Maoye International Holdings Limited
茂業國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 848)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

- Total sales proceeds[1] were RMB13,057.3 million, representing a year-on-year increase of 42.6%
- Total operating revenue was RMB6,925.4 million, representing a year-on-year increase of 68.3%
- Earnings before interest, taxes, depreciation and amortization (EBITDA) were RMB2,194.2 million, representing a year-on-year increase of 55.4%
- Profit for the year was RMB112.1 million, representing a year-on-year decrease of 61.3%
- Without taking into account the effect of non-operating gains and losses, profit for the year was RMB124.9 million, representing a year-on-year decrease of 39.5%
- Basic earnings per share for the year were RMB0.9 cent, and the Board recommended the payment of a final dividend of HK0.3 cent in cash per share for the year ended 31 December 2016 (2015: nil)

Note:

1 Total sales proceeds refer to the sum of total sales proceeds from concessionaire sales and revenue from direct sales at our department stores.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the "**Board**") of Maoye International Holdings Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2016 with comparative figures for the year 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2016

	Notes	***2016***	*2015*
		RMB'000	*RMB'000*
			(Restated)
REVENUE	4	**5,841,339**	3,284,321
Other income	5	**1,084,038**	831,143
Total operating revenue		**6,925,377**	4,115,464
Cost of sales	6	**(2,667,091)**	(1,361,393)
Employee expenses	7	**(542,649)**	(381,820)
Depreciation and amortization		**(808,142)**	(431,121)
Operating lease rental expenses		**(300,432)**	(208,701)
Other operating expenses		**(1,230,113)**	(848,403)
Other gains and losses		**(17,121)**	110,987
Operating profit		**1,359,829**	995,013
Finance costs	8	**(789,552)**	(346,004)
Share of profits and losses of associates		**26,220**	(14,078)
PROFIT BEFORE TAX		**596,497**	634,931
Income tax expense	9	**(484,436)**	(345,398)
PROFIT FOR THE YEAR		**112,061**	289,533
Attributable to:			
Owners of the parent		**46,382**	298,627
Non-controlling interests		**65,679**	(9,094)
		112,061	289,533
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
- For profit for the year		**RMB0.90 cent**	RMB5.79 cents
Diluted			
- For profit for the year		**RMB0.90 cent**	RMB5.79 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2016

	2016 *RMB' 000*	2015 *RMB'000* *(Restated)*
PROFIT FOR THE YEAR	**112,061**	289,533
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale equity investments:		
Available-for-sale equity investment revaluation	**—**	5,964
Changes in fair value	**(243,847)**	99,061
Income tax effect	**60,962**	(26,256)
	(182,885)	78,769
Defined benefit retirement plans	**(284)**	471
Exchange differences on translation of foreign operations	**(51,367)**	(64,438)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation	**2,724,064**	216,746
Income tax effect	**(681,017)**	(54,187)
	2,043,047	162,559
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**1,808,511**	177,361
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,920,572**	466,894
Attributable to:		
Owners of the parent	**1,853,297**	424,181
Non-controlling interests	**67,275**	42,713
	1,920,572	466,894

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2016

	Notes	**31 December 2016** *RMB'000*	**31 December 2015** *RMB'000* *(Restated)*	**1 January 2015** *RMB'000* *(Restated)*
NON-CURRENT ASSETS				
Property, plant and equipment		**12,566,816**	7,143,817	5,919,957
Investment properties		**9,730,242**	2,625,041	1,588,901
Prepaid land lease payments		**5,650,727**	4,092,529	3,533,111
Goodwill		**1,592,664**	283,934	352,104
Other intangible assets		**48,292**	57,405	2,672
Investments in associates		**2,533,377**	2,337,550	2,418,096
Available-for-sale equity investments		**1,768,191**	1,526,180	1,161,503
Prepayments		**323,855**	1,121,792	437,158
Deferred tax assets		**580,617**	489,059	320,157
Total non-current assets		**34,794,781**	19,677,307	15,733,659
CURRENT ASSETS				
Inventories		**279,543**	195,689	179,199
Completed properties held for sale		**1,447,664**	1,294,965	701,595
Properties under development		**4,850,424**	7,165,604	7,059,699
Equity investments at fair value through profit or loss		**246,584**	250,535	173
Trade receivables		**20,354**	20,703	13,418
Prepayments, deposits and other receivables		**3,062,374**	1,861,778	1,119,819
Pledged deposits		**146,028**	59,488	54,949
Cash and cash equivalents		**1,127,580**	1,248,868	662,069
Total current assets		**11,180,551**	12,097,630	9,790,921
CURRENT LIABILITIES				
Trade and bills payables	12	**3,073,406**	2,027,391	2,174,127
Deposits received, accruals and other payables		**7,845,464**	5,187,172	3,358,605
Interest-bearing bank loans and other borrowings		**10,914,305**	7,793,180	1,825,220
Income tax payable		**379,318**	386,918	146,841
Dividend payable		**433**	433	—
Total current liabilities		**22,212,926**	15,395,094	7,504,793
NET CURRENT (LIABILITIES)/ASSETS		**(11,032,375)**	(3,297,464)	2,286,128
TOTAL ASSETS LESS CURRENT LIABILITIES		**23,762,406**	16,379,843	18,019,787

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*
31 DECEMBER 2016

	31 December 2016	31 December 2015	1 January 2015
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	*(Restated)*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	**8,442,087**	5,122,863	7,648,656
Deferred tax liabilities	**3,227,867**	1,600,587	1,363,459
Other long-term liabilities	**7,680**	1,893	9,135
Provision for retirement benefits	**8,203**	8,052	—
Total non-current liabilities	**11,685,837**	6,733,395	9,021,250
Net assets	**12,076,569**	9,646,448	8,998,537
EQUITY			
Equity attributable to owners of the parent			
Issued capital	**460,153**	460,270	465,206
Equity component of convertible bonds	**55,538**	55,538	55,538
Other reserves	**9,620,118**	7,740,697	7,163,969
	10,135,809	8,256,505	7,684,713
Non-controlling interests	**1,940,760**	1,389,943	1,313,824
Total equity	**12,076,569**	9,646,448	8,998,537

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Maoye International Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 8 August 2007 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office address has been changed to P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, Ky1-1205 Cayman Islands with effect from 1 October 2016 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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise standards and interpretations approved by the International Accounting Standards Board ("**IASB**"), and International Accounting Standards and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for listed equity investments and investment properties which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2016, the Group had net current liabilities of approximately RMB11,032,375,000. The Group's ability to repay its debts when they fall due relies heavily on its future operating cash flow and its ability to renew the bank loans and other borrowings. The directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable of not less than 12 months from the end of the reporting period. The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

2.2 CHANGE IN ACCOUNTING POLICY ON INVESTMENT PROPERTIES

The Group has changed the accounting policy for investment properties from the cost model to the fair value model. The Group previously measured investment properties at cost, including transaction costs, less accumulated depreciation and any impairment losses.

To more accurately reflect the value of investment properties held by the Group, enhance the comparability of financial information with the peers, provide more relevant information to the users of its financial statements, and avoid any difference on accounting policies between the Group's listed subsidiary and the Group, the Group's significant subsidiary, which is listed in the PRC stock market, has already changed its accounting policy to account for investment properties at fair value (previously at cost), and the Group has elected to change the accounting policy for investment properties from the cost model to the fair value model with effect from the year ended 31 December 2016 and the Board has approved the change of accounting policy of investment properties. The Group has adopted this amendment retrospectively and the effects on the consolidated statement of financial position and the consolidated statement of profit or loss are disclosed below.

Influence on the consolidated statement of financial position	**31 December 2016**	**31 December 2015**	**1 January 2015**
	RMB'000	*RMB'000*	*RMB'000*
Increase/(decrease) in:			
Investment properties	76,240	1,682,434	1,215,878
Prepaid land lease payments	—	(161,604)	(140,543)
Prepayments, deposits and other receivables	—	(12,242)	(11,953)
Deferred tax liabilities	25,551	377,148	265,846
Other reserves	39,883	813,538	542,723
Non-controlling interests	10,806	317,902	254,813

Influence on the consolidated statement of profit or loss	**2016**	**2015**
	RMB'000	*RMB'000*
Increase/(decrease) in:		
Other gains and losses	76,240	185,182
Income tax expense	25,551	57,114
Depreciation and amortization	—	(43,276)
Attributable to owners of the parent	39,883	159,175
Attributable to non-controlling interests	10,806	12,169
Increase in earnings per share attributable to ordinary equity holders of the parent	RMB 0.78 cent	RMB 3.08 cents

3. OPERATING SEGMENT INFORMATION

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss 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.

Year ended 31 December 2016

	Operation of department stores	**Property development**	**Others**	**Adjustments and eliminations**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:					
Sales to external customers	3,735,080	2,056,549	49,710	—	5,841,339
Intersegment revenue	—	7,634	600	(8,234)	—
Other income	1,044,544	2,109	37,385	—	1,084,038
Cost of sales	(1,285,618)	(1,376,857)	(4,616)	—	(2,667,091)
Employee expenses	(468,067)	(48,414)	(26,168)	—	(542,649)
Depreciation and amortization	(664,972)	(134,031)	(9,139)	—	(808,142)
Operating lease rental expenses	(300,072)	(1,640)	(882)	2,162	(300,432)
Other operating expenses	(995,235)	(190,533)	(50,417)	6,072	(1,230,113)
Other gains/(losses)	20,724	(47,216)	9,371	—	(17,121)
Operating profit	1,086,384	267,601	5,844	—	1,359,829
Finance costs	(439,963)	(349,589)	—	—	(789,552)
Share of profits and losses of associates	26,220	—	—	—	26,220
Profit/(loss) before tax	672,641	(81,988)	5,844	—	596,497
Income tax expense	(331,723)	(148,946)	(3,767)	—	(484,436)
Profit/(loss) for the year	340,918	(230,934)	2,077	—	112,061

	Operation of department stores	Property development	Others	Adjustments and eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Attributable to:					
Owners of the parent	244,547	(200,380)	2,215	—	46,382
Non-controlling interests	96,371	(30,554)	(138)	—	65,679
	340,918	(230,934)	2,077	—	112,061
Other segment information:					
Impairment losses recognized in the statement of profit or loss	1,475	—	—	—	1,475
Impairment losses reversed in the statement of profit or loss	—	—	—	—	—
Investments in associates	2,533,377	—	—	—	2,533,377
Capital expenditure*	113,786	2,236,670	6,523	—	2,356,979

* 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 including assets from the acquisition of subsidiaries.

(Restated)	Operation of department stores	Property development	Others	Adjustments and eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2015					
Segment revenue:					
Sales to external customers	2,485,579	776,628	22,114	—	3,284,321
Intersegment revenue	—	1,437	—	(1,437)	—
Other income	790,568	32,505	8,070	—	831,143
Cost of sales	(829,241)	(531,651)	(501)	—	(1,361,393)
Employee expenses	(344,021)	(26,889)	(10,910)	—	(381,820)
Depreciation and amortization	(351,758)	(67,642)	(11,721)	—	(431,121)
Operating lease rental expenses	(206,933)	(1,513)	(355)	100	(208,701)
Other operating expenses	(721,652)	(115,123)	(12,965)	1,337	(848,403)

(Restated)	Operation of department stores	Property development	Others	Adjustments and eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other gains/(losses)	183,370	(103,631)	31,248	—	110,987
Operating profit	1,005,912	(35,879)	24,980	—	995,013
Finance costs	(125,216)	(220,788)	—	—	(346,004)
Share of profits and losses of associates	(14,078)	—	—	—	(14,078)
Profit/(loss) before tax	866,618	(256,667)	24,980	—	634,931
Income tax expense	(293,644)	(44,508)	(7,246)	—	(345,398)
Profit/(loss) for the year	572,974	(301,175)	17,734	—	289,533
Attributable to:					
Owners of the parent	570,702	(290,983)	18,908	—	298,627
Non-controlling interests	2,272	(10,192)	(1,174)	—	(9,094)
	572,974	(301,175)	17,734	—	289,533
Other segment information:					
Impairment losses recognized in the statement of profit or loss	2,214	84,627	—	—	86,841
Impairment losses reversed in the statement of profit or loss	(57)	—	—	—	(57)
Investments in associates	2,337,550	—	—	—	2,337,550
Capital expenditure*	1,421,182	1,361,288	552	—	2,783,022

* 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 including assets from the acquisition of subsidiaries.

The Group's entire revenue is attributable to the market in Mainland China. No analysis of geographical information is therefore presented.

The Group has a large number of customers. However, no sales to a single customer contributed 5% or more of the Group's total revenue.

4. REVENUE

	2016	2015
	RMB'000	*RMB'000*
Commissions from concessionaire sales	**1,908,762**	1,374,324
Direct sales	**1,446,115**	902,307
Rental income from the leasing of shop premises	**376,145**	204,552
Management fee income from the operation of department stores	**4,058**	4,396
Rental income from investment properties	**128,976**	46,252
Sale of properties	**1,927,573**	730,376
Others	**49,710**	22,114
	5,841,339	3,284,321

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

Total sales proceeds from concessionaire sales	**11,611,219**	8,255,225
Commissions from concessionaire sales	**1,908,762**	1,374,324

The rental income from the leasing of shop premises is analyzed as follows:

Rental income	**360,394**	143,178
Sublease rental income	**15,751**	61,374
	376,145	204,552

5. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Income from suppliers and concessionaires		
- Administration and management fee income	**569,289**	419,148
- Promotion income	**290,806**	240,549
- Credit card handling fees	**139,522**	113,441
Reversal of long-aged unredeemed repaid cards*	**21,361**	—
Interest income	**23,256**	17,430
Others	**39,804**	40,575
	1,084,038	831,143

6. COST OF SALES

	2016	2015
	RMB'000	*RMB'000*
Purchases of and changes in inventories	**1,285,618**	829,241
Cost of properties sold	**1,376,857**	531,651
Others	**4,616**	501
	2,667,091	1,361,393

7. EMPLOYEE EXPENSES

	2016	2015
	RMB'000	*RMB'000*
Wages and salaries	**472,386**	333,721
Retirement benefits	**54,186**	43,931
Other employee benefits	**16,077**	4,168
	542,649	381,820

8. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on bank loans	**1,132,637**	748,834
Total interest expense on financial liabilities not at fair value through profit or loss	**1,132,637**	748,834
Less: Interest capitalised	**(343,085)**	(402,830)
	789,552	346,004

9. 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 was calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2016 (2015: 16.5%).

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("**CIT**") at a statutory rate of 25% (2015: 25%) of 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 amortization of land use rights, borrowing costs and all property development expenditures. LAT of RMB67,551,000 was charged to the consolidated statement of profit or loss for the year ended 31 December 2016 (2015: RMB31,295,000).

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Current — CIT	**446,053**	371,104
Current — LAT	**67,551**	31,295
Deferred tax	**(29,168)**	(57,001)
Total tax charge for the year	**484,436**	345,398

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of RMB46,382,000 (2015: RMB298,627,000) and the weighted average number of ordinary shares of 5,141,489,556 (2015: 5,160,924,290) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

11. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Interim — Nil (2015: HK2.2 cents) per ordinary share	**—**	93,303
Proposed final — HK0.3 cent (2015: Nil) per ordinary share	**13,915**	—
	13,915	93,303

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. 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:

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**2,132,672**	1,641,140
91 to 180 days	**578,506**	54,841
181 to 360 days	**56,552**	75,932
Over 360 days	**305,676**	255,478
	3,073,406	2,027,391

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

The Group's bills payable amounted to RMB3,500,000 as at 31 December 2016 (31 December 2015: Nil).

13. EVENTS AFTER THE REPORTING PERIOD

i. On 9 January 2017, Zhongzhao Investment Management Co., Ltd. completed an agreement to sell its holdings of 70 million shares of Maoye Communication and Network Co., Ltd. ("**Maoye Communication**") to Shenzhen Tong Tai Da Investment Centre (Limited Partnership). As of this agreement, the consideration was RMB1,400 million and the disposal shares accounted for 11.26% of the total equity of Maoye Communication.

ii. On 3 January 2017, the board of directors of Maoye Commercial Co., Ltd. ("**Maoye Commercial**") passed a resolution approving the application from the Chengdu Branch of China Citic Bank Co. for access to up to RMB100 million of credit over the next year with the property owned by Chengshang Group Holdings Ltd. as collateral.

iii. On 3 January 2017, at the board meeting of Maoye Commercial, it was announced that Shenzhen Department Store Co. Ltd., a wholly-owned subsidiary of Maoye Commercial, would apply for a 36-month comprehensive credit line from Shanghai Pudong Development Bank Shenzhen branch, which amounted to RMB180 million. As collateral, Shenzhen Maoye Shangsha Co., Ltd. ("**Maoye Shangsha**") rendered the commercial official buildings in Shenzhen, owned by one of its wholly-owned subsidiaries, Shenzhen Maoye Investment Holdings Co., Ltd. Meanwhile, Maoye Commercial and Shenzhen Maoye (Group) Co., Ltd., controlled by Maoye Commercial's ultimate controllers, assume the joint liability to guarantee for the loans.

iv. On 8 February 2017, Maoye Shangsha pledged its 238 million restricted shares of Maoye Commercial to Guangzhou Securities Co., Ltd to provide funds for the daily operations of Maoye Shangsha and its subsidiaries. The term of the stock pledge is three years and all formalities have been completed on 8 February 2017.

v. On 15 February 2017, Maoye Department Stores (China) Limited, a wholly-owned subsidiary of the Company, signed a repurchase agreement with the related party, Huang Mao Ru to repurchase USD12 million senior notes, with an interest rate of 7.75%, which will fall due in 2017. The USD senior notes, released on 19 May 2014, were purchased by Huang Mao Ru in the open market from an independent third party at the price of US$11.55 million. In accordance with the terms of the repurchase agreement, Maoye China and Huang Mao Ru shall finish repurchasing the target notes in batches within 3 months from the date of the repurchase agreement.

vi. 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 (as amended by a formal 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 framework agreement (as amended by formal agreement), the compensation agreement and the mechanism of consideration adjustment specified by Article 35 of the Reorganisation Measures and the FAQ published by China Securities Regulatory Commission on 2 August 2010, the Vendors promised to Maoye Commercial that the audited net profit of the Target Entities for the year ended 31 December 2016 would amount to RMB 711,011,000 (the "**2016 Profit Guarantee**"). According to the audited accounts of the Target Entities for the year ended 31 December 2016 provided by Ruihua Certified Public Accountants, the actual net profit of the Target Entities was approximately RMB569,084,800 (without taking into account the effect of non-operating gains and losses), representing a difference of RMB141,926,200 when compared with the 2016 Profit Guarantee. Therefore, the 2016 Profit Guarantee has not been achieved. According to the terms and conditions of the framework agreement (as amended by formal agreement) and the compensation agreement, Demao, Hezhengmao and Maoye Shangsha shall deposit part of their respective compensation shares into their custody accounts created in Maoye Commercial, and Maoye Commercial shall be entitled to repurchase 70,754,453 compensation shares, representing approximately 6.1% of the total consideration shares.

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO ECONOMY OVERVIEW

After a stable growth of 6.9% in 2015, the gross domestic product of the PRC experienced a further slide in growth to 6.7% in 2016. The overall operation of the national economy showed a trend of slow stabilization and steady recovery. In 2016, the market sales grew steadily, with the total retail sales of social consumer goods amounting to RMB33,231.6 billion in the whole year, representing an annual growth rate of 10.4%, which was slightly lower as compared with the growth rate of 10.7% in 2015.

According to China National Commercial Information Centre (全國商業信息中心), in 2016, retail sales of 100 key large retailing enterprises across the country decreased by 0.5% year-on-year, a decrease of 0.4 percentage point as compared to last year, indicating continuing challenging operating conditions faced by physical retail industry. Electronic commerce also slowed down in pace with online retail sales of RMB5,155.6 billion in 2016, an increase of 26.2% over last year and a lower growth rate than 33.3% in 2015. Online retail sales accounted for 15.5% of the total retail sales of social consumer goods, while physical retail sales accounted for 84.5% of the total retail sales of social consumer goods, showing the physical retail industry's continuing role as the mainstay of social consumption patterns. For one thing, the domestic consumer market is weakening in general and performances of the physical retail industry, as the major player, is declining for another. With the continuous impact from shopping malls and electronic commerce, the industry's competition has become fiercer with further increased differentiation in operations.

Amidst the general slowdown of the macro economy, the government prioritized the expansion of domestic demand and the stimulation of consumption as the strategic focus for its economic transition. The implementation of favourable policies, such as urbanization development strategy and allowing couples to have a second child, has stimulated the diversification of consumption demand. Opinions on Promoting Innovative Transition of Physical Retail (《關於推動實體零售創新轉型的意見》), issued by the General Office of the State Council in November 2016, expressly guided the development and revolution of the physical retail industry, formulating some favourable policies for the development of the physical retail sector, ranging from industry and commerce, taxation, urban planning, etc. Along with the rise of the emerging middle class, the upgraded consumption needs are going to provide a broad development prospect and stimulate the recovery of the domestic consumption market.

OPERATION REVIEW

In a market with opportunities and challenges, the Group has presented remarkable cost advantage and strong risk resistance ability by leveraging its unique advantage in the operation model of department store plus commercial real estate. During the reporting period, while maintaining its leading position in the core market of Southern China, the Group actively organised its layout in major cities in Southwestern China, Eastern China and Northern China by developing shopping centers in tier 2 and tier 3 cities with consumption potential; strengthened the integration of Chengdu Renhe Chuntian Department Store Ltd. ("**Rendong Department Store**") and Chengdu Qingyang District Renhe Chuntian Department Store Ltd. ("**Guanghua Department Store**") (collectively "**Renhe**") upon completion of their acquisitions; and captured the opportunity to acquire Inner Mongolia Victoria Commercial (Group) Co., Ltd. ("**Victoria**"), a leading retailer in Inner Mongolia, in order to establish its leadership in major cities within relevant regions. In addition, the Group further promoted its business transforming and upgrading to deepen its strategy of transforming core stores into shopping centers, providing experiential, interactive, educational and perceptible content for consumption, and satisfying consumers' demand for spiritual consumption. On the other hand, the Group took initiatives to apply internet tools in information push, payment and outlets' convenient services, thus achieving an effective integration of online and offline businesses and improving consumers' consumption experience.

MAJOR OPERATING HIGHLIGHTS

During the reporting period, the Group has continued to conduct proactive and prudent expansion, developed "Maoye Complex" shopping mall store network in major regions, and kept promoting the strategy of transforming department stores into shopping centers.

1. **Acquisition of Victoria**

   In the first half of 2016, Maoye Commercial Co., Ltd. (茂業商業股份有限公司) ("**Maoye Commercial**"), a company listed on the Shanghai Stock Exchange (stock code: 600828) and a subsidiary of the Group, underwent a material asset reorganisation to acquire 70% equity interest in Inner Mongolia Victoria Commercial (Group) Co., Ltd. ("**Victoria**") at a cash consideration of RMB1,565.3 million.

Established in 2003, Victoria has 13 years of commercial experience and is the largest commercial group in the Inner Mongolia Autonomous Region. It is principally engaged in owning and operating department stores, supermarkets and commercial real estate in Baotou and Hohhot, with extensive brand influence and recognition in the region. It is also a leading enterprise in the physical retail industry in Inner Mongolia. Such acquisition involved the acquisition of 21 stand-alone entities in total, including 7 stores and 14 supermarkets. A number of stores are located at core business circles with heavy consumer traffic and strong consumption power. Moreover, each of such stores has extensive brand portfolio, diversified product offerings and established living facilities.

Upon completion of such transaction, leveraging on its own resource advantage, extensive management experience and information system advantage throughout the nation, the Group, has facilitated rapid adjustments to the operational, financial and management strategies of Victoria's stores and improved its overall profitability, which further increased the Group's market share in major cities in Northern China and expanded the Group's operation scope of department stores and commercial property into the Northern region. Victoria has become an important pillar of the Group in expanding its commercial presence in the Northern region.

2. **Promoting construction and opening of "Maoye Complex" shopping malls**

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

The Group's Maoye Complex Yibai Store, located at the core business circle of Zhongshan Road, Wuxi, commenced operation officially in May 2016. The entire Wuxi Yibai project is planned to be a complex comprising shopping mall, grade A office building and high-end apartments, with a total gross floor area of 140,000 square metres, of which, the shopping mall area is 78,000 square metres. The area for catering and entertainment facilities, accounting for 60% of the shopping mall, properly made up the deficiency in commercial facilities at Zhongshan Road, contributing to a continuous steady increase in foot traffic since its opening. The opening of Wuxi Maoye Complex Yibai Store indicated a further increase of the Group's market share in the Eastern China region, and helped the Group to increase competitiveness and market integrating capability.

The Group's Maoye Complex project, located at Confucius Temple, a historic urban area of Nanjing, commenced operation officially in November 2016. The project in the vicinity of Confucius Temple, the foremost scenic spot in Nanjing, has a total gross floor area of 88,000 square metres. Confucius Temple Maoye Complex is the first commercial complex of Late Qing Dynasty style in Nanjing that preserves the original historical architecture style while incorporating modern commerce. In the shopping mall, landscaping, commercial streets resembling Late Qing Dynasty architectures and catering streets all break the traditional form of a department store. Theme restaurant, sky restaurant and top-floor sunshine interactive area and other special areas are planned and scattered within the shopping mall. Catering and entertainment facilities overall accounted for 60% of the shopping center, including the first shop of many brands in Nanjing such as Yonghui Bravo Supermarket and FOREVER 21, realizing personalized and diversified brand category combination. The opening of Nanjing Confucius Temple Maoye Complex marked further consolidation of the Group's market position in the Eastern China region, increasing its brand influence in Jiangsu Province immensely.

The Group's Taiyuan Maoye Complex, a landmark project located at the core business circle of Qinxian Street, Taiyuan, Shanxi Province, is the first large city complex and commercial property project in Taiyuan City, with its general plan integrated with 5A-grade office building, five-star hotel and large shopping mall. Phase I of the project attracted high customer traffic flow since its opening in November 2014, and created great potential and influence over the consumer market in the Northern China region. Phase II of the shopping mall commenced operation in December 2016, having a total gross floor area of approximately 150,000 square metres, and introduced nearly 800 domestic and international major brands, with the ancillary catering and entertainment area accounting for over 40% of the area. The shopping mall accommodates nearly 120 catering stores, a 5000 -square metres one-stop children entertainment and growth centre, as well as supporting facilities from soup to nuts, such as IMAX cinema, fitness, education and supermarkets. It has the most comprehensive portfolio and the strongest brand influence in Taiyuan. The opening of Phase II of Maoye Complex further increased the market share of the Group in the Northern China region, and accordingly, consolidated its industry-leading position in the regional market.

3. **Deepening strategy of transforming department stores into shopping centers**

During the reporting period, the Group continued to promote its strategy of transforming department stores into shopping centers. As of 31 December 2016, the Group has completed the projects for transforming more than 10 stores into shopping centers, including Huaqiangbei store and Taiyuan Liuxiang store. Such projects for transformation have enlarged the areas of catering and entertainment facilities for stores, optimised brand portfolio, and satisfied customers' demand for material and spiritual consumption in all aspects through creating a diverse and experiential consumption platform offering a combination of shopping, catering, leisure and entertainment experiences, which have effectively increased the foot traffic. Meanwhile, rental income from the transformed stores also increased.

After the official transformation of Shenzhen Huaqiangbei store, a flagship of the Group, from Maoye Department Store into Maoye Complex, the shopping environment was improved comprehensively, and brand positioning for each floor was adjusted accordingly as well. Several cosmetic and affordable luxury brands at the ground floor even achieved sales results ranking first in the South China region. Moreover, the subway construction for Huaqiangbei Business Street that caused the road closure nearby for more than three years has completed in January 2017, and Huaqiangbei Business Street was reopened. The Huaqiangbei Metro Station and the Business Street, upon completion, are now seamlessly connected to the B1 level of Huaqiangbei Maoye Complex, linking a total of four metro lines including metro Line No.7. Upon completion of the transformation, the ancillary catering areas of Huaqiangbei Maoye Complex significantly increased, the original supermarket area at the B1 level has been transformed to a food court, thus effectively improving foot traffic and increasing rental income, which is conductive to enhance its attraction to consumers.

The Group's Taiyuan Liuxiang store targets young customer groups and positions as a medium- to high-end youthful and stylish department store. In September 2016, the Taiyuan Liuxiang store completed transforming into shopping mall, where hardware facilities were upgraded and improved comprehensively, and branding and product category for each floor was adjusted as well. Each floor has five to six brand lifestyle stores, blended with more life elements in decoration works of brands, realizing transformation into small shopping mall. In addition, based on market conditions, the area for original menswear was reduced greatly and changed to unique womenswear. The operation of women's clothing became more sophisticated, with the area for selling womenswear accounting for nearly 40% of the total store areas. Meanwhile, ancillary catering and entertainment area was further increased and therefore, much room is expected for rental income to grow in 2017.

4. **Consolidation of two Renhe stores**

As stores with most first tier well-known international brands in Chengdu, Rendong Department Store and Guanghua Department Store are well recognized in the medium-to-high end consumer market in Chengdu. In February 2016, the Group completed the acquisitions of two Renhe Chuntian Stores, namely Rendong Department Store and Guanghua Department Store, which significantly increased the Group's market share in Chengdu and consolidated its leading position in the Southwestern region.

Upon completion of such acquisitions, the Group made active efforts in consolidating, among other things, management, personnel and information system, and coordinated and managed Renhe Stores and original stores of the Group in the region, resulting in positive interactions and complemental effects between the stores. On one hand, the Group optimised its original supplier resources by integrating with those of Renhe stores, and conducted comprehensive repositioning and brand optimisation in respect of stores in Chengdu. With Renhe stores being positioned at medium-to-high end consumer groups, a differential positioning of merchandise brands of Maoye stores, it will enable the Group to effectively increase its market share in the region. On the other hand, the Group integrated the membership information of Renhe stores with its original membership information, refined membership classification and services, upgraded the Group's CRM system and increased software and hardware facilities auxiliary to membership services, in order to improve the membership service level of its stores.

5. **Improving operational management efficiency and service level**

During the reporting period, the Group also actively improved its operational management capabilities and services. Firstly, the Group promoted innovative value marketing model and reduced promotional activities for excessive pursuit of sales, achieving increases in both sales revenue and profit. Secondly, the Group's Head Office has established a store value management system for data analysis of each store based on the ERP information system. Through data-based management of merchandises, customers' consumption is classified based on conditions of merchandises, purchase and sale of merchandises are analysed and suppliers are connected as well, so as to improve stores' merchandise category management capacities and merchandise operation capacities, thereby increasing their efficiency.

In respect of cost and expense control, the Group reduced the levels of supply chain and lowered purchase costs and operating expenses through centralised purchase and unified business invitation at the Group level. Meanwhile, the Group actively improved its employees' efficiency and reduced employee costs through modernised tools.

In respect of store services, the Group actively promoted the use of internet and mobile internet tools to enhance customers' consumption experience as well as convenience and comfortability for their purchases, such as adopting mobile terminals for cashier purposes and applying Alipay and WeChat Payment for on-site fast payment. Moreover, the Group promoted the use of WeChat membership card for entitlement to enjoy preferential benefits and exchange for gifts by using reward points. On the other hand, the Group actively improved its membership service level and conducted membership management and analysis by using the CRM system, achieving precise marketing to and retention of members. As of 31 December 2016, the number of members of the Group amounted to 5.24 million, representing a growth of 24% as compared to the same period of last year. Membership consumption accounted for 34%, an increase of 12 percent points as compared to the same period of last year. In addition, the Group made an astonishing progress with enrollment of electronic members in 2016, with the number of Wechat members doubled.

6. **Financing activities - optimising debt structure and broadening financing channels**

In 2016, the Group continued its financing activities actively and stably to develop financing channels while reducing finance costs. In January 2016, the Group's wholly-owned subsidiary, Shenzhen Maoye Shangsha Co., Ltd. ("**Maoye Shangsha**"), issued corporate bonds with an aggregate principal amount of RMB2.8 billion. Among them, the first tranche of three-year corporate bonds with a principal amount of RMB1.1 billion was issued at an annual interest rate of 4%; and the second tranche of five-year corporate bonds with a principal amount of RMB1.7 billion was issued at an annual interest rate of 4.5%. The corporate bonds were publicly listed and traded on the Shanghai Stock Exchange since 2 February 2016.

In August 2016, the proposed issuance of private placement bonds with a total principal amount not exceeding RMB5 billion by Maoye Shangsha was approved by the Shanghai Stock Exchange. In October 2016, the proposed issue of private placement bonds by Maoye Commercial with a total principal amount not exceeding RMB1.7 billion, was approved by the Shanghai Stock Exchange. In December 2016, the proposed issuance of corporate bonds by Maoye Commercial with a total principal amount not exceeding RMB0.9 billion, was approved by CSRC.

The above financing activities provided stable liquidity for the development of the Group and were instrumental to the Group for its acquisition and consolidation transactions. A portion of such funds was used for replacing the existing debts that would lower the Group's comprehensive finance costs while improving debt structure, and thereby matching its assets with liabilities well.

7. **Capital operation — non-public offering of shares**

In June 2016, Commercial implemented a restructuring of material assets and intended to raise funds through non-public offering of shares. Part of the proceeds from the issue will be applied to acquire equity interests in two companies, including Qinhuangdao Maoye and Chongqing Maoye Department Store Co., Ltd. (重慶茂業百貨有限公司), from Zhongzhao Investment Management Co., Ltd. (中兆投資管理有限公司) ("**Zhongzhao**") and Maoye Department Stores (China) Limited (茂業百貨(中國)有限公司) ("**Maoye China**"). Department stores of the target companies involved in this proposed acquisition are located at primary business areas in Qinhuangdao and Chongqing and enjoy strong profitability. The restructuring will enable the Group to enhance the economy of scale, improve its presence in the retail business across Southwestern China and Northern China, integrate and share resources and avoid potential cannibalisation.

Meanwhile, part of the proceeds raised from this non-public offering is intended for repayment of bank loans, which, to certain extent, will lower the Group's gearing ratio, optimise its debt structure and improve solvency and the capability of fending off risks.

The proceeds raised from the non-public offering of shares are expected to be no more than RMB2,270 million in aggregate, with no more than 372,874,200 shares to be issued at a minimum price of RMB6.18 each. Assuming there is no change in the issued share capital of Maoye Commercial from the date of this announcement to the completion of the non-public offering of shares, the Group and its persons acting in concert will remain the controlling shareholder of Maoye Commercial with the shareholding in Maoye Commercial being expected to change from 89.48% to 73.63%.

8. **Capital operation — transfer of certain equity interests in Maoye Communication and Network Co., Ltd. ("Maoye Communication")**

In January 2017, Zhongzhao, a subsidiary of the Group, completed the transfer of certain equity interests in Maoye Communication by disposal of 70 million non-restricted shares in Maoye Communication, representing 11.26% of the total share capital of Maoye Communication and 33.64% of shares held by Zhongzhao in Maoye Communication, at a consideration of RMB1,400 million. Upon completion of such transfer, Zhongzhao and its person acting in concert, Shenzhen Maoye Department Store Co., Ltd. were no longer the largest shareholder with their aggregate shareholding in Maoye Communication decreasing from 35.46% to 24.20%. The proceeds from such transfer will be used to repay borrowings and replenish liquidity, which enables the Group to focus on its strategy and to optimize its financial structure.

9. **Property development segment**

As of 31 December 2016, the Group had projects under construction and on sale at Taiyuan City in Shanxi Province, Taizhou City and Wuxi City in Jiangsu Province, Chengdu City in Sichuan Province, Shenyang City and Jinzhou City in Liaoning Province, Laiwu City and Zibo City in Shandong Province, Qinhuangdao City and Baoding City in Hebei Province, and Baotou City in Inner Mongolia. Type of projects includes residences, apartments, offices and stores. The Group recorded a total of RMB1,928 million in property sales revenue in 2016, representing a substantial increase of 163.9% over the same period of last year. In the future, the Group will continuously procure completion of its projects under construction as scheduled and related inspection, and launch the same to the market by means of sale, lease, etc., accelerating the cash collection from the projects.

PERFORMANCE OF MAJOR DEPARTMENT STORES[1]

Store Name		Total Sales Proceeds *(RMB'000)*	Rental Income *(RMB'000)*	Operation Period[2] *(Year)*	Gross Floor Area *(m^2)*
1	Shenzhen Huaqiangbei	1,413,580	32,953	13.3	63,243
2	Renhe Chuntian Guanghua	842,555	8,063	7.1	62,498
3	Shenzhen Dongmen	825,935	17,827	19.8	40,979
4	Taizhou Yibai	738,835	2,087	7.3	40,358
5	Shenzhen Nanshan	700,073	15,688	7.3	44,871
6	Chengdu Yanshikou Maoye Complex	597,863	9,343	11.6	85,586
7	Qinhuangdao Xiandai Shopping Plaza	462,721	391	6.6	36,897
8	Victoria Commercial Building	447,173	1,816	13.7	54,946
9	Chongqing Jiangbei	445,828	15,625	12.2	68,138
10	Renhe Chuntian Rendong	442,988	2,788	18.3	38,278
11	Victoria International Plaza	418,608	434	9.0	84,538
12	Qinhuangdao Jindu	401,524	5,382	8.3	46,610
13	Victoria Shopping Centre	365,063	5,349	10.3	58,215
14	Taiyuan Liuxiang	347,565	2,611	8.2	31,448
15	Nanchong Wuxing	333,666	2,671	15.2	24,365
16	Shenzhen Outlet	320,709	7,449	17.3	23,048
17	Zhuhai Xiangzhou	298,270	7,696	15.2	30,936
18	Taiyuan Maoye Complex Phase I	284,783	7,159	2.1	86,504
19	Qinhuangdao Shangcheng	277,457	222	6.6	26,696
20	Zibo Maoye Times Square	268,592	8,039	1.9	88,923
21	Mianyang Xingda	247,429	3,390	8.3	27,595
22	Chengdu Chunxi	219,646	1,168	3.1	22,463

Notes:

1 Major department stores are stores with annual sales proceeds of over RMB200 million.

2 Operation period was calculated till 31 December 2016.

OUTLOOK

In 2017, the Group will uphold its strategies to grow moderately and healthily. On business layout:

Firstly, it will promote the transformation of existing stores to shopping malls, and focus much effort on markets in major cities across Southern China, Southwestern China, Eastern China and Northern China, leading the industry in these regions;

Secondly, it will actively promote the opening and development of the "Maoye Complex" project, prepare for the opening of major projects such as Jinzhou shopping mall, Laiwu shopping mall and Baotou Maoye Complex Phase II in order to generate interaction and complementary effect with existing department store layout, and strengthen the Group's leading position within the region;

Thirdly, it will focus on the consolidation of acquired stores and increase efforts on the consolidation of acquirees in terms of, among other things, management, systems and employees, and capitalise on the synergies generated from acquisition;

Fourthly, it will continue to optimize the performance of the store network, increase the adjustment to the loss-making stores and improve their business operations, optimize the asset structure and reduce the gearing ratio; and

Fifthly, it will enhance the efforts in realizing non-core assets, speed up the sales progress of property business and ensure the realization of the revenue from its key properties.

On operation strategies:

Firstly, it will continue to improve the overall operation efficiency of the Group and to unify the management of suppliers through the integration of group resources in order to lower purchase costs and operation expenses;

Secondly, it will increase its understanding of and control on merchandises offerings. It will utilise the information system of the Group to manage the conditions of merchandises on a database basis and change from analysis on the conditions of merchandises to analysis on individual merchandises in order to strengthen its ability to manage individual merchandises. At the same time, it will actively develop and integrate in the upstream of the industry chain, explore the development of proprietary business, deepen cooperation with domestic and foreign brands and agents and increase the proportion of purchase of featured brands in order to gradually achieve differential operation through personalized merchandise offerings; and

Thirdly, it will establish closer relationship with customers. It will apply internet and mobile internet tools to provide intelligent user services, create intelligent shopping space, provide intelligent carpark functions such as parking payment and car finding, convenient functions such as online restaurant queuing up and intelligent consumption services such as electronic coupons, points checking and points rebate for consumption through WeChat public account in order to improve customers' consumption experience and enhance department stores' ability to retain customers. At the same time, it will improve membership services, continuously improve the functions and application of the CRM system, refine the establishment of membership system and improve customers' consumption experience by combining online and offline service methods such as member-exclusive promotion, points discount, member-exclusive restrooms and customized membership services.

On financing arrangements, it will continue to adjust debt structure in order to achieve reasonable allocation of assets and liabilities and lower overall financing costs. Moreover, it will actively promote various financing activities, such as issuance of private placement bonds by Maoye Shangsha, issuance of corporate bonds and private placement bonds by Maoye Commercial and non-public issuance of shares by Maoye Commercial.

FINANCIAL REVIEW

Total Sales Proceeds and Revenue

For the year ended 31 December 2016, total sales proceeds of the Group were RMB13,057.3 million, representing an increase of 42.6% over the same period in 2015. The increase in total sales proceeds was primarily due to consolidation of Qinhuangdao Maoye, Renhe and Victoria as subsidiaries of the Group into its financial statements. Total same-store sales proceeds were RMB8,160.9 million, representing a decrease of 5.9% as compared to the same period in 2015.

	For the year ended 31 December	
	2016	**2015**
	RMB'000	*RMB'000*
Total sales proceeds from concessionaire sales	11,611,219	8,255,225
Direct Sales	1,446,115	902,307
Total Sales Proceeds	13,057,334	9,157,532

Among the total sales proceeds of the Group in 2016, total sales proceeds derived from concessionaire sales accounted for 88.9% and those derived from direct sales accounted for 11.1%. For the year ended 31 December 2016, same-store sales proceeds from concessionaire sales decreased to RMB7,438.4 million, representing a decrease of 5.4% over the same period in 2015. The commission rate from concessionaire sales was 16.4%, representing a decrease of 0.2 percent point as compared to 16.6% for the same period in 2015.

The total sales proceeds and growth rates in the four regions are set out as follows:

	Total sales proceeds		**Growth of the total sales proceeds**
	2016	**2015**	
	RMB'000	*RMB'000*	%
Southern China	3,663,736	3,899,725	-6.1
South-western China	3,255,661	2,049,130	58.9
Eastern China	1,856,129	2,012,415	-7.8
Northern China	4,281,808	1,196,262	257.9
Total	13,057,334	9,157,532	42.6

As of 31 December 2016, sales of apparels (including men's and ladies' apparels) accounted for 37.2% (2015: 36.3%), shoes and leather goods accounted for 10.5% (2015: 11.9%), jewelries accounted for 15.7% (2015: 17.9%), cosmetics accounted for 6.6% (2015: 5.5%), leisure and sports goods accounted for 11.0% (2015: 11.5%), and others (including luxury, children's products, bedroom and household goods, home electrical appliances, supermarket and others) accounted for 19.0% (2015: 16.9%).

For the year ended 31 December 2016, the revenue of the Group was RMB5,841.3 million, representing an increase of 77.9% as compared to that of RMB3,284.3 million for the same period in 2015. The increase in revenue was primarily due to consolidation of Qinhuangdao Maoye, Renhe and Victoria into the annual financial results of the Group, and the significant progress achieved for property projects of the Group such as the projects in Taiyuan City, Shanxi Province and Taizhou City, Jiangsu Province.

Other Income

For the year ended 31 December 2016, other income of the Group was RMB1,084.0 million, representing an increase of 30.4% as compared to that of RMB831.1 million for the same period in 2015. The increase in other income was primarily due to consolidation of Qinhuangdao Maoye, Renhe and Victoria into the annual financial results of the Group.

Cost of Sales

For the year ended 31 December 2016, cost of sales of the Group was RMB2,667.1 million, representing an increase of 95.9% as compared to that of RMB1,361.4 million for the same period in 2015. The increase in cost of sales was primarily due to the consolidation of Qinhuangdao Maoye, Renhe and Victoria into the annual financial results of the Group, and the recognition of more revenue and corresponding cost from property projects.

Employee Expenses

For the year ended 31 December 2016, employee expenses of the Group were RMB542.6 million, representing an increase of 42.1% as compared to that of RMB381.8 million for the same period in 2015, which was primarily due to the increase in employee expenses of Qinhuangdao Maoye, Renhe and Victoria.

Depreciation and Amortisation

For the year ended 31 December 2016, depreciation and amortisation of the Group was RMB808.1 million, representing an increase of 87.5% as compared to that of RMB431.1 million for the same period in 2015, which was primarily due to the increase in the scale of assets within the scope of consolidation.

Operating Lease Rental Expenses

For the year ended 31 December 2016, operating lease rental expenses of the Group were RMB300.4 million, representing an increase of 44.0% as compared to that of RMB208.7 million for the same period in 2015, which was primarily due to the increase in the scale of stores within the scope of consolidation. In 2016, operating lease rental expenses as a percentage of total sales proceeds was 2.3%, same as that in 2015.

Other Operating Expenses

For the year ended 31 December 2016, other operating expenses of the Group were RMB1,230.1 million, representing an increase of 45.0% as compared to that of RMB848.4 million for the same period in 2015. Other operating expenses as a percentage of total sales proceeds increased to 9.4% in 2016 from 9.3% in 2015.

Other Gains

For the year ended 31 December 2016, the Group recorded other losses of RMB17.1 million, representing a decrease of RMB128.1 million as compared to other gains of RMB111.0 million in 2015. The decrease was primarily due to that the Group has changed the measurement method of investment properties from cost to fair value in 2016, resulting in significant gains on changes in fair value of investment properties in 2015. The Group also recorded a gain of RMB162.3 million from disposal of 5% shares in Shenyang Commercial City Co., Ltd. ("**Commercial City**") in 2015, and no such gain was recorded in 2016.

Operating Profit

For the year ended 31 December 2016, operating profit of the Group was RMB1,359.8 million, representing an increase of 36.7% as compared to that of RMB995.0 million for the same period in 2015.

Finance Costs

For the year ended 31 December 2016, finance costs of the Group were RMB789.6 million, representing an increase of 128.2% as compared to that of RMB346.0 million for the same period in 2015, which was primarily due to increase in borrowings in 2016.

Share of Profits and Losses of Associates

For the year ended 31 December 2016, share of profits of associates of the Group was RMB26.2 million, representing an increase of RMB40.3 million as compared to share of losses of associates of RMB14.1 million for the same period in 2015, which was primarily due to share of profits of Shenzhen UGO E-Commerce Co., Ltd of RMB3.9 million newly-added for the period, an increase of RMB29.1 million in share of profits of Maoye Communication and Network Co., Ltd. as compared to the same period in 2015, and a decrease of RMB7.3 million in share of losses of Commercial City as compared to the same period in 2015.

Income Tax

For the year ended 31 December 2016, income tax expenses of the Group were RMB484.4 million, representing an increase of 40.2% as compared to that of RMB345.4 million for the same period in 2015. The increase in income tax was primarily due to an increase in the actual taxable income for the period.

Profit for the Year

As a result of the foregoing, for the year ended 31 December 2016:

— Profit for the year decreased to RMB112.1 million, representing a year-on-year decrease of 61.3%;

— Without taking into account the effect of non-operating gains and losses*, profit for the year was RMB124.9 million, as compared to RMB206.3 for the same period in 2015, representing a year-on-year decrease of 39.5%.

Profit Attributable to Owners of the Parent

— Profit attributable to owners of the parent was RMB46.4 million, representing a decrease of 84.5% as compared to that of RMB298.6 million for the same period in 2015.

— Without taking into account the effect of non-operating gains and losses*, profit attributable to owners of the parent decreased by 78.7% to RMB43.7 million.

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

Liquidity and Financial Resources

As at 31 December 2016, the Group's cash and cash equivalents amounted to RMB1,127.6 million, which decreased by RMB121.3 million as compared to the balances of RMB1,248.9 million as at 31 December 2015. The main cash inflows and cash outflows are set out as follows:

(1) net cash inflow generated from operating activities of RMB344.8 million;

(2) net cash outflow used in investing activities of RMB5,189.9 million, mainly including payment for properties and equipment of RMB686.2 million, increase in investment properties of RMB322.5 million, investments in available-for-sale equity of RMB503.9 million, acquisition of subsidiaries of RMB2,561.6 million, settlement of consideration for acquisition of RMB755.9 million and acquisition of an additional interest in associates of RMB147.0 million; and

(3) net cash inflow generated from financing activities of RMB4,775.6 million, mainly including: cash inflow from bank loans and other borrowings of RMB13,657.0 million; cash outflow used for repayment of bank loans and other borrowings of RMB8,922.9 million; cash outflow used for repayment of interest of approximately RMB1,085.6 million; and cash inflow from a related company's borrowings of RMB1,214.5 million.

Interest-bearing Loans

Total bank loans, corporate bonds, medium-term notes and USD senior guaranteed notes of the Group as at 31 December 2016 amounted to approximately RMB19,356.4 million (31 December 2015: RMB12,916.0 million), and the gearing ratio[1] and net gearing ratio[2] were 42.1% and 150.9%, respectively (as of 31 December 2015: 40.7% and 120.9%, respectively).

1 *Gearing ratio = total debt / total assets = (bank loans + corporate bonds + medium-term notes + USD senior guaranteed notes) / total assets*

2 *Net gearing ratio = net debt / equity = (bank loans + corporate bonds + medium-term notes + USD senior guaranteed notes- cash and equivalents) / equity*

Investment in Listed Shares

The table below sets out the Group's interests in three companies listed in the PRC as at 31 December 2016, and relevant summary information relating to these companies.

Investment	The Group's Shareholding	Principal Business	Geographical Location
Silver Plaza Group Co., Ltd. (銀座集團股份有限公司)	14.31%	Owning a number of department stores in Northern China	Jinan City, Shandong Province
Dashang Co., Ltd. ("Dashang") (大商股份有限公司)	5.00%	Owning a number of department stores in Northern China	Dalian City, Liaoning Province
Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司)	0.04%	Provision of multiple insurance and financial services and products in the PRC	Shenzhen City, Guangdong Province

The total costs of the investments of the Group in the above companies were RMB1,479.4 million, which was financed by the Group's cash inflow from operations.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at the date of this announcement.

Pledge of Assets

As at 31 December 2016, the Group's interest-bearing bank loans amounting to RMB7,411.9 million were secured by properties under development, land and buildings, land lease prepayments and investment properties with net carrying amounts of approximately RMB529.9 million, RMB3,273.0 million, RMB1,245.7 million and RMB4,198.9 million, respectively, and the shares of Maoye Commercial, Dashang and Maoye Communication with a fair value of RMB5,414.4 million.

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 foreign exchange loss of RMB83.4 million. Since the business of the Group was mainly focused on mainland China, its operation was not exposed to any foreign exchange fluctuation risks.

For the year ended 31 December 2016, the Group had not entered into any arrangements to hedge its foreign currency risk. The Group's operating cash flow is not exposed to any foreign exchange fluctuation risks.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK0.3 cent in cash per share for the year ended 31 December 2016 (the "**Proposed Final Dividend**") (2015: nil), subject to the shareholders' approval at the annual general meeting of the Company to be held on Friday, 19 May 2017 (the "**2017 AGM**"). The Proposed Final Dividend will be paid in cash on Thursday, 8 June 2017 to shareholders whose names appear on the Register of Members of the Company as at the close of business on Wednesday, 31 May 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company repurchased a total of 1,309,000 shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the year ended 31 December 2016. Such shares were cancelled upon repurchase and accordingly the issued capital of the Company was reduced by the nominal value of these shares.

Details of the repurchase are summarized as follows:

Month of repurchase	Total number of shares repurchased	Repurchase price per share Highest	Lowest	Aggregate consideration
	HK$	*HK$*	*HK$*	*HK$*
November 2016	1,309,000	0.73	0.71	948,320
Total	1,309,000	—	—	948,320

The Company repurchased an aggregate of USD79,600,000 in principal amount of the 7.75% Senior Guaranteed Notes due 2017 via open market during the year ended 31 December 2016, and all of such repurchased notes had been cancelled as at 31 December 2016.

Save as disclosed above, neither the Company nor its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2016.

CLOSURE OF REGISTER OF MEMBERS

(i) Determining the eligibility to attend and vote at the 2017 AGM

The Company's Register of Members will be closed from Tuesday, 16 May 2017 to Friday, 19 May 2017 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2017 AGM, unregistered holders of shares of the Company should ensure all share transfer forms accompanied by the relevant share certificates be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 15 May 2017.

(ii) Determining the entitlement to the Proposed Final Dividend

The Company's Register of Members will be closed from Friday, 26 May 2017 to Wednesday, 31 May 2017 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to be entitled to the Proposed Final Dividend, unregistered holders of shares of the Company should ensure all share transfer forms accompanied by the relevant share certificates be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 25 May 2017.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of its shareholders and enhancing corporate value. Detailed corporate governance practices will be stated in the Company's annual report for the year ended 31 December 2016. 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 Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") during the year ended 31 December 2016, except for the following deviation.

Code Provision A.2.1

Currently, Mr. Huang Mao Ru 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 the continuous effective management and business development of the Group.

AUDIT COMMITTEE

The Audit Committee, comprising all the independent non-executive directors of the Company, has reviewed the results of the Group for the year ended 31 December 2016 and has discussed with the management on the accounting principles and practices adopted by the Group, and its risk management, internal control and financial reporting matters.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit of loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement was published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.maoye.cn). The annual report for the year ended 31 December 2016 containing information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere appreciation to the Company's shareholders, customers, suppliers and staff for their continued support to the Group.

By Order of the Board
Maoye International Holdings Limited
Mr. Huang Mao Ru
Chairman

Hong Kong, 21 March 2017

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