tax liabilities	**3,210,613**	3,227,867
Other long-term liability	**6,899**	7,680
Provision for retirement benefits	**8,203**	8,203
Total non-current liabilities	**14,328,925**	11,685,837
Net assets	**12,536,445**	12,076,569
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**460,153**	460,153
Equity component of convertible bonds	**55,538**	55,538
Other reserves	**10,087,240**	9,620,118
	10,602,931	10,135,809
Non-controlling interests	**1,933,514**	1,940,760
Total equity	**12,536,445**	12,076,569

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Maoye International Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 8 August 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office address is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands and the head office and principal place of business of the Company is located at 38/F, World Finance Centre, 4003 Shennan East Road, Shenzhen, the People's Republic of China (the "**PRC**"). The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the operation and management of department stores and property development in Mainland China.

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company are Maoye Department Store Investment Limited and MOY International Holdings Limited, respectively, which were incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do 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 2016.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the nature of their operations and their products and services and has three reportable operating segments as follows:

(a) the operation of department stores segment comprises concessionaire sales, direct sales of merchandise and the leasing out of commercial properties for the operation of department stores by third parties;

(b) the property development segment is principally engaged in the development and sale of commercial and residential properties as well as the leasing out of commercial properties other than for the operation of department stores; and

(c) the "others" segment comprises, principally, operations of hotels and the provision of ancillary services and the provision of advertising services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit attributable to owners of the parent.

Intersegment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Operation of department stores *RMB'000*	Property development *RMB'000*	Others *RMB'000*	Total *RMB'000*
Period ended 30 June 2017				
Segment revenue:				
Sales to external customers	2,290,789	587,226	60,466	2,938,481
Other income	617,925	1,076	23,421	642,422
Cost of sales	(786,612)	(437,046)	(6,575)	(1,230,233)
Employee expenses	(243,906)	(21,569)	(29,037)	(294,512)
Depreciation and amortisation	(360,331)	(51,846)	(23,921)	(436,098)
Operating lease rental expenses	(207,523)	(1,311)	(201)	(209,035)
Other operating expenses	(515,934)	(75,706)	(29,373)	(621,013)
Other gains/(losses)	35,514	(5,957)	621,701	651,258
Operating profit/(loss)	829,922	(5,133)	616,481	1,441,270
Finance costs	(317,896)	(119,869)	(14,673)	(452,438)
Share of profits and losses of associates	14,347	—	—	14,347
Segment profit/(loss) before tax	526,373	(125,002)	601,808	1,003,179
Income tax expense	(236,986)	(65,212)	(96,882)	(399,080)
Segment prorfit/(loss) for the period	289,387	(190,214)	504,926	604,099
Attributable to:				
Owners of the parent	220,915	(190,214)	505,298	535,999
Non-controlling interests	68,472	—	(372)	68,100
	289,387	(190,214)	504,926	604,099
Other segment information:				
Impairment losses for other receivables and trade receivables recognized in the statement of profit or loss	7,874	—	—	7,874
Goodwill impairment recognized during the period	97,342	—	—	97,342
Investments in associates	1,834,326	—	—	1,834,326
Capital expenditure*	42,750	565,040	570	608,360

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

	Operation of department stores	Property development	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Period ended 30 June 2016 (Restated)				
Segment revenue:				
Sales to external customers	1,637,866	144,675	20,087	1,802,628
Other income	466,045	4,921	14,622	485,588
Cost of sales	(547,103)	(84,993)	(20)	(632,116)
Employee expenses	(206,616)	(22,563)	(9,201)	(238,380)
Depreciation and amortisation	(300,673)	(14,121)	(5,825)	(320,619)
Operating lease rental expenses	(108,497)	(1,562)	(170)	(110,229)
Other operating expenses	(398,701)	(39,176)	(7,662)	(445,539)
Other gains/(losses)	(55,730)	(23,633)	90,446	11,083
Operating profit/(loss)	486,591	(36,452)	102,277	552,416
Finance costs	(156,683)	(149,582)	—	(306,265)
Share of profits and losses of associates	11,833	—	—	11,833
Segment profit/(loss) before tax	341,741	(186,034)	102,277	257,984
Income tax expense	(104,086)	(4,974)	(23,493)	(132,553)
Segment profit/(loss) for the period	237,655	(191,008)	78,784	125,431
Attributable to:				
Owners of the parent	208,536	(191,008)	69,226	86,754
Non-controlling interests	29,119	—	9,558	38,677
	237,655	(191,008)	78,784	125,431
Other segment information:				
Impairment losses for other receivables and trade receivables recognized in the statement of profit or loss	154	—	—	154
Investment in associates	2,524,093	—	—	2,524,093
Capital expenditure*	77,780	1,351,840	717	1,430,337

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

4. REVENUE

	Six months ended 30 June	
	2017	2016
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Commissions from concessionaire sales	**1,054,745**	872,526
Direct sales	**905,088**	614,910
Rental income from the leasing of shop premises	**329,331**	148,309
Management fee income from the operation of department stores	**1,625**	2,121
Rental income from investment properties	**55,700**	41,549
Sale of properties	**531,526**	103,126
Others	**60,466**	20,087
	2,938,481	1,802,628

The total sales proceeds and commissions from concessionaire sales are analysed as follows:

Total sales proceeds from concessionaire sales	**6,541,939**	5,120,667
Commissions from concessionaire sales	**1,054,745**	872,526

5. OTHER INCOME

	Six months ended 30 June	
	2017	2016
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Income from suppliers and concessionaires		
- Administration and management fee income	**341,364**	262,185
- Promotion income	**180,229**	117,987
- Credit card handling fees	**82,515**	66,092
Interest income	**13,817**	19,781
Others	**24,497**	19,543
	642,422	485,588

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Total interest expense on financial liabilities not at fair value through profit or loss	**574,137**	516,840
Less: Interest capitalised	**(121,699)**	(210,575)
	452,438	306,265

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
		(Unaudited)
	(Unaudited)	*(Restated)*
	RMB'000	*RMB'000*
Group:		
Current — Corporate Income Tax	**356,925**	140,086
Current — Land Appreciation Tax	**20,891**	9,152
Deferred	**21,264**	(16,685)
Total tax charge for the period	**399,080**	132,553

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

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2017 attributable to ordinary equity holders of the parent of RMB535,999,000 (Six months ended 30 June 2016: RMB86,755,000) and the weighted average number of ordinary shares of 5,140,326,000 (Six months ended 30 June 2016: 5,141,635,000) in issue during the period.

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

9. TRADE AND BILLS PAYABLES

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

	30 June 2017	31 December 2016
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Within 90 days	**2,223,628**	2,132,672
91 to 180 days	**269,629**	578,506
181 to 360 days	**39,960**	56,552
Over 360 days	**113,333**	305,676
	2,646,550	3,073,406

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

10. EVENTS AFTER THE REPORTING PERIOD

(a) Share transactions — about compensation agreement on profit guarantee

On 12 June 2015, Shenzhen Maoye Trade Building Co., Ltd ("**Maoye Shangsha**"), Shenzhen Demao Investment Enterprises (Limited Partnership) and Shenzhen Hezhengmao Investment Enterprise (Limited Partnership) (collectively, the "**Vendors**") entered into a framework agreement and a compensation agreement with Maoye Commercial Co. Ltd. ("**Maoye Commercial**") that the Vendors agreed to sell the entire issued share capital of Shenzhen Maoye Department Store Company Limited, Shenzhen Maoye Department Store Shennan Co., Ltd., Shenzhen Maoye Oriental Times Department Store Co., Ltd., Zhuhai City Maoye Department Store Co., Ltd. and Shenzhen Maoye Department Store Huaqiangbei Co., Ltd. (the "**Target Entities**") to Maoye Commercial at a total consideration of 1,161,542,889 shares of Maoye Commercial.

According to the compensation agreement, the Vendors promised to Maoye Commercial that the total audited net profits of the Target Entities for the years ended 31 December 2016, 2017 and 2018 would be not less than RMB711,011,000 (the "**2016 Profit Guarantee**"), RMB779,222,200 and RMB839,703,400, respectively. According to the special audited accounts of the Target Entities for the year ended 31 December 2016 audited by Ruihua Certified Public Accounts the total net profits of the Target Entities was approximately RMB569,084,800, without taking into account the effect of non-operating gains and losses. The amount was lower than the 2016 Profit Guarantee by RMB141,926,200. Therefore, the 2016 Profit Guarantee has not been met. According to the compensation agreement, Maoye Commercial shall be entitled to repurchase 70,754,453 compensation shares at the cost of RMB1, representing approximately 6.1% of the total consideration shares (the "**Repurchase**").

However, the resolution to the Repurchase was not approved by the shareholders of Maoye Commercial at the shareholders' meeting held on 11 April 2017. Accordingly, on 18 July 2017, pursuant to the terms of the compensation agreement, the compensation shares of 70,754,453 will be transferred from the Vendors, respectively, to the shareholders of Maoye Commercial (other than the Vendors) as listed on the shareholders' register of Maoye Commercial as of the close of trading on 5 May 2017, in proportion to their then shareholding in Maoye Commercial, for no consideration.

Upon completion of such transfers, Maoye Shangsha's shareholding in Maoye Commercial has decreased from 1,481,430,321 shares to 1,414,838,703, representing a decrease in percentage shareholding from 85.53% to 81.69%.

In addition, in accordance with the terms of the compensation agreement, if Maoye Commercial distributes cash dividend during the performance compensation period, the Vendors shall return the cash dividend along with the compensated shares received to Maoye Commercial. Maoye Commercial has already received the dividend amount of RMB 28,301,781.20 on 70,754,453 shares that the Vendors returned to it.

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO ECONOMY OVERVIEW

In the first half of 2017, the PRC economy continued to operate in a stable and upward development trend and the overall trend of economic growth outperformed expectations, as GDP growth increased by 6.9% on a year-on-year basis, up 0.2 percentage point as compared to the corresponding period of the previous year. The consumer market operated steadily, and consumer expenditure continued to play the role of a major driving force underpinning economic growth. For the first half of 2017, total retail sales of social consumer goods amounted to RMB17,236.9 billion, representing an increase of 10.4% year-on-year. In particular, online retail sales continued to maintain a faster growth rate, the nationwide online retail sales for the first half of the year amounted to RMB3,107.3 billion, representing an increase of 33.4% year-on-year; further, online retail sales accounted for 18% of the total retail sales of social consumer goods, whereas physical retail sales accounted for 82% of the total retail sales of social consumer goods.

According to the data of the China National Commercial Information Centre (全國商業信息中心), during the first half of 2017, retail sales of 100 key large retailing enterprises across the nation in aggregate increased by 3.1% on a year-on-year basis, the growth rate was 6.3 percentage points higher than the corresponding period of the previous year. Performance of key enterprises in the industry presented an obvious favourable trend, and concentration of the top 100 retailers increased further. On the other hand, differentiation and reshuffling in the industry further increased in scale, and retailing enterprises presented variable performances while new retails utilising a fusion of online and offline activities became market hot spots. New retail business forms and models emerged constantly and restructures the existing market competitive landscape.

OPERATION REVIEW

During the reporting period, the Group actively captured consumption upgrading and the changing trend of the industry, by enhancing the transformation and innovation of its department store business, developing its diversified retailing modes, constantly optimizing its goods and service portfolio and strengthening its store operation efficiency and management capabilities. Meanwhile, the Group actively facilitated its online business development in tune with the new retailing trend, improved its consumption experience of consumers by utilizing internet tools to provide consumers with convenient, visual online service; our offline stores enhanced consumers' shopping efficiency by using digital operating means. By creating more contacts between Maoye and consumers on mobile terminals, we stimulated consumers' shopping desire and directed consumer flows to our physical stores.

In addition, the Group continued to utilize the unique advantages of the operation model of "department store + commercial property" to realize notable cost advantages and stronger risk resistance capability. During the reporting period, the Group actively developed shopping malls in tier-2 and tier-3 cities with consumption potential, and strengthened the integration of Chengdu Renhe Chuntian Department Store Ltd. ("**Rendong Department Store**"), Chengdu Qingyang District Renhe Chuntian Department Store Ltd. ("**Guanghua Department Store**") (collectively, "**Renhe Chuntian**") and Inner Mongolia Victory Commercial (Group) Co., Ltd. ("**Victory**") upon completion of their acquisitions, in order to further establish market leadership position in the four major regions of Southern China, Southwestern China, Eastern China and Northern China.

During the reporting period, a new store in Baotou was added to the Maoye Complex shopping mall network. As at 30 June 2017, the Group operated and managed a total of 64 stores in 18 cities nationwide with total gross floor area of approximately 2.83 million sq.m. of which gross floor area attributable to self-owned properties accounted for 76%. Coverage of key cities included Shenzhen and Zhuhai in Guangdong; Chengdu, Nanchong and Mianyang in Sichuan; Chongqing; Wuxi, Taizhou and Nanjing in Jiangsu; Zibo and Heze in Shandong; Qinhuangdao and Baoding in Hebei; Shenyang in Liaoning; Taiyuan in Shanxi; Baotou and Hohhot in Inner Mongolia. As at 30 June 2017, the distribution of stores of the Group was as follows:

	Southern China	**Southwestern China**	**Eastern China**	**Northern China**	**Total**
Number of Stores	6	11	12	35	64
Gross Floor Area (sq.m.)	213,584	368,054	687,574	1,564,711	2,833,923

Notes:

1. Southern China region includes: Shenzhen and Zhuhai.

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

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

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

As at the end of the reporting period, the Group's principal businesses comprised the four key pillar businesses of department stores, shopping malls, outlets and supermarkets, and possessed extensive market influence in the principal business areas.

MAJOR OPERATING HIGHLIGHTS

I Building a life circle of Maoye

During the reporting period, the Group established a subsidiary in line with the changing trend of consumption upgrading, which engages in research and development as well as application of digital information technology. Targeting at "digital retail, intelligent businesses", it focuses on strengthening information construction and taking advantage of the Internet, and develops the strategy of online and offline integration in order to build a comprehensive digital life circle of Maoye. The Group conducted upgrading and development in five aspects, namely membership system, consumer application system, staff intelligent management system, store supplier service system, property sales and leasing system, targeting the main groups in close connection with the Group in operation, and achieved solid progress, laying a foundation for operating the life cycle of Maoye in a digital way.

1. Membership: the Group launched a pan-member core system of "Mao Yue Hui" (茂悅薈) to provide members with certain functions such as online registration, points checking, payment with QR codes, value storing, and consumption history inquiry. Currently, an electronic membership system of "Mao Yue Hui" has been implanted into WeChat public accounts of a majority of Group's stores for touch-type collection and analysis of membership database as well as online membership marketing and information push to effectively draw customer traffic into physical stores.

2. Consumer: the Group launched a "Mao Le Hui" (茂樂惠) micro mall and a "You Ke Feng" (友客蜂) shopping guide APP. Currently, the "Mao Le Hui" micro mall has implanted into WeChat public accounts of the Group's most stores to provide time-limited special offer and group purchase activities of goods in each store, therefore extending and expanding the time and room for consumption of consumers and increasing the incremental consumption of consumers. The service review function is added to "You Ke Feng" reflecting employees' service quality in digital form.

3. Staff: the Group launched a brand new "Maoye Intelligent Management Platform" (茂業智能管理平臺) which is a highly integrated, staff self-service PC and mobile system. It standardized various business workflows and fully enhanced our working efficiency.

4. Store suppliers: the Group launched a "Xiao Hong Mao" (小紅茂) merchant service APP based on its existing supplier service system to provide innovative supplier maintenance, material procurement, security service, administrative service, etc. by electronic means to improve suppliers' management and service.

5. Property buyers and tenants: the Group launched a non-retailing sales system of "Maoye•Hao Fang" (茂業•好房) to provide online property sales and leasing functions and set up an online marketing platform to connect with our tenants and landlords.

II. **Constantly expanding and optimizing the store network of the Company**

During the reporting period, the Group continued to construct "Maoye Complex" projects in key cities, actively promoted business solicitation for and opening of the new projects, and generated synergies and coordination with existing stores in the regions, in order to consolidate its leading position in regional markets.

The Group's Maoye Complex Phase 1 Shopping Mall in Baotou officially commenced business in April 2017. The shopping mall was located at Aerding Square, the area of highest commercial value in the new city centre of Baotou, as a new commercial landmark of the city, and total gross floor area of Maoye Complex project was almost 260,000 sq.m., of which the planning area of phase I shopping mall was approximately 60,000 sq.m., retail area accounted for 43%, ancillary area for food and beverage and entertainment accounted for 57%, providing shopping, food and beverage, entertainment, culture, education and leisure consumption experience under one roof. Since the commencement of business of Maoye Complex Phase 1 in Baotou, customer traffic flow continued to increase steadily and further consolidated the Group's market leading position in the Northern China region.

III. **Facilitating the consolidation of regional stores and promoting the synergetic development strategy of multi-brands operation**

After completion of the acquisitions of Victory in Inner Mongolia and Chengdu Renhe Chuntian, the Group leveraged on the advantages of its nationwide resources, well-established management experience and information systems to implement store acquisitions and make quick adjustments in the operational, financial, management and strategic aspects to enhance the operation capability and profitability of the stores. Meanwhile, regional coordinated management was implemented in the stores in Baotou and Hohhot of Inner Mongolia and in Chengdu areas of Sichuan, such that good synergies and positive complementary effects were formed. During the first half of 2017, acquired stores achieved remarkable operating performance, of which Inner Mongolia Victory recorded net profit of RMB124 million, representing an increase of 197.6% as compared to the corresponding period of the previous year.

Till now, the Group has further evolved into four major business modes, including shopping malls, outlets and hypermarkets on the basis of the original department stores through a series of consolidation and adjustment of the regional stores, covering the brands of "Maoye Department Store", "Maoye Complex", "People's Department Store", "Renhe Chuntian" and "Victory", the Group has received extensive consumers' recognition and social influence and achieved regional brand scale effect. The Group formulated the characteristic operation strategies and marketing planning for stores in each region based on their own brands and features to form differentiated positioning, discrepant development and cooperative operation.

IV. **Enhancing the operational capability and profitability of stores**

During the reporting period, the Group continued to focus on enhancing the operational capability and profitability of all stores. While implementing the strategy of transforming department stores into shopping malls persistently, the proportion of ancillary facilities in stores, such as food and beverage, leisure and entertainment facilities, was increased to satisfy the consumers' demand for experiential and spiritual consumption and to enhance customer retention capability of the stores. As at 30 June 2017, the Group completed the projects of transforming over 10 stores into shopping malls, including Huaqiangbei store and Taiyuan Liuxiang store.

After completion of comprehensive upgrading and reconstruction of the Group's flagship store in Shenzhen, Huaqiangbei store, into a shopping mall, it reopened with a totally new appearance to consumers in January 2017 together with the re-opening of Huaqiangbei Business Street. At present, the fully transformed Huaqiangbei Maoye Complex has significantly increased ancillary area for food and beverage, as the B1 level of basement was converted from the original supermarket into a food court, and the Huaqiangbei Metro Station and Business Street upon completion were connected seamlessly with the B1 level of Maoye Complex, which effectively enhanced the customer traffic flow of the store.

On the other hand, the Group continued to focus on enhancing the operational capability of products and efficiency improvement, through making dynamic adjustment to product mix in the stores and enriching the scale of merchandise, more diversified and more comprehensive shopping choices were provided to consumers. Meanwhile, by increasing improvements to the merchandise navigation function in all stores, shopping efficiency, convenience, consumption experience and loyalty for consumers were enhanced to achieve higher store benefits.

V. **Enhancing integrated member service level and intensifying precision marketing level**

During the reporting period, the Group enhanced the level of member services actively . The pan-member system, as a core link of life circle of Maoye, constantly enhanced the level of member management and services by member development and retention through informatization means, and actively collecting and analysing members' data. As at 30 June 2017, the number of the Group's members reached 5.66 million, representing an increase of 20% year-on-year, and member spending accounted for 45%, representing an increase of 8 percentage points as compared to the corresponding period of the previous year.

VI. **Capital operation — transfer of partial equity interest in Maoye Communication and Network Co., Ltd. ("Maoye Communication")**

In January 2017, Zhongzhao, a subsidiary of the Group, completed the transfer of partial equity interest in Maoye Communication through the disposal of 70,000,000 unrestricted shares in Maoye Communication for a consideration of RMB1,400,000,000, representing 11.26% of the total share capital of Maoye Communication and 33.64% of the shares in Maoye Communication held by Zhongzhao. Upon completion of the transaction, the percentage of shares in Maoye Communication held in aggregate by Zhongzhao and its party acting in concert, Shenzhen Maoye Department Store Co., Ltd., decreased from 35.46% to 24.20% and they ceased to be the Controlling Shareholder of Maoye Communication. The Group received a net investment gain of approximately RMB460 million from the transaction, which was mainly used for repayment of borrowings and supplementing working capital, and would help to optimize the financial structure of the Group and to focus development on retail business.

VII. **Property development segment**

As at 30 June 2017, the Group had projects under construction and projects for sale in various places, including Taiyuan of Shanxi, Taizhou and Wuxi of Jiangsu, Chengdu of Sichuan, Shenyang and Jinzhou of Liaoning, Laiwu and Zibo of Shandong, Qinhuangdao and Baoding of Hebei, and Baotou of Inner Mongolia, the types of projects covered residential, apartment, office and shop units. During the first half of 2017, the Group recorded property sales revenue of RMB530 million, representing a significant increase of RMB430 million as compared to the corresponding period of the previous year. In the future, the Group will continue to facilitate the completion of projects under construction as scheduled and the passing of acceptance inspection for completion, and to launch the aforementioned real estate projects into the market by adopting various methods such as sales and leasing to realize payback of project capital as soon as possible.

PERFORMANCE OF MAJOR DEPARTMENT STORES[1]

Store Name		Total sales proceeds (RMB'000)	Operation Period[2] (Years)	Gross Floor Area (m^2)
1	Shenzhen Huaqiangbei	829,078	13.7	63,243
2	Guanghua Department Store	488,004	7.6	62,498
3	Victory Commercial Building	436,488	14.2	54,946
4	Victory International Plaza	389,053	9.5	85,654
5	Taizhou Yibai	371,250	7.8	40,358
6	Shenzhen Dongmen	359,095	20.3	40,979
7	Shenzhen Nanshan	348,308	7.8	44,871
8	Victory Shopping Center	310,655	10.8	58,215
9	Chengdu Yanshikou	270,017	12.1	85,586
10	Qinhuangdao Xiandai Shopping Plaza	237,322	7.1	36,897
11	Rendong Department Store	223,294	18.8	38,278
12	Qinhuangdao Jindu	211,004	8.8	46,610
13	Chongqing Jiangbei	207,489	12.7	68,138
14	Taiyuan Maoye Complex Phase I	190,320	2.6	86,504
15	Taiyuan Liuxiang	173,394	8.7	31,448
16	Shenzhen Outlet	163,529	17.8	23,048
17	Nanchong Wuxing	155,249	15.7	24,365
18	Zibo Maoye Time Square	147,430	2.4	88,923
19	Zhuhai Xiangzhou	146,535	15.7	30,936
20	Qinhuangdao Department Store	137,612	7.1	26,696
21	Mianyang Xingda	132,436	8.8	27,595
22	Baotou Victory Commercial Building	101,568	7.5	64,644

Notes:

1 Major department stores are stores with sales proceeds in half year of over RMB100 million.

2 Operation period was calculated till 30 June 2017.

OUTLOOK

In the second half of 2017, the Group will continue to maintain a stable and sound development strategy, while focusing on operation scale and enhancing benefits, business innovation and transformation will be strengthened along with the following areas:

Firstly, to facilitate business commencement and development of "Maoye Complex" projects actively, and to prepare business commencement of key projects, such as Jinzhou Shopping Mall, Laiwu Shopping Mall and Baotou Maoye Complex Phase 2, to generate synergies and complementary effects with existing layout of department stores and to strengthen the Group's regional leading position;

Secondly, to continue focusing on the integration of acquired stores, to strengthen the integration of acquired entities in the aspects of management, systems and personnel, and to realize sharing of resources and cooperation in management within the regions to release the synergies from acquisitions;

Thirdly, to continue focusing on enhancing the operation efficiency of stores through reforming department stores into shopping malls, enriching experiential consumer business, improving customer retention capability of stores, and enhancing the efficiency, convenience and speed of shopping by consumers through dynamic adjustment of the stores' product layout, categories and scale;

Fourthly, to continue facilitating the development and innovation of life circle of Maoye, the use of electronic membership system in all stores nationwide, the digitalization of member data and development and operation of the "Mao Le Hui" micro mall system; and

Fifthly, to increase efforts in disposing non-core assets, to accelerate the pace of sales of the property business to enhance the cashflow level of the Group.

FINANCIAL REVIEW

Total Sales Proceeds and Revenue

For the six months ended 30 June 2017, total sales proceeds of the Group were RMB7,447.0 million, representing an increase of 29.8% compared to the same period of 2016. The increase of total sales proceeds was primarily due to the full consolidation of Renhe and Victory as subsidiaries of the Group into the interim results. The total same-store sales proceeds were RMB4,991.8 million, representing a decrease of 0.8% compared to the same period of 2016.

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Total sales proceeds from concessionaire sales	**6,541,939**	5,120,667
Direct Sales	**905,088**	614,910
Total Sales Proceeds	**7,447,027**	5,735,577

Among the total sales proceeds of the Group in the first half of 2017, total sales proceeds derived from concessionaire sales accounted for 87.8% and those derived from direct sales accounted for 12.2%. For the six months ended 30 June 2017, same-store sales proceeds from concessionaire sales were RMB4,561.6 million, representing an increase of 0.2% compared to the same period in 2016.

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

	Total sales proceeds		**growth of the total sales proceeds**
	2017	2016	**%**
	RMB'000	*RMB'000*	
Southern China	**1,885,295**	1,794,482	5.1%
Southwestern China	**1,621,294**	1,508,225	7.5%
Eastern China	**1,000,298**	1,019,213	-1.9%
Northern China	**2,940,140**	1,413,657	108.0%
Total	**7,447,027**	5,735,577	29.8%

For the six months ended 30 June 2017, sales of apparels (including men's and ladies' apparels) accounted for 33.7% (first half of 2016: 37.5%), shoes and leather goods accounted for 9.6% (first half of 2016: 11.8%), jewelries accounted for 15.8% (first half of 2016: 17.4%), cosmetics accounted for 7.7% (first half of 2016: 6.0%), leisure and sports goods accounted for 11.1% (first half of 2016: 12.4%), others (including branded merchandise, children's items, bedroom and household goods, home appliances, supermarket and others) accounted for 22.1% (first half of 2016: 14.9%).

For the six months ended 30 June 2017, revenue of the Group amounted to RMB2,938.5 million, representing an increase of 63.0% compared with RMB1,802.6 million for the same period last year. The increase of revenue was mainly because (1) Renhe and Victory, being the subsidiaries of the Company, have been fully consolidated into the interim results of the Group; and (2) the progress achieved for the property projects of the Group such as the projects in Taizhou City, Jiangsu Province where recorded a significant increase of revenue.

Other Income

For the six months ended 30 June 2017, other income of the Group amounted to RMB642.4 million, representing an increase of 32.3% compared with the same period last year. The increase of the other income was primarily because Renhe and Victory, being the subsidiaries of the Company, have been fully consolidated into the interim results of the Group.

Cost of Sales

For the six months ended 30 June 2017, cost of sales of the Group amounted to RMB1,230.2 million, representing an increase of 94.6% compared with RMB632.1 million for the same period last year. The increase in cost of sales was primarily because (1) Renhe and Victory, being the subsidiaries of the Company, have been fully consolidated into the interim results of the Group; and (2) the revenue and cost of sales from property segment of the Group increased.

Employee Expenses

For the six months ended 30 June 2017, employee expenses of the Group amounted to RMB294.5million, representing an increase of 23.5% compared with the employee expenses of RMB238.4 million for the same period last year, which was mainly due to the increase in employee expenses of Renhe and Victory.

Depreciation and Amortisation

For the six months ended 30 June 2017, depreciation and amortisation of the Group amounted to RMB436.1 million, representing an increase of 36.0% compared with RMB320.6 million for the same period last year, which was primarily because Renhe and Victory, being the subsidiaries of the Company, have been fully consolidated into the interim results of the Group.

Operating Lease Rental Expenses

For the six months ended 30 June 2017, operating lease rental expenses of the Group amounted to RMB209.0 million, representing an increase of 89.6% compared with RMB110.2 million for the same period last year, which was mainly because Renhe and Victory, being the subsidiaries of the Company, have been fully consolidated into the interim results of the Group.

Other Operating Expenses

For the six months ended 30 June 2017, other operating expenses of the Group amounted to RMB621.0 million, representing an increase of 39.4% compared with RMB445.5 million in the same period last year.

Other Gains

For the six months ended 30 June 2017, other gains of the Group was recorded as gain of RMB651.3 million (same period last year: other gains of RMB11.1 million). This was primarily because the Group recorded one-off investment gains of approximately RMB621.8 million from the disposal of part of equity interest of Maoye Communication in the first half of 2017.

Finance Costs

For the six months ended 30 June 2017, finance costs of the Group amounted to RMB452.4 million, representing an increase of 47.7% compared with RMB306.3 million in the same period last year. This was primarily due to the increase of the interest-bearing loans.

Income Tax Expense

For the six months ended 30 June 2017, income tax expense of the Group amounted to RMB399.1 million, representing an increase of 201.1% compared with RMB132.6 million in the same period last year. This was primarily due to the substantial increase of the profit before tax.

Profit for the six months ended 30 June 2017

As a result of the foregoing, for the six months ended 30 June 2017:

— The net profit was RMB604.1 million, representing an increase of 381.6% as compared with RMB125.4 million for the same period in 2016:

— Without taking into account the effect of non-operating gains and losses*, the net profit was RMB115.7 million, representing an increase of 0.2% as compared with RMB115.4 million for the same period in 2016.

* *non-operating gains and losses represent the gains and losses in respect of equity investments at fair value through profit or loss, available-for-sale equity investments, investments in subsidiaries and associates, the disposal of property, plant and equipment items, investment properties and land lease prepayments.*

Liquidity and Financial Resources

As at 30 June 2017, the Group's cash and cash equivalents amounted to RMB1,126.1 million, a decrease by RMB1.5 million compared to RMB1,127.6 million as at 31 December 2016. The main cash inflow and cash outflow are set out as follows:

(1) net cash inflow of RMB174.6 million arising from operating activities;

(2) net cash inflow arising from investment activities which amounted to RMB623.4 million, which mainly includes: (1) payments for properties, plants and equipment amounting to RMB133.8 million; (2) purchase of available-for-sale equity investments amounting to RMB298.1 million; (3) disposal of part of equity interest of Maoye Communication amounting to RMB1,400 million; (4) disposal of equity interest of Ping An Insurance (Group) Company of China Ltd. amounting to RMB337.7 million; and (5) pledged bank deposits amounting to RMB484.3 million; and

(3) net cash outflow of RMB828.5 million arising from financing activities, mainly includes: 1) net increase in cash inflow arising from bank loans and other borrowings of RMB5,918.6 million; 2) cash outflow arising from repayment of bank loans and other borrowings of RMB5,856.2 million; 3) cash outflow arising from repayment of interest of approximately RMB573.2 million; and 4) cash outflow arising from repayment of borrowings to fellow subsidiaries and other related parties amounting to RMB304.2 million.

Interest-bearing Loans

As at 30 June 2017, total bank loans and corporate bonds of the Group were approximately RMB19,218.8 million (31 December 2016: RMB19,156.4 million). The gearing ratio[1] and net gearing ratio[2] were 42.3% and 144.3%, respectively (31 December 2016: 41.7% and 149.3%, respectively).

1 Gearing ratio = total debt/total assets = (bank loans + corporate bonds)/total assets

2 Net gearing ratio = net debt/equity = (bank loans + corporate bonds -cash and cash equivalents)/equity

Pledge of Assets

As at 30 June 2017, the Group's collateral interest-bearing bank loans amounting to RMB8,256.5 million were secured by the Group's land and buildings, investment properties, land lease prepayments, pledged deposits, and properties under development with net carrying amounts of approximately RMB2,945.1 million, RMB5,279.7 million, RMB1,222.4 million, RMB581.0 million and RMB349.9 million, respectively.

Foreign Currency Risk

The Company issued USD300 million senior guaranteed notes with term of three years in 2014 which is exposed to the effect of foreign exchange fluctuation risks. During the reporting period, the Group recorded a gain of RMB14.9 million on exchange. Since the business of the Group was mainly focused on mainland China, its operation was not exposed to any foreign exchange fluctuation risks.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, the Company early redeemed the US$300,000,000 7.75% senior guaranteed notes due 2017 in the aggregate principal amount of US$46,911,000.

Save as set out above, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2017.

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 2017, except for the following deviation:

Code Provision A.2.1

Currently, Mr. Huang Mao Ru ("**Mr. Huang**") is both the Chairman and Chief Executive Officer of the Company. As Mr. Huang is the founder of the Group and has extensive experience in the department store industry and commercial real estate industry, the Board believes that it is in the best interest of the Group to have Mr. Huang taking up both roles for continuous effective management and business development of the Group.

AUDIT COMMITTEE

The Audit Committee, comprising all the independent non-executive directors of the Company, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2017 and discussed with the management on the accounting principles and practices adopted by the Group, risk management and internal control systems and financial reporting matters.

The figures in respect of the Group's unaudited interim condensed consolidated statement of financial position, unaudited interim condensed consolidated statement of profit of loss, unaudited interim condensed consolidated statement of comprehensive income and the related notes thereto for the six months ended 30 June 2017 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's unaudited interim condensed consolidated financial statements for the period. The work performed by the Company's auditors in this respect did not constitute a review engagement in accordance with Hong Kong Standards on Review Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, based on the information available and to the best of the Board's knowledge, information and belief, the Company has maintained sufficient public float under the Listing Rules and agreed by the Stock Exchange.

INTERIM DIVIDEND

The Board does not recommend to declare an interim dividend for the six months ended 30 June 2017 (2016: Nil).

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 2017 containing information required by Appendix 16 of 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, 24 August 2017

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Huang Mao Ru, Mr. Zhong Pengyi and Mr. Liu Bo; one non-executive Director, namely, Mr. Wang Bin; and three independent non-executive Directors, namely, Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen.