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 2019

HIGHLIGHTS

- Total sales proceeds and rental income were RMB15,415.7 million, representing a year-on-year decrease of 2.4%
- Total operating revenue was RMB7,940.6 million, representing a year-on-year increase of 1.2%
- Net profit for the year was RMB471.0 million, representing a year-on-year decrease of 58.2%
- Without taking into account the effect of non-operating gains and losses, profit for the year was RMB581.9 million, representing a year-on-year decrease of 22.6%
- Basic earnings per share for the year was RMB3.6 cents, and the Board recommended the payment of a final dividend of HK1.98 cents in cash per share for the year ended 31 December 2019

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 with comparative figures for the year of 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** *RMB'000*	2018 *RMB'000*
REVENUE	*4*	**6,267,393**	6,117,247
Other income	*5*	**1,673,168**	1,731,664
Total operating revenue		**7,940,561**	7,848,911
Cost of sales	*6*	**(2,443,639)**	(2,225,826)
Employee expenses	*7*	**(569,122)**	(608,096)
Depreciation and amortisation		**(1,107,135)**	(801,432)
Operating lease rental expenses		**–**	(440,542)
Payments for short-term leases and leases of low-value assets		**(31,821)**	–
Other operating expenses		**(1,378,609)**	(1,265,784)
Other gains and losses		**291,750**	499,944
Operating profit		**2,701,985**	3,007,175
Finance costs	*8*	**(1,320,614)**	(1,010,188)
Share of profits and losses of:			
a joint venture		**(1,429)**	(1,218)
associates		**(266,648)**	29,082
PROFIT BEFORE TAX		**1,113,294**	2,024,851
Income tax expense	*9*	**(642,248)**	(897,630)
PROFIT FOR THE YEAR		**471,046**	1,127,221
Attributable to:			
Owners of the parent		**186,262**	799,403
Non-controlling interests		**284,784**	327,818
		471,046	1,127,221
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*11*		
Basic			
– For profit for the year		**RMB3.62 cents**	RMB15.55 cents
Diluted			
– For profit for the year		**RMB3.62 cents**	RMB15.55 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2019

	2019 *RMB'000*	2018 *RMB'000*
PROFIT FOR THE YEAR	**471,046**	1,127,221
OTHER COMPREHENSIVE INCOME		
Defined benefit retirement plans	**(551)**	(683)
Exchange differences on translation of foreign operations	**9,257**	(3,259)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Net loss on disposal of equity investments designated at fair value through other comprehensive income	**–**	(95,856)
Changes in fair value on equity investments designated at fair value through other comprehensive income	**188,629**	(444,516)
Income tax effect	**(47,158)**	111,129
Gains on property revaluation	**796,133**	1,594,911
Income tax effect	**(199,033)**	(398,728)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**738,571**	766,940
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**747,277**	762,998
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,218,323**	1,890,219
Attributable to:		
Owners of the parent	**928,766**	1,502,772
Non-controlling interests	**289,557**	387,447
	1,218,323	1,890,219

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2019

	Note	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**8,380,692**	9,918,778
Investment properties		**19,692,166**	16,334,049
Right-of-use assets		**6,874,493**	–
Prepaid land lease payments		**–**	4,417,142
Goodwill		**1,339,782**	1,395,097
Other intangible assets		**46,165**	50,611
Investment in a joint venture		**1,274**	1,703
Investments in associates		**1,868,366**	2,129,808
Equity investments designated at fair value through other comprehensive income		**1,497,212**	1,312,915
Financial assets at fair value through profit or loss		**206,000**	208,080
Prepayments		**623,248**	424,646
Deferred tax assets		**637,270**	587,435
Total non-current assets		**41,166,668**	36,780,264
CURRENT ASSETS			
Inventories		**205,299**	234,870
Completed properties held for sale		**1,751,103**	1,371,672
Properties under development		**6,099,155**	5,686,270
Financial assets at fair value through profit or loss		**3,001**	144
Trade and bills receivables		**8,598**	6,800
Prepayments, other receivables and other assets		**3,155,399**	3,382,845
Pledged deposits		**208,265**	201,948
Cash and cash equivalents		**1,232,571**	3,304,911
Total current assets		**12,663,391**	14,189,460
CURRENT LIABILITIES			
Trade and bills payables	*12*	**2,633,692**	3,757,829
Deposits received, accruals and other payables		**11,224,625**	9,254,049
Interest-bearing bank loans and other borrowings		**9,274,381**	7,083,421
Lease liabilities		**259,977**	–
Income tax payable		**435,167**	529,953
Dividend payable		**19,317**	433
Total current liabilities		**23,847,159**	20,625,685
NET CURRENT LIABILITIES		**(11,183,768)**	(6,436,225)
TOTAL ASSETS LESS CURRENT LIABILITIES		**29,982,900**	30,344,039

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 DECEMBER 2019

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank loans and other borrowings	**6,845,531**	11,158,502
Lease liabilities	**2,597,508**	–
Deferred tax liabilities	**4,238,263**	3,882,199
Other long-term liabilities	**138,483**	204
Provision for retirement benefits	**8,086**	8,248
Total non-current liabilities	**13,827,871**	15,049,153
Net assets	**16,155,029**	15,294,886
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	**12,514,655**	11,784,317
	13,030,346	12,300,008
Non-controlling interests	**3,124,683**	2,994,878
Total equity	**16,155,029**	15,294,886

NOTES TO 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 in the Cayman Islands 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 investment properties, financial assets at fair value through profit or loss ("**FVPL**"), equity investments designated at fair value through other comprehensive income ("**FVOCI**") 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 2019, the Group had net current liabilities of approximately RMB11,183,768,000. The Group's ability to repay its debts when they fall due relies heavily on its future operating cash flows and its ability to renew the bank loans and other borrowings. The directors have carefully assessed the Group's liquidity position having taken into account:

(1) the Group's expected cash inflows from operating activities in 2020;

(2) the directors of the Company are also confident that bank borrowings, which will expire during the next 12 months, could be renewed upon expiration based on the Group's past experience and credit standing;

(3) the unutilised credit facility of the Group amounted to RMB627,600,000 as at 31 December 2019; and

(4) subsequent to 31 December 2019, the Group has obtained new banking facilities with an aggregate amount of RMB2,626,500,000 with maturity of five months to fifteen years.

The directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future of not less than 12 months from the end of the reporting year. 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Annual Improvements to 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of land and buildings. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (short-term leases) (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead of recognising rental expenses under operating leases over the lease term commencing from 1 January 2019, the Group recognises the lease payments associated with those leases as "payments for short-term leases and leases of low-value assets" on a straight-line basis over the lease term.

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The Group elected to present the lease liabilities separately in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying IAS 40.

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 as at 1 January 2019 is as follows:

	Increase/ (decrease) *RMB'000*
Assets	
Increase in right-of-use assets	7,813,189
Decrease in prepaid land lease payments	(4,417,142)
Decrease in prepayments, other receivables and other assets	(337,577)
Increase in total assets	3,058,470
Liabilities	
Increase in lease liabilities	3,058,470
Increase in total liabilities	3,058,470

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as of 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	3,844,503
Weighted average incremental borrowing rate as at 1 January 2019	6.76%
Discounted operating lease commitments at 1 January 2019	3,147,270
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(129,028)
Commitments relating to leases of low-value assets	(9)
Add: Payments in optional extension periods not recognised as at 31 December 2018	40,237
Lease liabilities as at 1 January 2019	3,058,470

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognizing losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates or joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirement relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by tax authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its inter-group sales. Based on the Group's tax compliance, the Group determined that the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[4]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

[1] *Effective for annual periods beginning on or after 1 January 2020*

[2] *Effective for annual periods beginning on or after 1 January 2021*

[3] *No mandatory effective date yet determined but available for adoption*

[4] *Effective for annual periods beginning on or after 1 January 2022*

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply retrospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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.

	Operation of department stores *RMB'000*	Property development *RMB'000*	Others *RMB'000*	Adjustments and eliminations *RMB'000*	Total *RMB'000*
Year ended 31 December 2019					
Segment revenue:					
Sales to external customers	4,639,415	1,437,762	190,216	–	6,267,393
Intersegment revenue	–	6,304	–	(6,304)	–
Other income	1,604,076	39,156	29,936	–	1,673,168
Cost of sales	(1,586,641)	(836,824)	(20,174)	–	(2,443,639)
Employee expenses	(444,554)	(46,312)	(78,256)	–	(569,122)
Depreciation and amortisation	(921,170)	(147,440)	(38,525)	–	(1,107,135)
Payments for short-term leases and leases of low-value assets	(29,356)	(1,133)	(1,332)	–	(31,821)
Other operating expenses	(1,159,948)	(156,040)	(68,925)	6,304	(1,378,609)
Other gains and losses	224,210	58,326	9,214	–	291,750
Operating profit	2,326,032	353,799	22,154	–	2,701,985
Finance costs	(873,698)	(446,916)	–	–	(1,320,614)
Share of profits and losses of associates and a joint venture	(266,648)	(1,429)	–	–	(268,077)
Profit/(loss) before tax	1,185,686	(94,546)	22,154	–	1,113,294
Income tax expense	(414,438)	(223,924)	(3,886)	–	(642,248)
Profit/(loss) for the year	771,248	(318,470)	18,268	–	471,046
Attributable to:					
Owners of the parent	444,787	(277,042)	18,517	–	186,262
Non-controlling interests	326,461	(41,428)	(249)	–	284,784
	771,248	(318,470)	18,268	–	471,046
Other segment information:					
Impairment losses recognised in the statement of profit or loss, net	96,879	7,247	–	–	104,126
Losses on disposal of shares in an associate	116	–	–	–	116
Goodwill impairment	55,315	–	–	–	55,315
Investments in associates	1,868,366	–	–	–	1,868,366
Investment in a joint venture	–	1,274	–	–	1,274
Capital expenditure*	22,778	2,121,210	86	–	2,144,074

* *Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, investment properties, properties under development, other intangible assets and completed properties held for sale including assets from the acquisition of subsidiaries.*

	Operation of department stores RMB'000	Property development RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Total RMB'000
Year ended 31 December 2018					
Segment revenue:					
Sales to external customers	4,820,945	1,115,408	180,894	–	6,117,247
Intersegment revenue	–	6,864	–	(6,864)	–
Other income	1,656,034	–	75,630	–	1,731,664
Cost of sales	(1,583,376)	(624,431)	(18,019)	–	(2,225,826)
Employee expenses	(501,199)	(41,478)	(65,419)	–	(608,096)
Depreciation and amortisation	(643,714)	(113,139)	(44,579)	–	(801,432)
Operating lease rental expenses	(439,245)	(1,137)	(160)	–	(440,542)
Other operating expenses	(1,098,249)	(92,504)	(81,895)	6,864	(1,265,784)
Other gains and losses	501,324	(1,052)	(328)	–	499,944
Operating profit	2,712,520	248,531	46,124	–	3,007,175
Finance costs	(717,992)	(292,196)	–	–	(1,010,188)
Share of profits and losses of associates and a joint venture	29,082	(1,218)	–	–	27,864
Profit/(loss) before tax	2,023,610	(44,883)	46,124	–	2,024,851
Income tax expense	(689,908)	(206,984)	(738)	–	(897,630)
Profit/(loss) for the year	1,333,702	(251,867)	45,386	–	1,127,221
Attributable to:					
Owners of the parent	973,586	(219,691)	45,508	–	799,403
Non-controlling interests	360,116	(32,176)	(122)	–	327,818
	1,333,702	(251,867)	45,386	–	1,127,221
Other segment information:					
Impairment losses recognised in the statement of profit or loss	4,965	5,494	–	–	10,459
Reversal of impairment losses on accounts receivable	(839)	–	–	–	(839)
Gain on deemed disposal of shares in an associate	(48,269)	–	–	–	(48,269)
Property, plant and equipment impairment	48,649	–	–	–	48,649
Goodwill impairment	14,477	–	–	–	14,477
Investments in associates	2,129,808	–	–	–	2,129,808
Investment in a joint venture	–	1,703	–	–	1,703
Capital expenditure*	92,308	1,490,326	420	–	1,583,054

* *Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, 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 amounted to 5% or more of the Group's total revenue.

4. REVENUE

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Commissions from concessionaire sales	**1,770,789**	2,022,848
Direct sales	**1,750,291**	1,794,280
Sale of properties	**1,332,818**	1,001,608
Management fee income from the operation of department stores	**755**	755
Revenue from other sources		
Rental income from investment properties	**611,534**	412,928
Rental income from the leasing of shop premises	**612,166**	710,026
Others	**189,040**	174,802
	6,267,393	6,117,247

Revenue from contracts with customers

(i) Disaggregated revenue information

The Group's entire revenue of goods and services transferred is recognised at a point in time. No analysis of timing information is therefore presented.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of completed properties	**86,367**	1,828
	86,367	1,828

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Direct sales of merchandise and commissions from concessionaire sales

The performance obligation is satisfied at the point in time when control of the asset is transferred to the customers.

Sale of properties

For contracts entered into with customers on the sale of properties, the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from the sale of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has the present right to payment and collection of the consideration is probable.

The Group receives deposits from customers when they sign the sale and purchase agreements. The Group considers that the advance payment contains a financing component which provides the Group a significant financial benefit for more than one year, and revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method.

Management fee income

The performance obligation is satisfied at the point in time when management services are rendered.

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Income from suppliers and concessionaires		
– Administration and management fee income	**839,617**	845,658
– Promotion income	**530,326**	545,359
– Credit card handling fees	**194,264**	200,622
Interest income	**60,915**	64,395
Others	**48,046**	75,630
	1,673,168	1,731,664

6. COST OF SALES

	2019	2018
	RMB'000	*RMB'000*
Purchases of and changes in inventories	**1,586,641**	1,583,376
Cost of properties sold	**836,824**	624,431
Others	**20,174**	18,019
	2,443,639	2,225,826

7. EMPLOYEE EXPENSES

	2019	2018
	RMB'000	*RMB'000*
Wages and salaries	**501,868**	517,243
Retirement benefits	**55,016**	66,359
Other employee benefits	**12,238**	24,494
	569,122	608,096

8. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans	**1,289,894**	1,234,426
Interest on lease liabilities	**196,542**	–
Interest expense arising from revenue contracts	**3,957**	22,626
Total interest expense on financial liabilities not at fair value through profit or loss	**1,490,393**	1,257,052
Less: Interest capitalised	**(169,779)**	(246,864)
	1,320,614	1,010,188

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 2019 (2018: 16.5%).

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("**CIT**") at a statutory rate of 25% (2018: 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 land use rights, borrowing costs and all property development expenditures. LAT of RMB77,299,000 was charged to the consolidated statement of profit or loss for the year ended 31 December 2019 (2018: RMB49,219,000).

	2019	2018
	RMB'000	*RMB'000*
Current – CIT	**504,892**	686,316
Current – LAT	**77,299**	49,219
Deferred	**60,057**	162,095
Total tax charge for the year	**642,248**	897,630

10. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Proposed final – HK1.98 cents (2018: HK3.64 cents) per ordinary share	**93,131**	159,881

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

11. 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 RMB186,262,000 (2018: RMB799,403,000) and the weighted average number of ordinary shares of 5,140,326,000 (2018: 5,140,326,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

12. TRADE AND BILLS PAYABLES

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

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Within 90 days	**2,100,267**	3,211,374
91 to 180 days	**25,935**	133,195
181 to 360 days	**4,881**	152,632
Over 360 days	**502,609**	260,628
	2,633,692	3,757,829

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

The Group's bills payable amounted to RMB162,806,000 as at 31 December 2019 (31 December 2018: RMB678,700,000).

13. EVENTS AFTER THE REPORTING PERIOD

i. Pursuant to the relevant terms of a loan agreement made on 12 December 2017, Shenzhen Department Store (the "**Lender**"), a subsidiary of Maoye Commercial Co., Ltd, agreed to provide a term loan to Mr. Zou Zhao Bin (the "**Borrower**"), in the principal amount of RMB399,933,400, bearing interest at a rate of 10.5% per annum. The loan is secured by a share pledge agreement dated 29 December 2017 executed by Victory Investment Holding Co., Ltd in favour of the Lender with respect to a 15% equity interest in Victory Commercial (the "**Share Charge**").

   The maturity date of the loan was 31 December 2019. As of the maturity date, the Borrower has not repaid the principal amount and interest of the loan in the amount of RMB483,804,365.

   According to the valuation report issued by the valuer on 11 March 2020, the value of 15% equity interest in Victory Commercial amounts to RMB585 million, which is enough to cover the principal and interest of the loan.

   On 16 March 2020, the Board announced that Maoye Commercial Co., Ltd (the "**Purchaser**"), Victoria Investment Holding Co., Ltd (the "**Vendor**") and the Borrower have entered into the supplemental loan agreement, pursuant to which the Vendor will repay the obligations under the loan together with the Borrower to the Purchaser, and the maturity date of the loan agreement had been further extended from 31 December 2019 to 16 March 2020.

   On 16 March 2020, the Board announced that the Purchaser entered into the acquisition agreement with the Vendor and the Borrower, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 15% of the equity interests in Victory Commercial, for a consideration of RMB577.5 million. Meanwhile, the Purchaser entered into the fee settlement agreement with the Lender, the Vendor, the Borrower and Victory Commercial, pursuant to which the consideration of RMB577.5 million will be paid as follows: (i) RMB491.7 million will be set off against the principal and interest of the loan owed by the Borrower to the Purchaser (and its subsidiaries); (ii) RMB37.7 million will be set off against the amount due from the Vendor to Victory Commercial; and (iii) the remaining RMB48.1 million, after negotiation between the Purchaser and the Vendor, does not have to be paid by the Purchaser.

ii. The outbreak of the novel coronavirus (COVID-19) continues to spread across the world.

The COVID-19 has certain impact on the business operations of the Group in particular the retail store operations. In adherence to the guidelines of the Chinese government and to protect the employees from infection, the Group has temporarily suspended the operations of its retail stores since the end of January in 2020. With the COVID-19 gradually under control in China, the Group has resumed the majority of its suspended retail stores according to the regional policies from 18 February 2020 to 2 March 2020. However, the daily business hours of the retail stores, which is still restricted until now, is about 4 hours less than before on average. The degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic.

The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future, assess and react actively to its impacts on the financial position and operating results of the Group.

Given the dynamic nature of these circumstances, the related impact on our Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

I. MACRO ECONOMY OVERVIEW

In 2019, under the double impacts of Sino-US trade frictions and pressures on domestic economic development, the gross domestic product of the PRC reached RMB99 trillion, representing a growth rate of 6.1%, which was the lowest annual growth rate recorded since 1991.

The retail market of the PRC was also under pressure. The total retail sales of social consumer goods in the PRC in 2019 increased by 8.0% year-on-year, which was lower than the increase of 9.0% in 2018. The growth in retail business slowed down consecutively for the second year. However, the consumer market was an industry more resistant to risks than the other markets. In 2019, the contribution rate of consumption to economic growth was 57.8%, driving economic growth by 3.5%. Such consumption was the main driving force underpinning economic growth for the sixth consecutive year. In 2019, the growth rate of online retail sales of physical goods continued to slow down and accounted for more than 20% in total retail sales. The physical retail industry remained as the mainstay in social consumption patterns.

Amidst the general slowdown of macro economic growth, service consumption continued to increase in proportion and the overall consumption structure of citizens has upgraded. In addition to the shift of needs of products to pursuing quality, diversification and personalization, consumers also valued their shopping experience during the consumption process. The continuous upgrade in consumption has become the general trend. Although the growth in overall sales slowed down, specific types of consumption maintained solid growth.

II. OPERATION REVIEW

In 2019, the Group recorded total operating revenue of RMB7,940.6 million, representing a year-on-year increase of 1.2%; a net profit of RMB471.0 million was recorded, representing a year-on-year decrease of 58.2%. If the impacts from the non-operating gains and losses and the new Finance Reporting Standard 16 were excluded, a net profit of RMB679.1 million would have been recorded, representing a year-on-year decrease of 9.7%.

During the year under review and under the complicated domestic and international economic situation, the Group actively tackled the difficulties in the respective industries by seizing the trend in consumption upgrade and fully capturing the potential development opportunities in the retail market. By widening the regional sales network into the Internet to enhance the scale effect, enhancing industry transition and upgrade, facilitating data-driven refined operation and expediting online and offline mutual promotion and integration, financial leverage was lowered continuously. Its achievements were mainly reflected in the following aspects:

1. Widening the shop network by opening three new "Maoye Complex" shopping malls

During the reporting period, the Group opened three new shopping malls in three provinces (Liaoning, Jiangsu and Hebei) to build one-stop shopping malls covering retail, catering, supermarket, cinema, children's playground and other leisure services. At the same time, the malls interacted with the old stores in the region and established leading positions in the regional market.

In February 2019, Maoye Complex in Jinzhou, located in the core business district of Jinzhou City, Liaoning Province, was officially opened. The project is a signature urban experiential shopping centre, integrating entertainment, a cultural museum, swimming pool and gymnasium, cinema and youth development centre, creating a place for reading, entertainment and leisure in Jinzhou and a new platform for leisure activities for families and youth.

In April 2019, Maoye Complex in Huai'an of Jiangsu Province was grandly opened. With nearly 100 premium brands, it offers high-end cinemas, more than ten specialty stores in cosmetics, maternal and baby products, fast fashion and a sports arena, and is the first shopping mall in Huai'an with industry standards and a number of premium brands.

In October 2019, Qinhuangdao Maoye Complex in Hebei Province was officially opened, and the number of visitors during the opening day exceeded 500,000. Qinhuangdao Maoye Complex is located in the largest leading "urban complex" in Qinhuangdao and planned to house more than 240 brand stores. The opening of Qinhuangdao Maoye Complex further increased the Group's market share in Northern China and consolidated the Group's industry leading position in the regional retail market.

As of 31 December 2019, the Group operated in more than 21 cities and managed 48 stores in the PRC, of which 15 stores were shopping centres. The total gross floor area was approximately 3.015 million sq. m.

2. Continuing to facilitate business model reform and further optimize income structure

During the reporting period, the Group continued to facilitate business model reform by properly reducing floor area of joint operations and increasing leased floor area, resulting in a more stable rental-income ratio. Under this strategy, the Group's rental income from the stores amounted to RMB1,117.6 million in 2019, representing a year-on-year increase of 11.4%.

Secondly, the Group continually optimized the product category portfolio through increasing the proportion of product categories with high gross profit such as international cosmetic products and the proportion in Internet celebrity food and beverages stores. Regarding business solicitation relying on brand, more focus was put on the introduction of cost-effective, young, differentiated and trendy brands to actively capture the development opportunities arising from the consumption upgrade at the moment.

3. Digital upgrade of retail of Maoye empowered by big data

During the reporting period, the Group continued to aim at "digital retail, intelligent business" and captured new opportunities in the development of the retail industry. Through the "Mao Yue Hui（茂悦薈）", "Mao Le Hui（茂樂惠）" and "Xiao Hong Mao（小紅茂）" APP and applet, the Group has constructed the digital operating system to support the upgrade of consumers' experience at physical stores so as to further explore customer value and support the upgrade in digital retail.

During the reporting period, a total of 77 items about consumption behaviors such as members' value contribution, product preferences, trading behavior and marketing behavior were added in the membership management system of "Mao Yue Hui（茂悦薈）". Member categorization was more refined and marketing more precise. With 11 new marketing approaches in member recruitment and incentives for consumption, along with timely statistical analysis, stores have continuously optimized member maintenance and marketing activities of marketing efforts. In 2019, more than 1 million new members were recruited, achieving a conversion rate of more than 50% of new members.

During the reporting period, "Mao Le Hui（茂樂惠）" online store, a newly-developed WeChat applet, was launched on 13 April 2019. As at the date of this announcement, the online store can be accessed by APP, H5 and Wechat applet. Since the "Mao Le Hui" beauty applet was online and utilized various channels to enhance the promotion power on Weibo, Xiaohongshu and Douyin, the brand impact from "Mao Le Hui" was enhanced.

During the reporting period, the "Xiao Hong Mao（小紅茂）" merchant service APP was continuously optimized. On the basis of the suppliers service platform, new functions were added, including self-service SMS marketing for merchants, WeChat customer service, convenient orders inquiry and multi-channels orders consolidation, optimized product return managing process and realization of online and systemic product return managing process. The management efficiency and service level of merchants were enhanced and sales performance was improved.

Meanwhile, as offline retail actively sought changes, the retail industry anticipated a rebalance between online and offline retail. In the new retail era, the core variables of the industry have been transformed into differentiated competitive advantages of internal leading high-quality enterprises, and the sectoral concentration has increased significantly. The demand of downstream consumers was more gravitated towards quality and personalization, and the requirements for offline retail experiences had become increasingly prominent under the trend of consumption upgrade. As such, the Group has continuously carried out measures, such as transforming into shopping malls, outlets and brand upgrades, in the past 5 years, so as to improve its operation, upgrade its business format, and anticipate new development opportunities in the new retail era.

4. Following the changing trend in consumption and establishing strong brand and product power

During the reporting period, the Group actively established strong brand and product power by adopting measures such as actively building an efficient supply chain and conducting self-sourcing and operation. Regarding supply chain, we entered into in-depth strategic partnerships with suppliers by optimizing brand product supply channels based on consumers' preference and established a benchmarking brand mechanism to optimize product categories and explore derivative products. Regarding self-sourcing and operation, we actively advanced in self brand development, bespoke production from factories and procurement from the source to enhance our self-sourcing and operation ability as well as satisfying consumers' demand for quality products. At the same time, the Group actively optimized the operating efficiency of background platforms, enhanced the support in logistics and delivery, decreased the number of levels in the supply chain and lowered the procurement cost and operation fees.

5. **Strengthening effectiveness of management and continuing to reduce financial leverage**

During the reporting period, the Group maintained the proportion of gross floor area of self-owned property in stores at 78.84% and the proportion of gross floor area of related party leases reached 85.47%. This could effectively reduce the impact of price fluctuations in the rental market and control expenditure. Regarding the operation of the Company, the Group utilized the strategic integration of supply chain resources and an effective operation model to provide resources and management to cross-regional stores to achieve economies of scale and improve operation efficiency. Meanwhile, the Group refined the management of the operation system and financial system as well as strengthened the refined cost management and control of cost. The Group also monitored the estimated execution rate of projects, improved the management organization structure as well as utilized digital information technology to enhance and refine the management efficiency.

During the reporting period, the stock pledge ratio of Maoye Commercial Co., Ltd. (a non-wholly owned subsidiary of the Group listed on the Shanghai Stock Exchange, stock code: 600828) continued to decrease. As at 31 December 2019, the stock pledge ratio was 42.9%, representing a decrease of 46.8% from the corresponding period of 2018. That ratio was further decreased to 25.0% on 7 February 2020, which effectively enhanced the Group's resistance to risks in the current situation.

III. FUTURE OUTLOOK

In 2020, the impacts from Sino-US trade frictions and the novel coronavirus pneumonia will persistently put downward pressure on the PRC's economy within the short term. However, this will not change the trend of stability and long-term positive development for the economy. The income of citizens will grow further, boosting consumption capacity and the willingness to spend as consumption structure continues to upgrade. With our strive for implementation in the past few years, we have witnessed the significant achievements of the Group due to business transformation. Going forward, the Group will continue to maintain a steady and solid development strategy. While focusing on the operation scale and enhancing benefits, business innovation and transformation will be strengthened, with a focus on the following:

Firstly, continuing to advance the development of department stores in the form of generic shopping centres, increasing experiential, personalized and differentiated products and brands, and continuously enhancing the experience of consumers, thereby enhancing their trust and satisfaction;

Secondly, actively improving refined operation capabilities, adhering to the core commitment of service first and quality first. With a focus on customer experience, service quality would be enhanced, product categorization optimized, and business solicitation channels broadened;

Thirdly, continuing to promote the digital construction of Maoye so as to establish digital capabilities. With digital operation achieved, operational advantages brought about by big data would be fully leveraged, and business analysis capabilities and operational efficiency continuously improved;

Fourthly, continuously exploring financing channels and proactively exploring innovative financial instruments to construct a multi-channel and comprehensive financing system. Debt structure would be continuously optimized to control financing cost;

Fifthly, strengthening its effort in disposing of the non-core assets and further optimizing the cash flow of the Group;

Sixthly, adhering to implementing cost control on various levels and strengthening fee control and management, lowering operation cost and enhancing the asset profitability.

PERFORMANCE OF MAJOR DEPARTMENT STORES[1]

No.	Store Name	Total Sales Proceeds and Rental Income *(RMB'000)*	Operation Period[2] *(Year)*	Gross floor Area *(m^2)*
1	Shenzhen Huaqiangbei	2,274,160	16.3	63,243
2	Shenzhen Dongmen	972,367	22.8	40,709
3	Guanghua	929,588	10.1	67,914
4	Shenzhen Nanshan	921,485	10.3	44,871
5	Victory Commercial Building	840,584	16.7	44,221
6	Victory International Plaza	764,714	12.0	83,969
7	Taizhou First Department Store	630,179	10.3	40,358
8	Chengdu Maoye Complex	532,014	14.6	87,835
9	Taiyuan Maoye Complex	787,077	5.1	246,224
10	Victory Shopping Center	437,315	13.3	63,695
11	Qinhuangdao Jindu	434,250	11.3	46,610
12	Xiandai Shopping Plaza	422,649	9.6	36,926
13	Shenzhen Outlet	412,692	20.1	23,141

Notes:

1 Major department stores are stores with annual total sales proceeds and rental income of over RMB400 million;

2 Operation period was calculated until 31 December 2019.

FINANCIAL REVIEW

Total Sales Proceeds and Rental Income

For the year ended 31 December 2019, total sales proceeds and rental income of the Group were RMB15,415.7 million, representing a decrease of 2.4% compared to the year of 2018. Under the impact from the micro-economic environment, the growth in the overall results in the retail industry slowed down. Same-store sales proceeds and rental income were RMB15,311.3 million, representing a decrease of 2.3% compared to the year of 2018.

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Total sales proceeds from concessionaire sales	**12,547,871**	12,990,329
Direct Sales	**1,750,291**	1,794,280
Rental	**1,117,580**	1,003,153
Total Sales Proceeds and Rental Income	**15,415,742**	15,787,762

Among the total sales proceeds and rental income of the Group for the year ended 31 December 2019, total sales proceeds derived from concessionaire sales accounted for 81.4%, those derived from direct sales accounted for 11.4%, and those derived from rental income accounted for 7.2%. For the year ended 31 December 2019, sales proceeds from concessionaire sales were RMB12,547.9 million, representing a decrease of 3.4% compared to the year of 2018; rental income were RMB1,117.6 million, representing an increase of 11.4% compared to the year of 2018.

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

	Total sales proceeds and rental income For the year ended 31 December		
	2019	2018	Growth Rate
	RMB'000	*RMB'000*	*%*
Eastern China	**1,737,836**	1,925,452	-9.7%
Southern China	**5,026,542**	4,419,351	13.7%
South-western China	**2,778,236**	3,166,855	-12.3%
Northern China	**5,873,128**	6,276,104	-6.4%
Total	**15,415,742**	15,787,762	–2.4%

For the year ended 31 December 2019, sales of apparels (including men's and ladies' apparels) accounted for 34.2% (2018: 34.2%), jewelries accounted for 17.6% (2018: 16.5%), leisure and sports goods accounted for 11.8% (2018: 11.4%), cosmetics accounted for 7.6% (2018: 9.0%), shoes and leather goods accounted for 11.4% (2018: 8.3%), others (including branded merchandise, children's items, bedroom and household goods, home appliances, supermarket and others) accounted for 17.4% (2018: 20.6%).

For the year ended 31 December 2019, revenue of the Group's main business amounted to RMB6,267.4 million, representing an increase of RMB150.2 million compared with RMB6,117.2 million for the year of 2018. The increase of revenue was mainly because of the revenue derived from the real estate projects in Taizhou, Jinzhou and Huai'an of Maoye Property has recorded an increase.

Other Income

For the year ended 31 December 2019, other income of the Group amounted to RMB1,673.2 million, representing a decrease of RMB58.5 million compared with RMB1,731.7 million for the year of 2018. The decrease in other income was primarily due to the impact from the overall results in the retail industry, a decrease in the main business income from the Group's department store segment and the decrease in revenue derived from administration and management fees and sales promotion.

Cost of Sales

For the year ended 31 December 2019, cost of sales of the Group amounted to RMB2,443.6 million, representing an increase of 9.8% compared with RMB2,225.8 million for the year of 2018. This was primarily because of the increase in revenue from property sales from the property projects during the period, resulting in the increase in relevant cost.

Employee Expenses

For the year ended 31 December 2019, employee expenses of the Group amounted to RMB569.1 million, representing a decrease of 6.4% compared with RMB608.1 million for the year of 2018, which was mainly due to (i) a reduction in some regional rosters during the year led to a decrease in relevant staff cost; and (ii) the business of Inner Mongolia Victory Supermarket sub-contracted to other third party since July 2019 led to a decrease in staff cost.

Depreciation and Amortization

For the year ended 31 December 2019, depreciation and amortization of the Group amounted to RMB1,107.1 million, representing an increase of 38.1% compared with RMB801.4 million for the year of 2018, which was primarily due to the application of IFRS 16 new accounting standard on leases during the period which led to amortization of the recognized right-of-use assets in the leasing term.

Payments for Short Term Leases and Leases of Low Value Assets/Operating Lease Rental Expenses

For the year ended 31 December 2019, payments for short-term leases and leases of low value assets of the Group amounted to RMB31.8 million, representing a significant decrease of 92.8% compared with operating lease rental expenses of RMB440.5 million for the same period last year, which was mainly due to the application of IFRS 16 new accounting standard during the period. Pursuant to the new standard, the relevant rent was not accounted in this item.

Other Operating Expenses

For the year ended 31 December 2019, other operating expenses of the Group amounted to RMB1,378.6 million, representing an increase of 8.9% compared with RMB1,265.8 million for the year of 2018. The other operating expenses as a percentage of total sales proceeds and rental income has been increasing compared with the corresponding period of 2018.

Other Gains and Losses

For the year ended 31 December 2019, other gains of the Group was recorded as gains of RMB291.8 million, representing a decrease of 41.6% compared with RMB499.9 million for the year of 2018. This was primarily due to (i) the provision impairment of goodwill for Guanghua and Rendong stores; and (ii) changes in fair value of the Group's investment properties.

Operating Profit

For the year ended 31 December 2019, operating profit of the Group was RMB2,702.0 million, representing a decrease of 10.1% as compared to that of RMB3,007.2 million for the year of 2018. This was primarily due to (i) the provision of impairment of goodwill and assets for Zhongjiabochuang Information Technology Co.（中嘉博創信息技術股份有限公司, a company established in the PRC and listed on the Shenzhen Stock Exchange, stock code: 000889）led to a significant loss for the Company in the financial year of 2019; and (ii) under the impact of the macro-economic environment, the overall gross margins of the retail industry slight decreased.

Finance Costs

For the year ended 31 December 2019, finance costs of the Group amounted to RMB1,320.6 million, representing an increase of 30.7% compared with RMB1,010.2 million for the year of 2018. This was primarily due to (i) the application of IFRS 16 new accounting standard on leases during the year. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made, resulting in the increase in financial fees; and (ii) the increase in financing interest rate of interest-bearing liabilities.

Income Tax Expense

For the year ended 31 December 2019, income tax expense of the Group amounted to RMB642.2 million, representing a decrease of 28.5% compared with RMB897.6 million for the year of 2018. This was primarily due to the decrease in total operating profit for the year.

Profit for the year

As a result of the foregoing, for the year ended 31 December 2019:

– Net profit for the year was RMB471.0 million, representing a decrease of 58.2% as compared with the year of 2018;

– Without taking into account the effect of non-operating gains and losses*, net profit for the year was RMB581.9 million, representing a decrease of 22.6% as compared with RMB752.3 million for the year of 2018.

* *non-operating gains and losses represent the gains and losses in respect of financial assets at fair value through profit or loss, equity investments designated at fair value through other comprehensive income, investment gains and losses recognized due to non-operating gains and losses of associates, the disposal of property, plant and equipment items, investment properties and land lease prepayments.*

Liquidity and Financial Resources

As at 31 December 2019, the Group's cash and cash equivalents amounted to RMB1,232.6 million, representing a decrease of RMB2,072.3 million compared to the balance of RMB3,304.9 million as at 31 December 2018. The main cash inflow and cash outflow are set out as follows:

(i) Net cash inflow of RMB1,364.0 million arising from operating activities;

(ii) Net cash outflow of RMB467.3 million arising from investment activities of which included:

1) the payments of properties, equipment and investment property amounting to RMB451.7 million; 2) the payments of purchasing financial assets at fair value through profit or loss amounting to RMB205.0 million; 3) cash inflow of RMB207.1 million from buy-back of financial assets at fair value through profit or loss; and 4) cash outflow from the profit distribution to small and medium shareholders of Maoye Commercial Co., Ltd.（茂業商業股份有限公司）("**Maoye Commercial**") amounting to approximately RMB29.0 million; and

(iii) Net cash outflow of RMB2,940.3 million arising from financing activities, which mainly includes:

1) cash inflow arising from bank loans and other borrowings of RMB7,389.7 million; 2) cash outflow arising from repayment of bank loans and other borrowings of RMB9,371.7 million; 3) cash outflow arising from repayment of interest of approximately RMB1,219.8 million; 4) lease expenses of RMB436.9 million included in the new accounting standard on leases; 5) cash inflow arising from borrowings from fellow subsidiaries amounting to approximately RMB924.3 million; 6) cash outflow arising from an increase in the equity interest in Maoye Commercial of approximately RMB60.1 million of Baotou Maoye Dongzheng Real Estate Development Co., Ltd.(包頭市茂業東正房地產開發有限公司)("**Baotou Maoye Dongzheng**"), a wholly-owned subsidiary of the Company; and 7) profit distribution to shareholders of the Group amounting to approximately RMB165.8 million.

Interest-bearing Liabilities

As at 31 December 2019, total bank loans, USD senior guarantee notes and corporate bonds of the Group were approximately RMB16,119.9 million (31 December 2018: RMB18,241.9 million). The gearing ratio[1] and net gearing ratio[2] were 29.9% and 92.2%, respectively (31 December 2018: 35.8% and 97.7%, respectively).

1 Gearing ratio = total debt/total assets = (bank loans + corporate bonds + USD senior guarantee notes)/total assets

2 Net gearing ratio = net debt/total equity = (bank loans + corporate bonds + USD senior guarantee notes – cash and cash equivalents)/total equity

Contingent Liabilities

The case of Liyang Fenglian using Taizhou First Department Store

On 14 December 2011, Taizhou First Department Store Co., Ltd.(泰州第一百貨商店股份有限公司)("**Taizhou First**"), a subsidiary of the Group, entered into the Property Lease Agreement (the "**Agreement**") with Liyang Fenglian Property Development Co., Ltd.(溧陽豐聯置業發展有限公司)("**Fenglian Company**"), pursuant to which, Taizhou First will rent the property of Fenglian Company to operate Maoye Department Store Liyang Pingling Square Branch(茂業百貨溧陽平陵廣場店)("**Liyang Store**"). On 19 December 2014, Fenglian Company filed a lawsuit at the Changzhou Intermediate People's Court(常州市中級人民法院)(the "**Court**") over the unilateral termination of the Agreement by Taizhou First. On 17 July 2018, Fenglian Company amended its litigation claims, requiring an order that Taizhou First shall pay a property use fee of RMB81,126,129, a rental loss of RMB14,316,376, a commercial service fee of RMB239,700 and interest.

On 28 November 2018, the Court adjudicated that the lease agreement and supplemental lease agreement entered into between the two parties were terminated on 30 November 2014 and that Taizhou First shall compensate Fenglian Company for the use of its property in the amount of RMB66,611,996, the interest from 1 December 2014 to the date of full settlement which shall be calculated at the prevailing lending rate stipulated by the People's Bank of China, and the handling costs relating to the case. The court judgment also rejected the other litigation claims from Fenglian Company. Both Taizhou First and Fenglian Company appealed against the court judgment. The court hearing was held at the Jiangsu High People's Court (江蘇省高級人民法院) on 7 May 2019 and the trial is still in progress.

Upon consulting with the lawyer, the management of the Group has made provision for the litigation of RMB25,000,000.

Pledge of Assets

As at 31 December 2019, the Group's collateral interest-bearing bank loans amounting to RMB9,763.2 million were secured by approximately RMB3,402.1 million, RMB8,394.2 million, RMB367.3 million and RMB103.3 million respectively of the Group's land and buildings, investment properties, right-of-use assets and properties under development.

Foreign Currency Risk

The Company issued US$150,000,000 and US$100,000,000 senior guaranteed notes with a term of 2 years on September and October in 2018 respectively which is exposed to the effect of foreign exchange fluctuation risks. During the reporting period, the Group recorded a foreign exchange loss of RMB37.6 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.

As of 31 December 2019, the Group had not entered into any arrangements to hedge its foreign currency risk. The Group's operating cash flow is not exposed to foreign exchange fluctuation risks.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK1.98 cents in cash per share for the year ended 31 December 2019 (the "**Proposed Final Dividend**") (2018: HK3.64 cents), subject to the shareholders' approval at the annual general meeting of the Company to be held on Friday, 22 May 2020 (the "**2020 AGM**"). The Proposed Final Dividend will be paid in cash on Tuesday, 16 June 2020 to shareholders whose names appear on the Register of Members of the Company as at the close of business on Tuesday, 2 June 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has repurchased part of the outstanding notes in an aggregate principal amount of US$27,850,000 (the "**Repurchased Notes**") via open market during the period from November 2018 to 10 May 2019. The Repurchased Notes represent 11.14% of the initial principal amount of the Notes. The Repurchased Notes were duly cancelled on 10 May 2019 (For details, please refer to the announcement of the Company dated 15 May 2019, capitalised terms used in this paragraph shall have the same meanings as those defined in that announcement). The Company has repurchased part of the outstanding notes in an aggregate principal amount of US$1,200,000 via open market on 27 September 2019, which were duly cancelled on 27 September 2019. After the cancellation of the above notes, the outstanding principal amount of the Notes will be US$220,950,000, representing 88.38% of the initial principal amount of the Notes.

Maoye Shangsha, a subsidiary of the Company, has redeemed (1) the First Tranche of Bonds in the principal amount of RMB1,076,354,000 with its accrued interest of RMB44,000,000 on 5 January 2018; (2) the remaining First Tranche of Bonds in the principal amount of RMB23,646,000 with its accrued interest of RMB945,840 on 7 January 2019; and (3) the Second Tranche of Bonds in the principal amount of RMB1,696,969,000 with its accrued interest of RMB76,500,000 on 7 January 2019 (the "**Redemption**"). Upon completion of the Redemption, Maoye Shangsha has Second Tranche of Bonds of RMB3,031,000 in issue as at the date of the announcement (For details, please refer to the announcement of the Company dated 7 January 2019, capitalised terms used in this paragraph shall have the same meanings as those defined in that announcement).

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 2019.

COMPENSATION ARISING FROM ACQUISITION OF SHARES OF NON-WHOLLY-OWNED SUBSIDIARY AND NOT MEETING PROFIT GUARANTEE

Baotou Maoye Dongzheng, a wholly-owned subsidiary of the Company, has acquired shares in Maoye Commercial (representing approximately 1.86% of Maoye Commercial) on the market in a series of transactions conducted between 23 March 2018 and 20 February 2019. In addition, according to supplementary terms of the agreement, on 23 May 2019, other shareholders of Maoye Commercial gave certain shares of Maoye Commercial to Baotou Maoye Dongzheng at no costs. On the date of this announcement, Baotou Maoye Dongzheng's shareholding in Maoye Commercial was 1.90% and Maoye Shangsha's shareholding in Maoye Commercial was 80.90%, therefore, the Group's shareholding in Maoye Commercial was 82.80%.

Maoye Commercial is entitled to repurchase the Compensation Shares from Maoye Shangsha, Demao and Hezhengmao (together as the "**Vendors**") at a total consideration of RMB1 in accordance with the terms of the Compensation Agreement, as the 2018 Profit Guarantee was not met, the Compensation Shares would instead be transferred from the Vendors, respectively, to the shareholders of Maoye Commercial as listed on the shareholders' register of Maoye Commercial as of the close of trading on 27 March 2019, in proportion to their then shareholdings in Maoye Commercial, for no consideration. On 23 May 2019, the Vendors respectively completed the transfers of the Compensation Shares to the Transferees. Upon completion of such transfers, Maoye Shangsha's shareholding has decreased from 1,406,857,724 shares to 1,401,135,188 shares (For details, please refer to announcement of the Company dated 23 May 2019, capitalised terms used in this paragraph shall have the same meanings as those defined in that announcement).

CLOSURE OF REGISTER OF MEMBERS

(i) Determining the eligibility to attend and vote at the 2020 AGM

The Company's Register of Members will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020 (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 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 18 May 2020.

(ii) Determining the entitlement to the Proposed Final Dividend

The Company's Register of Members will be closed from Friday, 29 May 2020 to Tuesday, 2 June 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 28 May 2020.

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 2019. 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 (the "**Listing Rules**") during the year ended 31 December 2019, 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 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 2019 and has discussed with the management 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 or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft 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 2019 containing information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 24 March 2020

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