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 2020

HIGHLIGHTS

- Total sales proceeds and rental income were RMB10,688.9 million, representing a year-on-year decrease of 30.7%
- Total operating revenue was RMB8,016.4 million, representing a year-on-year increase of 1.0%
- Net loss for the year was RMB249.0 million, representing a year-on-year decrease of 152.9%
- Without taking into account the effect of non-operating gains and losses, net profit for the year was RMB377.0 million, representing a year-on-year decrease of 35.2%
- Basic loss per share for the year was RMB3.4 cents, and the Board recommended no payment of any final dividend for the year ended 31 December 2020

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the "**Board**") of Maoye International Holdings Limited (the "**Company**") announces the consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020 with comparative figures for the year of 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	4	**6,911,751**	6,267,393
Other income	5	**1,104,634**	1,673,168
Total operating revenue		**8,016,385**	7,940,561
Cost of sales	6	**(3,231,173)**	(2,443,639)
Employee expenses	7	**(415,215)**	(569,122)
Depreciation and amortisation		**(1,083,355)**	(1,107,135)
Payments for short-term leases and leases of low-value assets		**(10,933)**	(31,821)
Other operating expenses		**(1,144,953)**	(1,378,609)
Other gains and losses		**(825,937)**	291,750
Operating profit		**1,304,819**	2,701,985
Finance costs	8	**(1,231,528)**	(1,320,614)
Share of profits and losses of:			
a joint venture		**(1,182)**	(1,429)
associates		**(8,253)**	(266,648)
PROFIT BEFORE TAX		**63,856**	1,113,294
Income tax expense	9	**(312,852)**	(642,248)
(LOSS)/PROFIT FOR THE YEAR		**(248,996)**	471,046
Attributable to:			
Owners of the parent		**(174,636)**	186,262
Non-controlling interests		**(74,360)**	284,784
		(248,996)	471,046
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic			
– For (loss)/profit for the year		**RMB(3.40) cents**	RMB3.62 cents
Diluted			
– For (loss)/profit for the year		**RMB(3.40) cents**	RMB3.62 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(248,996)**	471,046
OTHER COMPREHENSIVE INCOME		
Defined benefit retirement plans	**976**	(551)
Exchange differences on translation of foreign operations	**78,738**	9,257
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value on equity investments designated at fair value through other comprehensive income	**157,521**	188,629
Income tax effect	**(39,380)**	(47,158)
Gains on property revaluation	**95,342**	796,133
Income tax effect	**(23,837)**	(199,033)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**189,646**	738,571
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**269,360**	747,277
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**20,364**	1,218,323
Attributable to:		
Owners of the parent	**79,299**	928,766
Non-controlling interests	**(58,935)**	289,557
	20,364	1,218,323

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Note	**31 December 2020** *RMB'000*	31 December 2019 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**8,392,910**	8,380,692
Investment properties		**19,441,153**	19,692,166
Right-of-use assets		**6,335,008**	6,874,493
Goodwill		**1,361,122**	1,339,782
Other intangible assets		**41,589**	46,165
Investment in a joint venture		**1,091**	1,274
Investments in associates		**1,069,334**	1,868,366
Equity investments designated at fair value through other comprehensive income		**1,520,533**	1,497,212
Financial assets at fair value through profit or loss		**10,712**	206,000
Prepayments		**166,485**	623,248
Deferred tax assets		**640,401**	637,270
Total non-current assets		**38,980,338**	41,166,668
CURRENT ASSETS			
Inventories		**264,448**	205,299
Completed properties held for sale		**2,442,287**	1,751,103
Properties under development		**5,770,812**	6,099,155
Financial assets at fair value through profit or loss		**28,028**	3,001
Trade and bills receivables		**11,015**	8,598
Prepayments, other receivables and other assets		**2,517,598**	3,155,399
Pledged deposits		**245,919**	208,265
Cash and cash equivalents		**1,046,689**	1,232,571
Total current assets		**12,326,796**	12,663,391
CURRENT LIABILITIES			
Trade and bills payables	*12*	**2,466,217**	2,633,692
Contract liabilities, deposits received, accruals and other payables		**11,773,729**	11,224,625
Interest-bearing bank loans and other borrowings		**4,987,441**	9,274,381
Lease liabilities		**262,934**	259,977
Income tax payable		**529,973**	435,167
Dividend payable		**25,527**	19,317
Total current liabilities		**20,045,821**	23,847,159
NET CURRENT LIABILITIES		**(7,719,025)**	(11,183,768)
TOTAL ASSETS LESS CURRENT LIABILITIES		**31,261,313**	29,982,900

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank loans and other borrowings	**9,355,018**	6,845,531
Lease liabilities	**2,333,243**	2,597,508
Deferred tax liabilities	**4,110,375**	4,238,263
Other long-term liabilities	**158**	138,483
Provision for retirement benefits	**6,855**	8,086
Total non-current liabilities	**15,805,649**	13,827,871
Net assets	**15,455,664**	16,155,029
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	**12,452,454**	12,514,655
	12,968,145	13,030,346
Non-controlling interests	**2,487,519**	3,124,683
Total equity	**15,455,664**	16,155,029

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 2020, the Group had net current liabilities of approximately RMB7,719,025,000. 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 2021;

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

(3) the unutilised credit facility of the Group amounting to RMB961,210,000 as at 31 December 2020.

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 2020.

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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IFRS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of COVID-19. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings and retail stores have been reduced or waived by the lessors as a result of COVID-19 and there are no other changes to the terms of the leases. However, the Group elected to apply lease modification accounting, rather than variable lease payment for all rent concessions granted by the lessors as a result of COVID-19 during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB37,928,000 has been accounted for as a lease modification by derecognising part of the lease liabilities and crediting to right-of-use assets for the year ended 31 December 2020.

(e) 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, or both. The amendments did not have any significant impact on the financial position and 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	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

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

2 *Effective for annual periods beginning on or after 1 January 2022*

3 *Effective for annual periods beginning on or after 1 January 2023*

4 *No mandatory effective date yet determined but available for adoption*

5 *As a consequence of the amendments to IAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion*

6 *As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023*

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is 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, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. 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 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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 2020					
Segment revenue:					
Sales to external customers	3,634,456	3,137,800	139,495	–	6,911,751
Intersegment revenue	–	4,338	–	(4,338)	–
Other income	1,067,437	19,770	17,427	–	1,104,634
Cost of sales	(1,448,034)	(1,767,534)	(15,605)	–	(3,231,173)
Employee expenses	(325,267)	(37,769)	(52,179)	–	(415,215)
Depreciation and amortisation	(895,278)	(148,237)	(39,840)	–	(1,083,355)
Payments for short-term leases and leases of low-value assets	(8,184)	(1,460)	(1,289)	–	(10,933)
Other operating expenses	(966,485)	(123,061)	(59,745)	4,338	(1,144,953)
Other gains and losses	(419,184)	(404,136)	(2,617)	–	(825,937)
Operating profit/(loss)	639,461	679,711	(14,353)	–	1,304,819
Finance costs	(787,481)	(444,047)	–	–	(1,231,528)
Share of profits and losses of associates and a joint venture	(8,253)	(1,182)	–	–	(9,435)
Profit/(loss) before tax	(156,273)	234,482	(14,353)	–	63,856
Income tax expense	(36,042)	(276,814)	4	–	(312,852)
Loss for the year	(192,315)	(42,332)	(14,349)	–	(248,996)
Attributable to:					
Owners of the parent	(209,592)	49,048	(14,092)	–	(174,636)
Non-controlling interests	17,277	(91,380)	(257)	–	(74,360)
	(192,315)	(42,332)	(14,349)	–	(248,996)
Other segment information:					
Impairment losses recognised/(reversed) in the statement of profit or loss, net	(577)	167	(19)	–	(429)
Impairment of properties under development	–	64,323	–	–	64,323
Impairment of investment in an associate	168,302	–	–	–	168,302
Gain on disposal of shares in an associate	(3,664)	–	–	–	(3,664)
Goodwill impairment	62,607	–	–	–	62,607
Investments in associates	1,069,334	–	–	–	1,069,334
Investment in a joint venture	–	1,091	–	–	1,091
Capital expenditure*	176,311	2,788,773	23	–	2,965,107

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

	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, investment properties, properties under development and other intangible assets.*

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

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Commissions from concessionaire sales	**1,082,021**	1,770,789
Direct sales	**1,575,751**	1,750,291
Sale of properties	**3,026,404**	1,332,818
Management fee income from the operation of department stores	**313**	755
Revenue from other sources		
Rental income from investment properties	**603,151**	611,534
Rental income from the leasing of shop premises	**485,017**	612,166
Others	**139,094**	189,040
	6,911,751	6,267,393

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 amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020	2019
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of completed properties	**1,448,842**	86,367
	1,448,842	86,367

(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

	2020	2019
	RMB'000	*RMB'000*
Income from suppliers and concessionaires		
– Administration and management fee income	**705,336**	839,617
– Promotion income	**216,625**	530,326
– Credit card handling fees	**128,088**	194,264
Interest income	**17,388**	60,915
Others	**37,197**	48,046
	1,104,634	1,673,168

6. COST OF SALES

	2020	2019
	RMB'000	*RMB'000*
Purchases of and changes in inventories	**1,448,034**	1,586,641
Cost of properties sold	**1,767,534**	836,824
Others	**15,605**	20,174
	3,231,173	2,443,639

7. EMPLOYEE EXPENSES

	2020	2019
	RMB'000	*RMB'000*
Wages and salaries	**387,471**	501,868
Retirement benefits	**25,456**	55,016
Other employee benefits	**2,288**	12,238
	415,215	569,122

8. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans	**1,151,212**	1,289,894
Interest on lease liabilities	**176,923**	196,542
Interest expense arising from revenue contracts	**–**	3,957
Total interest expense on financial liabilities not at fair value through profit or loss	**1,328,135**	1,490,393
Less: Interest capitalised	**(96,607)**	(169,779)
	1,231,528	1,320,614

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 2020 (2019: 16.5%).

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("**CIT**") at a statutory rate of 25% (2019: 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 RMB117,504,000 was charged to the consolidated statement of profit or loss for the year ended 31 December 2020 (2019: RMB77,299,000).

	2020	2019
	RMB'000	*RMB'000*
Current – CIT	**334,695**	504,892
Current – LAT	**117,504**	77,299
Deferred	**(139,347)**	60,057
Total tax charge for the year	**312,852**	642,248

10. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Proposed final – Nil (2019: HK1.98 cents per ordinary share)	**–**	93,131

The Board did not propose a final dividend for year ended 31 December 2020 (2019: HK1.98 cents per ordinary share).

11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of RMB174,636,000 (2019: profit RMB186,262,000) and the weighted average number of ordinary shares of 5,140,326,000 (2019: 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 2020 and 2019.

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 2020	31 December 2019
	RMB'000	*RMB'000*
Within 90 days	**2,029,504**	2,100,267
91 to 180 days	**71,812**	25,935
181 to 360 days	**24,375**	4,881
Over 360 days	**340,526**	502,609
	2,466,217	2,633,692

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

The Group's bills payable amounted to RMB121,318,000 as at 31 December 2020 (31 December 2019: RMB162,806,000).

MANAGEMENT DISCUSSION AND ANALYSIS

I. MACRO ECONOMY OVERVIEW

In 2020, facing the huge impact of the novel coronavirus (“**COVID-19**”) and the complex global dynamics, the PRC has actively promoted COVID-19 prevention and control, as well as economic and social development, and has achieved remarkable results. In 2020, the gross domestic product exceeded RMB100 trillion, representing a year-on-year increase of 2.3% as compared with that of 2019, which demonstrated the strong resilience of the economic development of the PRC.

In the first half of 2020, the impact of COVID-19 on the PRC’s retail sales of consumer goods was relatively significant. Although work largely resumed by March and April in 2020, the demand for COVID-19 prevention and the sporadic rebound of COVID-19 cases have led to a relatively slow recovery of offline consumption. In the second half of 2020, offline consumption and demand gradually recovered, and the year-on-year growth rate of the PRC’s total retail sales of consumer goods gradually returned to normal. In 2020, the PRC’s total retail sales of consumer goods exceeded RMB39 trillion, representing a year-on-year decrease of 3.9% as compared with that of 2019.

The overall economic environment has gradually rebounded while the retail market was still under pressure. Crowded business premises such as catering, department stores, bore the brunt of the impact. According to the statistics of the China National Commercial Information Center (中華全國商業信息中心), in 2020, the aggregate retail sales of goods of the top 100 key large nationwide retailers decreased by 13.8% on a year-on-year basis. In light of the new development model of Dual Circulation, in which the domestic cycle plays a leading role while the international cycle serves as its extension and supplement, policies will continue to take effect to boost domestic demand and consumption. This will cement the foundation for the steady recovery of the consumer market and sustain its recovery momentum.

II. OPERATION REVIEW

In 2020, the Group recorded total operating revenue of RMB8,016.4 million, representing a year-on-year increase of 1.0%; a net loss of RMB249.0 million was recorded, representing a year-on-year decrease of 152.9%; If the impacts from the non-operating gains and losses were excluded, a net profit of RMB377.0 million would have been recorded, representing a year-on-year decrease of 35.2%.

During the year under review, facing the negative impact of COVID-19, despite the pressure on the overall retail market, the Group actively fulfilled its social responsibilities and continued to optimize the business model of its stores, accelerated the expansion of online business and improved online business operation capabilities, controlled costs and enhanced efficiency to strengthen product capabilities, disposed of non-core listed equity investments, acquired equity in target companies and accelerated the development of its main business.

1. Actively fulfil its social responsibilities and continue to optimize the business model of stores

During the epidemic, the Group actively responded to the call of the Chinese government to temporarily close its stores by stages, shortened business hours, and restricted customer flow. At the same time, the Group actively provided rent reduction and exemption for its merchants. Facing COVID-19, the Company actively fulfilled its social responsibilities, comprehensively promoted and actively engaged in prevention and control work, thereby effectively ensuring the health and safety of customers and employees. As COVID-19 was gradually under control in the second quarter of 2020, the Group actively resumed work and production. Through numerous online marketing methods and collaborations with offline stores, the Group provided consumers with a variety of contactless shopping channels and scenarios, as well as services such as free delivery. The Group continued to explore innovative business model to upgrade its retail business, and actively resumed operations.

As of 31 December 2020, the Group owned 48 stores. In terms of mode of business, the Group owned 16 shopping centres, 29 department stores and 3 outlets. During the epidemic, the stores of the Group continued to push forward the reformation of their business models and took various measures to enhance their resistance to risks: shopping centres adjusted their promotion fee structure according to the characteristics of consumers, strengthened in-depth operations with merchants, and continued to improve store traffic during the epidemic. The Group actively promoted the transformation of shopping centres, continued to push forward the adjustment and upgrade of stores, deepened the brand image of stores, and led to the diverse experience of customers. For department stores, the Group strengthened the coordination of key resources categories, actively advanced in the adjustment of key brands in key stores, flexibly leveraged the opportunity of lowering prevention and control measures to make all-out efforts to carry out marketing activities in key periods, and vigorously launched sales promotion by closely following hot issues in the market, thereby accelerating the recovery of business operations. For outlets, by taking advantage of its own open operating space, the Group continued to strive for marketing resources for its key brands, as a result, sales and performance indicators were simultaneously and rapidly improved in a balanced manner.

2. Accelerate the expansion of online business and improve online business operation capabilities

During the reporting period, the Group continued to adhere to its objective to achieve "digital retail, intelligent business." Through iterative updates of online marketing tools, the Group enhanced platform experience and innovation of offline marketing activities, and provided more comprehensive and precise value-added services for members. APPs or applets such as "Mao Yue Hui（茂悅薈）", "Mao Le Hui（茂樂惠）" and "Xiao Hong Mao（小紅茂）" underwent in-depth integration with offline stores and were embedded with a variety of high-quality and convenient service content, which in turn enhanced online and offline two-way marketing. The Group enhanced its marketing and promotion capabilities by making use of new media promotion, thereby achieving low-cost precision marketing.

During the reporting period, the membership management system of “Mao Yue Hui” adhered to its customer-centric concept, and actively optimized the marketing functions, such as member points mall, bank notes, electronic stored value and gift cards, to enhance member service efficiency and experience. It also provides face-to-face services as well as intelligent acquisition, intelligent recommendation, convenient order placement, and door-to-door delivery services to customers. Moreover, it served consumers based on their most sensitive concerns, such as quality assurance, return guarantee and logistics duration, to enhance online business operations capabilities. In 2020, the number of new members for the membership management system of “Mao Yue Hui” reached 1,120,000 people, achieving a conversion rate of over 32%.

During the reporting period, the “Mao Le Hui” online beauty vertical e-commerce platform further extended the offline consumption environment to online. With exclusive online product support from over 80 brands, the Group enhanced its brand channel advantage resources. With years of reliance on offline stores resources, the Group continued to advance the thematic, digital, social, intelligent new retail for the reconstruction of the consumption connection. As offline customer traffic continued to decrease in the post-COVID-19 era, the Company actively built new traffic channels to strengthen the tracking and post-back of consumer journey data. In 2020, newly registered members of “Mao Le Hui” exceeded 540,000 people, representing a 160% year-on-year growth in sales.

During the reporting period, the Group ramped up the proportion of online marketing and sales by actively exploring new marketing methods, including various forms of social media such as live streaming, short videos, WeChat groups, applets, to extend our reach to consumers and stimulate consumers’ willingness to shop. Meanwhile, the Group achieved online connections with its customers through WeChat public accounts, WeChat groups, WeChat shopping guides, etc., and released concessionaire beauty products on its own APPs or WeChat applet mall for sale. The Company’s private domain traffic was effectively created through social marketing and applet malls, which resulted in conversion or repurchase. Coupled with the public domain traffic from live streaming marketing, interaction of public domain and private domain traffic was achieved, thereby realizing low-cost precision marketing. In 2020, the accumulated transaction volume of online consumption exceeded RMB300 million, the highest transaction volume of a single live streaming session exceeded RMB3 million, and the accumulated number of online viewers reached 1.7 million.

3. **Control costs and enhance efficiency to strengthen product capabilities**

During the reporting period, the Company deepened the implementation of strong internal control to further strengthen corporate management system and procedures, and implemented each step of the system to achieve gradual enhancement. At the same time, the Company laid a solid foundation for safety so as to support its business development. The Company formulated focal points of the annual emergency management work, organized centralized fire safety rectification actions, conducted in-depth investigation of hidden dangers, established firm awareness of safety responsibility, strengthened information security, carried out training on confidentiality, and enhanced employees' awareness of confidentiality. Furthermore, the Company actively strove for concessionaire policies such as rent and tax reduction during the epidemic to continuously reduce management costs; the effective reduction of labor costs was achieved through measures such as optimizing personnel structure, implementing flexible labor deployment models, etc.; the Company effectively reduced advertising and marketing costs by ways of competitive media tender invitation, invalid advertising reduction, standardizing points redemption, etc.; and effectively reduced corporate inventories by eliminating waste assets and increasing efforts to dispose of slow-moving goods.

During the reporting period, the Group created highly effective supply chain and adjusted product portfolio to strengthen core competitiveness, which included: matching the store with positioning that corresponds with product category to enhance coherence and continuity for establishing a clear brand image; strengthening brand management and linkage, and realizing complementary advantages through in-depth cooperation of brands and suppliers. Moreover, the continued increase in the proportion of product categories with high gross profit such as international cosmetic products and Internet celebrity-endorsed foods, in particular cosmetics, not only led to the sales in cosmetics, but also the consumption in other categories and enhance the young and trendy image of the relevant stores.

4. **Disposal of non-core listed equity investments**

Zhongzhao Investment Management Co., Ltd.（中兆投資管理有限公司）, a wholly-owned subsidiary of the Company, disposed of approximately 11.0% of the total issued share capital of Zhongjiabochuang Information Technology Co., Ltd.（中嘉博創信息技術股份有限公司）(“**ZhongJia BoChuang**”, a joint stock company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000889)) on the open market; As of 2 March 2021, the interests in ZhongJia BoChuang held by the Company was reduced from approximately 22.18% to approximately 11.18%.

The proceeds from the disposal of non-core listed assets would assist the Group to further focus on its core business and optimize its financial position for the further facilitation of the Group’s future business growth and development.

5. **Acquire equity in target companies and accelerate the development of main business**

On 30 September 2020, Chengshang Group Holding Co., Ltd.（成商集團控股有限公司）(“**Chengshang Holding**”), an indirect non-wholly owned subsidiary of the Company, entered into an acquisition agreement with Chengdu Renhe Industrial (Group) Limited（成都仁和實業（集團）有限公司）(“**Renhe Industrial**”) to acquire 100% of the equity interests in Chengdu Renhe Investment Co., Ltd.（成都仁和投資有限公司）(“**Renhe Investment**”) held by Renhe Industrial for a consideration of RMB1.45 billion.

The land parcel owned by Renhe Investment was located at an advantageous geographical location, which is in the center of Chengdu, adjacent to the landmark buildings of Chengdu Tianfu Square（天府廣場）and Sichuan Grand Theater（四川大劇院）, and to Chengdu Renhe Rendong Store（成都仁和人東店）and Yanshikou Maoye Tiandi Store（鹽市口茂業天地店）owned by the Group. Upon the completion of the acquisition, in view of the land use nature of the Jincheng art palace project of Renhe Investment, i.e. land for commercial service facilities, the Group intended to develop corresponding ancillary commercial projects, such as shopping centres. The acquisition will help the Group to generate synergy effects in Chengdu regional stores, which will be favorable for the Group to further develop its commercial retail business in the Chengdu region, and will further expand its regional influence and strengthen its market position, thereby enhancing the Group’s overall strength.

III. FUTURE OUTLOOK

In 2021, being in the post-COVID-19 era, coupled with the impact of the global economy, Sino-US relations, and geopolitics, there will still be variables in economic recovery. However, under the macro environment established by the government with domestic circulation as the main focus and domestic and international dual circulation as the driving force, policies such as stabilizing employment, protecting people's livelihood, stimulating consumption, etc. will continue to be in force, and the consumer and retail markets are expected to propel a continued rebound.

The Group believes that the long-term positive trend of the PRC's economy will not change, and people's expectations for a better life will continue to exert prominence. The Group will intensively focus on areas such as customer acquisition from multiple sources and precision marketing, membership system optimization, and online and offline integration at a systemic level. While focusing on the further enhancement of core competitiveness, operating scale and efficiency, the Group will continue to pay attention to the technological advancements in the new retail sectors and strengthen business innovation and transformation to meet the challenges under the new norm for pushing forward the Group's long-term sustainable development.

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	1,782,279	17.3	63,243
2	Guanghua	734,446	11.1	67,914
3	Taiyuan Maoye Complex	696,935	6.1	252,882
4	Shenzhen Dongmen	631,276	23.9	40,709
5	Shenzhen Nanshan	626,073	11.3	44,871
6	Victory Commercial Building	550,798	17.7	44,221
7	Victory International Plaza	532,144	13.0	83,969
8	Taizhou First Department Store	503,308	11.3	40,358
9	Zibo Maoye Times Square	332,055	5.9	86,677
10	Qinhuangdao Jindu	282,038	12.3	46,610
11	Yanshikou Maoye Complex	262,486	15.6	42,897
12	Xiandai Shopping Plaza	257,778	10.6	36,926

Notes:

1 Major department stores are stores with annual total sales proceeds and rental income of over RMB250 million;

2 Operation period was calculated until 31 December 2020.

FINANCIAL REVIEW

Total Sales Proceeds and Rental Income

For the year ended 31 December 2020, total sales proceeds and rental income of the Group were RMB10,688.9 million, representing a decrease of 30.7% compared to the year of 2019. Under the negative impact from the COVID-19, the retail industry was under pressure in general. Same-store sales proceeds and rental income of the Group were RMB10,534.9 million, representing a decrease of 31.2% compared to the year of 2019.

	For the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Total sales proceeds from concessionaire sales	**8,136,773**	12,547,871
Direct sales income	**1,575,751**	1,750,291
Rental income	**976,370**	1,117,580
Total sales proceeds and rental income	**10,688,894**	15,415,742

Among the total sales proceeds and rental income of the Group for the year ended 31 December 2020, total sales proceeds derived from concessionaire sales accounted for 76.1%, those derived from direct sales accounted for 14.8%, and those derived from rental income accounted for 9.1%. For the year ended 31 December 2020, sales proceeds from concessionaire sales were RMB8,136.8 million, representing a decrease of 35.2% compared to the year of 2019; rental income were RMB976.4 million, representing a decrease of 12.6% compared to the year of 2019.

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		
	2020	2019	Change
	RMB'000	*RMB'000*	*%*
Eastern China	**1,455,701**	1,737,836	–16.2%
Southern China	**3,526,995**	5,026,542	–29.8%
South-western China	**1,863,719**	2,778,236	–32.9%
Northern China	**3,842,479**	5,873,128	–34.6%
Total	**10,688,894**	15,415,742	–30.7%

For the year ended 31 December 2020, sales of apparels (including men's and ladies' apparels) accounted for 29.5% (2019: 34.2%), jewelries accounted for 18.7% (2019: 17.6%), leisure and sports goods accounted for 12.2% (2019: 11.8%), cosmetics accounted for 15.9% (2019: 11.4%), shoes and leather goods accounted for 6.7% (2019: 7.6%), others (including branded merchandise, children's items, bedroom and household goods, home appliances, supermarket and others) accounted for 17.0% (2019: 17.4%).

For the year ended 31 December 2020, revenue of the Group's main business amounted to RMB6,911.8 million, representing an increase of RMB644.4 million compared with RMB6,267.4 million for the year of 2019. The increase of revenue was mainly because of the recorded increase in revenue derived from the real estate projects in Taizhou, Qinhuangdao and Chengdu of Maoye Property.

Other Income

For the year ended 31 December 2020, other income of the Group amounted to RMB1,104.6 million, representing a decrease of RMB568.6 million compared with RMB1,673.2 million for the year of 2019. The decrease in other income was primarily due to the decrease in the revenue derived from the Group's department store segment attributable to the challenges brought by COVID-19, which led to a year-on-year decrease in revenue derived from administration and management fees and sales promotion.

Cost of Sales

For the year ended 31 December 2020, cost of sales of the Group amounted to RMB3,231.2 million, representing an increase of 32.2% compared with RMB2,443.6 million for the year of 2019. The increase in cost of sales was mainly attributable to the income from property sales for property projects recognized during the period increased, resulting in the increase in corresponding costs.

Employee Expenses

For the year ended 31 December 2020, employee expenses of the Group amounted to RMB415.2 million, representing a decrease of 27.0% compared with RMB569.1 million for the year of 2019, which was mainly due to (i) the enhanced human resources management of the Group and reduced staff and increased efficiency, resulting in the decrease in relevant staff cost, and (ii) the business of Inner Mongolia Victory Supermarket sub-contracted to other third party since July 2019 which led to the decrease in labor costs.

Depreciation and Amortization

For the year ended 31 December 2020, depreciation and amortization of the Group amounted to RMB1,083.4 million, representing a decrease of 2.1% compared with RMB1,107.1 million for the year of 2019, the main reason of which was that certain assets were fully depreciated and amortized, resulting in depreciation and amortization expiration.

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

For the year ended 31 December 2020, payments for short-term leases and leases of low value assets of the Group amounted to RMB10.9 million, representing a significant decrease of 65.7% compared with operating lease rental expenses of RMB31.8 million for the same period last year, which was mainly due to certain high-value lease contracts with undefined lease extension option in the first half of 2019 were officially extended in the second half of 2019 and early 2020 and was included in the new accounting standard for leases, resulting in the significant decrease in payments for short-term leases and leases of low-value assets for the period as compared to the same period of last year.

Other Operating Expenses

For the year ended 31 December 2020, other operating expenses of the Group amounted to RMB1,145.0 million, representing a decrease of 16.9% compared with RMB1,378.6 million for the year of 2019. Other operating expenses as percentage of total sales proceeds and rental income increased to 10.7% compared with 8.9% in the corresponding period of 2019.

Other Gains and Losses

For the year ended 31 December 2020, the Group recorded other losses of RMB825.9 million, representing a decrease of 383.0% compared with other net gain of RMB291.8 million for the year of 2019. This was primarily due to (i) the provision for asset impairment made for the equity interests in ZhongJia BoChuang, an associate of Zhongzhao Investment, which was in turn a wholly-owned subsidiary of the Company, because of the sluggish operating results and share price caused by COVID-19 during the year; and (ii) the slight decrease in comparable rents in the rental market as a result of COVID-19, thus the fair value of the Group's investment properties recorded a loss on fair value changes along with the adjustment to market conditions.

Operating Profit

For the year ended 31 December 2020, operating profit of the Group was RMB1,304.8 million, representing a decrease of 51.7% as compared with RMB2,702.0 million for the year of 2019. This was primarily due to (i) the provision for asset impairment made for the equity interests in ZhongJia BoChuang, an associate of Zhongzhao Investment, which was in turn a wholly-owned subsidiary of the Company; (ii) the decrease in the market comparable rent due to COVID-19, resulting a decrease in fair value of the Group's investment properties; and (iii) the pressure on the sales of retail industry due to COVID-19, thus the profit of department store segment declined.

Finance Costs

For the year ended 31 December 2020, finance costs of the Group amounted to RMB1,231.5 million, representing a decrease of 6.7% compared with RMB1,320.6 million for the year of 2019. This was primarily due to (i) the principal of interest-bearing liabilities of the current year decreased as compared with 2019, resulting in the decrease in financial fees; and (ii) the slight decrease in financing interest rate of interest-bearing liabilities.

Income Tax Expense

For the year ended 31 December 2020, income tax expense of the Group amounted to RMB312.9 million, representing a decrease of 51.3% compared with RMB642.2 million for the year of 2019. The decrease in income tax expense 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 2020:

– Net loss for the year was RMB249.0 million, representing a decrease of 152.9% as compared with the year of 2019;

– Without taking into account the effect of non-operating gains and losses*, net profit for the year was RMB377.0 million, representing a decrease of 35.2% as compared with RMB581.9 million for the year of 2019.

* *Non-operating gains and losses represent the gains and losses on fair value changes and disposal of financial assets at fair value through profit or loss, the impairment loss of investment in an associate, the gains and losses on disposal of property, plant and equipment items, investment properties and land lease prepayments.*

Liquidity and Financial Resources

As at 31 December 2020, the Group's cash and cash equivalents amounted to RMB1,046.7 million, representing a decrease of RMB185.9 million compared to the balance of RMB1,232.6 million as at 31 December 2019. The main cash inflow and cash outflow are set out as follows:

(i) Net cash inflow of RMB904.9 million arising from operating activities;

(ii) Net cash outflow of RMB248.5 million arising from investment activities, which included:

(1) the cash outflow of investments in properties, equipment and investment property amounting to RMB240.5 million;

(2) the cash outflow of RMB595.3 million from the purchase of financial assets at fair value through profit or loss;

(3) the cash inflow of RMB766.0 million from the buyback of financial assets at fair value through profit or loss;

(4) the inflow of RMB141.7 million from the disposal of the shares of Bank of Chengdu held and the inflow of RMB638.6 million from the partial disposal of the equity interests in ZhongJia BoChuang held;

(5) the outflow of RMB869.5 million from the payment of the first and second instalment for the acquisition of the equity interests in Renhe Investment;

(6) Receipts of the gains from wealth management products and dividends from the equity instruments designated at fair value through other comprehensive income in a total amount of RMB18.4 million;

(7) the cash outflow from the profit distribution to small and medium shareholders of Maoye Commercial amounting to approximately RMB89.4 million; and

(8) the outflow of pledged bank deposits of RMB37.7 million; and

(iii) Net cash outflow of RMB874.9 million arising from financing activities, which mainly included:

(1) the increase in cash inflow arising from bank loans and other borrowings of RMB9,311.1 million;

(2) the cash outflow arising from repayment of bank loans and other borrowings of RMB12,017.2 million;

(3) the cash outflow arising from payment of interest of approximately RMB1,028.6 million;

(4) the lease expenses of approximately RMB415.9 million included in the new accounting standard on leases;

(5) net cash inflow arising from borrowings from fellow subsidiaries amounting to approximately RMB3,366.5 million; and

(6) profit distribution to shareholders of Maoye International Holdings Limited amounting to approximately RMB90.7 million.

Interest-bearing Liabilities

As at 31 December 2020, total bank loans, USD senior guarantee notes and corporate bonds of the Group were approximately RMB14,342.5 million (31 December 2019: RMB16,119.9 million). The gearing ratio[1] and net gearing ratio[2] were 28.0% and 86.0%, respectively (31 December 2019: 29.9% and 92.2%, 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

(a) On 14 April 2020, Zhanye Property Co., Ltd. ("**Zhanye Property**") received a court judgment from the Shenyang Municipal Intermediate People's Court related to a litigation filed by Balin Youqi Eurasia Investment Development Company Limited ("**Balin Youqi**") in October 2018. According to the court judgment, Zhanye Property shall pay Balin Youqi an amount of RMB32,207,340.86 in respect of consideration for the transfer of a property project, together with interest calculated from 24 October 2018 to the full payment of the amount based on the Interbank Offered Rate announced by the National Interbank Funding Center. Procedures for filing of an appeal by Zhanye Property was completed on 6 May 2020. The first court hearing for the second trial will be held on 30 March 2021. Based on the advice from the Company's legal counsel, as the litigation is at the second trial stage, the court judgment as abovementioned is not yet effective. The Company believes that the ultimate outcome of the litigation cannot be reliably estimated.

(b) In August 2020, Shenyang Dadong District Urban Construction Service Center (瀋陽市大東區城市建設服務中心) filed a litigation with the Shenyang Municipal Intermediate People's Court to claim for (i) a debt of RMB24,435,600 together with interest of RMB35,617,100 and (ii) urban construction project infrastructure fees of RMB12,294,100 together with interest of RMB12,835,100 from Zhanye Property in relation to the transfer agreement for a property project. The first court hearing was held on 25 February 2021. The Company, based on the advice from the Company's legal counsel and the progress of the case, believes that the ultimate outcome of the litigation cannot be reliably estimated.

(c) In July 2020, Shenyang Northern Construction Co., Ltd. (瀋陽北方建設股份有限公司) filed a litigation with the Shenyang Municipal Intermediate People's Court to claim for an amount of RMB22,292,569 from Zhanye Property in relation to construction work for a project in Shenyang, together with interest of RMB16,236,818. The Company, based on the advice from the Company's legal counsel and the progress of the case, believes that the ultimate outcome of the litigation cannot be reliably estimated.

Major Acquisition and Disposal

Disposal of Shares in ZhongJia BoChuang

On 8 May 2020, Zhongzhao Investment Management Co., Ltd. ("**Zhongzhao**", a wholly-owned subsidiary of the Company) disposed of approximately 2.01% of the issued share capital of ZhongJia BoChuang on the open market (the "**Disposal**"). On 12 May 2020, Zhongzhao further disposed of approximately 0.98% of the issued share capital of ZhongJia BoChuang on the open market (the "**Further Disposal**"). On 18 May 2020, Shenzhen Maoye Department Store Co., Ltd ("**Shenzhen Maoye**", a non-wholly owned subsidiary of the Company, which is indirectly held by the Company as to 82.80%) disposed of approximately 1.86% of the issued share capital of ZhongJia BoChuang on the open market for the third time (the "**Third Disposal**"). As the Company held 82.80% equity interests in Shenzhen Maoye, as a result, the Company disposed of approximately 1.54% of the issued share capital of ZhongJia BoChuang under the Third Disposal. From 19 August 2020 to 7 September 2020, Zhongzhao disposed of approximately 2.00% of the issued share capital of ZhongJia BoChuang on the open market for the fourth time (the "**Fourth Disposal**"). After the Disposal, the Further Disposal, the Third Disposal and the Fourth Disposal, the equity interests in ZhongJia BoChuang held by the Company was reduced from approximately 22.18% to approximately 15.66%. For details of the above, please refer to the announcements of the Company dated 11 May 2020, 15 May 2020, 19 May 2020 and 8 September 2020, and the circular of the Company dated 30 October 2020.

From 8 September 2020 to 2 March 2021, Zhongzhao disposed of shares of ZhongJia BoChuang on the open market several times, representing approximately 4.48% of the issued share capital of ZhongJia BoChuang in total (the "**Fifth Disposal**"). After the Fifth Disposal, the equity interests in ZhongJia BoChuang held by the Company was reduced from approximately 15.66% to approximately 11.18%. The proceeds from the above disposal further strengthened the financial position and capital base of the Group, which helped the Group further focus on its main business, and promoted the future business growth and development of the Group.

Acquisition of the Entire Equity Interests in Renhe Investment

On 30 September 2020, Chengshang Holding, an indirect non-wholly-owned subsidiary of the Company, entered into an acquisition agreement with Renhe Industrial to dispose of 100% of the equity interests in Renhe Investment held by Renhe Industrial for a Consideration of RMB1.45 billion.

The land parcel owned by Renhe Investment was located at an advantageous geographical location, which is in the center of Chengdu, adjacent to the landmark buildings of Chengdu Tianfu Square (天府廣場) and Sichuan Grand Theater (四川大劇院), and to Chengdu Renhe Rendong Store (成都仁和人東店) and Yanshikou Maoye Tiandi Store (鹽市口茂業天地店) owned by the Group. Upon the completion of the acquisition, in view of the land use nature of the Jincheng art palace project of Renhe Investment, i.e. land for commercial service facilities, the Group intended to develop corresponding ancillary commercial projects, such as shopping centres. The acquisition will help the Group to generate synergy effects in Chengdu regional stores, which will be favorable for the Group to further develop its commercial retail business in the Chengdu region, and will further expand its regional influence and strengthen its market position, thereby enhancing the Group's overall strength.

Save for the above, the Group did not have any other major acquisition or disposal during the year.

Pledge of Assets

As at 31 December 2020, the Group's collateral interest-bearing bank loans amounting to RMB11,342.4 million were secured by approximately RMB3,872.8 million, RMB9,178.4 million, RMB1,731.7 million and RMB451.1 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 have all been redeemed as of 31 December 2020, and is exposed to the effect of foreign exchange fluctuation risks. During the reporting period, the Group recorded a foreign exchange loss of RMB48.0 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 2020, 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.

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$126,750,000 (the "**Repurchased Notes**") via open market during the period from September 2019 to 30 July 2020. The Repurchased Notes represent approximately 50.70% of the initial principal amount of the Notes. The Repurchased Notes were duly cancelled on 30 July 2020. For details, please refer to the announcement of the Company dated 30 July 2020, capitalised terms used in this paragraph shall have the same meanings as those defined in that announcement.

On 28 September 2020, the Company has completed the redemption of the outstanding Notes in full in aggregate principal amount of US$95,400,000 together with accrued interest up to the Maturity Date (the "**Redemption**"). Upon completion of the Redemption, the Company has no outstanding Notes in issue as of 28 September 2020, and the Notes have been cancelled and delisted from the Stock Exchange. For details, please refer to the announcement of the Company dated 28 September 2020, capitalised terms used in this paragraph shall have the same meanings as those defined in that announcement.

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; (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; and (4) the Second Tranche of Bonds in the principal amount of RMB3,031,000 with its accrued interest of RMB227,325.00 on 5 January 2021. Upon completion of the aforesaid redemption, the Second Tranche of Bonds of Maoye Shangsha was delisted on 5 January 2021.

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 2020.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Monday, 17 May 2021 to Friday, 21 May 2021 (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 2021 Annual General Meeting of the Company to be held on Friday, 21 May 2021, 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 Friday, 14 May 2021.

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 2020. 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 2020, 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 2020 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 2020 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 2020 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 2021

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Huang Mao Ru, Mr. Zhong Pengyi and Ms. Lu Xiaojuan; one non-executive director, namely, Mr. Wang Bin; and three independent non-executive directors, namely, Mr. Rao Yong, Mr. Pao Ping Wing and Mr. Gao Yajun.