茂業國際控股有限公司
MAOYE INTERNATIONAL HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability
(Stock Code: 848)

2017
INTERIM REPORT

茂業國際控股有限公司
MAOYE INTERNATIONAL HOLDINGS LIMITED

This interim report, in both English and Chinese versions, is available on the Company's website at www.maoye.cn.

Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) of the corporate communications of the Company (including but not limited to annual reports, interim reports and circulars) by sending reasonable prior notice in writing to the share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders who have chosen to receive the Company's corporate communications in either English or Chinese version will receive both English and Chinese versions of this interim report since both languages are bound together into one booklet.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Mao Ru *(Chairman and Chief Executive Officer)*
Mr. Zhong Pengyi *(Vice Chairman)*
Mr. Liu Bo *(Vice President and Chief Financial Officer)*

Non-executive Director

Mr. Wang Bin

Independent Non-executive Directors

Mr. Chow Chan Lum
Mr. Pao Ping Wing
Mr. Leung Hon Chuen

REGISTERED OFFICE

P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road
Grand Cayman, KY1-1205 Cayman Islands

HEAD OFFICE IN THE PRC

38/F, World Finance Centre Tower A
4003 Shennan East Road, Shenzhen, PRC

PLACE OF BUSINESS IN HONG KONG

Room 3301, 33/F, Office Tower Convention Plaza
No. 1 Harbour Road, Wanchai, Hong Kong

COMPANY SECRETARY

Ms. Soon Yuk Tai *(FCS, FCIS)*

AUDIT COMMITTEE

Mr. Chow Chan Lum *(Chairman)*
Mr. Pao Ping Wing
Mr. Leung Hon Chuen

REMUNERATION COMMITTEE

Mr. Pao Ping Wing *(Chairman)*
Mr. Chow Chan Lum
Mr. Liu Bo

NOMINATION COMMITTEE

Mr. Huang Mao Ru *(Chairman)*
Mr. Chow Chan Lum
Mr. Pao Ping Wing

AUTHORISED REPRESENTATIVES PURSUANT TO THE LISTING RULES

Mr. Liu Bo
Mr. Wang Bin

AUTHORISED REPRESENTATIVES PURSUANT TO THE HONG KONG COMPANIES ORDINANCE

Mr. Wang Bin
Ms. Soon Yuk Tai *(FCS, FCIS)*

INDEPENDENT AUDITORS

Ernst & Young

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

Bank of China
Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
The Bank of East Asia (China) Limited

COMPANY WEBSITE

www.maoye.cn

STOCK CODE

848

Corporate Profile

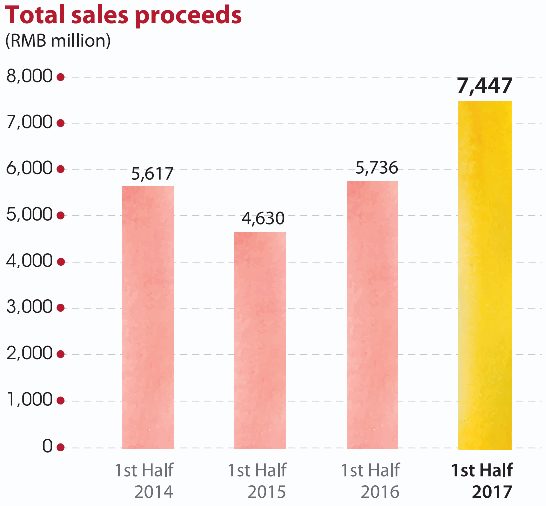
Maoye International Holdings Limited (the "**Company**") was incorporated in the Cayman Islands with limited liability on 8 August 2007. The Company and its subsidiaries (the "**Group**") are principally engaged in the operation and management of department stores and property development in the People's Republic of China (the "**PRC**"). The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 5 May 2008 (the "**Listing Date**").

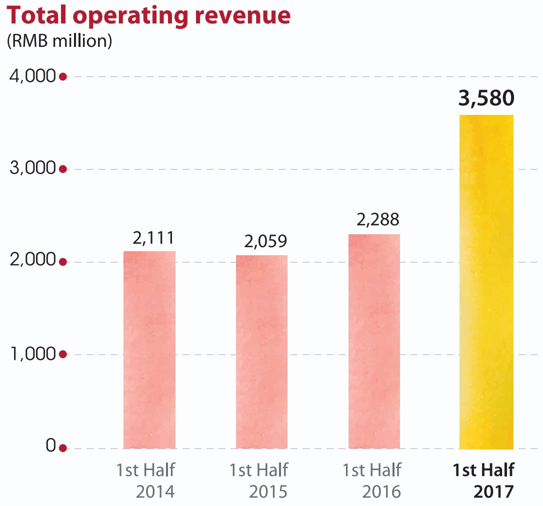
The Group is positioned at the medium to high-end department stores merchandise and shopping mall and offers a stylish and diversified merchandise and services mix for well-off urban residents. As a leading domestic operator of department stores, the Group operates department stores in the affluent regions and regions with high economic growth. Currently, the Group is strategically expanding into five regions: Guangdong Province which is economically developed, Sichuan Province which is one of the most densely populated regions, Jiangsu Province and Shandong Province which ranks among the top three regions in terms of GDP, and the Bohai Rim region.

Financial Highlights

The summary of the Group's results for the six months ended 30 June 2017 and 2016 is set out below:

	For the six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Total sales proceeds[1]	**7,447,027**	5,735,577
Total operating revenue[2]	**3,580,903**	2,288,216
Operating profit	**1,441,270**	552,416
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
Earnings per share[3]		
Basic	**RMB10.4 cents**	RMB1.7 cents
Diluted	**RMB10.4 cents**	RMB1.7 cents





Notes:

1. Total sales proceeds represent the sum of total sales proceeds from concessionaire sales and revenue from direct sales at the department stores of the Group.

2. Total operating revenue represents the sum of the Group's revenue and other income.

3. 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 has not issued any original share that has dilutive effect in the period above.

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, and 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, and 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.

Management Discussion and Analysis (continued)

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.

Management Discussion and Analysis (continued)

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 circle 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" (茂業智能管理平台) 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.

Management Discussion and Analysis (continued)

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 I 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 I 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", and 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.

Management Discussion and Analysis (continued)

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, and more diversified and more comprehensive shopping choices were provided to consumer accordingly. 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.

Management Discussion and Analysis (continued)

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 First Department Store	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 Centre	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 total sales proceeds in half year of over RMB100 million.

2 Operation period was calculated till 30 June 2017.

Management Discussion and Analysis (continued)

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 II, 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 human resources, 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 and convenience of shopping by consumers through dynamic adjustment of the stores' product layout, categories and scale;

Fourthly, to continue facilitating the development and innovation of the 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 Chuntian and Victory as subsidiaries of the Company into the interim results of the Group. The total same-store sales proceeds of the Group 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 of the Group were RMB4,561.6 million, representing an increase of 0.2% compared to the same period in 2016.

Management Discussion and Analysis (continued)

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 Chuntian 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 Chuntian 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 Chuntian 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 RMB294.5 million, 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 Chuntian and Victory.

Management Discussion and Analysis (continued)

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 Chuntian 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 Chuntian 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.

Management Discussion and Analysis (continued)

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.

Interim Dividend

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

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2017, the directors of the Company and chief executives' interests and short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

(1) Long position in the shares of the Company

Name of director	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital*
Mr. Huang Mao Ru	Interest of controlled corporations	4,200,000,000 (Note)	81.71%
	Beneficial owner	50,000,000	0.97%
		4,250,000,000	82.68%

Note: These shares were held by Maoye Department Store Investment Limited, a wholly-owned subsidiary of MOY International Holdings Limited, which in turn was wholly owned by Mr. Huang Mao Ru.

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2017.

Other Information (continued)

(2) Long position in the shares of associated corporations

(2.1) Maoye Department Store Investment Limited, the immediate holding company of the Company

Name of director	Capacity	Number of ordinary shares interested	Percentage of the issued share capital in such associated corporation*
Mr. Huang Mao Ru	Interest of controlled corporation	2 (Note)	100%

Note: These shares were held by MOY International Holdings Limited, which was wholly owned by Mr. Huang Mao Ru.

* The percentage represents the number of ordinary shares divided by the number of Maoye Department Store Investment Limited's issued shares as at 30 June 2017.

(2.2) MOY International Holdings Limited, the ultimate holding company of the Company

Name of director	Capacity	Number of ordinary shares interested	Percentage of the issued share capital in such associated corporation*
Mr. Huang Mao Ru	Beneficial owner	100	100%

* The percentage represents the number of ordinary shares divided by the number of MOY International Holdings Limited's issued shares as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2017, the following persons (other than a director or chief executive of the Company, whose interests have been disclosed in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations") had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in the shares of the Company

Name of substantial shareholders	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital*
Mrs. Huang Jingzhang	Interest of spouse	4,250,000,000 (Note (a))	82.68%
Maoye Department Store Investment Limited	Beneficial owner	4,200,000,000 (Note (b))	81.71%
MOY International Holdings Limited	Interest of controlled corporation	4,200,000,000 (Note (b))	81.71%

Notes:

(a) Mrs. Huang Jingzhang was deemed to be interested in these shares through the interest of her spouse, Mr. Huang Mao Ru.

(b) Maoye Department Store Investment Limited was a wholly-owned subsidiary of MOY International Holdings Limited. Such interests were also disclosed as the interests of Mr. Huang Mao Ru in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations".

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 June 2017.

Save as disclosed above, as at 30 June 2017, no person (other than a director or chief executive of the Company, whose interests have been disclosed in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations") had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Other Information (continued)

SHARE OPTION SCHEME

On 20 January 2010, the Company adopted a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contributes to the success of the Group's operation. The Scheme is managed by the Share Option Incentive Scheme Committee, a committee duly authorised by the Board to administer the Scheme.

As at 30 June 2017, the Company had no outstanding share options. During the six months ended 30 June 2017, no share options of the Company have been granted, exercised, cancelled or lapsed.

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

Below is the change in Director's information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

– Mr. Wang Bin has been re-designated from an executive director to a non-executive director of the Company with effect from 5 May 2017.

EMPLOYEES

As at 30 June 2017, the Group had a total of approximately 8,589 employees. Salaries, bonuses and benefits are determined with reference to market terms and performance, qualifications and experience of individual employees.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND EMPLOYEES WRITTEN GUIDELINES

The Company has adopted the Model Code as its code of conduct governing the directors' dealings in the Company's securities. The Company has made specific enquiries with all of its directors, who have confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 June 2017.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "**Employees Written Guidelines**"), governing securities transactions by relevant employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company 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.

Other Information (continued)

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.

Under the deed of non-competition dated 17 April 2008 given by Mr. Huang, Maoye Holdings Limited and Richon Holdings Limited (collectively known as the "**Controlling Shareholder Group**") in favour of the Company, details of which were stated in the prospectus of the Company dated 21 April 2008, the Controlling Shareholder Group had undertaken to use its best endeavour within three years to (i) resolve the litigation between Chongqing Jiefangbei Maoye Department Store Co., Ltd (重慶解放碑茂業百貨有限公司) ("**Chongqing Jiefangbei Store**") and Chongqing Xin Long Da Real Estate Development Company Limited (重慶鑫隆達房地產開發有限公司) ("**Xin Long Da**"), (ii) obtain all necessary consents and approvals for the transfer of the interest of the Controlling Shareholder Group in Chongqing Jiefangbei Store and Wuxi Maoye Department Store Company Limited (無錫茂業百貨有限公司) and Wuxi Maoye Baifu Supermarket Company Limited (無錫茂業百福超級市場有限公司) (the latter two collectively known as "**Maoye Wuxi Store**") to the Group, and (iii) obtain all necessary consents and approvals for the transfer of the Controlling Shareholder Group's interest in Guiyang Friendship Group Holdings Company Limited (貴陽友誼(集團)股份有限公司) ("**Guiyang Friendship Group**"), to serve a notice on the Group within ten business days of any of the issues in clauses (i) through (iii) above having been resolved, and to use his/its best endeavour to transfer the interest in Chongqing Jiefangbei Store, Maoye Wuxi Store and Guiyang Friendship Group to the Group as soon as practicable once the relevant issues impeding such transfer had been resolved. The Controlling Shareholder Group had further undertaken to keep the Company informed every six months from the Listing Date as regards the progress on the matters described above.

Since the Supreme People's Court has adjudged that the leasing agreement entered into between Chongqing Jiefangbei Store and Xin Long Da was valid and binding, the litigation between Chongqing Jiefangbei Store and Xin Long Da has been resolved. However, the Group is still considering as to whether to acquire the interests of the Controlling Shareholder Group in the Chongqing Jiefangbei Store and Maoye Wuxi Store. As the original master management agreement has expired on 4 May 2017, the Company entered into the new master management agreement (the "**New Master Management Agreement**") with Maoye Holdings Limited on 4 May 2017 to govern the terms upon which the Group will provide store management services to the Controlling Shareholder Group with respect to the Maoye Wuxi Store and/or department stores owned by the Controlling Shareholder Group in order to avoid conflict of interests between the Group and the Controlling Shareholder Group. The New Master Management Agreement has a term of three years with effect from 5 May 2017. As Maoye Holdings Limited is a connected person (as defined under the Listing Rules) of the Company, the entering into of the New Master Management Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. However, as all the applicable percentage ratios in relation to the New Master Management Agreement were less than 0.1%, the New Master Management Agreement was fully exempt from the reporting, announcement and shareholders' approval requirements under the Listing Rules. As Chongqing Jiefangbei Store has ceased operation since February 2011, the Group did not manage Chongqing Jiefangbei Store thereafter. Approval from the relevant government departments has not been obtained in relation to the Group's application for transfer of interest in Guiyang Friendship Group.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this interim report, 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.

Report on Review of Interim Condensed Consolidated Financial Statements

To the shareholders of Maoye International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated statement of financial position of Maoye International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "*Interim Financial Reporting*" ("IAS 34") issued by the International Accounting Standards Board.

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

24 August 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	6	**(1,230,233)**	(632,116)
Employee expenses	7	**(294,512)**	(238,380)
Depreciation and amortisation		**(436,098)**	(320,619)
Operating lease rental expenses		**(209,035)**	(110,229)
Other operating expenses	8	**(621,013)**	(445,539)
Other gains	9	**651,258**	11,083
Operating profit		**1,441,270**	552,416
Finance costs	10	**(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	11	**(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	12		
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

30 June 2017

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) (Restated) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**12,156,264**	12,566,816
Investment properties	14	**10,035,631**	9,730,242
Land lease prepayments	15	**5,590,164**	5,650,727
Goodwill	16	**1,495,313**	1,592,664
Other intangible assets		**42,847**	48,292
Investments in associates	17	**1,834,326**	2,533,377
Available-for-sale equity investments	18	**1,970,068**	1,768,191
Prepayments	21	**344,218**	323,855
Deferred tax assets		**515,180**	580,617
Total non-current assets		**33,984,011**	34,794,781
CURRENT ASSETS			
Inventories	19	**236,010**	279,543
Completed properties held for sale		**996,793**	1,447,664
Properties under development	20	**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	21	**2,951,332**	3,062,374
Pledged deposits	22	**630,283**	146,028
Cash and cash equivalents	22	**1,126,095**	1,127,580
Total current assets		**11,433,580**	11,180,551
CURRENT LIABILITIES			
Trade and bills payables	23	**2,646,550**	3,073,406
Deposits received, accruals and other payables	24	**7,367,157**	8,045,464
Interest-bearing bank loans and other borrowings	25	**8,115,606**	10,714,305
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

continued/···

Interim Condensed Consolidated Statement of Financial Position (continued)

30 June 2017

	Note	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) (Restated) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	25	**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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the parent													
	Issued capital RMB'000	Share premium account RMB'000	Acquisition of non-controlling interests RMB'000	Disposal of partial interest in a subsidiary without losing control RMB'000	Equity component of convertible bonds RMB'000	Contributed surplus RMB'000	Statutory surplus reserve RMB'000	Asset revaluation Reserve RMB'000	Defined benefit retirement plans RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)														
At 1 January 2017	460,153	1,575,001	(32,312)	352,871	55,538	28,191	574,298	2,234,587	276	(120,644)	5,007,850	10,135,809	1,940,760	12,076,569
Profit for the period	-	-	-	-	-	-	-	-	-	-	535,999	535,999	68,100	604,099
Other comprehensive loss for the period:														
Changes in fair value of available-for-sale equity investments,before tax	-	-	-	-	-	-	-	(95,126)	-	-	-	(95,126)	(240)	(95,366)
Exchanges differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	16,250	-	16,250	-	16,250
Tax effect of components of other comprehensive income	-	-	-	-	-	-	-	23,782	-	-	-	23,782	60	23,842
Total comprehensive income for the period	-	-	-	-	-	-	-	(71,344)	-	16,250	535,999	480,905	67,920	548,825
Deregistration of subsidiaries	-	-	-	-	-	-	(317)	-	-	-	-	(317)	-	(317)
Final 2016 dividends paid	-	-	-	-	-	-	-	-	-	-	(13,466)	(13,466)	-	(13,466)
Profit appropriated to reserve	-	-	-	-	-	-	158,140	-	-	-	(158,140)	-	-	-
Dividend paid by a subsidiary to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(75,166)	(75,166)
At 30 June 2017	460,153	1,575,001	(32,312)	352,871	55,538	28,191	732,121	2,163,243	276	(104,394)	5,372,243	10,602,931	1,933,514	12,536,445

Interim Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2017

	Attributable to owners of the parent														
	Issued capital RMB'000	Share premium account RMB'000	Acquisition of non-controlling interests RMB'000	Disposal of partial interest in a subsidiary without losing control RMB'000	Equity component of convertible bonds RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Statutory surplus reserve RMB'000	Asset revaluation reserve RMB'000	Defined benefit retirement plans RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Restated)															
At 1 January 2016															
As previously reported	460,270	1,576,292	(33,342)	352,871	55,538	27,653	1,806	456,274	264,423	519	(69,277)	4,349,940	7,442,967	1,072,041	8,515,008
Reclassification	–	–	–	–	–	(27,653)	–	–	–	–	–	27,653	–	–	–
Change in accounting policy	–	–	–	–	–	–	–	16,874	111,639	–	–	685,025	813,538	317,902	1,131,440
As restated	460,270	1,576,292	(33,342)	352,871	55,538	–	1,806	473,148	376,062	519	(69,277)	5,062,618	8,256,505	1,389,943	9,646,448
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	86,755	86,755	38,676	125,431
Other comprehensive income for the period:															
Changes in fair value of available-for-sale equity investments, before tax	–	–	–	–	–	–	–	–	(349,949)	–	–	–	(349,949)	(985)	(350,934)
Exchanges differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	(25,012)	–	(25,012)	–	(25,012)
Defined benefit retirement plans	–	–	–	–	–	–	–	–	–	535	–	–	535	91	626
Identified as impairment loss of available-for-sale equity investments	–	–	–	–	–	–	–	–	3,640	–	–	–	3,640	–	3,640
Tax effect of components of other comprehensive income	–	–	–	–	–	–	–	–	86,577	–	–	–	86,577	246	86,823
Total comprehensive loss for the period	–	–	–	–	–	–	–	–	(259,732)	535	(25,012)	86,755	(197,454)	38,028	(159,426)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	536,006	536,006
Purchase of non-controlling interests	–	–	230	–	–	–	–	–	–	–	–	–	230	(230)	–
Reorganisation of subsidiaries	–	(564)	–	–	–	–	26,385	–	–	–	–	–	25,821	(26,385)	(564)
Profit appropriated to reserve	–	–	–	–	–	–	–	20,019	–	–	–	(20,019)	–	–	–
Dividend paid by subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(25,055)	(25,055)
At 30 June 2016	460,270	1,575,728	(33,112)	352,871	55,538	–	28,191	493,167	116,330	1,054	(94,289)	5,129,354	8,085,102	1,912,307	9,997,409

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) (Restated) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,003,179**	257,984
Adjustments for:			
Interest income	5	**(13,817)**	(19,781)
Depreciation and amortisation		**436,098**	320,619
Foreign exchange (gains)/losses, net	9	**(14,867)**	47,366
Impairment of other receivables	8	**7,874**	154
Impairment of goodwill	9	**97,342**	–
Loss on disposal of items of property, plant and equipment	9	**70**	2,279
Gain on disposal of shares in an associate	9	**(624,505)**	–
Gain on deregistration of subsidiaries	9	**335**	–
Gain on disposal of equity investments at fair value through profit or loss	9	**(89,605)**	–
Fair value loss on equity investments at fair value through profit or loss	9	**57**	27,524
Fair value gains on investment properties	9	**(28,137)**	(89,983)
Dividend income from available-for-sale equity investments	9	**(8,153)**	(19,765)
Impairment of available-for-sale equity investments	9	**–**	3,705
Finance costs	10	**452,438**	306,265
Share of profits of associates		**(14,347)**	(11,833)
		1,203,962	824,534
Decrease in completed properties held for sale		**450,872**	80,670
Additions to properties under development		**(611,892)**	(586,750)
Decrease in inventories		**43,533**	66,591
Decrease in provision for retirement benefits		**–**	(220)
Increase in trade receivables		**(3,093)**	(13,954)
(Increase)/Decrease in prepayments and other receivables		**(120,629)**	49,190
Decrease in trade and bills payables		**(426,856)**	(566,015)
Decrease in deposits received, accruals and other payables		**(91,837)**	18,150
Cash generated from/(used in) operations		**444,060**	(127,804)
Interest received		**13,817**	13,658
PRC tax paid		**(283,265)**	(364,457)
Net cash flows from/(used in) operating activities		**174,612**	(478,603)

continued/⋯

Interim Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(133,816)**	(450,913)
Additions to investment properties	**(131,413)**	(2,771)
Proceeds from disposal of items of property, plant and equipment	**21,965**	10,818
Additions to available-for-sale equity investments	**(298,056)**	(196,882)
Disposal of available-for-sale financial assets	**–**	146,000
Purchase of land lease prepayments	**(56,377)**	(21,671)
Prepayment for land lease prepayments	**(5,013)**	(68,648)
Purchase of other intangible assets	**(1,512)**	(14)
Acquisition of subsidiaries	**(96,418)**	(2,398,838)
Acquisition of an additional interest in an associate	**–**	(146,639)
Loans to third parties	**–**	12,219
Loans to a non-controlling shareholder of a subsidiary	**–**	(100,000)
Loans to an associate	**141,598**	–
Proceeds from disposal of equity investments at fair value through profit or loss	**337,733**	–
Disposal of interests in an associate	**(4,000)**	–
Proceeds from disposal of partial shares of an associate	**1,400,000**	–
Dividend paid by subsidiaries to non-controlling shareholders	**(75,166)**	–
Dividend income from available-for-sale equity investments	**8,153**	19,764
Increase in pledged bank deposits	**(484,255)**	(182,364)
Net cash flows from/(used in) investing activities	**623,423**	(3,379,939)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans and other borrowings	**5,918,637**	8,791,777
Loans from fellow subsidiaries	**–**	810,000
Repayment of bank loans and other borrowings	**(5,856,213)**	(5,191,205)
Interest paid	**(573,212)**	(543,755)
Repayment of loans from fellow subsidiaries	**(242,227)**	–
Repayment of Loans from a related party	**(62,000)**	–
Final dividend paid	**(13,466)**	–
Net cash flows (used in)/from financing activities	**(828,481)**	3,866,817

continued/…

Interim Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(30,446)**	8,275
Effect of foreign exchange rate changes, net		**28,961**	(45,264)
Cash and cash equivalents at beginning of period		**1,127,580**	1,248,868
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,126,095**	1,211,879
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**1,126,095**	1,211,879
Cash and cash equivalents as stated in the statement of cash flows		**1,126,095**	1,211,879

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2017

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard ("IAS") 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.

As at 30 June 2017, the Group had net current liabilities of approximately RMB7,118,641,000. The Group's ability to repay its debts when they fall due relies heavily on its future operating cashflow and its ability to renew the bank loans and other borrowings.

In view of the above, the directors have carefully assessed the Group's liquidity position having taken into account (i) the estimated operating cash inflows of the Group for the next twelve months from the end of the current reporting period; (ii) corporate bonds with an aggregate amount of RMB2,600,000,000 that are expected to be issued; (iii) obtain of the new bank loans within the next twelve months and the unutilized banking facilities; and (iv) having taken into account that RMB1,892,804,000 and RMB506,391,000 of current liabilities as at 30 June 2017 are deferred income and deposits received in nature of which the Group will not be expecting any cash outflow.

On the basis of the above consideration, the directors believe that the Group can satisfy its financial obligations in the foreseeable future and accordingly, the interim financial report has been prepared on a going concern basis.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

2.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017 noted below.

Although these new standards and amendments apply for the first time in 2017, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

Amendments to IAS 7	*Statement of Cash Flows: Disclosure Initiative*
Amendments to IAS 12	*Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*
Amendments to IFRS 12	*Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12 from Annual Improvements Cycle-2014-2016*

The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

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 to 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, 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

3. OPERATING SEGMENT INFORMATION (continued)

	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 profit/(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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

3. OPERATING SEGMENT INFORMATION (continued)

	Operation of department stores RMB'000	Property development RMB'000	Others RMB'000	Total 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

4. REVENUE

	Note	Six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) 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	28(a)	**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:

	Six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
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 (Unaudited) RMB'000	2016 (Unaudited) 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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

6. COST OF SALES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Purchases of and changes in inventories	**786,612**	547,103
Cost of properties sold	**437,046**	84,993
Others	**6,575**	20
	1,230,233	632,116

7. EMPLOYEE EXPENSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Wages and salaries	**253,971**	207,904
Retirement benefits	**30,325**	25,452
Other employee benefits	**10,216**	5,024
	294,512	238,380

8. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Utility expenses	**193,278**	123,678
Promotion and advertising expenses	**53,117**	37,670
Repair and maintenance expenses	**48,116**	32,468
Entertainment expenses	**7,270**	5,233
Office expenses	**20,893**	18,240
Other tax expenses	**174,473**	126,891
Professional service fees	**32,141**	33,386
Auditors' remuneration	**3,450**	3,864
Bank charges	**54,271**	48,341
Impairment of other receivables	**7,874**	154
Others	**26,130**	15,614
	621,013	445,539

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

9. OTHER GAINS

	Six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) (Restated) RMB'000
Loss on disposal of items of property, plant and equipment	**(70)**	(2,279)
Foreign exchange gains/(losses), net	**14,867**	(47,366)
Fair value loss on equity investments at fair value through profit or loss	**(57)**	(27,524)
Fair value gains on investment properties	**28,137**	89,983
Gain on disposal of shares of an associate (note 17(ii))	**624,505**	–
Gain on disposal of equity investments at fair value through profit or loss	**89,605**	–
Gain on deregistration of subsidiaries	**335**	–
Dividend income from available-for-sale equity investments	**8,153**	19,765
Impairment of available-for-sale equity investments	**–**	(3,705)
Impairment of goodwill	**(97,342)**	–
Others	**(16,875)**	(17,791)
	651,258	11,083

10. FINANCE COSTS

	Six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) 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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

11. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempt from the payment of the Cayman Islands income tax.

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to any tax in the British Virgin Islands.

The provision for Hong Kong profits tax calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2017 (Six months ended 30 June 2016: 16.5%).

Under the relevant PRC income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% on their respective taxable income.

PRC Land Appreciation Tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. LAT of RMB20,891,000 was charged to the consolidated statement of profit or loss for the six months ended 30 June 2017 (Six months ended 30 June 2016: RMB9,152,000).

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

12. 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

13. PROPERTY, PLANT AND EQUIPMENT

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Carrying amount at 1 January		12,566,816	7,143,817
Additions		179,975	797,732
Disposals		(22,035)	(5,812)
Depreciation charge for the period/year		(336,819)	(578,814)
Transfer (to)/from properties under development	20	(232,465)	267,855
Transfer to investment properties	14	–	(718,060)
Transfer from investment properties	14	–	632,292
Acquisition of subsidiaries		–	5,029,000
Transfer to other intangible assets		(1,110)	(727)
Exchange realignment		1,902	(467)
Carrying amount at 30 June/31 December		12,156,264	12,566,816

Amortisation of land lease payments of approximately RMB2,200,000 during the construction period was capitalised as part of the construction cost of the department stores under construction of the Group, and was included in the above additions.

The Group's land and buildings are held under medium term leases and are situated in Mainland China. Details of the Group's land and buildings pledged to secure the Group's interest-bearing bank loans are set out in note 25(a).

Certificates of ownership in respect of certain buildings of the Group with a net carrying amount of approximately RMB2,410,231,000 as at 30 June 2017 have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

14. INVESTMENT PROPERTIES

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Carrying amount at 1 January		**9,730,242**	2,625,041
Additions		**185,185**	322,463
Acquisition of a subsidiary		**–**	292,330
Transfer from completed properties held for sale		**–**	317,987
Recognition of change in fair value of completed properties held for sale upon transfer to investment properties		**–**	434,626
Recognition of change in fair value of properties under development upon transfer to investment properties		**–**	1,867,993
Transfer from properties under development	20	**149,462**	2,455,375
Transfer to properties under development	20	**(57,395)**	(51,848)
Transfer from construction in process	13	**–**	718,060
Transfer to construction in process	13	**–**	(632,292)
Transfer from prepaid land lease payments	15	**–**	882,822
Recognition of change in fair value of owner-occupied properties transfer to investment properties		**–**	421,445
Net gain from fair value adjustment	9	**28,137**	76,240
Carrying amount at 30 June/31 December		**10,035,631**	9,730,242

The Group's investment properties are held under medium term leases and are situated in Mainland China. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 26(a).

Details of the Group's investment properties pledged to secure the Group's interest-bearing bank loans are set out in note 25(b).

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

15. LAND LEASE PREPAYMENTS

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Carrying amount at 1 January		**5,886,381**	4,241,320
Acquisition of subsidiaries		**–**	2,488,501
Additions		**56,511**	90,870
Transfer to investment properties	14	**–**	(882,822)
Transfer to properties under development	20	**(94,687)**	(7,280)
Transfer from properties under development	20	**–**	166,520
		5,848,205	6,097,109
Amortisation provided during the period/year		**(92,807)**	(210,728)
Carrying amount at 30 June/31 December		**5,755,398**	5,886,381
Current portion included in prepayments and other receivables		**(165,234)**	(235,654)
Non-current portion		**5,590,164**	5,650,727

The Group's leasehold land is held under a medium term lease and is situated in Mainland China.

Details of the Group's leasehold land pledged to secure the Group's interest-bearing bank loans are set out in note 25(c).

The Group was in the process of applying for the land use right certificates for a land use right with an aggregate carrying amount of approximately RMB102,029,000 as at 30 June 2017 (31 December 2016: RMB1,035,110,000).

Included in the amortisation provided during the period is an amount of approximately RMB2,200,000, which was capitalised as part of the construction cost of the department stores under construction of the Group and included in the additions to property, plant and equipment (note 13).

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

16. GOODWILL

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
At 1 January:		
Cost	**1,685,982**	377,252
Accumulated impairment	**(93,318)**	(93,318)
Net carrying amount	**1,592,664**	283,934
Cost at 1 January, net of accumulated impairment	**1,592,664**	283,934
Impairment provided during the period/year	**(97,342)**	–
Acquisition of subsidiaries	**–**	1,308,730
Disposal of subsidiaries	**(9)**	–
Cost and net carrying amount at 30 June/31 December	**1,495,313**	1,592,664
At 30 June/31 December:		
Cost	**1,685,973**	1,685,982
Accumulated impairment	**(190,660)**	(93,318)
Net carrying amount	**1,495,313**	1,592,664

17. INVESTMENT IN ASSOCIATES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Share of net assets of the associate excluding goodwill	**921,158**	1,193,145
Goodwill on acquisition	**913,168**	1,340,232
	1,834,326	2,533,377

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

17. INVESTMENT IN ASSOCIATES (continued)

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal industries
Shenyang Commercial City Co., Ltd. ("Commercial City")	Ordinary shares of RMB1 each	PRC/Mainland China	24.22%	Retail industry
Maoye Communication and Network Co., Ltd. ("Maoye Communication")	Ordinary shares of RMB1 each	PRC/Mainland China	24.20%	Telecommunication industry
Shenzhen UGO E-Commerce Co., Ltd. ("UGO")	Ordinary shares of RMB1 each	PRC/Mainland China	18.64%	Electronic commerce industry

(i) Commercial City

Shenyang Commercial City Co., Ltd., which is considered a material associate of the Group, is a strategic partner of the Group engaged in the retail industry and is accounted for using the equity method.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

17. INVESTMENT IN ASSOCIATES (continued)

(i) Commercial City (continued)

The following table illustrates the summarised financial information in respect of Shenyang Commercial City Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Current assets	1,129,548	1,163,392
Non-current assets	2,768,990	2,850,128
Current liabilities	(2,373,783)	(2,617,031)
Non-current liabilities	(13,324)	(13,858)
Non-controlling interests of the associate	(308,437)	(308,597)
Net assets	1,202,994	1,074,034
Net assets, excluding goodwill	1,202,994	1,074,034
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	24.22%	24.22%
Group's share of net assets of the associate, excluding goodwill	291,365	260,131
Goodwill on acquisition	32,412	32,412
Carrying amount of the investment	218,165	234,457

	Six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Revenues	164,687	198,426
Loss for the period	67,262	83,188
Total comprehensive loss for the period	67,262	83,188

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

17. INVESTMENT IN ASSOCIATES (continued)

(ii) Maoye Communication

On 9 January 2017, Zhongzhao Investment Management Co., Ltd. ("Zhongzhao Investment") entered into an agreement with Shenzhen Tong Tai Da Investment Center (Limited Partnership) ("Tong Tai Da") to sell 70 million shares, which represented 11.26% equity interest in Maoye Communication to Tong Tai Da, at a consideration of RMB1,400 million. As a result, the Group decreased its shareholding in Maoye Communication from 35.46% to 24.20%. Maoye Communication is still considered as an associate of the Group after the equity transfer and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Maoye Communication adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Current assets	**1,018,163**	934,377
Non-current assets	**3,603,723**	3,598,972
Current liabilities	**(1,080,442)**	(1,119,297)
Net assets excluding non-controlling interests	**3,541,444**	3,414,052
Goodwill of an associate	**(793,787)**	(793,787)
Net assets, excluding goodwill	**2,747,657**	2,620,265
Proportion of the Group's ownership	**24.20%**	35.46%
Group's share of net assets of the associate, excluding goodwill	**665,062**	929,146
Goodwill on acquisition	**880,756**	1,307,820
Carrying amount of the investment	**1,545,818**	2,236,966

	Six months ended 30 June	
	2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
Revenues	**868,065**	895,056
Profit for the period	**108,452**	113,271
Total comprehensive gain for the period	**108,452**	113,271

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

17. INVESTMENT IN ASSOCIATES (continued)

(iii) UGO

The UGO finished the non-public targeted offering of 3,411,029 shares in April 2017. As a result, the shareholding of Zhongzhao Investment has been diluted, representing a decrease of the group's percentage shareholding in UGO from 20.92% to 18.64%. Zhongzhao Investment is still able to exercise significant influence in UGO through its representation in the board of directors of UGO as in prior years. Thus, UGO is still considered an associate of the Group, and a strategic partner of the Group engaged in the electronic commerce industry and is accounted for using the equity method.

From 1 Jan 2017 to 30 June 2017, UGO generated profits of RMB23,536,000, from which the Group shared RMB4,388,000.

18. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Listed equity investments, at fair value:	**1,188,889**	1,285,069
Unlisted equity investments, at cost	**787,064**	489,007
	1,975,953	1,774,076
Provision for impairment	**(5,885)**	(5,885)
	1,970,068	1,768,191

During the period, the gross loss in respect of the Group's available-for-sale equity investments recognised in other comprehensive income amounted to RMB95,366,000 (Six months ended 30 June 2016: gross loss of RMB350,934,000).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 30 June 2017, certain unlisted equity investments with a carrying amount of RMB787,064,000 (31 December 2016: RMB489,007,000) were stated at cost less impairment because the range of reasonable fair value estimates was so significant that the directors were of the opinion that their fair value could not be measured reliably. The Group does not intend to dispose of them in the near future.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

19. INVENTORIES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Merchandise for resale	**242,949**	286,547
Provision against slow-moving inventories	**(6,939)**	(7,004)
	236,010	279,543

20. PROPERTIES UNDER DEVELOPMENT

	Notes	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Land lease prepayments, at cost			
At 1 January		**1,965,694**	2,865,502
Additions		**161,858**	399,617
Acquisition of subsidiaries		**–**	45,401
Transfer from land lease prepayments	15	**94,687**	7,280
Transfer to land lease prepayments	15	**–**	(166,520)
Transfer to completed properties held for sale		**–**	(528,630)
Transfer to investment properties	14	**(4,162)**	(708,804)
Transfer from investment properties		**–**	51,848
At 30 June/31 December		**2,218,077**	1,965,694
Development expenditure, at cost			
At 1 January		**2,884,730**	4,300,102
Additions		**222,429**	1,764,426
Transfer from property, plant and equipment	13	**232,465**	–
Transfer from investment properties		**57,395**	–
Transfer to property, plant and equipment	13	**–**	(267,855)
Transfer to completed properties held for sale		**–**	(1,388,462)
Acquisition of subsidiaries		**–**	223,090
Transfer to investment properties	14	**(145,300)**	(1,746,571)
At 30 June/31 December		**3,251,719**	2,884,730
		5,469,796	4,850,424

The Group's properties under development are held under medium term leases and are situated in Mainland China.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Non-current assets		
Prepayments	344,218	323,855
Current assets		
Prepayments	389,061	428,867
Other receivables	2,574,939	2,649,862
	2,964,000	3,078,729
Impairment of other receivables	(12,668)	(16,355)
	2,951,332	3,062,374

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Cash and bank balances	1,126,095	1,127,580
Time deposits	630,283	146,028
	1,756,378	1,273,608
Less: Pledged bank balances for construction in progress	(18,165)	(35,069)
Pledged time deposits for housing fund loans	(10,556)	(9,170)
Pledged bank balances for mortgage	(2,250)	(7,788)
Pledged bank balance for stored value cards	(157)	(525)
Pledged bank balances for bank loans	(581,000)	(80,000)
Pledged time deposit for bank acceptance bills	(18,155)	(13,476)
Cash and cash equivalents	1,126,095	1,127,580

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

The Group's cash and cash equivalents and pledged deposits were denominated in the following currencies:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
RMB	**1,747,202**	1,123,425
Hong Kong dollar	**5,006**	10,328
United States dollar	**4,159**	139,854
Great Britain Pound	**11**	1
	1,756,378	1,273,608

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for three months, and earn interest at the respective time deposit rates. The bank balances and bank deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair value.

23. 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 (Unaudited) RMB'000	31 December 2016 (Audited) 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

24. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) (Restated) RMB'000
Deferred income	1,892,804	1,853,348
Deposits received	506,391	482,390
Accrued operating lease rental expenses	60,560	80,357
Accrued utilities	32,086	27,964
Accrued liabilities	223,378	269,766
Accrued staff costs	58,810	57,964
Provision for coupon liabilities	125,041	115,870
Value-added tax and other tax payables	232,426	337,416
Payables for construction	1,760,126	1,974,362
Borrowing from fellow subsidiaries	995,270	1,229,047
Amount due to a company of which the ultimate controlling party is a shareholder	306,239	284,013
Other payables	1,174,026	1,332,967
	7,367,157	8,045,464

25. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	30 June 2017 (Unaudited)			31 December 2016 (Audited) (Restated)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Interest-bearing bank loans - secured	2.68-6.49	2017-2018	6,643,422	5.00-6.49	2017	7,223,980
Current portion of long term interest-bearing bank loans - unsecured	–	–	–	6.70	2017	699,054
Current portion of long term interest-bearing bank loans - secured	4.90-6.90	2017-2018	1,472,184	5.46-6.9	2017	1,261,184
USD senior notes - secured	–	–	–	7.75	2017	1,530,087
			8,115,606			10,714,305
Non-current						
Non-current portion of interest-bearing bank loans - secured	4.65-8.50	2018-2032	8,318,580	5.00-12.50	2018-2025	5,661,672
Corporate bond - unsecured	4.00-4.50	2018-2021	2,784,630	4.00-4.50	2018-2021	2,780,415
			11,103,210			8,442,087
			19,218,816			19,156,392

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

25. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (continued)

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) (Restated) RMB'000
Analysed into:		
Bank and other loans repayable:		
Within one year	**8,115,606**	10,714,305
In the second year	**3,504,326**	1,205,547
In the third to fifth years, inclusive	**6,169,884**	6,746,540
Beyond five years	**1,429,000**	490,000
	19,218,816	19,156,392

The Group's bank loans are secured by:

(a) certain land and buildings of the Group with a net carrying amount of approximately RMB2,945,064,000 (31 December 2016: approximately RMB3,272,990,000);

(b) certain investment properties of the Group with a net carrying amount of approximately RMB5,279,657,000 (31 December 2016: approximately RMB4,198,868,000);

(c) certain land lease prepayments of the Group with a net carrying amount of approximately RMB1,222,401,000 (31 December 2016: approximately RMB1,245,743,000);

(d) certain pledged deposits of the Group with a net carrying amount of approximately RMB581,000,000(31 December 2016: approximately RMB218,739,000);

(e) certain properties under development of the Group with a net carrying amount of approximately RMB349,850,000 (31 December 2016: RMB529,908,000).

(f) certain stocks of Maoye Commercial, Dashang Group Co., Ltd., Maoye Communication and Silver Plaza Group Co., Ltd. with fair value of RMB3,228,160,000, RMB572,079,600, RMB2,305,980,000 and RMB429,520,000, respectively as at the end of the reporting period.

In addition, Shenzhen Maoye Shangsha Co., Ltd. (Maoye Shangsha), Zhongzhao, Shenzhen Maoye (Group) Co., Ltd. ("Shenzhen Maoye Group"), Maoye Commercial Co., Ltd. ("Maoye Commercial"), Shenzhen Maoye Investment Holdings Co., Ltd, Shenzhen Xinghua Industry Co., Ltd., Shanxi Maoye Land and Real Estate Development Co., Ltd., Mr. Huang Mao Ru and Mrs. Huang Jingzhang (spouse of Mr. Huang Mao Ru) have guaranteed certain of the Group's bank loans with total amount of RMB4,000,256,000 (31 December 2016: RMB3,052,125,000) as at the end of the reporting period.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

25. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS (continued)

The Group had the following undrawn banking facilities:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Amount of undrawn banking facilities	**414,505**	67,000

The carrying amounts of the interest-bearing bank loans approximate to their fair value.

26. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties and subleases its leased assets under operating lease arrangements, with leases negotiated for terms ranging from one to fifteen years.

The Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within one year	**591,810**	428,609
In the second to fifth years, inclusive	**1,047,380**	961,295
After five years	**510,631**	536,670
	2,149,821	1,926,574

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

26. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its department stores and office premises under non-cancellable operating lease arrangements. Leases for properties are negotiated for terms ranging from one to eighteen years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Within one year	419,377	425,239
In the second to fifth years, inclusive	1,467,673	1,456,040
After five years	2,320,664	2,485,807
	4,207,714	4,367,086

27. COMMITMENTS

In addition to the operating lease commitments as set out in note 26(b) above, the Group had the following capital commitments:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Contracted, but not provided for, in respect of land and buildings	3,479,908	3,359,330

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

28. RELATED PARTY TRANSACTIONS AND BALANCES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	Note	Six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
(1) Recurring transactions			
Operating lease rental expenses charged by:			
Shenzhen Maoye Group (i) & (iv)		12,954	12,253
Zhong Zhao Investment (Group) Limited (中兆投資(集團)有限公司) (i) & (iv)		9,895	9,895
Shenzhen Oriental Times Industry Co., Ltd. (深圳市東方時代廣場實業有限公司) (i) & (iv)		37,946	37,946
Shenzhen Maoye Property Business Co., Ltd. (深圳市茂業物業經營有限公司) (i) & (iv)		3,783	3,783
Chongqing Maoye Real Estate Co., Ltd. (重慶茂業地產有限公司) (i) & (iv)		16,383	11,496
Shenzhen Friendship Trading Centre Co., Ltd. ("Shenzhen Friendship") (深圳友誼貿易中心有限公司) (i) & (iv)		–	1,881
		80,961	77,254
Management fee income from the operation of department stores:			
Wuxi Maoye Department Store Co., Ltd. (無錫茂業百貨有限公司) (i) & (v)	4	1,625	2,110
Changzhou Taifu Property Development, Property Management Division (常州泰富房地產開發物業經營分公司) (i) & (v)		–	8
		1,625	2,118
Management fee expense from the operation of a department store:			
Shenyang Commercial City Co., Ltd. (瀋陽商業城股份有限公司) (ii) & (vi)		279	269

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

28. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period: (continued)

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(2) Non-recurring transactions		
Banking facilities guaranteed by:		
Shenzhen Maoye Group (i) & (ix)	**1,318,000**	1,780,000
Mr. Huang Mao Ru and Mrs. Huang Jingzhang jointly and severally (iii) & (vii)	**1,471,762**	800,000
	2,789,762	2,580,000
Loans from:		
Maoye Department Store Investment Limited (i) & (x)	**235,975**	–
Shenzhen Maoye Group (i) & (viii)	**580,000**	810,000
	815,975	810,000
Loans Repaid to:		
Shenzhen Maoye Group (i) & (viii)	**1,070,000**	–
Interest expense to:		
Maoye Department Store Investment Limited (i) & (x)	**1,093**	–
Shenzhen Maoye Group (i) & (viii)	**21,561**	5,404
	22,654	5,404
Loans and receivables made to:		
Mr Zou Zhao Bin (ix)	**–**	106,123

(i) They are fellow subsidiaries of the Company.

(ii) It is a subsidiary of an associate of the Company.

(iii) Mr. Huang Mao Ru is a director of the Company.

(iv) The operating lease rental expenses charged by the fellow subsidiaries of the Company and the management fee charged by the associate were determined based on the underlying contracts as agreed between the Group and these fellow subsidiaries or the associate.

(v) The management fee income from the operation of department stores was determined based on the underlying contracts as agreed between the Group and the fellow subsidiaries of the Company.

(vi) The management fee expense from the operation of a department store was determined based on the underlying contracts as agreed between the Group and the associates of the Company.

(vii) Certain of the Group's bank loans were guaranteed by a fellow subsidiary of the Company, Mr. Huang Mao Ru and Mrs. Huang Jingzhang jointly and severally (note 25).

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

28. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) (continued)

(viii) Pursuant to a series of agreements between the Maoye Shangsha and Shenzhen Maoye Group, Maoye Shangsha obtained loans from Shenzhen Maoye Group amounted to RMB810,000,000, with an annual interest rates of 4.79% on 31 May 2016. The amount was repaid in 2017.Maoye Shangsha obtained a loan of RMB580,000,000 from Shenzhen Maoye Group with an annual interest rates of 4.79% during 2017.

(ix) The Group provided a loan to Mr Zou Zhao Bin, the non-controlling shareholding of a subsidiary, with an amount of RMB100,000,000 on 2 February 2016, and this loan and interests were settled on 14 September 2016.

(x) In February 2017, Maoye Department Store Investment Limited provided loans of USD25,250,000 and USD10,300,000 to Maoye International Holdings Limited and Maoye Department Stores (China) Limited ("Maoye China") respectively. The loans are interest-bearing at 3.24% per annum.

(b) The Group had the following balances with related parties:

	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
Due from related parties		
Due from fellow subsidiaries	**180,699**	223,066
Due from a non-controlling shareholder of a subsidiary	**221,985**	208,561
Due from a company significantly influenced by a director of the Company	**139,739**	147,401
Due from associates	**58,589**	200,304
	601,012	779,332
Due to related parties		
Due to fellow subsidiaries	**997,168**	1,242,337
Due to non-controlling shareholders of a subsidiary	**156,530**	218,530
Due to a company of which the ultimate controlling party is a shareholder	**306,239**	284,013
Due to a company significantly influenced by a director of the Company	**–**	1,806
Due to an associate	**155**	83
	1,460,092	1,746,769

The carrying amounts of the balances with related parties that were neither past due nor impaired relate to related parties for whom there was no recent history of default.

The carrying amounts of the balances with related parties approximate to their fair value.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

28. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Compensation of key management

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Salaries and allowances	**2,080**	1,854
Retirement benefits	**121**	101
	2,201	1,955

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amount and fair value of the Group's financial instruments, other than those with carrying amount that reasonably approximate to fair value, are as follows:

	Carrying amounts		Fair value	
	30 June 2017	31 December 2016	**30 June 2017**	31 December 2016
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale equity investments	**1,970,068**	1,768,191	**1,970,068**	1,768,191
Trade receivables	**23,160**	20,354	**23,160**	20,354
Financial assets included in prepayments, deposits and other receivables	**2,346,935**	2,392,744	**2,346,935**	2,392,744
Equity investments at fair value through profit or loss	**111**	246,584	**111**	246,584
Pledged deposits	**630,283**	146,028	**630,283**	146,028
Cash and cash equivalents	**1,126,095**	1,127,580	**1,126,095**	1,127,580
	6,096,652	5,701,481	**6,096,652**	5,701,481

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

	Carrying amounts		Fair value	
	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) (Restated) RMB'000	**30 June 2017 (Unaudited) RMB'000**	31 December 2016 (Audited) (Restated) RMB'000
Financial liabilities				
Trade and bills payables	**2,646,550**	3,073,406	**2,646,550**	3,073,406
Financial liabilities included in other payables and accruals	**5,125,272**	5,763,680	**5,125,272**	5,763,680
Interest-bearing bank loans and other borrowings	**19,218,816**	19,156,392	**19,218,816**	19,156,392
	26,990,638	27,993,478	**26,990,638**	27,993,478

Management has assessed that the fair value of cash and cash equivalents, pledged deposits, trade receivables, other receivables, trade payables, other payables and amounts due from/to related parties approximate to their respective carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value:

The fair value of the non-current portion of interest-bearing bank loans and other borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank loans and other borrowings as at 30 June 2017 was assessed to be insignificant.

The fair value of listed equity investments are based on quoted market prices.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets for which fair value are disclosed:

As at 30 June 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	Total (Unaudited) RMB'000
Equity investments at fair value through profit or loss:				
Trading securities	111	–	–	111
Available-for-sale equity investments:				
Equity shares	1,188,889	–	–	1,188,889
	1,189,000	–	–	1,189,000

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited) RMB'000	Significant observable inputs (Level 2) (Audited) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000	Total (Audited) RMB'000
Financial assets at fair value through profit or loss:				
Trading securities	246,584	–	–	246,584
Available-for-sale equity investments:				
Equity shares	1,285,069	–	–	1,285,069
	1,531,653	–	–	1,531,653

The Group did not have any financial liabilities measured at fair value as at 30 June 2017 (31 December 2016: Nil). During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (Six months ended 30 June 2016: Nil).

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair value are disclosed:

As at 30 June 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	Total (Unaudited) RMB'000
Interest-bearing bank loans and other borrowings	–	19,218,816	–	19,218,816

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited) RMB'000	Significant observable inputs (Level 2) (Audited) (Restated) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000	Total (Audited) (Restated) RMB'000
Interest-bearing bank loans and other borrowings	–	19,156,392	–	19,156,392

Notes to the Interim Condensed Consolidated Financial Statements (continued)

30 June 2017

30. EVENTS AFTER THE REPORTING PERIOD

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

On 12 June 2015, 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 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 RMB28,301,781.20 on 70,754,453 shares that the Vendors returned to it.

31. COMPARATIVE AMOUNTS

For the year ended 31 December 2016, the Group decided to voluntarily change the accounting policy for investment properties from the cost model to the fair value model as management was of the view that the fair value model would provide more relevant and comparable information on the Group's financial position and financial performance. This change in accounting policy was applied retrospectively and certain comparative amounts on the interim condensed consolidated statement of profit or loss have been restated as if the new accounting policy had always been applied.

Certain comparative amounts have been reclassified and restated to conform with the current period's presentation.