THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **MAOYE INTERNATIONAL HOLDINGS LIMITED,** you should at once hand this Circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

MAJOR TRANSACTIONS
IN RELATION TO THE ACQUISITIONS OF THE ENTIRE EQUITY INTERESTS IN CHENGDU RENHE CHUNTIAN AND QINGYANG RENHE CHUNTIAN

30 May 2016

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In this Circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisitions"	the sale and purchase of the equity interests in Chengdu Renhe Chuntian and Qingyang Renhe Chuntian by the Sellers to Chengshang Holding, respectively, pursuant to the respective Agreements (as amended by the respective Supplement Agreements);
"Agreements"	the Chengdu Renhe Chuntian Agreement and the Qingyang Renhe Chuntian Agreement, which were amended by the respective Supplement Agreements;
"Announcement"	the announcement of the Company dated 16 October 2015 in relation to the Acquisitions and Agreements and the transactions contemplated thereunder;
"associate"	has the meaning ascribed to it in the Listing Rules;
"Board"	the board of Directors;
"Circular"	this circular dated 30 May 2016;
"Company"	Maoye International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Chengdu Renhe Chuntian"	Chengdu Renhe Chuntian Department Store Limited (成都仁和春天百貨有限公司), a company established in the PRC;
"Chengdu Renhe Chuntian Agreement"	the agreement dated 16 October 2015 entered into between Chengshang Holding and Renhe Industrial pursuant to which Chengshang Holding will purchase and Renhe Industrial will sell 100% of the equity interests in Chengdu Renhe Chuntian, which was amended by the Chengdu Renhe Chuntian Supplement Agreement;
"Chengdu Renhe Chuntian Supplement Agreement"	the supplement agreement dated 11 December 2015 entered into between Chengshang Holding and Renhe Industrial pursuant to the Chengdu Renhe Chuntian Agreement;
"Chengshang"	Maoye Commercial Co., Ltd. (茂業商業股份有限公司), (previously known as Chengshang Group Co., Ltd. (成商集團股份有限公司)), a subsidiary of the Company and a joint stock limited company established in the PRC and listed on the Shanghai Stock Exchange (stock code: 600828);

"Chengshang Holding"	Chengshang Group Holding Co., Ltd. (成商集團控股有限公司), a wholly-owned subsidiary of Chengshang;
"Completion"	the completion of the respective Acquisitions;
"CSRC"	China Securities Regulatory Commission;
"Directors"	the directors of the Company;
"Controlling Shareholder"	Maoye Department Store Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder (as defined in the Listing Rules) of the Company holding 4,200,000,000 shares in the Company (representing approximately 81.69% of the issued share capital of the Company) as of the date of the Agreements;
"Enlarged Group"	the Group as enlarged by the Acquisitions;
"Formal Valuation Report"	the respective formal valuation report dated 18 November 2015 and finalised on 4 December 2015 prepared by the Valuer to determine the values of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian, respectively, and accordingly, the considerations under the Agreements;
"Grand Collection"	Grand Collection Limited (紀高有限公司), a company incorporated in Hong Kong;
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Latest Practicable Date"	27 May 2016, being the last practicable date prior to the printing of this Circular for ascertaining certain information in this Circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Chen"	Mr. Chen Liren (陳立仁);
"Model Code"	Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules;
"PRC"	The People's Republic of China;
"Qingyang Renhe Chuntian"	Chengdu Qingyang District Renhe Chuntian Department Store Limited (成都青羊區仁和春天百貨有限公司), a company established in the PRC;

"Qingyang Renhe Chuntian Agreement"	the agreement dated 16 October 2015 entered into between Chengshang Holding and Grand Collection pursuant to which Chengshang Holding will purchase and Grand Collection will sell 100% of the equity interests in Qingyang Renhe Chuntian, which was amended by the Qingyang Renhe Chuntian Supplement Agreement;
"Qingyang Renhe Chuntian Supplement Agreement"	the supplement agreement dated 11 December 2015 entered into between Chengshang Holding and Grand Collection pursuant to the Qingyang Renhe Chuntian Agreement;
"Renhe Industrial"	Chengdu Renhe Industrial (Group) Limited (成都仁和實業(集團)有限公司), a company established in the PRC;
"RMB"	Renminbi, the lawful currency in the PRC;
"RSM"	RSM Hong Kong, formerly known as RSM Nelson Wheeler, Certified Public Accountants;
"Seller(s)"	the sellers under the respective Agreements, namely, Renhe Industrial and Grand Collection;
"SFO"	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong;
"Shareholder(s)"	the holder of share(s) in the Company;
"Stock Exchange"	the Stock Exchange of Hong Kong Limited;
"Supplement Agreements"	the Chengdu Renhe Chuntian Supplement Agreement and the Qingyang Renhe Chuntian Supplementary Agreement
"Valuer"	Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd. (國眾聯資產評估土地房地產估價有限公司), an independent third party valuer appointed in compliance with the requirements of the CSRC; and
"Waivers"	the waivers granted under Rule 14.41(a) of the Listing Rules by the Stock Exchange on 27 October 2015, 27 November 2015, 28 December 2015 and 25 January 2016 and the waivers granted under Rule 14.62 of the Listing Rules by the Stock Exchange on 29 October 2015 and 26 November 2015.

The English names/translations of the companies established in the PRC, relevant authorities in the PRC and other Chinese terms used in this Circular are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

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)

Executive Directors:
Mr. Huang Mao Ru (*Chairman*)
Mr. Zhong Pengyi
Ms. Wang Fuqin
Mr. Wang Bin

Independent non-executive Directors:
Mr. Chow Chan Lum
Mr. Pao Ping Wing
Mr. Leung Hon Chuen

Registered Office:
Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

Head Office:
38/F, World Finance Centre
4003 Shennan East Road
Shenzhen
PRC

30 May 2016

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN CHENGDU RENHE CHUNTIAN AND QINGYANG RENHE CHUNTIAN

1. INTRODUCTION

Reference is made to the announcements issued by the Company dated 16 October 2015, 27 October 2015, 29 October 2015, 27 November 2015, 29 December 2015 and 27 January 2016 in relation to the Acquisitions.

On 16 October 2015, Chengshang Holding, a wholly-owned subsidiary of Chengshang, which is in turn a subsidiary of the Company and a joint stock limited company established in the PRC and listed on the Shanghai Stock Exchange (stock code: 600828), has entered into the Chengdu Renhe Chuntian Agreemnet and Qingyang Renhe Chuntian Agreement, respectively, in relation to the Acquisitions, namely (i) the acquisition of 100% of the equity interests in Chengdu Renhe Chuntian; and (ii) the acquisition of 100% of the equity interests in Qingyang Renhe Chuntian, at a consideration of RMB742,325,600 (subject to adjustment) and RMB1,732,093,000 (subject to adjustment), respectively.

On 11 December 2015, Chengshang Holding has entered into the Supplement Agreements in relation to the Acqusitions, namely (i) the acquisition of 100% of the equity interests in Chengdu Renhe Chuntian; and (ii) the acquisition of 100% of the equity interests in Qingyang Renhe Chuntian, at the consideration of RMB742,325,100 (which number has already taken into account the adjustment required as a result of the Formal Valuation Report) and RMB1,732,092,300 (which number has already taken into account the adjustment required as a result of the Formal Valuation Report).

The purpose of this Circular is to provide, among other things, further details about the Agreements, and the transactions contemplated thereunder.

2. CHENGDU RENHE CHUNTIAN AGREEMENT (AS AMENDED BY THE CHENGDU RENHE CHUNTIAN SUPPLEMENT AGREEMENT)

Date

16 October 2015

Parties

Seller: Renhe Industrial

Purchaser: Chengshang Holding

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Renhe Industrial and its ultimate beneficial owners are not connected persons of the Company.

Assets to be acquired

Pursuant to the Chengdu Renhe Chuntian Agreement (as amended by the Chengdu Renhe Chuntian Supplement Agreement), Renhe Industrial has agreed to sell and Chengshang Holding has agreed to purchase 100% equity interests in Chengdu Renhe Chuntian.

Consideration

The final consideration for the acquisition of the equity interests of Chengdu Renhe Chuntian is RMB742,325,100, which has been adjusted downward from the proposed consideration of RMB742,325,600 based on the difference between the preliminary valuation of Chengdu Renhe Chuntian as at the date of the Chengdu Renhe Chuntian Agreement and the final valuation of Chengdu Renhe Chuntian set out in the Formal Valuation Report, less the dividend in the amount of RMB81,319,900 to be distributed by Chengdu Renhe Chuntian. The difference of the valuation is caused by the difference in the unaudited figures used in the preliminary valuation report and the audited figures used in the Formal Valuation Report. The payment of the consideration shall be payable in cash and shall be satisfied by the internal resources of Chengshang Holding or other means of financing in the event that the internal resources are insufficient.

Terms of payment

The consideration shall be payable in cash by Chengshang Holding to Renhe Industrial in the following manner:

(1) RMB148,465,020, being 20% of the total consideration, shall be payable within 10 business days after the Chengdu Renhe Chuntian Agreement having become effective;

(2) RMB222,697,530, being 30% of the total consideration, shall be payable within 10 business days after Completion;

(3) RMB222,697,530, being 30% of the total consideration, shall be payable within 3 months after Completion; and

(4) RMB148,465,020, being 20% of the total consideration, shall be payable after Completion and within 1 year after the Chengdu Renhe Chuntian Agreement having become effective.

Basis of determination of the consideration

The consideration for the acquisition of the equity interests of Chengdu Renhe Chuntian was determined after arm's length negotiations between the parties on commercial terms with reference to the Formal Valuation Report prepared by the Valuer and the amount of dividends to be distributed. The final consideration of RMB742,325,100, has been adjusted downward from the proposed consideration of RMB742,325,600 based on the difference between the preliminary valuation of Chengdu Renhe Chuntian as at the date of the Chengdu Renhe Chuntian Agreement and the final valuation of Chengdu Renhe Chuntian set out in the Formal Valuation Report, less the dividend in the amount of RMB81,319,900 to be distributed by Chengdu Renhe Chuntian. The detailed bases and assumptions to which the valuation of Chengdu Renhe Chuntian is based on are set out in the section headed "5. The Formal Valuation Reports — Principle assumptions in the Formal Valuation Reports" below and "Appendix V — A. Formal Valuation Report of Chengdu Renhe Chuntian — IX. Specific Assumptions for Income Approach".

The Directors have reviewed the bases and assumptions based upon which the valuation of Chengdu Renhe Chuntian was prepared by the Valuer, and are of the view that the assumptions are necessary and in line with the market standard. The Directors confirmed that the assumptions and valuation of Chengdu Renhe Chuntian made by the Valuer in the Formal Valuation Report were made after due and careful enquiry and are fair and reasonable.

Conditions Precedent

The completion of the acquisition of Chengdu Renhe Chuntian is conditional upon the certain conditions including the following:

(1) the issue of a written confirmation by Chengdu Wuhou District Renhe Chuntian Department Store Ltd. (成都武侯區仁和春天百貨有限公司) ("**Wuhou Chuntian**") confirming that Starhill Global Real Estate Investment Trust (升禧環球房地產投資信託) has waived its pre-emptive rights for acquiring the equity interests in Chengdu Renhe Chuntian, and a confirmation by Wuhou Chuntian that the profit guarantee period of Chengdu Renhe Chuntian under an alternative business co-operation agreement ("**Alternative Agreement**") has ended and that Chengdu Renhe Chuntian has fulfilled its obligations in relation to its profit guarantee. Wuhou Chuntian has provided such written confirmation on 8 January 2016 that Chengdu Renhe Chuntian has fulfilled its obligations in relation to profit guarantee under the Alternative Agreement and Chengdu Renhe Chuntian has no further outstanding obligations under the Alternative Agreement;

(2) the issue of a written undertaking provided by Mr. Chen to Chengshang Holding that in the event Wuhou Chuntian requests Chengdu Renhe Chuntian to bear any extra costs in relation to profit guarantee and any other costs incurred up to 30 June 2015 (save and except operational costs) pursuant to the Alternative Agreement, Mr. Chen shall fully indemnify Chengdu Renhe Chuntian for any such costs incurred;

(3) the undertaking and guarantee by Renhe Industrial in respect of the due repayment by Chengdu Renhe Investment Limited (成都仁和投資有限公司) ("**Renhe Investment**") of its loan in the amount of RMB 471,899,135.96 to Chengdu Renhe Chuntian and the due repayment by Chengdu Renhe Hotel Management Company Limited (成都仁和酒店管理有限公司) of RMB180,074,550.48 to Chengdu Renhe Chuntian and a written confirmation that full repayment of all receivable as detailed in the Chengdu Renhe Chuntian Agreement has been made by all related parties of Chengdu Renhe Chuntian;

(4) the entering into of release agreements of all guarantees and undertakings undertaken by Chengdu Renhe Chuntian as detailed in the Chengdu Renhe Chuntian Agreement and the relevant procedures for releases have been duly completed, or, in respect of any guarantee, Renhe Industrial or a third party designated by Renhe Industrial and accepted by Chengshang Holding shall provide such guarantee to Chengshang Holding, and, in respect of any undertaking, the relevant bank has issued a written consent agreeing Renhe Investment to repay Chengdu Renhe Chuntian;

(5) the obtaining of all necessary consents, authorisations and approvals from related third parties to Chengdu Renhe Chuntian (including but not limited to banks) for the acquisition of Chengdu Renhe Chuntian and there having been no third parties' rights that will impede the acquisition of Chengdu Renhe Chuntian;

(6) the issuing of a written undertaking by the relevant suppliers and the undertaking by Renhe Industrial that upon Completion, in the event that Chengdu Renhe Chuntian is liable to any payment in respect of any ongoing litigations as detailed in the Chengdu Renhe Chuntian Agreement, the supplier(s) involved in the litigations shall fully indemnify Chengdu Renhe Chuntian. In the event that the relevant supplier(s) fails to indemnify Chengdu Renhe Chuntian, Renhe Industrial shall undertake to fully indemnify Chengdu Renhe Chuntian;

(7) the obtaining of all necessary approvals by Chengdu Renhe Chuntian, including but not limited to undertaking concentration approvals by the Ministry of Commerce;

(8) there having been no judgment, ruling or order issued by all relevant judicial authorities, approval bodies or regulatory bodies, and no newly promulgated law or amendment to the existing law, which shall render the Chengdu Renhe Chuntian Agreement and the transactions contemplated thereunder illegal or prohibited;

(9) the representations and undertakings being true, accurate and complete in all respects; and

(10) there having been no breach and no relevant evidence suggesting there will be any breach of the Chengdu Renhe Chuntian Agreement.

Chengshang Holding has the right (but not obliged) to waive any of the conditions stated above. Chengshang Holding confirmed that all of the conditions stated above have been satisfied on or before 29 February 2016.

Termination

The parties agree that the completion of the acquisition of the Chengdu Renhe Chuntian and the completion of the acquisition of Qingyang Renhe Chuntian is inter-conditional upon each other. In the event that the conditions precedent for the acquisition of Qingyang Renhe Chuntian are not fulfilled (or waived, as appropriate) after 6 months upon the Chengdu Renhe Chuntian Supplement Agreement takes effect, Chengshang Holding shall have the right to terminate the Chengdu Renhe Chuntian Agreement and transactions contemplated thereunder, and any amount paid by Chengshang Holding to Renhe Industrial shall be returned to Chengshang Holding.

Longstop date

Unless otherwise agreed, if the condition precedents set out above are not satisfied within 6 months after the Chengdu Renhe Chuntian Agreement (as amended by the Chengdu Renhe Chuntian Supplement Agreement) having become effective, Chengshang Holding shall be entitled to terminate the Chengdu Renhe Chuntian Agreement (as amended by the Chengdu Renhe Chuntian Supplement Agreement) and any other ancillary documents in which case Renhe Industrial shall return all payment to Chengshang Holding.

Exclusivity

The parties have agreed that the rights of each party under the Chengdu Renhe Chuntian Agreement (as amended by the Chengdu Renhe Chuntian Supplement Agreement), whether in whole or in part, shall not be transferred or assigned in any way to any third party.

Completion

As all the conditions to Completion were satisfied and the necessary Shareholders' approval was obtained as set out in the section headed "9. Listing Rules Implications" below, the transfer of 100% equity interests in Chengdu Renhe Chuntian was completed on 29 February 2016. Chengdu Renhe Chuntian has become a wholly-owned subsidiary of Chengshang Holding.

3. QINGYANG RENHE CHUNTIAN AGREEMENT (AS AMENDED BY THE QINGYANG RENHE CHUNTIAN SUPPLEMENT AGREEMENT)

Date

16 October 2015

Parties

Seller: Grand Collection

Purchaser: Chengshang Holding

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Grand Collection and its ultimate beneficial owners are not connected persons of the Company.

Assets to be acquired

Pursuant to the Qingyang Renhe Chuntian Agreement (as amended by the Qingyang Renhe Chuntian Supplement Agreement), Grand Collection has agreed to sell and Chengshang Holding has agreed to purchase 100% equity interests in Qingyang Renhe Chuntian.

Consideration

The final consideration for the acquisition of the equity interests of Qingyang Renhe Chuntian is RMB1,732,092,300, which has been adjusted downward from the proposed consideration of RMB1,732,093,000 based on the difference between the preliminary valuation of Qingyang Renhe Chuntian as at the date of the Qingyang Renhe Agreement and the final valuation of Qingyang Renhe Chuntian set out in the Formal Valuation Report, less the dividend in the amount of RMB72,542,000 to be distributed by Qingyang Renhe Chuntian. The difference of the valuation is caused by the difference in the unaudited figures used in the preliminary valuation report and the audited figures used in the Formal Valuation Report. The payment of the consideration shall be payable in cash and shall be satisfied by the internal resources of Chengshang Holding or other means of financing in the event that the internal resources are insufficient.

Terms of payment

The consideration shall be payable in cash by Chengshang Holding to Grand Collection in the following manner:

(1) RMB346,418,460, being 20% of the total consideration, shall be payable within 10 business days after the Qingyang Renhe Chuntian Supplement Agreement having become effective;

(2) RMB519,627,690, being 30% of the total consideration, shall be payable within 10 business days after Completion;

(3) RMB519,627,690, being 30% of the total consideration, shall be payable within 3 months after Completion; and

(4) RMB346,418,460, being 20% of the total consideration, shall be payable after Completion and within 1 year after the Qingyang Renhe Chuntian Agreement having become effective.

Basis of determination of the consideration

The consideration for the acquisition of the equity interests of Qingyang Renhe Chuntian was determined after arm's length negotiations between the parties on commercial terms with reference to the Formal Valuation Report prepared by the Valuer and the amount of dividends to be distributed. The final consideration of RMB1,732,092,300, has been adjusted downward from the proposed consideration of RMB1,732,093,000 based on the difference between the preliminary valuation of Qingyang Renhe Chuntian as at the date of the Qingyang Renhe Chuntian Agreement and the final valuation of Qingyang Renhe Chuntian set out in the Formal Valuation Report, less the dividend in the amount of RMB72,542,000 to be distributed by Qingyang Renhe Chuntian. The detailed bases and assumptions to which the valuation of Qingyang Renhe Chuntian is based on are set out in the section headed "5. The Formal Valuation Reports — Principle assumptions in the Formal Valuation Reports" below and "Appendix V — B. Formal Valuation Report of Qingyang Renhe Chuntian — IX. Specific Assumptions for Income Approach".

The Directors have reviewed the bases and assumptions based upon which the valuation of Qingyang Renhe Chuntian was prepared by the Valuer, and are of the view that the assumptions are necessary and in line with the market stardard. The Directors confirmed that the assumptions and valuation of Chengdu Renhe Chuntian made by the Valuer in the Formal Valuation Report were made after due and careful enquiry and are fair and reasonable.

Conditions Precedent

The completion of the acquisition of Qingyang Renhe Chuntian is conditional upon the certain conditions including the following:

(1) the entering into of release agreements of all guarantees and undertakings undertaken by Qingyang Renhe Chuntian as detailed in the Qingyang Renhe Chuntian Agreement and the

relevant procedures for releases has been duly completed or the provision of a satisfactory guarantee to Chengshang Holding by Grand Collection or a third party designated by Grand Collection and accepted by Chengshang Holding in relation to all guarantees undertaken by Qingyang Renhe Chuntian;

(2) the issuing of a letter of undertaking by Chengdu Renhe Chuntian Property Development Company Limited (成都春天房地產開發有限公司) which shall undertake, among other things, the assignment of all profits generated from certain properties to Qingyang Renhe Chuntian;

(3) the full repayment of all receivables between related parties of Qingyang Renhe Chuntian and Qingyang Renhe Chuntian as detailed in the Qingyang Renhe Chuntian Agreement;

(4) the obtaining of all necessary consents, authorisations and approvals from related third parties to Qingyang Renhe Chuntian (including but not limited to banks) for the acquisition of Qingyang Renhe Chuntian, and there having been no third parties' rights that will impede the acquisition of Qingyang Renhe Chuntian;

(5) the issuing of a written undertaking by the relevant suppliers and the undertaking by Grand Collection that upon Completion, in the event that Qingyang Renhe Chuntian is liable to any payment in respect of any ongoing litigations as detailed in the Qingyang Renhe Chuntian Agreement, the supplier(s) involved in the litigations shall fully indemnify Qingyang Renhe Chuntian. In the event that the relevant supplier(s) fails to indemnify Qingyang Renhe Chuntian, Grand Collection shall undertake to fully indemnify Qingyang Renhe Chuntian;

(6) the obtaining of all necessary approvals by Qingyang Renhe Chuntian, including but not limited to undertaking concentration approvals by the Ministry of Commerce, and change of share capital approvals for Foreign Invested Enterprise by the relevant commerce authorities;

(7) there having been no judgment, ruling or order issued by all relevant judicial authorities, approval bodies or regulatory bodies, and no newly promulgated law or amendment to the existing law, which shall render the Qingyang Renhe Chuntian Agreement and the transactions contemplated thereunder illegal or prohibited;

(8) the representations and undertakings being true, accurate and complete in all respects; and

(9) there having been no breach and no relevant evidence suggesting there will be any breach of the Qingyang Renhe Chuntian Agreement.

Chengshang Holding has the right (but not obliged) to waive any of the conditions stated above. Chengshang Holding confirmed that all of the conditions stated above have been satisfied on or before 25 February 2016.

Termination

The parties agree that the completion of the acquisition of the Chengdu Renhe Chuntian and the completion of the acquisition of Qingyang Renhe Chuntian is inter-conditional upon each other. In the event that the conditions precedent for the acquisition of Chengdu Renhe Chuntian are not fulfilled (or waived, as appropriate) after 6 months upon the Qingyang Renhe Chuntian Supplement Agreement takes effect, Chengshang Holding shall have the right to terminate the Qingyang Renhe Chuntian Agreement and transactions contemplated thereunder, and any amount paid by Chengshang Holding to Grand Collection shall be returned to Chengshang Holding.

Longstop date

Unless otherwise agreed, if the condition precedents set out above are not satisfied within 6 months after the Qingyang Renhe Chuntian Agreement (as amended by the Qingyang Renhe Chuntian Supplement Agreement) having become effective, Chengshang Holding shall be entitled to terminate the Qingyang Renhe Chuntian Agreement (as amended by the Qingyang Renhe Chuntian Supplement Agreement) and any other ancillary documents in which case Grand Collection shall return all payment to Chengshang Holding.

Exclusivity

The parties have agreed that the rights of each party under the Qingyang Renhe Chuntian Agreement (as amended by the Qingyang Renhe Chuntian Supplement Agreement), whether in whole or in part, shall not be transferred or assigned in any way to any third party.

Completion

As all the conditions to Completion were satisfied and the necessary Shareholders' approval was obtained as set out in the section headed "9. Listing Rules Implications" below, the transfer of 100% equity interests in Qingyang Renhe Chuntian was completed on 25 February 2016. Chengdu Renhe Chuntian has become a wholly-owned subsidiary of the Chengshang Holding.

4. INFORMATION ON CHENGDU RENHE CHUNTIAN AND QINGYANG RENHE CHUNTIAN

(i) Chengdu Renhe Chuntian

Chengdu Renhe Chuntian is principally engaged in department store retail business, operating Renhe Chuntian Department Store Rendong Branch (仁和春天百貨有限公司人東店) at No.1, Binlong Street, Jinjiang, Chengdu (成都市錦江區賓隆街1號). It operates one department store, which commenced its operation in September 1998. Its total gross floor area is approximately 38,278 m^2. The property of the department store is self-owned. The market position of the store is a "luxury department store". It is the first luxury department store in Chengdu.

Based on the audited accounts of Chengdu Renhe Chuntian prepared based on PRC Accounting Standards for Business Enterprises, the audited net profit (before taxation) and the audited net profit (after taxation) of Chengdu Renhe Chuntian for each of the financial years ended 31 December 2014 and 2015 are as follows:

	For the year ended 31 December 2014 *RMB*	**For the year ended 31 December 2015** *RMB*
Net profit before taxation	141,716,000	109,413,000
Net profit after taxation	106,373,000	82,025,000

The audited total asset value of Chengdu Renhe Chuntian as at 31 December 2015 was approximately RMB976,823,000.

The audited consolidated financial statements of Chengdu Renhe Chuntian are set out in Appendix II to this Circular.

A valuation was conducted by the Valuer in accordance with the requirements of the CSRC. The valuation of Chengdu Renhe Chuntian constitutes a profit forecast under Rule 14.61 of the Listing Rules, and is subject to further requirements in compliance with Rules 14.62 and 14.66(2) of the Listing Rules. The Formal Valuation Report containing the valuation of Chengdu Renhe Chuntian is set out in Appecdix V of this Circular.

(ii) **Qingyang Renhe Chuntian**

Qingyang Renhe Chuntian is principally engaged in department store retail business, operating Renhe Chuntian Department Store Guanghua Branch (仁和春天百貨有限公司光華店) at No.19, 2nd Section, West 2nd Ring Road, Chengdu (成都市二環路西二段19號). It operates one department store, which commenced operation at the end of 2009. Its total gross floor area is approximately 62,498m^2. The property of the department store is self-owned. The market position of the store is a "fashion boutique store".

Based on the audited accounts of Qingyang Renhe Chuntian prepared based on PRC Accounting Standards for Business Enterprises, the audited net profit (before taxation) and the audited net profit (after taxation) of Qingyang Renhe Chuntian for each of the financial years ended 31 December 2014 and 2015 are as follows:

	For the year ended 31 December 2014 *RMB*	**For the year ended 31 December 2015** *RMB*
Net profit before taxation	215,806,000	177,838,000
Net profit after taxation	161,838,000	134,062,000

The audited total asset value of Qingyang Renhe Chuntian as at 31 December 2015 was approximately RMB561,638,000.

The audited consolidated financial statements of Qingyang Renhe Chuntian are set out in Appendix II to this Circular.

A valuation was conducted by the Valuer in accordance with the requirements of the CSRC. The valuation of Qingyang Renhe Chuntian constitutes a profit forecast under Rule 14.61 of the Listing Rules, and is subject to further requirements in compliance with Rules 14.62 and 14.66(2) of the Listing Rules. The Formal Valuation Report containing the valuation of Qingyang Renhe Chuntian is set out in Appendix V of this Circular.

5. THE FORMAL VALUATION REPORTS

The respective Formal Valuation Reports for Chengdu Renhe Chuntian and Qingyang Renhe Chuntian were finalised on 4 December 2015 and the values of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian as at 18 November 2015 were determined by the Valuer as RMB823,645,000 and RMB1,804,634,300, repsectively. Accordingly, the considerations under each of the Chengdu Renhe Chuntian Agreement (as amended by the Chengdu Renhe Chuntian Supplement Agreement) and Qingyang Renhe Chuntian Agreement (as amended by the Qingyang Renhe Chuntian Supplement) was adjusted with reference to the Formal Valuation Reports as set out under the heading "Basis of determination of the consideration" in this Circular above.

The respective Formal Valuation Reports resulted in a downward adjustment to the valuations of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian. The minor adjustments to the valuations of the Chengdu Renhe Chuntian and Qingyang Renhe Chuntian were made because unaudited accounts of each of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian were used to compile the preliminary valuation reports, while audited accounts of each of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian were used to compile the Formal Valuation Reports (from which the figures as stated in this Circular were extracted).

The Formal Valuation Reports constitute a profit forecast under Rule 14.61 of the Listing Rules. The Company had applied for, and the Stock Exchange had granted, a waiver from strict compliance with the timing requirements set out in Rule 14.62 of the Listing Rules on the condition that the Company would submit the required information to the Stock Exchange by 10 December 2015. The Company had submitted such information to the Stock Exchange on 10 December 2015.

The Formal Valuation Reports are set out in Appendix V of this Circular.

Principle assumptions in the Formal Valuation Reports

The assumptions adopted in the Formal Valuation Reports are summarised as follows:

(1) Basic assumptions

(a) Open market assumption: The appraised assets can be traded openly in the market.

(b) Going-concern assets assumption: The appraised assets will be used in consistent with their current function and method upon the completion of the present transactions.

(c) Continuing operation assumption: The entities being appraised have the bases and conditions for continuing operations.

(d) Transactional assumption: The appraised assets are in the course of transaction and the valuation is based on a simulated market, including the terms of transaction of the appraised assets.

(2) General assumptions

(a) No material changes are expected in the relevant current national laws, regulations and policies and national macroeconomic condition applicable to the industry.

(b) No material changes are expected in the economic social environment and economic development, save and except those changes known to the public.

(c) The fluctuation in the bank's interest rates and exchange rates is within a reasonable range.

(d) There are no material changes in the taxation policies that are currently in place, save and except those changes known to the public.

(e) There are no other unpredictable and force majeure factors which cause material adverse effect.

(f) There are no material changes in the appraised entities' accounting policy and auditing method following the base date of the valuations.

(g) The cash flow of the appraised entities is generated in the middle of every forecast period.

(h) No inflationary factors have been taken into account in determining the various parameters in this valuation; all prices are constant.

(i) The future development plan and operational data provided by the appraised entities to the Valuer will be materialised according to the plan.

(j) There are no material changes in the companies' mode of operation.

(3) Special assumptions

(a) In terms of the legal description or legal issues of the appraised assets (including their ownership or encumbrance limitations) in the Formal Valuation Reports, the Valuer has performed general investigation according to relevant standards. Apart from those disclosed in the Formal Valuation Reports, the ownership of the appraised assets is assumed to be in good condition and tradable in the market, not subject to any lien and easement, be unviolated and bearing no other encumbrances.

(b) In terms of the information provided by Chengshang and other parties upon which all or part of the valuation conclusions set out in the Formal Valuation Reports relies, the Valuer has only conducted independent review pursuant to the valuation procedures. The Valuer makes no representation as to the authenticity and accuracy of such information.

(c) All certificates, licenses, letters of consent or other legal or administrative authorisation documents signed or issued by relevant local and national government institutions, private organisations or groups, which are required to be employed as basis of value estimation by the users of assets in the Formal Valuation Reports, have been or could be obtained or updated at any time.

(d) The valuations are made based on the purchasing power of local currency on the base date of the valuations.

(e) All improvements on the relevant assets performed by Chengdu Renhe Chuntian and Qingyang Renhe Chuntian, respectively, comply with all the requirements of relevant laws and the regulations related to other laws, plans, or engineering codes set by relevant competent departments at higher levels.

(f) Estimations in the Formal Valuation Reports are made based on the assumption that all significant or potential factors which may affect the value analysis have been sufficiently disclosed to the Valuer by the appraised entities.

The assumptions in relation to the use of income approach in the Formal Valuation Reports are summarised as follows:

(1) General assumptions

(a) There will be no significant changes in the relevant prevailing national laws, regulations and policies as well as national macro-economic situation, and there will be no significant changes in the political, economic and social environment in the regions where the parties to the transaction are located, and there will be no material adverse impacts resulting from other unpredictable and force majeure factors.

(b) Chengdu Renhe Chuntian and Qingyang Renhe Chuntian have the basis and conditions for continuing operations, with relatively stable proportion relationship between asset operation and the income therefrom.

(c) The operators of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian are responsible and the management of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian are competent in discharging their duties.

(d) Unless otherwise stated, it is assumed that Chengdu Renhe Chuntian and Qingyang Renhe Chuntian are in full compliance with all relevant laws and regulations.

(e) It is assumed that the accounting policies adopted in the historical financial information by Chengdu Renhe Chuntian and Qingyang Renhe Chuntian are basically consistent with those adopted in the preparation of the Formal Valuation Reports in all material aspects.

(f) The future expected income of the appraised assets can be predicted and measured in currency.

(g) The risk exposure for obtaining the expected income by the owners of the assets can also be predicted and measured in currency.

(2) Special assumptions

(a) No factors of inflation have been taken into account in calculating the various parameters in this valuation; all prices are constant.

(b) There will be no significant changes in the national macro-economic policies and the basic policies relating to the industry.

(c) There will be no significant changes in the prevailing national policies in connection with bank interest rates, exchange rates and taxation.

(d) There will be no significant changes in the social and economic environment of the regions where Chengdu Renhe Chuntian and Qingyang Renhe Chuntian are located.

(e) There will be no significant changes in the accounting policy and auditing method of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian.

(f) The cash flow of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian is generated in the middle of every forecast period.

(g) The control over costs and expenses of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian can be achieved as scheduled.

(h) It is assumed that the future business scope and business model of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian will remain the same as the current situation, on the basis of its respective existing management approach and standards.

(i) It is assumed that the asset utilizing rate of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian will be effectively achieved.

(j) There will be no significant changes in the credit interest rates, exchange rates, tax bases and tax rates, and policy-based levies, etc.

(k) It is assumed that there will be no material difficulties in the recovery of receivables from sales during the term of discounting (i.e. bad debts).

(l) There will be no force majeure and unpredictable factors which cause material adverse effect to the enterprise.

(m) In the future operating period, all operation and management expenses to be incurred by the appraised entity will not differ substantially from the current basis, and will continue to maintain the same trend as the past few years and will vary with changes in operating scale simultaneously.

(n) The changes in the conditions of business structure and operation scale, etc., resulting from changes in the management, business strategies, additional investment and commercial environment have not been taken into consideration. The main business structure, income and cost composition of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian during the future business operation period as well as business strategies and cost control for its future business will maintain the same development trend as in the past few years.

To ensure the assumptions and forecast used in the Formal Valuation Reports are fair and reasonable, the Board performed due diligence by reviewing and checking all supporting documents including but not limited to the business licenses, business plans as well as the accounts of the Chengdu Renhe Chuntian and Qingyang Renhe Chuntian.

The Board also conducted discussion with Sellers in relation to the development, operation and other relevant information of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian, and engaged an independent external consultant to conduct market research and analysis on the PRC retail business industry in relation to Chengdu Renhe Chuntian and Qingyang Renhe Chuntian.

The report on acquisition of material assets dated 25 December 2015 was conducted by Shenwan Hongyuan Securites Company Limited (申萬宏源證券承銷保薦有限責任公司) ("**Shenwan Hongyuan Securites**"), an independent financial advisor to Chengshang Holding in the PRC. The report provided market and specific information in relation to the Acquisitions, such as (i) macro economy of the PRC, (ii) market trends of the retail business in the PRC, (iii) competition in the retail business in the PRC; (iv) analysis on the major competitors; (v) analysis on the business model of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian and financial projections; and (vi) applicable laws and regulations governing the retail business in the PRC for the Board to assess the feasibility of business operation and development of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian. The report presented to the Board that (i) domestic purchasing power in the PRC would increase and thus stimulating the retail business; (ii) the department stores industry had a vast number of acquisition opportunities, and expansion through acquisitions would become the developing trend; (iii) strong alliance would further enhance the comprehensive competitiveness of the Company; (iv) the effect of synergy would enhance the company's continued profitability; and (v) the Sichuan Province, which is one of the most densely populated regions, would provide great demand for retail business. Chengdu Renhe Chuntian and Qingyang Renhe Chuntian are positioned in the medium to high-end market and would provide the synergy to the Company. Through the Acquisitions, the market influence, business scale and sales channels of the Company in the southwestern region of the PRC would be enhanced. The report also highlighted several challenges and risks such as intense competition from online shopping in the PRC.

Shenwan Hongyuan Securities also analysed the valuations of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian done by the Valuer and is of the opinion that assumptions made by the Valuer are in accordance with the relevant applicable regulations and market standards in the PRC and are reasonable, and that the forecasts and valuations were done with reference to accurate and reliable data and information and are fair, appropriate and reasonable. The Board considered that Shenwan Hongyuan Securities is an independent professional firm with expertise to conduct market research and analysis in the retail business in relation to Chengdu Renhe Chuntian and Qingyang Renhe Chuntian in the PRC. The Directors considered that they have sufficient expertise and information to opine on the fairness and reasonableness on the assumptions and forecast made in the Formal Valuation Reports.

In addition to the analysis done by Shenwan Hongyuan Securities, for the assumptions and forecast relating to revenue growth, the Directors reviewed the business development of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian and the development trend of the department stores in Chengdu. In relation to the cost of principal business, the Directors reviewed the historical cost of principal business of the Chengdu Renhe Chuntian and Qingyang Renhe Chuntian and the cost figures in relation to the existing business of the Company and confirmed that that the assumptions and forecast on the cost of principal business including all the operation and management expenses to be incurred by Chengdu Renhe Chuntian and Qingyang Renhe Chuntian would not differ substantially from the current basis in terms of the percentage to revenue and would continue to maintain the same trend as in the past few years. In relation to the assumptions and forecast made on staff remuneration, the Directors reviewed the Chengdu Renhe Chuntian and Qingyang Renhe Chuntian's human resources policies, existing salaries, number of employees and growth rates of employees in the past years, as well as the detailed breakdown of such expenses (including welfare, social security and housing provident fund) and assessed the fairness based on their management experience and the market standard in the PRC. In relation to the capital expenditure, the Directors reviewed the historical figures of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian and that they were aware that the forecast figures were made on the basis of sustaining the operation of the existing business of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian and did not take into account the fixed asset investment which might be required for expanding its business operation. The Directors believe that this was consistent with the strategy of the Group in sustaining the existing business of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian during the initial few years upon Acquisitions. In relation to the discount rate applied to the forecast and projections, the Directors reviewed the analysis by Shenwan Hongyuan Securities and considered that such calculations and assumptions are made in accordance with relevant rules and market practice. The Directors therefore confirmed that they have made the forecast after due and careful enquiry and that the assumptions in the Formal Valuation Reports are fair and reasonable.

Confirmations

RSM, acting as the Company's reporting accountants, has examined the calculations of the discounted future estimated cash flows in which the Formal Valuation Reports were based.

RSM has reported to the Directors in respect of the arithmetical accuracy of the calculations of and whether the future estimated cash flows in connection with the valuations of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian prepared by the Valuer as set out in the Formal Valuation Reports so far as the calculations are concerned, have been properly compiled, in all material aspects, in accordance with the assumptions contained in the Formal Valuation Reports as stated above.

The Directors have reviewed the bases and assumptions based upon which the valuations of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian were prepared by the Valuer. After due and careful enquiry, the Directors confirmed that they considered that the valuations of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian prepared by the Valuer in the Formal Valuation Reports as fair and reasonable.

A letter from RSM dated 10 December 2015 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Directors dated 10 December 2015 in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix VI to this Circular.

6. REASONS FOR AND BENEFITS FOR THE ACQUISITIONS

The reasons and benefits for the Acquisitions are as follows:

(1) Developing synergies and lowering operating costs: Chengdu Renhe Chuntian and Qingyang Renhe Chuntian are both located in the central district of Chengdu with affluent commerce resources. Upon Completion, Chengshang will further increase its market share in Chengdu and thus its bargaining power is expected to be enhanced. In addition, Chengshang will have more initiatives in the planning and expansion of brand when marketing its products. Based on effective consolidation of the businesses and through the synergies developed, the Acquisitions help the Group to reduce its operating costs.

(2) Complementing the Group's business and increasing the Group's competitiveness: Chengdu Renhe Chuntian and Qingyang Renhe Chuntian are both principally engaged in the operation of department stores, targeting medium- to high-end markets, which can complement the existing medium-end market business of Chengshang. Through the Acquisitions, the Group will significantly enhance its market influence in the southwest region, as well as further enhance its advantages in economies of scale, commercial resources, sales channels and branding. The Acquisitions will help the Group to increase its operating scale, market share and market influence significantly in the southwest region, which in turn, can further enhance the Group's competitiveness.

The Directors (including the independent non-executive Directors) consider that the Acquisitions are fair and reasonable and in the interests of the Shareholders as a whole and are under normal commercial terms. The Directors do not have any material interest in the Chengdu Renhe Chuntian Agreement (as amended by the Chengdu Renhe Chuntian Supplement Agreement) and Qingyang Renhe Chuntian Agreement (as amended by the Qingyang Renhe Chuntian Supplement Agreement) and none of them have abstained from voting on the board resolution to approve the Chengdu Renhe Chuntian Agreement (as amended by the Chengdu Renhe Chuntian Supplement Agreement) and Qingyang Renhe Chuntian Agreement (as amended by the Qingyang Renhe Chuntian Supplement Agreement) and the transactions contemplated thereunder.

7. FINANCIAL EFFECT OF THE ACQUISITIONS

Upon Completion of the Acquisitions, Chengdu Renhe Chuntian and Qingyang Renhe Chuntian has each become a wholly-owned subsidiary of the Company and the financial results of each of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian will be consolidated into the Group's financial statements.

The unaudited pro forma consolidation statement of the Enlarged Group after completion of the Acquisitions illustrating the possible financial effects of the Acquisitions on the assets and liabilities of the Group (assuming the completion of the Acquisitions had taken place on 31 December 2015) and earnings of the Group (assuming the completion of the Acquisitions had taken place on 31 December 2015), is set out in Appendix IV to this Circular headed "Unaudited Pro Forma Financial Information of the Enlarged Group".

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this Circular, assuming that completion of the Acquisitions had taken place on 31 December 2015, (i) the consolidated total assets of the Enlarged Group would be increased from approximately RMB30,266,350,000 to approximately RMB33,750,861,000; (ii) the consolidated total liabilities of the Enlarged Group would be increased from approximately RMB21,751,342,000 to approximately RMB25,235,853,000; and (iii) the consolidated net assets of the Enlarged Group would remain at approximately RMB8,515,008,000.

Earnings

Based on the audited consolidated profit and loss statements of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian for the three years ended 2015 as set out in Appendix II to this Circular, assuming that completion of the Acquisitions had taken place on 31 December 2015, the consolidated revenue of Chengdu Renhe Chuntian was approximately RMB398,838,000, RMB337,524,000 and RMB250,130,000, respectively, and the consolidated revenue of Qingyang Renhe Chuntian was approximately RMB448,096,000, RMB441,780,000 and RMB368,947,000, respectively. The net income after tax of Chengdu Renhe Chuntian was approximately RMB115,288,000, RMB106,373,000 and RMB82,025,000, respectively, and the net income after tax of Qingyang Renhe Chuntian was approximately RMB157,609,000, RMB161,838,000 and RMB134,062,000, respectively, for each of the three years ended 2015. As such, it is expected that, after completion of the Acquisitions, Chengdu Renhe Chuntian and Qingyang Renhe Chuntian would contribute to the revenue and the results of the Enlarged Group.

8. INFORMATION ON THE PARTIES

The Company

The Company is principally engaged in the operation and management of department stores and property development in the PRC, and is a leading department store chain operator in the affluent regions throughout the PRC. Currently, the Company is focused on developing more department stores, mainly in the second- and third-tier cities and in the most economically developed regions and regions with high economic growth in the PRC.

Chengshang Holding

Chengshang Holding is a company incorporated in the PRC and is a wholly-owned subsidiary of Chengshang, which is in turn a subsidiary of the Company and a joint-stock limited company established in the PRC, whose shares are listed on the Shanghai Stock Exchange (stock code: 600828). Chengshang is principally engaged in the operation of department stores.

Renhe Industrial

Renhe Industrial is principally engaged in investment holding and operating retail stores.

Grand Collection

Grand Collection is principally engaged in investment holding.

9. LISTING RULES IMPLICATIONS

As the percentage ratios pursuant to the Listing Rules applicable to the Acquisitions referred to above exceed 25% but are less than 100%, the Acquisitions constitute a major transaction of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Acquisitions and none of the Shareholders is required to abstain from voting in favour of the resolution approving the Acquisitions. Pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval by Maoye Department Store Investment Limited, the holder of 4,200,000,000 Shares as at the date of this announcement (representing approximately 81.69% of the total issued share capital of the Company), has been obtained on 22 December 2015 in lieu of holding a general meeting of the Company to approve the Acquisitions. Accordingly, no extraordinary general meeting of the Company will be convened for the purposes of approving the Acquisitions and the transactions contemplated thereunder.

10. WAIVERS GRANTED BY THE STOCK EXCHANGE

As stated in the Announcement, in order to allow sufficient time to prepare the financial and other information to be included in this Circular, the Company would apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules which requires the circular to be despatched to the Shareholders within 15 business days after the publication of the Announcement. Such application was made and on 26 October 2015 and the Stock Exchange agreed to grant a waiver for the Company to despatch this Circular in respect of the Acquisitions by 4 December 2015. Further, in order to allow sufficient time to prepare the respective Formal Valuation Report of Chengdu Renhe Chuntian and Qingyang Renhe Chuntianand information in relation to profit forecast under Rule 14.62 of the Listing Rules, the Company applied to the Stock Exchange for a waiver from strict compliance with the timing requirement under Rule 14.62 of the Listing Rules, which requires the Company to submit the required information to the Stock Exchange no later than the date of the Announcement. On 28 October 2015, the Stock Exchange agreed to grant the waiver to allow the Company to submit the required information under Rule 14.62 to the Stock Exchange by 30 November 2015. As additional time was required to finalise the Formal Valuation Reports and associated profit forecast, the Company further applied to the Stock Exchange for and on 26 November 2015, the Stock Exchange further agreed to waive the timing requirement under Rule 14.62 if the Company would submit the required information under Rule 14.62 by 10 December 2015. Such information is included in Appendix VI to this Circular. As additional time was required to finalise this Circular, the Company further applied to the Stock Exchange for and on 27 November 2015, 28 December 2015 and 25 January 2016, the Stock Exchange further agreed to waive the timing requirement under Rule 14.41(a) if the Company would despatch the Circular by 31 December 2015, 1 February 2016 and 31 May 2016, respectively.

The Waivers were granted on the basis that the Stock Exchange may withdraw or change the terms of the Waivers if the Company's situation changed.

11. RECOMMENDATION

The Board considers that the Agreements (as amended by the Supplement Agreements), the Acquisitions and the transactions contemplated thereunder are on normal commercial terms and the terms of the Agreements (as amended by the Supplement Agreements) have been negotiated on an arm's length basis which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Had an extraordinary general meeting been convened for the approval of the Agreements (as amended by the Supplement Agreements), the Acquisitions and the transactions contemplated thereunder, the Board would have recommended the Shareholders to vote in favour of the Agreements (as amended by the Supplement Agreements), the Acquisitions and the transactions contemplated thereunder.

12. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this Circular.

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

1. INDEBTEDNESS STATEMENT

As at 30 April 2016, the Group had total outstanding interest-bearing bank loans and other borrowings of approximately RMB16,571 million, comprising secured current bank loans of approximately RMB2,767 million, unsecured current other loans of approximately RMB898 million, secured current portion of long-term bank loans of approximately RMB1,520 million, unsecured current portion of long-term bank loans of approximately RMB1,395 million, secured non-current bank loans and other loans of approximately RMB7,213 million, unsecured other loans of approximately RMB2,778 million.

As at 30 April 2016, the Group's bank loans were secured by certain land and buildings, land lease prepayments, investment properties completed properties held for sale of the Group and properties under development of the Group of approximately RMB1,472 million, RMB1,028 million, RMB29 million RMB318 million and RMB1,933 million, respectively.

As at 30 April 2016, Zhongzhao Investment Management Co., Ltd., Maoye Department Store Holdings Limited, Maoye (China) Investment Limited, Maoye Shangsha Investment Limited, Shenzhen Maoye Group, Shenzhen Xinhua Industrial Co., Limited, Maoye Commercial Co., Limtied Mr. Huang Mao Ru and Mrs. Huang Jingzhang (spouse of Mr. Huang Mao Ru) have guaranteed certain of the Group's bank loans up to RMB3,110 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, as of the Latest Practicable Date, the Group did not have any debt securities, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available financial resources and the banking facilities presently available, the Group will have sufficient working capital for its business for the next twelve months from the date of this Circular in the absence of unforeseen circumstances.

3. FINANCIAL AND TRADING PROSPECT OF THE GROUP

We are a leading department store chain operator in affluent regions throughout China. As of 31 December 2015, we operated and managed 41 stores in 17 cities in China, including 7 stores in southern China, 9 stores in southwestern China, 12 stores in eastern China and 13 stores in northern China. Our department stores primarily target at relatively well-off urban residents in China. We have positioned ourselves at the medium- to high-end segment of the retail market in China and offered a stylish and diversified merchandise mix designed to cater to the preferences of a wide range of customers.

For the years ended 31 December 2013, 2014 and 2015, our total operating revenue was RMB4,623.6 million, RMB4,400.5 million and RMB4,115.5 million, respectively, and our profit attributable to equity holders was RMB802.0 million, RMB1,365.2 million and RMB139.5 million, respectively.

The Group will continue to maintain its strategy of steady development, and plans to open new stores in regions already developed by the Company in the coming years in order to obtain larger market shares in China. Meanwhile, the Group will take effective measures to reinforce its profit-oriented operational strategy and information driven management style. We will continue to provide customers with a better quality experience with the superior Maoye brand through enhancing quality of merchandise and service level. We will also improve management of our stores by determining the key spots and deficiencies of operation through analysing precise data from our information system. Further, the Group will actively strengthen our efforts on consolidation of resources throughout the Group from areas such as store management, reserve of regional talents and supplier resources.

The following is the text of a report, prepared for the purpose of inclusion in this Circular, received from the independent reporting accountants Ernst & Young.

30 May 2016

The Board of Directors
Maoye International Holdings Limited

Dear Sirs,

We set out below our report on the financial information of Chengdu Renhe Chuntian Department Store Limited (the "Target Company") comprising the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 December 2013, 2014 and 2015 (the "Relevant Years"), and the statements of financial position of the Target Company as at 31 December 2013, 2014 and 2015, together with the notes thereto (the "Financial Information"), prepared on the basis of preparation set out in note 2.1 of Section II below, for inclusion in the circular of Maoye International Holdings Limited dated 30 May 2016 (the "Circular") in connection with the proposed acquisition of the Target Company.

The Target Company was established in the People's Republic of China (the "PRC") with limited liability on 29 October 1997. The principal activities of the Target Company during the Relevant Years were the operation and management of department stores in the PRC.

The statutory financial statements of the Target Company were prepared in accordance with the relevant accounting principles applicable to the Target Company in the jurisdiction in which it was incorporated.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the financial statements of the Target Company (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2013, 2014 and 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement,whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the Target Company as at 31 December 2013, 2014 and 2015 and the financial performance and cash flows of the Target Company for each of the Relevant Years.

I FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	Notes	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	4	398,838	337,524	250,130
Other income	5	89,912	93,351	84,600
Total operating revenue		488,750	430,875	334,730
Cost of sales	6	(124,056)	(111,458)	(85,713)
Employee expenses	7	(30,002)	(28,164)	(26,401)
Depreciation and amortisation		(63,000)	(41,794)	(33,242)
Operating lease rental expenses	8	(8,443)	(9,662)	(8,613)
Other operating expenses	9	(67,956)	(62,799)	(46,392)
Other gains and losses	10	(780)	(94)	(415)
Operating profit		194,513	176,904	133,954
Finance costs	11	(40,278)	(34,764)	(24,885)
Share of profits and losses of a joint venture		—	(424)	344
PROFIT BEFORE TAX		154,235	141,716	109,413
Income tax expense	12	(38,947)	(35,343)	(27,388)
PROFIT FOR THE YEAR		115,288	106,373	82,025
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Available-for-sale equity investments:				
Change in fair value		22	76	(82)
Income tax effect		(6)	(18)	20
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		16	58	(62)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		115,304	106,431	81,963

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	16	182,616	145,200	121,523
Land lease prepayments	18	116,284	110,956	105,630
Investment in a joint venture	19	50,000	49,576	—
Available-for-sale equity investments		306	382	—
Loans and receivables	20	128,227	330,753	—
Total non-current assets		477,433	636,867	227,153
CURRENT ASSETS				
Inventories	21	27,325	23,791	23,358
Trade receivables	22	1,197	2,074	54
Loans and receivables	20	353,024	317,173	488,017
Prepayments and other receivables	23	65,669	26,922	23,231
Due from related parties	32(b)	420,706	291,983	180,076
Cash and cash equivalents	24	177,549	105,877	11,934
Other current assets	25	—	—	23,000
Total current assets		1,045,470	767,820	749,670
CURRENT LIABILITIES				
Trade and bills payables	26	197,894	160,154	105,789
Deposits received, accruals and other payables	27	355,293	226,036	362,178
Interest-bearing bank loans	28	67,500	63,300	61,600
Due to related parties	32(b)	147	5,628	72,459
Tax payable		8,826	13,176	22,704
Total current liabilities		629,660	468,294	624,730
NET CURRENT ASSETS		415,810	299,526	124,940
TOTAL ASSETS LESS CURRENT LIABILITIES		893,243	936,393	352,093

		As at 31 December		
	Notes	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Interest-bearing bank loans	28	432,500	369,200	263,000
Deferred tax liabilities		2	21	—
Total non-current liabilities		432,502	369,221	263,000
Net assets		460,741	567,172	89,093
EQUITY				
Equity attributable to owners of the parent				
Paid-in capital	29	40,000	40,000	40,000
Other reserve		420,741	527,172	49,093
Total equity		460,741	567,172	89,093

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Reserve funds*	Available-for-sale equity investment revaluation reserve*	Retained profits*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 29)				
At 31 December 2012 and at 1 January 2013	50,000	15,489	(12)	289,960	355,437
Profit for the year	—	—	—	115,288	115,288
Other comprehensive income for the year:					
Change in fair value of available-for-sale equity investments	—	—	22	—	22
Tax effect of components of other comprehensive income	—	—	(6)	—	(6)
Total comprehensive income for the year	—	—	16	115,288	115,304
Profit appropriated to reserve	—	4,511	—	(4,511)	—
Return of capital	(10,000)	—	—	—	(10,000)
At 31 December 2013	40,000	20,000	4	400,737	460,741
At 31 December 2013 and at 1 January 2014	40,000	20,000	4	400,737	460,741
Profit for the year	—	—	—	106,373	106,373
Other comprehensive income for the year:					
Change in fair value of available-for-sale equity investments	—	—	76	—	76
Tax effect of components of other comprehensive income	—	—	(18)	—	(18)
Total comprehensive income for the year	—	—	58	106,373	106,431
At 31 December 2014	40,000	20,000	62	507,110	567,172

	Paid-in capital	Reserve funds*	Available-for-sale equity investment revaluation reserve*	Retained profits*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 29)				
At 31 December 2014 and at 1 January 2015	40,000	20,000	62	507,110	567,172
Profit for the year	—	—	—	82,025	82,025
Other comprehensive income for the year:					
Change in fair value of available-for-sale equity investments	—	—	(82)	—	(82)
Tax effect of components of other comprehensive income	—	—	20	—	20
Total comprehensive income for the year	—	—	(62)	82,025	81,963
Final dividend paid	—	—	—	(478,722)	(478,722)
Interim dividend paid	—	—	—	(81,320)	(81,320)
At 31 December 2015	40,000	20,000	—	29,093	89,093

* These reserve accounts comprise the other reserves of RMB420,741,000, RMB527,172,000 and RMB49,093,000 as at 31 December 2013, 2014 and 2015 respectively.

STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2013	2014	2015
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		154,235	141,716	109,413
Adjustments for:				
Interest income	5	(31,633)	(35,506)	(33,298)
Depreciation and amortisation		63,000	41,794	33,242
Loss on disposal of items of property, plant and equipment	10	140	13	660
Finance costs	11	40,278	34,764	24,885
Gain on disposal of available-for-sale equity investments	10	—	—	(174)
Gain on disposal of a joint venture	10	—	—	(80)
Share of profits and losses of a joint venture		—	424	(344)
		226,020	183,205	134,304
Decrease/(increase) in inventories		(84)	3,534	433
Decrease/(increase) in trade receivables		3,775	(877)	2,020
Decrease in prepayments and other receivables		4,340	38,743	3,691
Decrease/(increase) in amounts due from related parties		106,726	128,723	(155,067)
Decrease/(increase) in loans and receivables		(64,183)	(166,675)	198,023
Increase/(decrease) in trade and bills payables		19,213	(37,740)	(54,365)
Decrease in deposits received, accruals and other payables		(60,042)	(129,256)	(99,289)
Increase in amounts due to related parties		147	5,481	3,237
Cash generated from operations		235,912	25,138	32,987
Interest received		31,633	35,506	1,139
PRC taxes paid		(40,448)	(30,988)	(17,860)
Net cash flows from operating activities		227,097	29,656	16,266

		Year ended 31 December		
		2013	2014	2015
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(3,076)	(626)	(5,077)
Proceeds from disposal of items of property, plant and equipment		(4)	1,562	179
Proceeds from disposal of available-for-sale equity investments		—	—	474
Proceeds from disposal of a joint venture		—	—	50,000
Purchase of other current assets		—	—	(23,000)
Net cash flows from/(used in) investing activities		(3,080)	936	22,576
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of bank loans		(60,000)	(67,500)	(107,900)
Interest paid	11	(40,278)	(34,764)	(24,885)
Net cash flows used in financing activities		(100,278)	(102,264)	(132,785)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		123,739	(71,672)	(93,943)
Cash and cash equivalents at beginning of year		53,810	177,549	105,877
CASH AND CASH EQUIVALENTS AT END OF YEAR		177,549	105,877	11,934
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		177,549	105,877	11,934
Cash and cash equivalents as stated in the statements of cash flows		177,549	105,877	11,934

II NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited liability company established in the People's Republic of China (the "PRC") on 29 October 1997. The Target Company's registered office is located at No.1 Binlong Street, Chengdu, Sichuan Province, the PRC.

The Target Company is principally engaged in the operation and management of department stores in the PRC.

In the opinion of the Director, the immediate holding company and ultimate holding company of the Target Company is Chengdu Renhe (Real Industrial) Group Ltd. ("Renhe Group").

The statutory financial statements for the year ended 31 December 2013 and 2014 prepared by the Target Company under PRC Generally Accepted Accounting Principles were audited by Ruihua Certified Public Accountants (瑞華會計師事務所), a certified public accountants registered in the PRC.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and the International Accounting Standards and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee.

The Financial Information has been prepared under the historical cost convention, except for listed equity investments which have been measured at fair value. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]

IFRS 14	*Regulatory Deferral Accounts*[3]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

Further information about those IFRSs that are expected to be applicable to the Target Company is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Target Company expects to adopt IFRS 9 from 1 January 2018.During 2015, the Target Company performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Target Company in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) **Classification and measurement**

The Target Company does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Target Company expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) **Impairment**

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Target Company expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Target Company will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

The 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 amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Target Company upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Target Company expects to adopt IFRS 15 on 1 January 2018. During the year ended 31 December 2015, the Group performed a preliminary assessment on the impact of the adoption of IFRS 15.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and other comprehensive income. The Target Company expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Target Company's financial statements.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Target Company upon adoption on 1 January 2016 as the Target Company has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Target Company's investment in a joint venture is stated in the statement of financial position at the Target Company's share of net assets under the equity method of accounting, less any impairment losses.

The Target Company's share of the post-acquisition results and other comprehensive income of the joint venture is included in the statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Target Company recognises its share of any changes, when applicable, in the statement of changes in equity.

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal company classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and residual values used for this purpose are as follows:

	Estimated useful lives	**Residual values**
Land and buildings	10 - 40 years	5 - 10 %
Machinery and equipment	5 - 10 years	5 - 10 %
Motor vehicles	5 - 8 years	5 - 10 %
Furniture, fittings and other equipment	5 - 12 years	5 - 10 %
Leasehold improvements	5 - 10 years	—

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents properties under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment property

Investment property is an interest in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs, less accumulated depreciation and any impairment losses. Depreciation is calculated on the straight-line basis over the estimated useful lives ranging from 10 to 25 years.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the period of the retirement or disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes. If an item of property, plant and equipment becomes an investment property because its use has changed, the carrying amount of this item at the date of transfer is recognised as the cost of an investment property for accounting purposes. Property being constructed or developed for future as an investment property is classified as an investment property.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessor, assets leased by the Target Company under operating leases are included in non-current assets, and rentals receivable under operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Target Company is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Land lease prepayments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

When a building is constructed on land that is leased under an operating lease, the operating lease costs that are incurred during the construction period are capitalised as part of the construction cost of the building.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other gains and losses and negative net changes in fair value presented as finance costs in the statement of comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under IAS 39 are satisfied.

The Target Company evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Target Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Target Company may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated as at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other gains and losses in the statement of comprehensive income. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised in other comprehensive income in the available-for-sale equity investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale equity investment revaluation reserve to profit or loss in other gains and losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Target Company evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Target Company is unable to trade these financial assets due to inactive markets, the Target Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statement of financial position) when:

— the rights to receive cash flows from the asset have expired; or

— the Target Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

Impairment of financial assets

The Target Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in profit or loss continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Target Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgements. In making this judgement, the Target Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade and other payables, amounts due to related parties and interest-bearing loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by the Target Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at their fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Target Company measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the reporting date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories comprise merchandise purchased for resale and are stated at the lower of cost and net realisable value. Cost of merchandise is determined on the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less variable selling expenses.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

Coupon liabilities

Coupon liabilities are recognised based on the fair value of bonus points or coupons granted to customers in accordance with the announced bonus point scheme and the Target Company's past experience on the level of redemption of coupons and are recorded in other payables. The revenue of the Target Company is deducted when the coupon liabilities are recognised.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Target Company operates.

Deferred tax is provided, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Target Company and the revenue can be reliably measured, on the following bases:

(a) commissions from concessionaire sales are recognised upon the sale of merchandise by the relevant concessionaires;

(b) direct sales of merchandise and sales of properties are recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the merchandise or properties sold;

(c) rental income is recognised on the straight-line basis over the lease terms;

(d) management fee income from the operation of department stores is recognised when management services are rendered;

(e) administration and management fee income, promotion income and credit card handling fees from suppliers and concessionaires are recognised when management services are rendered;

(f) interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset;and

(g) dividend income is recognised when the shareholders' right to receive payment has been established.

Retirement benefits

The employees of the Target Company are covered by government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Target Company contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Target Company has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 6.57% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Interim dividends are simultaneously proposed and declared, because the Target Company's memorandum and articles of association grant the director the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Company's financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Target Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial information:

- *Operating lease commitments — Target Company as lessor*

The Target Company has entered into commercial property leases on its investment property portfolio. The Target Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The assumptions and estimates are based on parameters available when the financial information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Target Company. Such changes are reflected in the assumptions when they occur.

- *Useful lives of property, plant and equipment*

The Target Company determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

- *Impairment of available-for-sale financial assets*

The Target Company classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in profit or loss.

- *Deferred tax assets*

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

- *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. The estimate is based on the current market conditions and the historical experience of selling merchandise of a similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The Target Company reassesses these estimates at the end of the reporting period.

- *Impairment of trade receivables, other receivables and amounts due from related parties*

The Target Company estimates the provisions for impairment of trade receivables, other receivables and amounts due from related parties by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Provisions are applied to trade receivables, other receivables and amounts due from related parties where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, the difference will affect the carrying amount of trade receivables, other receivables and amounts due from related parties and thus the impairment loss in the period in which the estimate is changed. The Target Company reassesses the provisions at the end of the reporting period.

4. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Commissions from concessionaire sales	206,920	170,736	119,300
Direct sales	152,113	137,140	108,186
Rental income from the leasing of shop premises	5,988	5,901	4,435
Rental income from investment properties	3,781	—	—
Management fee income from the operation of department stores	6,059	3,415	2,177
Catering	23,977	20,332	16,032
	398,838	337,524	250,130

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

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Total sales proceeds from concessionaire sales	1,284,382	1,066,617	694,225
Commissions from concessionaire sales	206,920	170,736	119,300

Commission income of top-5 cooperations from concessionaire sales

	31 December 2013
	RMB'000
Gucci (China) Co., Ltd. (古馳(中國)貿易有限公司)	10,482
Linmara (Shanghai) Trading Co., Ltd. (琳瑪(上海)貿易有限公司)	8,821
Chongqing Fuminggao Watch Co., Ltd. (重慶富明高鐘錶有限公司)	7,574
Burberry (Shanghai) Trading Co., Ltd. (博柏利(上海)貿易有限公司)	5,503
Shenzhen Zhenqiao Garment Co., Ltd. (深圳臻喬時裝有限公司)	4,498
Total	36,878

	31 December 2014
	RMB'000
Gucci (China) Co., Ltd. (古馳(中國)貿易有限公司)	8,437
Linmara (Shanghai) Trading Co., Ltd. (琳瑪(上海)貿易有限公司)	8,434
Chongqing Fuminggao Watch Co., Ltd. (重慶富明高鐘錶有限公司)	5,976
Shenzhen Marisfrolg Garment Co., Ltd. (深圳瑪絲菲爾時裝股份有限公司)	4,439
Burberry (Shanghai) Trading Co., Ltd. (博柏利(上海)貿易有限公司)	3,571
Total	30,857

	31 December 2015
	RMB'000
Linmara (Shanghai) Trading Co., Ltd. (琳瑪(上海)貿易有限公司)	6,065
Gucci (China) Co., Ltd. (古馳(中國)貿易有限公司)	4,529
Shenzhen Marisfrolg Garment Co., Ltd. (深圳瑪絲菲爾時裝股份有限公司)	4,174
Chongqing Fuminggao Watch Co., Ltd. (重慶富明高鐘錶有限公司)	3,417
Zhejiang Hanbo Garment Marketing Management Co., Ltd. (浙江漢帛服飾營銷管理有限公司)	2,779
Total	20,964

5. OTHER INCOME

	Year ended 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Income from suppliers and concessionaires			
- Administration	23,415	22,624	17,310
- Management fee income	20,520	23,863	27,255
- Credit card handling fees	14,331	11,358	6,737
Interest income	31,633	35,506	33,298
Others	13	—	—
	89,912	93,351	84,600

6. COST OF SALES

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Purchases of and changes in inventories	116,571	105,168	80,375
Catering cost	7,485	6,290	5,338
	124,056	111,458	85,713

7. EMPLOYEE EXPENSES

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Wages and salaries	26,549	25,128	24,248
Retirement benefits	2,200	1,929	1,453
Other employee benefits	1,253	1,107	700
	30,002	28,164	26,401

8. OPERATING LEASE RENTAL EXPENSES

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Operating lease rental expenses	8,443	9,662	8,613

9. OTHER OPERATING EXPENSES

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Utility expenses	10,540	9,602	8,754
Promotion and advertising expenses	10,643	8,795	6,555
Repair and maintenance expenses	6,225	10,917	3,545
Entertainment expenses	366	388	318
Office expenses	3,405	3,257	3,383
Other tax expenses	22,723	19,047	12,480
Professional service fees	616	1,236	862
Bank charges	10,630	7,109	5,772
Property management fee	12	21	2,495
Transportation cost	693	711	750
Others	2,103	1,716	1,478
	67,956	62,799	46,392

10. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Loss on disposal of items of property, plant and equipment	(140)	(13)	(660)
Government grants	1,500	—	—
Donations	(2,413)	(32)	—
Gain on disposal of a joint venture	—	—	80
Gain on disposal of available-for-sale equity investments	—	—	174
Others	273	(49)	(9)
	(780)	(94)	(415)

11. FINANCE COSTS

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Total interest expense on financial liabilities not at fair value through profit or loss	40,278	34,764	24,885
	40,278	34,764	24,885

12. INCOME TAX EXPENSE

The Target Company is subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which the Target Company is domiciled and operates.

Under the relevant PRC income tax law, the Target Company is subject to corporate income tax ("CIT") at a statutory rate of 25% on its taxable income.

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current — CIT	38,947	35,343	27,388
Total tax charge for the year	38,947	35,343	27,388

A reconciliation of tax expense applicable to profit before tax using the statutory income tax rate for the jurisdiction in which the Target Company is domiciled to tax expense at the effective income tax rate for the Relevant Years, and a reconciliation of the statutory tax rate to the effective tax rate, are as follows:

	Year ended 31 December					
	2013		**2014**		**2015**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	154,235		141,716		109,413	
Income tax at the statutory tax rate	38,559	25	35,429	25	27,353	25
Expenses not deductible for tax	37	—	—	—	32	—
Others	351	—	(86)	—	3	—
Tax charge at the Target Company's effective rate	38,947	25	35,343	25	27,388	25

13. DIRECTORS' REMUNERATION

The Target Company had one director during the Relevant Years. Mr Chen Liren was appointed as the executive director of the Target Company on 20 September 1997.

The director did not receive any fees or emoluments in respect of his service rendered to the Target Company during the Relevant Years.

14. FIVE HIGHEST PAID EMPLOYEES

None of the five highest paid employees of the Target Company during the Relevant Years were directors. Details of the remuneration of the five highest paid employees for the Relevant Years are as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowances	829	870	1,626
Retirement benefits	111	113	118
	940	983	1,744

Remuneration of each of the non-director highest paid employees, for each of the Relevant Years, was less than RMB1,000,000.

15. DIVIDENDS

The dividends issued to its then shareholders at the end of the year ended 31 December 2015 amounted to RMB560,042,000.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture, fittings and other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2013							
At 1 January 2013:							
Cost	152,681	46,966	15,255	6,428	153,010	260	374,600
Accumulated depreciation	(34,101)	(14,727)	(8,742)	(4,595)	(75,222)	—	(137,387)
Net carrying amount	118,580	32,239	6,513	1,833	77,788	260	237,213
At 1 January 2013, net of accumulated depreciation	118,580	32,239	6,513	1,833	77,788	260	237,213
Additions	—	173	113	95	—	2,695	3,076
Transfer from construction in progress	—	—	—	—	2,695	(2,695)	—
Disposals	—	(56)	(3,778)	(80)	—	—	(3,914)
Depreciation provided during the year	(6,849)	(4,933)	(1,210)	(983)	(39,784)	—	(53,759)
At 31 December 2013, net of accumulated depreciation	111,731	27,423	1,638	865	40,699	260	182,616
At 31 December 2013:							
Cost	152,681	45,341	6,826	4,858	155,705	260	365,671
Accumulated depreciation	(40,950)	(17,918)	(5,188)	(3,993)	(115,006)	—	(183,055)
Net carrying amount	111,731	27,423	1,638	865	40,699	260	182,616

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture, fittings and other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014							
At 1 January 2014:							
Cost	152,681	45,341	6,826	4,858	155,705	260	365,671
Accumulated depreciation	(40,950)	(17,918)	(5,188)	(3,993)	(115,006)	—	(183,055)
Net carrying amount	111,731	27,423	1,638	865	40,699	260	182,616
At 1 January 2014, net of accumulated depreciation:	111,731	27,423	1,638	865	40,699	260	182,616
Additions	—	132	58	343	—	93	626
Transfer from construction in progress	—	—	—	—	286	(286)	—
Disposals	—	(13)	—	(24)	(1,538)	—	(1,575)
Depreciation provided during the year	(6,850)	(4,515)	(587)	(749)	(23,766)	—	(36,467)
At 31 December 2014, net of accumulated depreciation	104,881	23,027	1,109	435	15,681	67	145,200
At 31 December 2014:							
Cost	152,681	45,418	6,884	4,777	154,453	67	364,280
Accumulated depreciation	(47,800)	(22,391)	(5,775)	(4,342)	(138,772)	—	(219,080)
Net carrying amount	104,881	23,027	1,109	435	15,681	67	145,200

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture, fittings and other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2015							
At 1 January 2015:							
Cost	152,681	45,418	6,884	4,777	154,453	67	364,280
Accumulated depreciation	(47,800)	(22,391)	(5,775)	(4,342)	(138,772)	—	(219,080)
Net carrying amount	104,881	23,027	1,109	435	15,681	67	145,200
At 1 January 2015, net of accumulated depreciation:	104,881	23,027	1,109	435	15,681	67	145,200
Additions	—	—	—	348	—	4,729	5,077
Disposal	—	(690)	(134)	(15)	—	—	(839)
Transfer from construction in progress	—	—	—	—	2,393	(2,393)	—
Depreciation provided during the period	(6,849)	(3,787)	(466)	(264)	(16,549)	—	(27,915)
At 31 December 2015, net of accumulated depreciation	98,032	18,550	509	504	1,525	2,403	121,523
At 31 December 2015:							
Cost	152,681	44,027	4,235	4,707	156,846	2,403	364,899
Accumulated depreciation	(54,649)	(25,477)	(3,726)	(4,203)	(155,321)	—	(243,376)
Net carrying amount	98,032	18,550	509	504	1,525	2,403	121,523

The Target Company's land and buildings are held under medium term leases and are situated in Mainland China. Details of the Target Company's land and buildings pledged to secure the Target Company's interest-bearing bank loans are set out in note 28.

17. INVESTMENT PROPERTY

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Cost at 1 January, net of accumulated amortisation	90,031	—	—
Disposal to a related party	(87,619)	—	—
Amortisation provided during the year	(2,412)	—	—
Cost	—	—	—
Accumulated depreciation	—	—	—
Net carrying amount	—	—	—

The Target Company's investment property is held under medium term leases and is situated in Mainland China. The investment property is leased to third parties under operating leases.

18. LAND LEASE PREPAYMENTS

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Cost at 1 January, net of accumulated amortisation	223,442	121,610	116,283
Disposal to a related party	(95,003)	—	—
Amortisation provided during the year	(6,829)	(5,327)	(5,327)
Carrying amount at the end of the year	121,610	116,283	110,956
Current portion included in prepayments and other receivables	(5,326)	(5,327)	(5,326)
Non-current portion	116,284	110,956	105,630

Details of the Target Company's land lease prepayments pledged to secure the Target Company's interest-bearing bank loans are set out in note 28.

19. INVESTMENT IN A JOINT VENTURE

	As at 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investment, at cost	50,000	50,000	—
Share of net assets	—	(424)	—
	50,000	49,576	—

Particulars of the joint venture as at 31 December 2013 and 2014 are as follows:

Name	Particulars of issued shares held	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Chengdu Renhe Investment Ltd. ("Renhe Investment")	Ordinary shares of RMB1 each	PRC/ Mainland China	50.00%	50.00%	50.00%	Retail industry/ real estate investment

Renhe Investment is directly held by the Target Company, acts as the Target Company's investment channel for investing in real estate projects and is accounted for using the equity method. On 17 July 2015, the Target Company signed and completed an agreement with Renhe Group to transfer 100% of the share of its joint venture at a consideration of RMB50,000,000.

20. LOANS AND RECEIVABLES

Pursuant to an agreement between Chengdu Renhe investment Co., Ltd. ("Renhe investment") (成都仁和投資有限公司), the fellow subsidiary of the Target Company since 17 July 2015, and the Target Company, the Target Company borrowed bank loans in an aggregate amount of RMB310,097,000 for use by Renhe Investment for its property development business. The loan principal and loan interest with the annual interest rate floating by 10% over the five or more year's bank loan interest in the corresponding period, ranging from 6.490% to 7.205%, shall be repaid by Renhe investment on demand of the Target Company. The non-current loans and receivables at 31 December 2013 and 2014 amounted to RMB42,035,000, RMB239,579,000 respectively, and the current loans and receivables at 31 December 2013, 2014 and 2015 were RMB353,024,000, RMB317,173,000 and RMB410,078,000, respectively.

According to another agreement between Renhe Investment, the fellow subsidiary of the Target Company, and the Target Company signed on 1 November 2011, the Target Company agreed to provide a loan to Renhe Investment with an amount of RMB75,000,000 with annual interest rates ranging from

6.16% to 8.12%. The loan along with the accumulated interest shall be repaid by Renhe Investment on demand of the Target Company within 5 years since 1 November 2011. The non-current loans and receivables at 31 December 2013 and 2014 amounted to RMB86,192,000, RMB91,174,000, respectively, and the current loans and receivables at 31 December 2015 were RMB77,939,000, respectively.

The non-current loans and receivables at 31 December 2013 and 2014 amounted to RMB128,227,000, RMB330,753,000 respectively. The current loans and receivables at 31 December 2013, 2014 and 2015 were RMB353,024,000, RMB317,173,000 and RMB488,017,000, respectively.

According to the supplemented agreement signed on 30 June 2015, Renhe Investment agreed to offer an early settlement on 30 June 2016 of all the loans and interest due to the Target Company as at 30 June 2015, with an amount of RMB471,899,000.

21. INVENTORIES

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Merchandise for resale	27,325	23,791	23,358
	27,325	23,791	23,358

22. TRADE RECEIVABLES

The Target Company seeks to maintain strict control over its outstanding receivables and to minimise credit risk. In view of the aforementioned and the fact that the Target Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of each of the Relevant Years, based on the contract date and net of provision, is as follows:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within 60 days	1,197	2,074	54
Impairment of trade receivables	—	—	—
	1,197	2,074	54

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

23. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Prepayments	26,381	22,209	18,401
Other receivables	39,288	4,713	4,830
	65,669	26,922	23,231
Impairment of other receivables	—	—	—
	65,669	26,922	23,231

The carrying amounts of the other receivables that were neither past due nor impaired relate to other debtors for whom there was no recent history of default.

24. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	177,549	105,877	11,934
Cash and cash equivalents	177,549	105,877	11,934

25. OTHER CURRENT ASSETS

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Financial products	—	—	23,000
	—	—	23,000

The Target Company purchased portfolio financial products from the commercial bank during the Relevant years. The carrying amount of these products at 31 December 2015 was RMB23,000,000.

26. TRADE AND BILLS PAYABLES

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

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	195,531	158,416	98,099
91 to 180 days	—	—	3,437
181 to 360 days	—	—	722
Over 360 days	2,363	1,738	3,531
	197,894	160,154	105,789

The trade payables are non-interest-bearing and are normally settled within 180 days.

27. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Deferred income	276,628	160,878	300,594
Minimum deposit of concessionaire sales	25,625	25,982	25,689
Deposits received	14,650	14,735	13,106
Accrued liabilities	—	518	703
Accrued staff costs	3,845	2,912	1,896
Provision for coupon liabilities	351	329	85
Value-added tax and other tax payables	2,506	(2,550)	3,950
Other payables	31,688	23,232	16,155
	355,293	226,036	362,178

28. INTEREST-BEARING BANK LOANS

	As at 31 December								
	2013			2014			2015		
	Effective interest rate	*Maturity*	*RMB'000*	*Effective interest rate*	*Maturity*	*RMB'000*	*Effective interest rate*	*Maturity*	*RMB'000*
Current									
Bank loans - secured	7.21%	2014	67,500	7.21%	2015	63,300	5.94%	2014	61,600
Non-current									
Bank loans - secured	7.21%	2022	432,500	7.21%	2022	369,200	5.94%	2022	263,000
			500,000			432,500			324,600

As at 31 December 2013, 2014 and 2015, the Target Company's bank loans amounting to RMB500,000,000, RMB432,500,000 and RMB324,600,000, respectively, were secured by certain of the Target Company's land and buildings with net book values of RMB111,670,000, RMB104,821,000, RMB97,972,000, respectively, as well as by the Target Company's land lease prepayments with net book values of RMB121,610,000, RMB116,283 and RMB110,956,000, respectively. The Target Company's bank loans as at 31 December 2013, 2014 and 2015 were also secured by the plant and properties of Chengdu Renhe Hotel Management Co., Ltd. ("Renhe Hotel") (成都仁和酒店管理有限公司), a fellow subsidiary of the Target Company, and the guaranteed amount was within RMB166,410,000.

29. PAID-IN CAPITAL

	As at 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Authorised	40,000	40,000	40,000
Issued and fully paid	40,000	40,000	40,000

	Paid-in capital	Total
	RMB'000	*RMB'000*
At 1 January 2013	50,000	50,000
Return of capital*	(10,000)	(10,000)
At 31 December 2013	40,000	40,000
At 1 January 2014	40,000	40,000
At 31 December 2014	40,000	40,000
At 1 January 2015	40,000	40,000
At 31 December 2015	40,000	40,000

* The Target Company completed the registration for the change in registered and paid-in capital with the industrial and commercial bureau on 13 July 2013 as for the return of capital in 2013.

30. OPERATING LEASE ARRANGEMENTS

(i) As lessor

The Target Company subleases its leased assets under operating lease arrangements, with leases negotiated for terms ranging from one to fourteen years.

As at the end of each of the Relevant Years, the Target Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Within one year	2,702	2,213	1,377
In the second to fifth years, inclusive	6,835	3,452	4,675
After five years	1,792	—	—
	11,329	5,665	6,052

(ii) **As lessee**

As at the end of each of the Relevant Years, the Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	4,299	4,335	6,801
In the second to fifth years, inclusive	9,673	5,374	2,613
	13,972	9,709	9,414

31. CAPITAL COMMITMENTS

The Target Company had the following commitments at the end of each of the Relevant Years:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Contracted	—	559	862
	—	559	862

32. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Save as disclosed elsewhere in the Financial Information, the Target Company had the following transactions with related parties during the Relevant Years:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Non-recurring transactions			
Loan and receivable to:			
Chengdu Renhe Investment Co., Ltd. (i)	34,000	855,010	146,050
Loan and receivable repayment from:			
Chengdu Renhe Investment Co., Ltd. (i)	—	705,870	344,073
Interest charged to:			
Chengdu Renhe Investment Co., Ltd. (i)	30,183	33,709	32,158
Disposal of investment property to:			
Chengdu Renhe Hotel Management Co., Ltd. (ii)	87,619	—	—
Disposal of property, plant and equipment to:			
Chengdu Renhe Hotel Management Co., Ltd. (ii)	3,778	—	—
Disposal of other long-term assets to:			
Chengdu Renhe Hotel Management Co., Ltd. (ii)	5,431	—	—
Disposal of land lease prepayments to:			
Chengdu Renhe Hotel Management Co., Ltd. (ii)	95,003	—	—
Property management service received from:			
Chengdu Renhe Chuntian Property Management Co., Ltd. (iii)	—	—	2,474

(i) The Target Company provided loans to Renhe Investment during the Relevant Years. Further details are given in note 20.

(ii) The Target Company disposed of investment properties, plant and equipment, as well as other long term assets to Renhe Hotel, the fellow subsidiary of the Target Company during the year ended 31 December 2013 using the carrying amount as the consideration.

(iii) The Target Company signed a property services agreement with Chengdu Renhe Chuntian Property Management Co., Ltd. in 2015, and has received property management service From 1 June 2015.

(b) Outstanding balances with related parties are as follows:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Due from related parties:			
Due from fellow subsidiaries	180,075	180,084	180,076
Due from the immediate holding company	160,862	111,899	—
Due from a company significantly influenced by a director of the Target Company	79,769	—	—
	420,706	291,983	180,076
Due to related parties:			
Due to a fellow subsidiary	147	—	—
Due to the immediate holding company	—	—	69,222
Due to a company significantly influenced by a director of the Target Company	—	5,628	3,237
	147	5,628	72,459

Included in the balances due from related parties amounted to approximately RMB420,706,000, RMB291,983,000 and RMB180,086,000 as at 31 December 2013, 2014 and 2015, respectively. Included in the balances due to related parties amounted to approximately RMB147,000, RMB5,628,000 and RMB72,459,000, as at 31 December 2013, 2014 and 2015, respectively. The balances above are trade in nature, unsecured, interest-free and have no fixed terms of repayment. The remaining balances with the fellow subsidiaries and other related parties are non-trade in nature, unsecured and repayable on demand.

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

(c) Compensation of key management personnel:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowances	829	870	1,626
Retirement benefits	111	113	118
	940	983	1,744

(d) Other transactions with related parties

As at 31 December 2013, 2014 and 2015, the Target Company's bank loans amounting to RMB500,000,000, RMB432,500,000 and RMB324,600,000, respectively, were secured by the plant and properties of Renhe hotel, the fellow subsidiary of the Target Company, the guaranteed amount was within RMB166,410,000.

During the year ended 31 December 2014, the Target Company has a provided joint guarantee for Renhe Investment's debts owing to certain creditors (the "Creditors") under the residence return agreements (房屋返遷協議) (the "Agreements"). Pursuant to the Agreements, Renhe Investment should return the newly built residence to the creditors with the agreed building area, and Renhe Investment should also pay the agreed compensation to the creditors per month from the date Renhe Investment send the removal notice to the date the returned residences of Renhe Investment are delivered to and accepted by the creditors. On 1 April 2015, the Creditors signed new residence return agreements (the "New Agreements") with Renhe Investment and Renhe Group which stated that Renhe Group is the only party which provides guarantee for Renhe Investment's debts owing to the creditors, and they announced later in September 2015 to the government department related to old city renewal that the New Agreements were executed and the Agreements were cancelled, therefore, at 31 December 2015, the guarantee provided by the Target Company was terminated.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Target Company as at the end of each of the Relevant Years are as follows:

31 December 2013

Financial assets	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale equity investments	—	306	306
Trade receivables	1,197	—	1,197
Prepayments and other receivables	65,669	—	65,669
Due from related parties	420,706	—	420,706
Cash and cash equivalents	177,549	—	177,549
Loans and receivables	481,251	—	481,251
	1,146,372	306	1,146,678

31 December 2014

Financial assets	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale equity investments	—	382	382
Trade receivables	2,074	—	2,074
Prepayments and other receivables	26,922	—	26,922
Due from related parties	291,983	—	291,983
Cash and cash equivalents	105,877	—	105,877
Loans and receivables	647,926	—	647,926
	1,074,782	382	1,075,164

31 December 2015

Financial assets	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	54	—	54
Prepayments and other receivables	23,231	—	23,231
Due from related parties	180,076	—	180,076
Cash and cash equivalents	11,934	—	11,934
Loans and receivables	488,017	—	488,017
Other current assets	23,000	—	23,000
	726,312	—	726,312

Financial liabilities at amortised cost	**As at 31 December**		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	197,894	160,154	105,789
Financial liabilities included in other payables and accruals	355,293	226,036	362,178
Due to related parties	147	5,628	72,459
Interest-bearing bank loans	500,000	432,500	324,600
	1,053,334	824,318	865,026

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Target Company's financial instruments approximate to their fair values.

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

The Target Company's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

The fair value of interest-bearing bank loans has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Target Company's own non-performance risk for interest-bearing bank loans as at the end of each of the Relevant Years was assessed to be insignificant.

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

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

31 December 2013

Financial assets	**Carrying amount** *RMB'000*	**Fair value** *RMB'000*
Available-for-sale equity investments	306	306
	306	306

Financial liabilities	**Carrying amount** *RMB'000*	**Fair value** *RMB'000*
Interest-bearing bank loans	500,000	500,000
	500,000	500,000

31 December 2014

Financial assets	**Carrying amount** *RMB'000*	**Fair value** *RMB'000*
Available-for-sale equity investments	382	382
	382	382

Financial liabilities	**Carrying amount** *RMB'000*	**Fair value** *RMB'000*
Interest-bearing bank loans	432,500	432,500
	432,500	432,500

31 December 2015

Financial liabilities	**Carrying amount** *RMB'000*	**Fair value** *RMB'000*
Interest-bearing bank loans	324,600	324,600
	324,600	324,600

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade and bills payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2013	**Fair value measurement using**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale equity investments	306	—	—	306

As at 31 December 2014	**Fair value measurement using**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale equity investments	382	—	—	382

During the years ended 31 December 2013 and 2014, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into and out of Level 3.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments, comprise interest-bearing bank loans, cash and cash equivalents, amounts due to related parties and amounts due to related parties. The main purpose of these financial instruments is to raise finance for the Target Company's operations. The Target Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Target Company mainly performs its risk management through adjustments in its borrowing portfolios which comprise fixed interest rate borrowings and floating interest rate borrowings.

The main risks arising from the Target Company's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Target Company's exposure to the risk of changes in market interest rates relates primarily to the Target Company's long term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Target Company's profit before tax.

	Increase/(decrease) in profit before tax Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Change in basis points			
+100 basis points	(12,913)	(10,318)	(7,360)
-100 basis points	12,913	10,318	7,360

Credit risk

The credit risk of the Target Company's financial assets, which comprise trade receivables and other receivables, amounts due from related parties, cash and cash equivalents and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

To manage the risk, deposits are mainly placed with licensed banks which are all high credit quality financial institutions. The Target Company trades only with recognised and creditworthy third parties for the sales of goods. The Target Company has policies in place to ensure that sales are made to purchasers with appropriate financial strength and an appropriate percentage of down payments. The Target Company would not release the property ownership certificates to the buyers before the buyers finally settle the selling price. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Company reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Target Company has no significant concentrations of credit risk, with exposure spreading over a number of counterparties and customers.

Further quantitative data in respect of the Target Company's exposure to credit risk arising from trade receivables are disclosed in note 22 to the Financial Information.

Liquidity risk

Liquidity risk arises when the Target Company is unable to meet its current liabilities that fall due. The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of short and long term bank loans. Through maintaining a reasonable proportion in its asset and liability structure, the Target Company is able to meet its ongoing financial needs.

The maturity profile of the Target Company's financial liabilities as at the end of each of the Relevant Years is as follows:

	As at 31 December 2013					
	On demand	Within one year	One to two years	Two to three years	Over three years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans	—	103,428	92,637	89,678	368,863	654,606
Trade and bills payables	—	196,760	—	—	—	196,760
Financial liabilities included in other payables and accruals	—	355,293	—	—	—	355,293
Due to related parties	147	—	—	—	—	147
Total	147	655,481	92,637	89,678	368,863	1,206,806

	As at 31 December 2014					
	On demand	Within one year	One to two years	Two to three years	Over three years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans	—	94,269	87,913	83,165	285,698	551,045
Trade and bills payables	—	159,020	—	—	—	159,020
Financial liabilities included in other payables and accruals	—	226,036	—	—	—	226,036
Due to related parties	5,628	—	—	—	—	5,628
Total	5,628	479,325	87,913	83,165	285,698	941,729

	As at 31 December 2015					
	On demand	**Within one year**	**One to two years**	**Two to three years**	**Over three years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans	—	78,399	70,814	67,274	159,753	376,240
Trade and bills payables	—	101,931	1,521	543	475	105,789
Financial liabilities included in other payables and accruals	—	362,178	—	—	—	362,178
Due to related parties	72,459	—	—	—	—	72,459
Total	72,459	543,827	72,335	67,817	160,228	916,666

Capital management

The objectives of the Target Company's capital management policy are to ensure the financing capabilities of the Target Company in running its operation on a going concern basis, to maintain an optimal capital structure, to reduce capital cost and to maximise shareholders' value.

The Target Company manages and adjusts its capital structure appropriately according to the specific features of the risks of its assets and the changes in various economic conditions. Through adjustments in dividend distribution, injections and repayments of capital by shareholders or issuance of new shares, the Target Company is able to maintain an optimal capital structure.

The Target Company monitors capital using a gearing ratio, which is net debt divided by capital and net debt. The Target Company's policy is to keep the gearing ratio at a reasonable level. Net debt includes interest-bearing bank loans less cash and cash equivalents. The gearing ratios as at the end of each of the Relevant Years are as follows:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank loans (note 28)	500,000	432,500	324,600
Less: Cash and cash equivalents (note 24)	(177,549)	(105,877)	(11,934)
Net debt	322,451	326,623	312,666
Equity attributable to owners of the parent	461,688	568,119	92,392
Capital and net debt	784,139	894,742	405,058
Gearing ratio	41%	37%	77%

III. SUBSEQUENT FINANCIAL STATEMENTS

Audited financial statements for the acquisition date have been prepared by the Target Company.

Yours faithfully,

Certified Public Accountants
Hong Kong

30 May 2016

The Board of Directors
Maoye International Holdings Limited

Dear Sirs,

We set out below our report on the financial information of Chengdu Qingyang District Renhe Chuntian Department Store Limited (the "Target Company") comprising the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for each of the years ended 31 December 2013, 2014 and 2015 (the "Relevant Years"), and the statements of financial position of the Target Company as at 31 December 2013, 2014 and 2015 together with the notes thereto (the "Financial Information"), prepared on the basis of preparation set out in note 2.1 of Section II below, for inclusion in the circular of Maoye International Holdings Limited dated 30 May 2016 (the "Circular") in connection with the proposed acquisition of the Target Company.

The Target Company was established in the People's Republic of China (the "PRC") with limited liability on 27 November 2007. The principal activity of the Target Company during the Relevant Years was the operation of department stores in the PRC.

The statutory financial statements of the Target Company were prepared in accordance with the relevant accounting principles applicable to the Target Company in the jurisdiction in which it was incorporated. Details of the Target Company's auditors during the Relevant Years are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the financial statements of the Target Company (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2013, 2014 and 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information, and to report our opinion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the Target Company as at 31 December 2013, 2014 and 2015 and the financial performance and cash flows of the Target Company for each of the Relevant Years.

I FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	Notes	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	4	448,096	441,780	368,947
Other income	5	52,799	58,136	58,824
Total operating revenue		500,895	499,916	427,771
Cost of sales	6	(161,112)	(168,048)	(148,890)
Employee expenses	7	(27,085)	(25,357)	(18,496)
Depreciation and amortisation		(32,547)	(34,637)	(34,026)
Operating lease rental expenses	8	(2,443)	(2,646)	(2,109)
Other operating expenses	9	(60,920)	(53,242)	(49,059)
Other gains and losses	10	(345)	(180)	2,647
Operating profit		216,443	215,806	177,838
Finance costs	11	(6,273)	—	—
PROFIT BEFORE TAX		210,170	215,806	177,838
Income tax expense	12	(52,561)	(53,968)	(43,776)
PROFIT FOR THE YEAR		157,609	161,838	134,062
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Available-for-sale equity investments:				
Changes in fair value of available-for-sale equity investments		365	391	(575)
Income tax effect		(91)	(98)	144
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		274	293	(431)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		157,883	162,131	133,631

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	16	319,299	294,926	303,945
Land lease prepayments	17	43,435	41,750	40,224
Other intangible assets	18	154	53	34
Available-for-sale equity investments		5,295	5,686	—
Total non-current assets		368,183	342,415	344,203
CURRENT ASSETS				
Inventories	19	31,312	29,603	29,156
Trade receivables	20	117	177	413
Prepayments and other receivables	21	46,136	31,666	30,024
Due from related parties	29(b)	240,660	46,339	4,109
Pledged deposits		—	—	3,000
Cash and cash equivalents	22	70,287	176,218	20,733
Other current assets	23	—	—	130,000
Total current assets		388,512	284,003	217,435
CURRENT LIABILITIES				
Trade and bills payables	24	255,157	232,191	179,524
Deposits received, accruals and other payables	25	62,049	60,642	61,182
Due to related parties	29(b)	122,724	2,062	1,239
Income tax payable		17,615	16,522	11,101
Dividend payable		—	—	112
Total current liabilities		457,545	311,417	253,158
NET CURRENT LIABILITIES		(69,033)	(27,414)	(35,723)
TOTAL ASSETS LESS CURRENT LIABILITIES		299,150	315,001	308,480

		As at 31 December		
	Note	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Deferred tax liabilities		46	144	—
Total non-current liabilities		46	144	—
Net assets		299,104	314,857	308,480
EQUITY				
Equity attributable to owners of the parent				
Paid-in capital	26	185,000	185,000	185,000
Other reserves		114,104	129,857	123,480
Total equity		299,104	314,857	308,480

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000* *(note 26)*	Capital premium* *RMB'000*	Reserve funds* *RMB'000*	Available-for-sale equity investment revaluation reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*
At 31 December 2012 and at 1 January 2013	185,000	1,193	26,730	(136)	55,433	268,220
Profit for the year	—	—	—	—	157,609	157,609
Other comprehensive income for the year:						
Changes in fair value of available-for-sale equity investments	—	—	—	365	—	365
Tax effect of components of other comprehensive income	—	—	—	(91)	—	(91)
Total comprehensive income for the year	—	—	—	274	157,609	157,883
Profit appropriated to reserve	—	—	15,761	—	(15,761)	—
Final 2012 dividend paid	—	—	—	—	(61,201)	(61,201)
Interim 2013 dividend paid	—	—	—	—	(65,798)	(65,798)
At 31 December 2013	185,000	1,193	42,491	138	70,282	299,104
At 31 December 2013 and at 1 January 2014	185,000	1,193	42,491	138	70,282	299,104
Profit for the year	—	—	—	—	161,838	161,838
Other comprehensive income for the year:						
Changes in fair value of available-for-sale equity investments	—	—	—	391	—	391
Tax effect of components of other comprehensive income	—	—	—	(98)	—	(98)
Total comprehensive income for the year	—	—	—	293	161,838	162,131
Profit appropriated to reserve	—	—	16,184	—	(16,184)	—
Final 2013 dividend paid	—	—	—	—	(69,069)	(69,069)
Interim 2014 dividend paid	—	—	—	—	(77,309)	(77,309)
At 31 December 2014	185,000	1,193	58,675	431	69,558	314,857

	Paid-in capital *RMB'000* *(note 26)*	Capital premium* *RMB'000*	Reserve funds* *RMB'000*	Available-for-sale equity investment revaluation reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*
At 31 December 2014 and at 1 January 2015	185,000	1,193	58,675	431	69,558	314,857
Profit for the year	—	—	—	—	134,062	134,062
Other comprehensive income for the year:						
Changes in fair value of available-for-sale equity investments	—	—	—	(575)	—	(575)
Tax effect of components of other comprehensive income	—	—	—	144	—	144
Total comprehensive income for the year	—	—	—	(431)	134,062	133,631
Profit appropriated to reserve	—	—	13,406	—	(13,406)	—
Final 2014 dividend paid	—	—	—	—	(68,600)	(68,600)
Interim 2015 dividend paid	—	—	—	—	(71,408)	(71,408)
At 31 December 2015	185,000	1,193	72,081	—	50,206	308,480

* These reserve accounts comprise the other reserves of RMB114,104,000, RMB129,857,000 and RMB123,480,000 as at 31 December 2013, 2014 and 2015 respectively.

STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2013	2014	2015
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		210,170	215,806	177,838
Adjustments for:				
Interest income	5	(1,513)	(2,419)	(1,244)
Depreciation and amortisation		32,547	34,637	34,026
Gain on disposal of available-for-sale equity investments	10	—	—	(2,617)
Finance costs	11	6,273	—	—
		247,477	248,024	208,003
Decrease/(increase) in inventories		(2,414)	1,709	447
Decrease/(increase) in trade receivables		111	(60)	(236)
Decrease/(increase) in prepayments and other receivables		(13,679)	14,629	5,010
Decrease in amounts due from related parties		168,845	194,321	42,230
Increase/(decrease) in trade and bills payables		38,899	(22,966)	(52,667)
Increase/(decrease) in deposits received, accruals and other payables		(143,429)	(1,407)	540
Increase/(decrease) in amounts due to related parties		122,448	(120,662)	(823)
Decrease in loans and receivables		310,000	—	—
Cash generated from operations		728,258	313,588	202,504
Interest received		1,513	2,419	1,244
PRC taxes paid		(29,773)	(55,061)	(49,197)
Net cash flows from operating activities		699,998	260,946	154,551

		Year ended 31 December		
		2013	2014	2015
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(7,581)	(8,740)	(44,885)
Proceeds from disposal of items of property, plant and equipment		9	116	17
Purchase of available-for-sale equity investments		(681)	—	—
Proceeds from disposal of available-for-sale equity investments		—	—	7,728
Prepayment for land lease prepayments		(6,937)	—	—
Purchase of other intangible assets	18	—	(13)	—
Purchase of other current assets	23	—	—	(130,000)
Net cash flows used in investing activities		(15,190)	(8,637)	(167,140)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans		71,400	—	—
Repayment of bank loans		(568,900)	—	—
Interest paid	11	(6,273)	—	—
Final dividend paid		(126,999)	(77,309)	(71,296)
Interim dividend paid		—	(69,069)	(68,600)
Increase in pledged bank deposits		—	—	(3,000)
Net cash flows used in financing activities		(630,772)	(146,378)	(142,896)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		54,036	105,931	(155,485)
Cash and cash equivalents at beginning of year		16,251	70,287	176,218
CASH AND CASH EQUIVALENTS AT END OF YEAR		70,287	176,218	20,733
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		70,287	176,218	20,733
Cash and cash equivalents as stated in the statements of cash flows		70,287	176,218	20,733

II NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited liability company established in the People's Republic of China (the "PRC") on 27 November 2007. The Target Company's registered office is located at No.19 the West Second Ring Road, Chengdu, Sichuan Province, the PRC.

The Target Company is principally engaged in the operation of department stores in the PRC.

In the opinion of the Directors, the immediate holding company and ultimate holding company of the Target Company are Grand Collection Limited and Chunfeng Investment., respectively.

The statutory financial statements for the year ended 31 December 2013 and 2014 prepared by the Target Company under PRC Generally Accepted Accounting Principles were audited by Ruihua Certified Public Accountants (瑞華會計師事務所), a certified public accountants registered in the PRC.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and the International Accounting Standards and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee The Financial Information has been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

These financial statements have been prepared under the going concern basis not withstanding that the Target Company had net liabilities as at 31 December 2015 because the Target Company's holding company, Chengshang Group Holdings Co., Ltd., a listed company incorporated in Chengdu, has confirmed its intention to provide continuing financial support to enable the Target company to meet its liabilities as and when they fall due.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[3]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

Further information about those IFRSs that are expected to be applicable to the Target Company is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Target Company expects to adopt IFRS 9 from 1 January 2018. During 2015, the Target Company performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Target Company in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) **Classification and measurement**

The Target Company does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Target Company expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) **Impairment**

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Target Company expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Target Company will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

The 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 amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Target Company upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Target Company expects to adopt IFRS 15 on 1 January 2018. During the year ended 31 December 2015, the Group performed a preliminary assessment on the impact of the adoption of IFRS 15.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and other comprehensive income. The Target Company expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Target Company's financial statements.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Target Company upon adoption on 1 January 2016 as the Target Company has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Target Company if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Target Company;

  (ii) has significant influence over the Target Company; or

  (iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal company classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and residual values used for this purpose are as follows:

	Estimated useful lives	**Residual values**
Land and buildings	10 - 40 years	5 - 10 %
Machinery and equipment	5 - 10 years	5 - 10 %
Motor vehicles	5 - 8 years	5 - 10 %
Furniture, fittings and other equipment	5 - 12 years	5 - 10 %
Leasehold improvements	5 - 10 years	—

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss and other comprehensive income in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents properties under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessor, assets leased by the Target Company under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms. Where the Target Company is the lessee, rentals payable under operating leases are charged to the statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

Land lease prepayments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

When a building is constructed on land that is leased under an operating lease, the operating lease costs that are incurred during the construction period are capitalised as part of the construction cost of the building.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other gains and losses and negative net changes in fair value presented as finance costs in the statement of profit or loss and other comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under IAS 39 are satisfied.

The Target Company evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Target Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Target Company may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated as at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the statement of comprehensive income. The loss arising from impairment is recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised in other comprehensive income in the available-for-sale equity investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss and other comprehensive income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale equity investment revaluation reserve to the statement of profit or loss and other comprehensive income in other gains and losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss and other comprehensive income as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Target Company evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Target Company is unable to trade these financial assets due to inactive markets, the Target Company may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss and other comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statement of financial position) when:

— the rights to receive cash flows from the asset have expired; or

— the Target Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

Impairment of financial assets

The Target Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the statement of comprehensive income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of comprehensive income.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Target Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and other comprehensive income — is removed from other comprehensive income and recognised in the statement of profit or loss and other comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss and other comprehensive income. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgements. In making this judgement, the Target Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade and other payables, amounts due to related parties and interest-bearing loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss and other comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by the Target Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at their fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Target Company measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the reporting date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories comprise merchandise purchased for resale and are stated at the lower of cost and net realisable value. Cost of merchandise is determined on the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less variable selling expenses.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss and other comprehensive income.

Coupon liabilities

Coupon liabilities are recognised based on the fair value of bonus points or coupons granted to customers in accordance with the announced bonus point scheme and the Target Company's past experience on the level of redemption of coupons and are recorded in other payables. The revenue of the Target Company is deducted when the coupon liabilities are recognised.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Target Company operates.

Deferred tax is provided, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Target Company and the revenue can be reliably measured, on the following bases:

(a) commissions from concessionaire sales are recognised upon the sale of merchandise by the relevant concessionaires;

(b) direct sales of merchandise and sales of properties are recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the merchandise or properties sold;

(c) rental income is recognised on the straight-line basis over the lease terms;

(d) management fee income from the operation of department stores is recognised when management services are rendered;

(e) administration and management fee income, promotion income and credit card handling fees from suppliers and concessionaires are recognised when management services are rendered;

(f) interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(g) dividend income is recognised when the shareholders' right to receive payment has been established.

Retirement benefits

The employees of the Target Company are covered by government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Target Company contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Target Company has no legal obligation for retirement benefits beyond the contributions made. Contributions to these schemes are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Interim dividends are simultaneously proposed and declared, because the Target Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Company's financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Target Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial information:

- *Operating lease commitments — Target Company as lessor*

The Target Company has entered into commercial property leases on its investment property portfolio. The Target Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The assumptions and estimates are based on parameters available when the financial information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Target Company. Such changes are reflected in the assumptions when they occur.

- *Useful lives of property, plant and equipment*

The Target Company determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

- *Impairment of available-for-sale financial assets*

The Target Company classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of comprehensive income.

- *Deferred tax assets*

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

- *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. The estimate is based on the current market conditions and the historical experience of selling merchandise of a similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The Target Company reassesses these estimates at the end of the reporting period.

- *Impairment of trade receivables, other receivables and amounts due from related parties*

The Target Company estimates the provisions for impairment of trade receivables, other receivables and amounts due from related parties by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Provisions are applied to trade receivables, other receivables and amounts due from related parties where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, the difference will affect the carrying amount of trade receivables, other receivables and amounts due from related parties and thus the impairment loss in the period in which the estimate is changed. The Target Company reassesses the provisions at the end of the reporting period.

4. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Commissions from concessionaire sales	236,812	222,079	172,681
Direct sales	204,520	212,759	187,741
Rental income from the leasing of shop premises	6,764	6,942	8,525
	448,096	441,780	368,947

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

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Total sales proceeds from concessionaire sales	1,305,344	1,243,917	989,525
Commissions from concessionaire sales	236,812	222,079	172,681

Commission income of top-5 cooperations from concessionaire sales

	31 December 2013
	RMB'000
Burberry (Shanghai) Trading Co., Ltd. (博柏利(上海)貿易有限公司)	6,542
Jorya Co., Ltd. (欣賀股份有限公司)	6,446
SWAROVSKI (Shanghai) Trading Co., Ltd. Chengdu branch (施華洛世奇(上海)貿易有限公司成都分公司)	6,039
Chongqing Fuminggao Watch Co., Ltd. (重慶富明高鐘錶有限公司)	5,265
Zhejiang Hanbo Garment Marketing Management Co., Ltd. (浙江漢帛服飾營銷管理有限公司)	4,305
Total	28,597

	31 December 2014
	RMB'000
Burberry (Shanghai) Trading Co., Ltd. (博柏利(上海)貿易有限公司)	6,343
SWAROVSKI (Shanghai) Trading Co., Ltd. Chengdu branch (施華洛世奇(上海)貿易有限公司成都分公司)	6,099
Jorya Co., Ltd. (欣賀股份有限公司)	5,750
Zhejiang Hanbo Garment Marketing Management Co., Ltd. (浙江漢帛服飾營銷管理有限公司)	5,038
Chongqing Fuminggao Watch Co., Ltd. (重慶富明高鐘錶有限公司)	5,010
Total	28,240

	31 December 2015
	RMB'000
Burberry (Shanghai) Trading Co., Ltd. (博柏利(上海)貿易有限公司)	4,982
Zhejiang Hanbo Garment Marketing Management Co., Ltd. (浙江漢帛服飾營銷管理有限公司)	4,201
Jorya Co., Ltd. (欣賀股份有限公司)	4,142
SWAROVSKI (Shanghai) Trading Co., Ltd. Chengdu branch (施華洛世奇(上海)貿易有限公司成都分公司)	4,062
Linmara (Shanghai) Trading Co., Ltd. (琳瑪(上海)貿易有限公司)	3,635
Total	21,022

5. OTHER INCOME

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Income from suppliers and concessionaires			
- Administration and management fee income	12,218	12,224	20,118
- Service fee	24,369	29,543	23,971
- Credit card handling fees	13,705	12,946	10,281
Property income	—	—	2,357
Interest income	1,513	2,419	1,244
Others	994	1,004	853
	52,799	58,136	58,824

6. COST OF SALES

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Purchases of and changes in inventories	161,112	168,048	148,890
	161,112	168,048	148,890

7. EMPLOYEE EXPENSES

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Wages and salaries	24,132	22,723	16,738
Retirement benefits	2,215	2,050	1,354
Other employee benefits	738	584	404
	27,085	25,357	18,496

8. OPERATING LEASE RENTAL EXPENSES

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Operating lease rental expenses	2,443	2,646	2,109

9. OTHER OPERATING EXPENSES

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Utility expenses	12,428	11,563	10,529
Promotion and advertising expenses	12,856	8,401	2,991
Repair and maintenance expenses	4,878	5,235	4,524
Entertainment expenses	191	266	126
Office expenses	2,680	2,337	1,918
Other tax expenses	16,305	15,333	14,191
Bank charges	8,850	7,544	7,729
Management fee	973	1,139	6,006
Others	1,759	1,424	1,045
	60,920	53,242	49,059

10. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Gain on disposal of available-for-sale equity investments	—	—	2,617
Government grants	—	—	5
Others	(345)	(180)	25
	(345)	(180)	2,647

11. FINANCE COSTS

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Total interest expense on financial liabilities not at fair value through profit or loss	6,273	—	—
	6,273	—	—

12. INCOME TAX EXPENSE

The Target Company is subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which the Target Company is domiciled and operates.

Under the relevant PRC income tax law, the Target Company is subject to corporate income tax ("CIT") at a statutory rate of 25% on its taxable income.

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current — CIT	52,561	53,968	43,776
Total tax charge for the year	52,561	53,968	43,776

A reconciliation of tax expense applicable to profit before tax using the statutory income tax rate for the jurisdiction in which the Target Company is domiciled to tax expense at the effective income tax rate for the Relevant Years, and a reconciliation of the statutory tax rate to the effective tax rate, are as follows:

	Year ended 31 December					
	2013		**2014**		**2015**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Profit before tax	210,170		215,806		177,838	
Income tax at the statutory tax rate	52,543	25	53,952	25	44,460	25
Expenses not deductible for tax	76	—	106	—	50	—
Others	(58)	—	(90)	—	(734)	—
Tax charge at the Target Company's effective rate	52,561	25	53,968	25	43,776	25

13. DIRECTORS' REMUNERATION

The Target Company had three directors during the Relevant Years. Mr. Liu Zhongyuan and Mr. Chen Fan were appointed as executive directors of the Target Company on 18 April 2011. Mr. Zhou Jiancheng was appointed as the chief executive director of the Target Company on 18 April 2011.

Mr. Chen Fan did not receive any fees or emoluments in respect of his service rendered to the Target Company during the Relevant Years, and he resigned as the director on 1 January 2015.

The directors received remuneration from the Target Company for their appointment as directors of the Target Company. The remuneration of each of these directors as recorded in the financial statements of the Target Company is set out below:

	Salaries and allowances	**Retirement benefits**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2013			
Executive directors:			
Mr. Zhou Jiancheng	349	—	349
Mr. Liu Zhongyuan	242	—	242
	591	—	591

	Salaries and allowances	**Retirement benefits**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2014			
Executive directors:			
Mr. Zhou Jiancheng	349	—	349
Mr. Liu Zhongyuan	238	—	238
	587	—	587

	Salaries and allowances	Retirement benefits	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2015			
Executive directors:			
Mr. Zhou Jiancheng	349	—	349
Mr. Liu Zhongyuan	20	—	20
	369	—	369

14. FIVE HIGHEST PAID EMPLOYEES

One of the five highest paid employees of the Target Company from 1 January 2013 to 31 December 2015 was a director. Details of the remuneration for the Relevant Years of the remaining four non-director highest paid employees are as follows:

	Year ended 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowances	1,280	766	446
Retirement benefits	42	49	45
	1,322	815	491

Remuneration of each of the non-director, highest paid employees, for each of the Relevant Years, was less than RMB1,000,000.

15. DIVIDENDS

The dividends issued to its then shareholders at the end of the years ended 31 December 2013, 2014 and 2015 was RMB126,999,000, RMB146,378,000 and RMB140,008,000, respectively.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture, fittings and other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2013							
At 1 January 2013:							
Cost	283,065	17,717	142	4,892	116,791	—	422,607
Accumulated depreciation	(40,335)	(3,811)	(100)	(3,086)	(32,499)	—	(79,831)
Net carrying amount	242,730	13,906	42	1,806	84,292	—	342,776
At 1 January 2013, net of accumulated depreciation	242,730	13,906	42	1,806	84,292	—	342,776
Additions	—	2,053	—	395	—	5,133	7,581
Transfer from construction in progress	—	—	—	—	4,938	(4,938)	—
Disposals	—	(3)	—	(6)	—	—	(9)
Depreciation provided during the year	(13,444)	(2,251)	(34)	(802)	(14,518)	—	(31,049)
At 31 December 2013, net of accumulated depreciation	229,286	13,705	8	1,393	74,712	195	319,299
At 31 December 2013:							
Cost	283,065	19,765	142	5,255	121,729	195	430,151
Accumulated depreciation	(53,779)	(6,060)	(134)	(3,862)	(47,017)	—	(110,852)
Net carrying amount	229,286	13,705	8	1,393	74,712	195	319,299

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture, fittings and other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014							
At 1 January 2014:							
Cost	283,065	19,765	142	5,255	121,729	195	430,151
Accumulated depreciation	(53,779)	(6,060)	(134)	(3,862)	(47,017)	—	(110,852)
Net carrying amount	229,286	13,705	8	1,393	74,712	195	319,299
At 1 January 2014, net of accumulated depreciation	229,286	13,705	8	1,393	74,712	195	319,299
Additions	—	1,478	—	284	—	6,978	8,740
Transfer from construction in progress	—	—	—	—	3,924	(3,924)	—
Disposals	—	(115)	—	(1)	—	—	(116)
Depreciation provided during the year	(13,444)	(3,109)	(2)	(1,128)	(15,314)	—	(32,997)
At 31 December 2014, net of accumulated depreciation	215,842	11,959	6	548	63,322	3,249	294,926
At 31 December 2014:							
Cost	283,065	21,040	142	5,518	125,653	3,249	438,667
Accumulated depreciation	(67,223)	(9,081)	(136)	(4,970)	(62,331)	—	(143,741)
Net carrying amount	215,842	11,959	6	548	63,322	3,249	294,926

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture, fittings and other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2015							
At 1 January 2015:							
Cost	283,065	21,040	142	5,518	125,653	3,249	438,667
Accumulated depreciation	(67,223)	(9,081)	(136)	(4,970)	(62,331)	—	(143,741)
Net carrying amount	215,842	11,959	6	548	63,322	3,249	294,926
At 1 January 2015, net of accumulated depreciation	215,842	11,959	6	548	63,322	3,249	294,926
Additions	—	665	—	97	—	40,755	41,517
Transfer from construction in progress	—	—	—	—	2,932	(2,932)	—
Disposals	(7)	(4)	—	(5)	(1)	—	(17)
Depreciation provided during the year	(13,444)	(2,730)	—	(230)	(16,077)	—	(32,481)
At 31 December 2015, net of accumulated depreciation	202,391	9,890	6	410	50,176	41,072	303,945
At 31 December 2015:							
Cost	283,058	21,701	142	5,610	128,584	41,072	480,167
Accumulated depreciation	(80,667)	(11,811)	(136)	(5,200)	(78,408)	—	(176,222)
Net carrying amount	202,391	9,890	6	410	50,176	41,072	303,945

17. LAND LEASE PREPAYMENTS

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Cost at 1 January, net of accumulated amortisation	39,232	44,802	43,276
Addition	6,937	—	—
Amortisation provided during the year	(1,367)	(1,526)	(1,526)
Carrying amount at the end of the year	44,802	43,276	41,750
Current portion included in prepayments and other receivables	(1,367)	(1,526)	(1,526)
Non-current portion	43,435	41,750	40,224

18. OTHER INTANGIBLE ASSETS

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Cost at 1 January, net of accumulated amortisation	285	154	53
Additions	—	13	—
Amortisation provided during the year	(131)	(114)	(19)
At 31 December	154	53	34
At 31 December:			
Cost	560	573	573
Accumulated amortisation	(406)	(520)	(539)
Net carrying amount	154	53	34

19. INVENTORIES

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Merchandise for resale	31,312	29,603	29,156
	31,312	29,603	29,156

20. TRADE RECEIVABLES

The Target Company seeks to maintain strict control over its outstanding receivables and to minimise credit risk. In view of the aforementioned and the fact that the Target Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of each of the Relevant Years, based on the contract date and net of provision, is as follows:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within 60 days	117	177	413
Impairment of trade receivables	—	—	—
	117	177	413

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

21. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Prepayments	26,776	25,503	24,055
Other receivables	19,360	6,163	5,969
	46,136	31,666	30,024
Impairment of other receivables	—	—	—
	46,136	31,666	30,024

The carrying amounts of the other receivables that were neither past due nor impaired relate to other debtors for whom there was no recent history of default.

22. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	70,287	176,218	20,733
Time deposits	—	—	3,000
	70,287	176,218	23,733
Less: Pledged bank balances for guarantee	—	—	(3,000)
Cash and cash equivalents	70,287	176,218	20,733

23. OTHER CURRENT ASSETS

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Financial products	—	—	130,000
	—	—	130,000

24. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the years ended 31 December 2013, 2014 and 2015, based on the invoice date, is as follows:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	254,470	225,117	166,641
91 to 180 days	55	1,815	9,532
181 to 360 days	96	950	2,091
Over 360 days	536	4,309	1,260
	255,157	232,191	179,524

The trade payables are non-interest-bearing and are normally settled within 180 days.

25. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Deferred income	8,524	9,315	9,082
Minimum deposit of concessionaire sales	17,888	21,932	20,172
Deposits received	16,799	17,070	16,961
Provision for coupon liabilities	616	577	155
Accrued staff costs	3,289	3,277	1,961
Value-added tax and other tax payables	5,638	2,621	6,608
Other payables	9,295	5,850	6,243
	62,049	60,642	61,182

26. PAID-IN CAPITAL

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Authorised	185,000	185,000	185,000
Issued and fully paid	185,000	185,000	185,000

During the Relevant Years, the movements in paid-in capital were as follows:

	Paid-in capital	**Total**
	RMB'000	*RMB'000*
At 1 January 2013	185,000	185,000
At 31 December 2013	185,000	185,000
At 1 January 2014	185,000	185,000
At 31 December 2014	185,000	185,000
At 1 January 2015	185,000	185,000
At 31 December 2015	185,000	185,000

27. OPERATING LEASE ARRANGEMENTS

(i) As lessor

The Target Company subleases its leased assets under operating lease arrangements, with leases negotiated for terms ranging from one to fourteen years.

As at the end of each of the Relevant Years, the Target Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	4,192	4,595	11,057
In the second to fifth years, inclusive	11,503	12,491	30,151
After five years	15,883	14,820	28,509
	31,578	31,906	69,717

(ii) **As lessee**

As at the end of each of the Relevant Years, the Target Company did not have future minimum lease payments under non-cancellable operating leases.

28. CAPITAL COMMITMENTS

The Target Company had the following commitments at the end of each of the Relevant Years:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for	—	20,732	24,861
Authorised, but not contracted for	13,850	—	—
	13,850	20,732	24,861

29. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Save as disclosed elsewhere in the Financial Information, the Target Company had the following transactions with related parties during the Relevant Years:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
(1) Recurring transactions			
Rental income from:			
Chengdu Four Season Chuntian Catering Management Ltd. (i) & (iv)	1,680	1,680	1,680
Chengdu Renhe Yijia Catering Ltd. (i) & (iv)	600	600	602
	2,280	2,280	2,282

	Year ended 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Management fee income from:			
Chengdu Four Season Chuntian Catering Management Ltd. (i) & (iv)	—	—	328
Chengdu Renhe Yijia Catering Ltd. (i) & (iv)	—	—	60
	—	—	388
Rental expense charged by:			
Mr. Chen Liren (ii) & (v)	2,443	2,646	2,109
Management fee charged by:			
Chengdu Renhe Chuntian Properties Management Ltd (First Branch)(iii)& (vi)	973	1,139	6,006
	973	1,139	6,006

(2) Non-recurring transactions

	2013	2014	2015
Loans and receivables repayment from:			
Chengdu Hi-tech District Renhe Chuntian Real Estate Co., Ltd. (iii) & (vii)	310,000	—	—
Interest charged to:			
Chengdu Hi-tech District Renhe Chuntian Real Estate Co., Ltd. (iii) & (vii)	877	—	—

(i) It is a company controlled by key management personnel of the Target Company.

(ii) Mr. Chen Liren is the legal person of the Target Company.

(iii) It is a company significantly influenced by key management personnel of the Target Company.

(iv) The rental and management fee from related parties were determined based on the underlying contracts as agreed between the Target Company and the related parties.

(v) The rental expense charged by the legal person was based on the underlying contracts pursuant to which it was agreed that the holding property would be rent out to the Target Company.

(vi) The Target Company signed a property services agreement with Chengdu Renhe Chuntian Property Management Co., Ltd., and receive property management service effective from 1 June 2015.

(vii) The Target Company provided loans to Chengdu Hi-tech District Renhe Chuntian Real Estate Co., Ltd. (成都高新區仁和春天置業有限公司) in an amounts of RMB310,000,000 during the year ended 31 December 2011. The amount of RMB310,000,000 and the interest amounting to RMB877,000 were paid by Chengdu Hi-tech District Renhe Chuntian Real Estate Co., Ltd. on 18 January 2013.

(b) Outstanding balances with related parties are as follows:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Due from related parties:			
Due from companies significantly influenced by a director of the Target Company	240,660	46,339	4,109
Due to related parties:			
Due to companies significantly influenced by a director of the Target Company	122,724	2,062	1,239

The balances are traded in nature, unsecured, interest-free and have no fixed terms of repayment.

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

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

(c) Compensation of key management personnel:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowances	1,871	1,353	641
Retirement benefits	42	49	45
	1,913	1,402	686

(d) Other transactions with related parties:

The Target Company has guaranteed certain bank loans made to Chengdu Renhe (Real Industrial) Group Ltd., which was controlled by key management of the Target Company, up to RMB315,780,000 as at the end of the Relevant Years, with certain land and buildings pledged to secure the bank loans.

(e) Financial guarantee for a related party

On 14 April 2015, the shareholder of the Target Company made a financial guarantee for Chengdu Renhe Investment Ltd. ("Renhe Investment") to Agricultural Bank of China Chengdu Jincheng Branch ("ABC Jincheng Branch"). The Target Company will repay the bank loans for Renhe Investment amounting to RMB230,000,000 with its operating profit before depreciation and amortisation. The amount of RMB230,000,000 were paid by Renhe Investment on 4 January 2016, and the financial guarantee was relieved at the same time.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Target Company as at the end of each of the Relevant Years are as follows:

31 December 2013

Financial assets	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale equity investments	—	5,295	5,295
Trade receivables	117	—	117
Prepayments and other receivables	46,136	—	46,136
Due from related parties	240,660	—	240,660
Cash and cash equivalents	70,287	—	70,287
	357,200	5,295	362,495

31 December 2014

Financial assets	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale equity investments	—	5,686	5,686
Trade receivables	177	—	177
Prepayments and other receivables	31,666	—	31,666
Due from related parties	46,339	—	46,339
Cash and cash equivalents	176,218	—	176,218
	254,400	5,686	260,086

31 December 2015

Financial assets	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	413	—	413
Prepayments and other receivables	30,024	—	30,024
Due from related parties	4,109	—	4,109
Cash and cash equivalents	20,733	—	20,733
Other current assets	130,000	—	130,000
Pledged deposits	3,000	—	3,000
	188,279	—	188,279

Financial liabilities at amortised cost

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	255,157	232,191	179,524
Financial liabilities included in other payables and accruals	62,049	60,642	61,182
Due to related parties	122,724	2,062	1,239
	439,930	294,895	241,945

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Target Company's financial instruments approximate to the fair values.

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

The Target Company's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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

The fair value of interest-bearing bank loans has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Target Company's own non-performance risk for interest-bearing bank loans as at the end of each of the Relevant Years was assessed to be insignificant.

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

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

31 December 2013

Financial assets	**Carrying amount**	**Fair value**
	RMB'000	*RMB'000*
Available-for-sale equity investments	5,295	5,295
	5,295	5,295

31 December 2014

Financial assets	**Carrying amount**	**Fair value**
	RMB'000	*RMB'000*
Available-for-sale equity investments	5,686	5,686
	5,686	5,686

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals and amounts due from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2013	**Fair value measurement using**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments	5,295	—	—	5,295

As at 31 December 2014	**Fair value measurement using**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments	5,686	—	—	5,686

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise interest-bearing bank loans, cash and cash equivalents, amounts due from related parties and amounts due to related parties. The main purpose of these financial instruments is to raise finance for the Target Company's operations. The Target Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Target Company mainly performs its risk management through adjustments in its borrowing portfolios which comprise fixed interest rate borrowings.

The main risks arising from the Target Company's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The credit risk of the Target Company's financial assets, which comprise trade receivables and other receivables, amounts due from related parties, cash and cash equivalents and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

To manage the risk, deposits are mainly placed with licensed banks which are all high credit quality financial institutions. The Target Company trades only with recognised and creditworthy third parties for the sales of goods. The Target Company has policies in place to ensure that sales are made to purchasers with appropriate financial strength and an appropriate percentage of down payments. The Target Company would not release the property ownership certificates to the buyers before the buyers finally settle the selling price. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Company reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Target Company has no significant concentrations of credit risk, with exposure spreading over a number of counterparties and customers.

Further quantitative data in respect of the Target Company's exposure to credit risk arising from trade receivables are disclosed in note 20 to the Financial Information.

Liquidity risk

Liquidity risk arises when the Target Company is unable to meet its current liabilities that fall due. The Target Company's objective is to maintain a balance between continuity of funding and flexibility through the use of short and long term bank loans. Through maintaining a reasonable proportion in its asset and liability structure, the Target Company is able to meet its ongoing financial needs.

The maturity profile of the Target Company's financial liabilities as at the end of each of the Relevant Years is as follows:

	As at 31 December 2013					
	On demand	**Within one year**	**One to two years**	**Two to three years**	**Over three years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	—	255,157	—	—	—	255,157
Financial liabilities included in other payables and accruals	—	62,049	—	—	—	62,049
Due to related parties	122,724	—	—	—	—	122,724
Total	122,724	317,206	—	—	—	439,930

	As at 31 December 2014					
	On demand	**Within one year**	**One to two years**	**Two to three years**	**Over three years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	—	232,191	—	—	—	232,191
Financial liabilities included in other payables and accruals	—	60,642	—	—	—	60,642
Due to related parties	2,062	—	—	—	—	2,062
Total	2,062	292,833	—	—	—	294,895

	As at 31 December 2015					
	On demand	**Within one year**	**One to two years**	**Two to three years**	**Over three years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	—	179,524	—	—	—	179,524
Financial liabilities included in other payables and accruals	—	61,182	—	—	—	61,182
Due to related parties	1,239	—	—	—	—	1,239
Total	1,239	240,706	—	—	—	241,944

Capital management

The objectives of the Target Company's capital management policy are to ensure the financing capabilities of the Target Company in running its operation on a going concern basis, to maintain an optimal capital structure, to reduce capital cost and to maximise shareholders' value.

The Target Company manages and adjusts its capital structure appropriately according to the specific features of the risks of its assets and the changes in various economic conditions. Through adjustments in dividend distribution, injections and repayments of capital by shareholders or issuance of new shares, the Target Company is able to maintain an optimal capital structure.

The Target Company monitors capital using a gearing ratio, which is net debt divided by capital and net debt. The Target Company's policy is to keep the gearing ratio at a reasonable level. Net debt includes interest-bearing bank loans less cash and cash equivalents. The gearing ratios as at the end of the Relevant Years are as follows:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Less: Cash and cash equivalents (note 22)	(70,287)	(176,218)	(20,733)
Net debt	(70,287)	(176,218)	(20,733)
Equity attributable to owners of the parent	299,104	314,857	308,480
Capital and net debt	228,817	138,639	287,747
Gearing ratio	(31%)	(127%)	(7%)

III SUBSEQUENT FINANCIAL STATEMENTS

Audited financial statements for the acquisition date have been prepared by the Target Company.

Yours faithfully,

Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF CHENGDU RENHE CHUNTIAN AND QINGYANG RENHE CHUNTIAN

The management discussion and analysis of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian is set out below. The financial information below is based on the Appendix II to this Circular headed "*Accountants' Report of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian*".

Chengdu Renhe Chuntian

Business and Financial Review of Chengdu Renhe Chuntian

Chengdu Renhe Chuntian is a company established in the PRC with limited liability and is principally engaged in the operation and management of a department store and property development.

Revenue

For the year ended 31 December 2015, the Chengdu Renhe Chuntian recorded revenue of approximately RMB250.1 million, representing a decrease of approximately RMB87.4 million as compared with approximately RMB337.5 million for the year ended 31 December 2014. The decrease was mainly attributable to the declining of macroeconomics and the impact of the implementation of the tightened government policy toward public consumption.

For the year ended 31 December 2015, the Chengdu Renhe Chuntian recorded a net profit after tax of approximately RMB82.0 million, representing a decrease of approximately RMB24.3 million as compared with a net profit after tax of approximately RMB106.4 million for the year ended 31 December 2014. Such change was mainly attributable to the decrease of revenue.

Other income

For the year ended 31 December 2015, the Chengdu Renhe Chuntian's other income amounted to RMB84.6 million, representing an decrease of 9.4% as compared with RMB93.4 million for the same period in 2014, which was attributable to the decrease of management fee as a result of the reduced guarantee amount for concessionaire sales.

Cost of sales

For the year ended 31 December 2015, the Chengdu Renhe Chuntian's cost of sales amounted to RMB85.7 million, representing a decrease of 23.1% as compared with RMB111.5 million for the same period in 2014. The decrease in cost of sales was mainly attributable to the decrease in sales proceeds from concessionaire sales and direct sales.

Employee expenses

For the year ended 31 December 2015, the Chengdu Renhe Chuntian's employee expenses amounted to RMB26.4 million, representing a decrease of 6.3% as compared with RMB28.1 million for the same period in 2014. The decrease in employee expenses was mainly due to that the service of security guards was outsourced to a third party property company to lay off employees to lower staff costs in 2014, and in 2015 the company rehired the security guards, which make the staff costs rise.

Depreciation and amortisation

For the year ended 31 December 2015, the Chengdu Renhe Chuntian's depreciation and amortisation amounted to RMB33.2 million, representing a decrease of 20.5% as compared with RMB41.8 million for the same period in 2014, which was mainly attributable to the decrease in depreciation and amortisation of leasehold improvements.

Operating lease rental expenses

For the year ended 31 December 2015, the Chengdu Renhe Chuntian's operating lease rental expenses amounted to RMB8.6 million, representing a decrease of 10.9% as compared with RMB9.7 million for the same period in 2014, which was mainly attributable to the leasing fee of north square decreased in this period.

Liquidity and Financial Resources

As at 31 December 2014 and 31 December 2015, the Chengdu Renhe Chuntian's total assets amounted to approximately RMB1,404.7 million and RMB976.8 million, respectively.

As at 31 December 2014 and 31 December 2015, the Chengdu Renhe Chuntian had cash and cash equivalents of approximately RMB105.9 million and RMB11.9 million, and net current assets of RMB299.5 million and RMB124.9 million, respectively.

Capital structure

As at 31 December 2014 and 31 December 2015, the Chengdu Renhe Chuntian have interest-bearing bank loans approximately RMB432.5 million and RMB324.6 million, respectively.

Gearing ratio

As at 31 December 2014 and 31 December 2015, the gearing ratio (calculated by total liabilities divided by total assets) amounted to approximately 59.6% and 90.9%, respectively. Increase in the gearing ratio as at 31 December 2015 as compared with that as at 31 December 2014 was mainly attributable to the increase of deposits received, accruals and other payables.

Foreign exchange risk

The Chengdu Renhe Chuntian is a company established in the PRC with limited liability and most of its monetary assets, liabilities, income and expenses were denominated in RMB. Therefore, the management of the Chengdu Renhe Chuntian considers that the risk of exchange rate fluctuation is relatively low. During the aforementioned period, the Chengdu Renhe Chuntian did not use any derivative financial instruments for hedging purposes.

Funding and treasury policy

The Chengdu Renhe Chuntian has adopted a prudent funding and treasury policy towards its overall business operations with an aim to minimize its financial risks. Future projects will be financed by cash flows from operations or capital raised by means of equity financing.

Capital commitment

As at 31 December 2013, 2014 and 2015, the Chengdu Renhe Chuntian had no capital commitment.

Significant investment, acquisition and disposal

The Chengdu Renhe Chuntian did not have any significant investment, acquisition and disposal for the period from 1 January 2013 to 31 December 2015.

Contingent liabilities

As at 31 December 2013, 2014 and 2015, the Chengdu Renhe Chuntian did not have any significant contingent liabilities.

Pledge of asset

As at 31 December 2013, 2014 and 2015, the Chengdu Renhe Chuntian did not have any pledge of assets.

Employee information

As at 31 December 2015, the Chengdu Renhe Chuntian had 145 employees (including directors).

Remuneration policy

The Chengdu Renhe Chuntian recruits, employs, promotes and remunerates its employees based on their qualification, experience, skills, performance and contribution. Remuneration is also determined with reference to, among others, the market trend. Other benefits include social insurance and allowance. Bonus to the employees of the Chengdu Renhe Chuntian was determined after taking into account the results of the Chengdu Renhe Chuntian and the performance of its employees. During the years ended 31 December 2013, 2014 and 2015, accrued staff costs of the Chengdu Renhe Chuntian were approximately RMB3.8 million, RMB2.9 million, and RMB1.9 million, respectively.

The remuneration policy of the Chengdu Renhe Chuntian senior management is monitored by the Company's remuneration committee.

The Company will provide training (whether in-house or out-sourced) to the Chengdu Renhe Chuntian's employees when necessary.

Additional business information of Chengdu Renhe Chuntian

The fluctuations of turnover from commissions of concessionaire and direct sales were attributable to declining of macro economic and the impact of government policy toward public consumption.

The fluctuations of turnover from profit and income were attributable to declining of macro economic, the impact of government policy toward public consumption and the increase of administration and management fee.

The fluctuations of turnover from expense were attributable to the service security guards was outsourced to a third party property company to lay off employees to lower staff costs in 2014, and in 2015 the company rehired the security guards, which make the staff costs rise.

The concessionaries of Chengdu Renhe Chuntian mainly comprised jewelleries and watches, fashion and shoes, bags and makeups. The number of concessionaires of Chengdu Renhe Chuntian for three years ended 31 December 2015 was 316, 310 and 296, respectively.

The direct sales of Chengdu Renhe Chuntian are mainly made by Chengdu Renhe Chuntian in the following departments: jewelleries, makeups, household appliances and supermarket. Customers of Chengdu Renhe Chuntian may return fashion and makeups purchased at full price within seven days of purchase. Electronic appliances may also be returned by customers at full price within seven days of purchase. Refund is not available for other products. Credit is not offered by Chengdu Renhe Chuntian in respect of the purchase by its customers.

For three years ended 31 December 2015, the top five cooperators of concessionaires of the Chengdu Renhe Chuntian (in terms of commission income) were suppliers of leather goods, special women's apparel, matured women's apparel, lady's apparel and jewelries. Chengdu Renhu Chuntian is generally required to settle the proceeds from concessionaries sales less the commission income after one month of the relevant sales. For details of the breakdown of the commission income of the top five cooperators of concessionaires of Chengdu Renhe Chuntian, please refer to Appendix II. Accountants' Report of Chengdu Renhe Chuntian — II. Notes to the Financial Information — 4. Revenue.

The top five cooperators of concessionaires for Chengdu Renhe Chuntian in 2015 are (i) Linmara (Shanghai) Trading Co., Ltd. (琳瑪(上海)貿易有限公司), an Italian supplier of luxury women's wear under the brand "Maxmara" with its business operation network in the PRC covering more than 10 cities; (ii) Gucci (China) Co., Ltd. (古馳(中國)貿易有限公司), a well-known Italian supplier of leather goods which has a wide presence both in the PRC and internationally; (iii) Shenzhen Marisfrolg Garment Co., Ltd. (深圳瑪絲菲爾時裝股份有限公司), a supplier of high-end matured women's apparel in the PRC targeting female customers aged from 30 to 50; (iv) Chongqing Fuminggao Watch Co., Ltd. (重慶富明高鐘錶有限公司), a PRC supplier of watches, jewelries and apparel headquartered in Chongqing ; and (v) Zhejiang Hanbo Garment Marketing Management Co., Ltd. (浙江漢帛服飾營銷管理有限公司), a PRC supplier founded in 1992 headquartered in Hanzhou, Zhejiang supplying high-end apparel in the domestic market.

Qingyang Renhe Chuntian

Business and Financial Review of Qingyang Renhe Chuntian

Qingyang Renhe Chuntian is a company established in the PRC with limited liability and is principally engaged in the operation and management of department store.

Revenue

For the year ended 31 December 2015, the Qingyang Renhe Chuntian recorded revenue of approximately RMB368.9 million; representing a decrease of approximately RMB72.8 million as compared with approximately RMB441.8 million for the year ended 31 December 2014. The decrease was mainly attributable to declining of micro economic and the impact of government policy toward public consumption.

For the year ended 31 December 2015, the Qingyang Renhe Chuntian recorded a net profit after tax of approximately RMB134.1 million, representing a decrease of approximately RMB27.8 million as compared with a net profit after tax of approximately RMB161.838 million for the year ended 31 December 2014. Such change was mainly attributable to the decrease of revenue.

Other income

For the year ended 31 December 2015, the Qingyang Renhe Chuntian's other income amounted to RMB58.8 million, representing an increase of RMB0.7 million as compared with RMB58.1 million for the same period in 2014, which was attributable to the increase of administration and management fee income which was inversely proportional to total sales proceeds.

Cost of sales

For the year ended 31 December 2015, the Qingyang Renhe Chuntian's cost of sales amounted to RMB148.9 million, representing a decrease of 11.4% as compared with RMB168.1 million for the same period in 2014. The decrease in cost of sales was mainly attributable to decrease in direct sales and sales proceeds.

Employee expenses

For the year ended 31 December 2015, the Qingyang Renhe Chuntian's employee expenses amounted to RMB18.496 million, representing a decrease of 27.06% as compared with RMB25.4 million for the same period in 2014. The decrease in employee expenses was mainly due to the service of security guards was outsourced to a third party to lower staff cost. The number of security guards has decreased 200 people compared with the same period in 2014.

Depreciation and amortization

For the year ended 31 December 2015, the Qingyang Renhe Chuntian's depreciation and amortization remained RMB34.0 million, representing a decrease of 1.76% as compared with RMB34.6 million for the same period in 2014.

Operating lease rental expenses

For the year ended 31 December 2015, the Qingyang Renhe Chuntian's operating lease rental expenses remained RMB2.1 million, representing a decrease of 20.3% as compared with RMB2.6 million for the same period in 2014.

Liquidity and Financial Resources

As at 31 December 2014 and 31 December 2015, the Qingyang Renhe Chuntian's total assets amounted to approximately RMB626.4 million and RMB561.6 million, respectively.

As at 31 December 2014 and 31 December 2015, the Qingyang Renhe Chuntian had cash and cash equivalents of approximately RMB176.2 million and RMB20.7 million, and net current liabilities of RMB27.4 million and RMB35.7 million, respectively,

Capital structure

As at 31 December 2014 and 31 December 2015, the Qingyang Renhe Chuntian did not have interest-bearing bank loans and other borrowings, respectively.

Gearing ratio

As at 31 December 2014 and 31 December 2015, the gearing ratio (calculated by total liabilities divided by total assets) amounted to approximately 72.7% and 45.1% respectively. Decrease in the gearing ratio as at 31 December 2015 as compared with that as at 31 December 2014 was mainly attributable to the decrease of trade and bills payables.

Foreign exchange risk

The Qingyang Renhe Chuntian is a company established in the PRC with limited liability and most of its monetary assets, liabilities, income and expenses were denominated in RMB. Therefore, the management of the Qingyang Renhe Chuntian considers that the risk of exchange rate fluctuations relatively low. During the aforementioned period, the Qingyang Renhe Chuntian did not use any derivative financial instruments for hedging purposes.

Funding and treasury policy

The Qingyang Renhe Chuntian has adopted a prudent funding and treasury policy towards its overall business operations with an aim to minimize its financial risks. Future projects will be financed by cash flows from operations or capital raised by means of equity financing.

Capital commitment

As at 31 December 2013 and 2014 and 31 December 2015, the Qingyang Renhe Chuntian had no capital commitment.

Significant investment, acquisition and disposal

The Qingyang Renhe Chuntian did not have any significant investment, acquisition and disposal for the period from 1 January 2013 to 31 December 2015.

Contingent liabilities

As at 31 December 2013 and 2014 and 2015, the Qingyang Renhe Chuntian did not have any significant contingent liabilities.

Pledge of asset

As at 31 December 2013 and 2014 and 2015, the Qingyang Renhe Chuntian did not have any pledge of assets.

Employee information

As at 31 December 2015, the Qingyang Renhe Chuntian had 214 employees (including directors).

Remuneration policy

The Qingyang Renhe Chuntian recruits, employs, promotes and remunerates its employees based on their qualification, experience, skills, performance and contribution. Remuneration is also determined with reference tothe market trend. Other benefits include social insurance and allowance. Bonus to the employees of the Qingyang Renhe Chuntian was determined after taking into account the results of the Qingyang Renhe Chuntian and the performance of its employees. During the years ended 31 December 2013, 2014 and 2015, accrued staff costs of the Qingyang Renhe Chuntian were approximately RMB3.3 million, RMB3.3 million and RMB1.961 million, respectively.

The remuneration policy of the Qingyang Renhe Chuntian's senior management is monitored by the Company's remuneration committee.

The Company will provide training (whether in-house or out-sourced) to the Qingyang Renhe Chuntian's employees when necessary.

Additional business information of Qingyang Renhe Chuntian

The fluctuations of turnover from commissions of concessionaire and direct sales were attributable to declining of macro economic and the impact of government policy toward public consumption.

The fluctuations of turnover from profit and income were attributable to declining of macro economic, the impact of government policy toward public consumption and the increase of administration and management fee.

The fluctuations of turnover from expense were attributable to that the service of security guards was outsourced to a third party to lower staff cost. The number of security guards has decreased by 200 compared with the same period in 2014.

The concessionaries of Qingyang Renhe Chuntian mainly comprised jewelleries and watches, fashion and shoes, bags and makeups. The number of concessionaires of Qingyang Renhe Chuntian for three years ended 31 December 2015 was 356, 358 and 338, respectively.

The direct sales of Qingyang Renhe Chuntian are mainly made by Qingyang Renhe Chuntian in the following departments: jewelleries, makeups, household appliances and supermarket. Customers of Qingyang Renhe Chuntian may return fashion and makeups purchased at full price within seven days of purchase. Electronic appliances may also be returned by customers at full price within seven days of purchase. Refund is not available for other products. Credit is not offered by Qingyang Renhe Chuntian in respect of the purchase by its customers.

For three years ended 31 December 2015, the top five cooperators of concessionaires of the Qingyang Renhe Chuntian (in terms of commission income) were suppliers of: luxury branded apparel, jewelries, matured women's apparel, special women's apparel and lady's apparel. Qingyang Renhu Chuntian is generally required to settle the proceeds from concessionaries sales less the commission income after one month of the relevant sales. For details of the breakdown of the commission income of the top five cooperators of concessionaires of Qingyang Renhe Chuntian, please refer to Appendix II. Accountants' Report of Qingyang Renhe Chuntian — II. Notes to the Financial Information — 4. Revenue.

The top five cooperators of concessionaires for Qingyang Renhe Chuntian in 2015 are (i) Burberry (Shanghai) Trading Co., Ltd. (博柏利(上海)貿易有限公司), a well-known British supplier of luxury apparel having a wide presence both in the PRC and internationally; (ii) Zhejiang Hanbo Garment Marketing Management Co., Ltd. (浙江漢帛服飾營銷管理有限公司), a PRC supplier founded in 1992 headquartered in Hanzhou, Zhejiang supplying high-end apparel in the domestic market; (iii) Jorya Co., Ltd. (欣賀股份有限公司), a PRC supplier of high-end women's wear with a wide presence all over the PRC; (iv) SWAROVSKI (Shanghai) Trading Co., Ltd. Chengdu branch (施華洛世奇(上海)貿易有限公司成都分公司), a well-known Austrian producer of luxury jewelries with retail stores in over 120 countries all over the world; and (v) Linmara (Shanghai) Trading Co., Ltd. (琳瑪(上海)貿易有限公司), an Italian supplier of luxury women's wear under the brand "Maxmara" with its business operation network in the PRC covering more than 10 cities.

Business Prospect and Future Plans of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian

Business prospect

1. Domestic conusmption growth stimulates the consumption industry

Statistics from the Ministry of Commerce showed that in 2014, total retail sales of consumer goods in the PRC was RMB26.2 trillion, representing a 12% nominal group, and after taking away the effect of price factors, represented an increase of 10.9%. In 2015, total retail sales of consumer goods is expected to maintain steady growth. In the long run, China's economic restructuring is crucial to guarantee growth in the consumption industry. The 12th Five Year Plan clearly outlined the goals "household income growth shall exceed GDP growth", "to establish a sustainable mechanism for expanding consumer demand" and "to improve people's livelihood, and to establish a robust basic public service system". In view of the rise in consumption, the government will increase domestic demand, stimulate consumption and improve citizens' disposable income as the centre to the strategy in restructuring the economy, and at the same time, continuously improve the social security system, and continuously increase the domestic demand for mid- to high-end consumer products.

2. Large number of acquisition opportunities in the department store industry, external growth becomes the development trend

The department store industry is directly related to a country's macroeconomy. Although the government puts its emphasis on adjusting and transforming the economic structure, these are not achievable in the short run. With a majority of the industries reaching market saturation and the slowing down of the economy in the PRC, the department store industry will therefore face multiple challenges. It was apparent from the experience of traditional development that department stores do not have to face the risks of lack of demand if the new stores are set up in planned commercial areas. On the other hand, it is a less risky and more efficient way to expand by merging, acquiring and reorganising existing department stores corporations and thereby obtaining their existing market share. In fact, it is an important indicator to determine whether a country's department store industry is mature by looking at how large department stores are integrated and how concentrated the market is. Compared to the department store industry in developed countries and regions, such as Europe and Japan, the market concentration of the department store industry in the PRC is rather low, and the difference is apparent. Hence, there is still a large number of mergers, acquisitions and reorganisations opportunities in the industry.

As can be seen from the development history of the international department store industry, mergers, acquisitions and reorganisations have been the most effective way to promote industry consolidation and market concentration. All the top ten department stores in the United States, such as Macy's Sears, JcPenny, Nordstrom, Dillard, Saks, etc., achieve absolute growth in scale and market share by merging with and acquiring regional department stores. For example, United Department Store acquired Macy's Department Store in 1994; at present, United Department Store owns 840 Macy's and Bloomingdale's department stores in 45 states of the United States, and operates the Macy's webpage, the Bloomingdale's webpage and nine Bloomingdale's discount stores at the same time.

Currently, the domestic department store industry is experiencing a trend of horizontal integration. Large department store group companies has been acquiring monomer department store companies with declining business performance, in order to occupy the core commerce circle in first and second tier cities as early as possible, and thereby to obtain the potential consumption resources of urban development. If an enterprise fails to proactively participate in this wave of mergers, acquisitions and reorganisations, it will miss the good opportunity given by the growth in consumption driven by the increase in income, and will be placed at a disadvantaged position in the polarised competition of the department store industry.

Future plan

1. Developing synergies and lowering operating costs

Chengdu Renhe Chuntian and Qingyang Renhe Chuntian are both located in the central district of Chengdu with affluent commerce resources. Upon Completion, Chengshang will further increase its market share in Chengdu and thus its bargaining power is expected to be enhanced. In addition, Chengshang will have more initiatives in the planning and expansion of brand when marketing its products. Based on effective consolidation of the businesses and through the synergies developed, the Acquisitions help the Group to reduce its operating costs.

2. Complementing the Group's business and increasing the Group's competitiveness

Chengdu Renhe Chuntian and Qingyang Renhe Chuntian are both principally engaged in the operation of department stores, targeting medium- to high-end markets, which can complement the existing medium-end market business of Chengshang. Through the Acquisitions, the Group will significantly enhance its market influence in the southwest region, as well as further enhance its advantages in economies of scale, commercial resources, sales channels and branding. The Acquisitions will help the Group to increase its operating scale, market share and market influence significantly in the southwest region, which in turn, can further enhance the Group's competitiveness.

A. UNAUDITED PRO FORMA FINANCIAL INFORAMTION OF THE ENLARGED GROUP

The following is the unaudited pro forma financial information of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") prepared by the Directors to illustrate the financial position of the Enlarged Group as at 31 December 2015 as if the transactions contemplated under the Acquisition Agreement had been completed on 31 December 2015. The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it does not purport to represent the true picture of the financial position of the Enlarged Group as at 31 December 2015 or at any future date had the transaction taken place on 31 December 2015.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2015 extracted from the 2015 year end report of the Company, and the audited consolidated statement of financial position of the Target Group as at 31 December 2015 as set out in Appendix II to this Circular after giving effect to the pro forma adjustments described in the accompanying notes and is prepared in accordance with Rule 4.29 of the Listing Rules.

ENLARGED GROUP UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	The Group as at 31 December 2015 (Audited) *RMB'000*	Qingyang Renhe Chuntian as at 31 December 2015 (Audited) *RMB'000*	Chengdu Renhe Chuntian as at 31 December 2015 (Audited) *RMB'000*	Pro forma adjustments Payment of the Initial Purchase Price (Unaudited) *RMB'000* *(note 1)*	Pro forma adjustments Recognition of goodwill (Unaudited) *RMB'000* *(note 2)*	Pro forma Enlarged Group (Unaudited) *RMB'000*
NON-CURRENT ASSETS						
Property, plant and equipment	7,143,817	303,945	121,523	—	1,456,349	9,025,634
Other Intangible assets	57,405	34	—	—	—	57,439
Land lease prepayments	4,254,138	40,224	105,630	—	—	4,399,992
Goodwill	283,934	—	—	—	984,584	1,268,518
Investment properties	942,607	—	—	—	—	942,607
Investments in associates	2,337,550	—	—	—	—	2,337,550
Investments in a joint venture	—	—	—	—	—	—
Available-for-sale equity investments	1,526,180	—	—	—	—	1,526,180
Prepayments	1,121,792	—	—	—	—	1,121,792
Deferred tax assets	489,059	—	—	—	—	489,059
Total non-current assets	18,156,482	344,203	227,153			21,168,771
CURRENT ASSETS						
Inventories	195,689	29,156	23,358	—	—	248,203
Completed properties held for sale	1,294,965	—	—	—	—	1,294,965
Properties under development	7,165,604	—	—	—	—	7,165,604
Trade receivables	20,703	413	54	—	—	21,170
Prepayments and other receivables	1,562,835	30,024	23,231	—	—	1,616,090
Equity investments at fair value through profit or loss	250,535	—	—	—	—	250,535
Due from related parties	298,962	4,109	180,076	—	—	483,147
Pledged deposit	59,488	3,000	—	—	—	62,488
Cash and cash equivalents	1,248,868	20,733	11,934	(494,883)	—	786,652
Loans and receivables	12,219	—	488,017	—	—	500,236
Other current assets	—	130,000	23,000	—	—	153,000
Total current assets	12,109,868	217,435	749,670			12,582,090

	The Group as at 31 December 2015 (Audited)	The Target Company as at 31 December 2015 (Audited)	The Target Company as at 31 December 2015 (Audited)	Pro forma adjustments Payment of the Initial Purchase Price (Unaudited)	Pro forma adjustments Recognition of goodwill (Unaudited)	Pro forma Enlarged Group (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(note 1)*	*RMB'000* *(note 2)*	*RMB'000*
CURRENT LIABILITIES						
Interest-bearing bank loans and other borrowings	7,793,180	—	61,600	—	—	7,854,780
Trade and bills payables	2,027,391	179,524	105,789	—	—	2,312,704
Deposits received, accruals and other payables	4,421,085	61,182	362,178	1,979,536	—	6,823,981
Due to related parties	766,087	1,239	72,459	—	—	839,785
Income tax payable	386,918	11,101	22,704	—	—	420,723
Dividend payable	433	112	—	—	—	545
Total current liabilities	15,395,094	253,158	624,730			18,252,518
NET CURRENT ASSETS/ (LIABILITIES)	(3,285,226)	(35,723)	124,940			(5,670,428)
TOTAL ASSETS LESS CURRENT LIABILITIES	14,871,256	308,480	352,093			15,498,343
NON-CURRENT LIABILITIES						
Interest-bearing bank loans	5,122,863	—	263,000	—	—	5,385,863
Deferred tax liability	1,223,440	—	—	—	364,087	1,587,527
Other long-term liability	1,893	—	—	—	—	1,893
Provision for retirement benefits	8,052	—	—	—	—	8,052
Total non-current liabilities	6,356,248	—	263,000			6,983,335
Net assets	8,515,008	308,480	89,093			8,515,008

Note 1:

For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that the Initial Purchase Price had been settled in its full amount of RMB2,474,419,000. The adjustment comprise adjusts of (i) Cash and cash equivalents about RMB494,883,000 and (ii) Deposits received, accruals and other payables about RMB1,979,536,000.

Note 2:

These represent the fair value adjustments to the Target Companies' net identifiable assets, deferred income tax liabilities and the recognition of goodwill.

For the purpose of preparing the Unaudited Pro Forma Financial Information, the Company has estimated the fair value of the identifiable assets and liabilities of the Target Companies as at 31 December 2015, based on a valuation report prepared by Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd, (as set out in Appendix V). The fair value adjustments comprise the recognition of (i) property, plant and equipment of RMB1,456,349,000, (ii) related deferred tax liabilities adjustments arising from the fair value adjustment based on the applicable tax rate of RMB364,087,000 and (iii) goodwill of RMB984,584,000.

The excess amount of the cash consideration over the fair value of the net identifiable assets of the Target Companies is recognized as goodwill:

	RMB'000
Cash consideration	2,474,419
Net assets value of the Target Companies as at 31 December 2015	397,573
Fair value adjustments on property, plant and equipment (note a)	1,456,349
Deferred tax liabilities arising from fair value adjustments on property, plant and equipment (note b)	(364,087)
Goodwill on acquisition	984,584

Note a: The fair value adjustments of RMB1,456,349,000 represented the difference between the fair value of net assets as at 31 December 2015 which is RMB1,853,922,000, with reference to the professional valuation under the asset-based approach (as set out in Appendix V) carried out by Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd, and their carrying amount of RMB397,573,000 as at 31 December 2015, due to the value surplus of the Target Companies are property, plant and equipment.

Note b: Deferred tax liabilities of RMB364,087,000 is totally deferred corporate income tax, and is calculated at 25% on the valuation surplus of RMB1,456,349,000.

The Target Companies will adopt consistent account policies and principal assumptions as used in the pro forma financial statements to assess the impairment of the Enlarged Group's goodwill during the preparation of the Target Companies' financial statements. The Directors are not aware of any indications that an impairment of the Enlarged Group's goodwill is required after considering the nature, prospects, financial condition and business risks of the Enlarged Group.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of inclusion in this Circular, received from the Company's reporting accountants Ernst & Young.

30 May 2016

The Directors
Maoye International Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Maoye International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), and Chengdu Renhe Chuntian Department Store Limited and Chengdu Qingyang District Renhe Chuntian Department Store Limited (together with the Group hereafter collectively referred to as the "Enlarged Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities of the Enlarged Group (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in notes (1) to (2) to Appendix IV to the circular of the Company dated 30 May 2016 (the "Circular").

The Pro Forma Financial Information has been compiled by the Directors, for illustrative purpose only, to provide information about how the acquisition of the Target Group by the Company might have affected the financial position of the Group as if the transaction had taken place at 31 December 2015 and effected the profit or loss of the Group for the whole year of year ended 31 December 2015. As part of this process, the audited consolidated statement of financial position of the Group as at 31 December 2015 has been extracted by the Directors from the annual results announcement of the Company for the year ended 31 December 2015 dated 14 March 2016 and the audited financial information of the Target Group as at 31 December 2015 has been extracted by the Directors from the accountants' report on the Target Group as set out in Appendix II to the Circular. And the audited consolidated statement of profit or loss of the Group as at the year ended 31 December 2015 has been extracted by the Directors from the annual results announcement of the Company for the year ended 31 December 2015 dated 14 March 2016 and the audited profit or loss of the Target Group as at 31 December 2015 has been extracted by the Directors from the accountants' report on the Target Group as set out in Appendix II to the Circular.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Circular is solely to provide information about how the acquisition of the Target Group by the Company might have affected the financial position of the Group as if the transaction had taken place at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Certified Public Accountants
Hong Kong

The following is the English translation text of the Formal Valuation Reports of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian received from the Valuer and prepared for the purpose of inclusion in this Circular.

A. **Formal Valuation Report of Chengdu Renhe Chuntian**

Disclaimer

(i) We carry out the assets valuation according to the relevant laws and regulations and the asset valuation standards, adhering to the principles of independence, objectiveness and fairness. Based on the facts commanded in the course of our valuation exercise, the matters stated in the valuation report are objective and true. Our analysis, judgment and inferences and the issued valuation report complies with the rules and relevant standards of assets valuation, and we assume corresponding legal responsibilities for the reasonableness of the conclusion of the valuation.

(ii) The lists of assets and liabilities related to the valuation subject have been provided by the appraised entity and confirmed by the appraised entity under its signature and seal. The principal and related parties shall be responsible for the authenticity, legality and completeness of the data provided by them, as well as the appropriate usage of the appraisal report.

(iii) We do not have any interests in the valuation subject mentioned in the appraisal report and we do not have any interests in or prejudices against any related parties.

(iv) We have conducted on-site investigation, given due consideration to the status of the legal title of the appraised subject of this valuation report and examined the relevant information regarding the legal title of the appraised subject, but we are unable to give any form of guarantee as to the truthfulness of the legal title of the appraised subject. We have requested the enterprise to perfect the titles and have duly disclosed any issues discovered.

(v) We have the practicing qualifications and relevant professional valuation experience required in the valuation business.

(vi) The analysis, judgment and conclusions in the appraisal report issued by us are restricted by the assumptions and confining conditions as stated in the appraisal report. Users of this report shall give due consideration to the notes on special matters, valuation assumptions and confining conditions, as stated in the appraisal report as well as their impacts on the valuation's conclusions.

(vii) Our appraisal of the value of the valuation subject and our professional opinion thereby issued on the valuation of the appraised subject is the basis of reference for the conduct of economic actions and shall not be taken as any assurance that such value can be realized by the appraised subject. The valuation report issued by us and the valuation conclusions disclosed therein shall only be for the purpose of the valuation as set out in the valuation report, and may only be used within the valid term of using such valuation conclusions. We are not responsible for any consequences from any misuse thereof.

(viii) We have not considered some factors that may affect the valuation, such as the expenses and taxes assumed of this equity interest transfer, and we have not considered any tax as may be levied in respect of the appraisal gain and loss of asset value in each category of assets.

(ix) We have not considered the impact to the valuation conclusions arising from any limiting factors such as the guarantee and pledge of appraised asset.

(x) Except as otherwise required by laws and regulations, the content in this report shall not be extracted, copied, quoted or disclosed in the public media without the written consent of the valuation institution and the registered assets valuer.

Important Notice

The content below is solely for the inclusion in the Circular as required by the Stock Exchange and is extracted from the asset valuation report. For the understanding of the overall condition of this valuation project and reasonable comprehension of the conclusions of valuation, please read the full text of the asset valuation report. The separate use of this summary might lead to the misunderstanding or misuse of the conclusions of valuation.

Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd. (國眾聯資產評估土地房地產估價有限公司) was entrusted by Chengshang Group Co., Ltd. ("Chengshang") to conduct valuation on the market value of entire shareholder's equity interests in Chengdu Renhe Chuntian Department Store Limited ("Chengdu Renhe Chuntian") in respect of the proposed equity transfer to Chengshang as at 30 June 2015, in accordance with relevant laws and regulations as well as the standards of asset valuation and by valuation methods of the asset-based approach and the income approach, as well as the necessary valuation procedures.

I. **Entrusting Party and Appraised Entity**

Entrusting Party: Chengshang

Appraised Entity: Chengdu Renhe Chuntian

II. **Purpose of Valuation**

Chengshang proposes to acquire the equity interests of Chengdu Renhe Chuntian, this valuation provides a value reference basis for the economic behavior of the proposed equity interest acquisition by Chengshang.

III. Valuation Subject and Scope of Valuation

The valuation subject is the total shareholders' equity of Chengdu Renhe Chuntian as at the valuation base date.

The book value of total shareholders' equity amounted to RMB 137,028,037.59, and no pledge and freezing of equity interests exist.

The specific scope of valuation includes all assets and liabilities of Chengdu Renhe Chuntian as at the valuation base date, for which the book values of total assets, total liabilities and shareholders' equity amounted to RMB 1,128,992,800, RMB 991,964,800 and RMB 137,028,000, respectively. The book value prior to the valuation was audited by Ruihua China CPAs (Special Ordinary Partnership), for which an audit report, Ruihuazhuanshen Zi No. (2015) 48200009, has been issued. The intangible assets not reflected on the balance sheet was excluded from this scope of valuation.

IV. Valuation Base Date

The valuation base date for this asset valuation is 30 June 2015. The valuation base date is determined by the entrusting party for the reason that such date is close to the implementation date of the purpose of the valuation. The valuation standards for this valuation are the pricing standards effective as at the valuation base date.

V. Implementation Process and Conditions of the Valuation Procedures

According to the requirements on asset valuation of the relevant authorities of the PRC and the general principles on accounting and auditing, and according to the letter of engagement for asset valuation entered into between our company and Chengshang, our valuation staff performed validation and examination of the legal documents as well as accounting records and related information provided by the appraised entity, and conducted on-site inspection and verification of the assets. We also obtained relevant title proof documents, conducted necessary market research and comparison of trading prices, as well as other procedures for asset valuation which we consider verification of necessary to implement.

VI. Valuation Approaches

The asset-based approach and income approach are adopted for this valuation.

VII. Value Types

We have been adopted market value as the type of value in this valuation.

VIII. **Valuation Assumptions**

(I) *Basic Assumptions*

1. Open Market Assumption: The Open Market Assumption is an assumption and limitation as to the conditions applicable to assets entering into the market and the influence that will be imposed on such assets under such market conditions. The open market is a fully developed and improved market where voluntary purchasers and sellers compete with each other on an equal basis. In the market, both purchasers and sellers have ample opportunity and time to acquire market information, and their tradings are on a voluntary, rational and not mandatory, and unrestricted basis.

2. Going Concern Assets Assumption: Firstly, it is assumed that the appraised assets are being used (including assets being used and reserved assets); secondly, based on relevant information and data, it is assumed that the assets being used will continuously be used. Assumption of sustainable use on one hand explains what market conditions and environment the appraised assets are subject to and on the other hand explains the continued existence of the assets. Specifically, it includes continuing to be used as existing usage; continuing to be used with a change of usage; continuing to be used at a different location or space. Continuing to be used as existing usage refers to the case when the appraised asset in use will continue to be used in accordance with the existing usage and form after the ownership is changed or asset business occured. Continuing to be used with a change of usage refers to the case when the appraised asset in use will continue to be used with a change of usage where the existing usage is replaced by a new usage after the ownership is changed or asset business occurred. Continuing to be used at a different location or space refers to the case when the appraised asset in use will continue to be used with a change of location or space and continue to be used at another location or space after the ownership is changed or asset business occurred.

3. Continuing Operation Assumption: The appraised entity is assumed to legally continue as a going concern based on its existing assets and resource conditions in the foreseeable future, and its operation will not suspend due to various reasons.

4. Transactional Assumption: The transactional assumption assumes that all assets to be appraised are in the trading process, and the appraisal is based on a simulated market with trading conditions of the assets to be appraised. Transactional assumption is the most fundamental prerequisite of the appraisal of assets.

(II) *General Assumptions*

1. No material changes are expected in the relevant current national laws, regulations and policies and national economic condition applicable to the industry.

2. No material changes are expected in the economic social environment and economic development, save and except those changes known to the public.

3. The fluctuation in the bank's interest rates and exchange rates is within a reasonable range.

4. There are no material changes in the taxation policies that are currently in place, save and except those changes known to the public.

5. There are no other unpredictable and force majeure factors which cause material adverse effect.

6. There are no material changes in the appraised entity's accounting policy and auditing method following the base date of the valuation.

7. The cash flow of the appraised entity is generated in the middle of every forecast period.

8. No inflationary factors have been taken into account in determining the various parameters in this valuation; all prices are constant.

9. The future development plan and operational data provided by the appraised entity to the valuer will be materialised according to the plan.

10. There are no material changes in the company's mode of operation.

(III) *Special Assumptions*

1. In terms of the legal description or legal issues of the appraised assets (including their ownership or encumbrance limitations) in the valuation report, we have performed general investigation according to relevant standards. Apart from those disclosed in the valuation report, the ownership of the appraised assets is assumed to be in good condition and tradable in the market, not subject to any lien and easement, be unviolated and bearing no other encumbrances.

2. In terms of the information provided by the entrusting part and other parties upon which all or part of the valuation conclusions set out in the valuation report relies, we have only conducted independent review pursuant to the valuation procedures. We make no representation as to the authenticity and accuracy of such information.

3. All certificates, licenses, letters of consent or other legal or administrative authorisation documents signed or issued by relevant local and national government institutions, private organisations or groups, which are required to be employed as basis of value estimation by the users of assets in the valuation report, have been or could be obtained or updated at any time.

4. The valuation is made based on the purchasing power of local currency on the base date of the valuation.

5. All improvements on the relevant assets performed by Chengdu Renhe Chuntian complies with all the requirements of relevant laws and the regulations related to other laws, plans, or engineering codes set by relevant competent departments at higher levels.

6. Estimations in the valuation report are made based on the assumption that all significant or potential factors which may affect the value analysis have been sufficiently disclosed to us by the appraised entity.

IX. **Specific Assumptions for Income Approach**

(I) *General Assumptions*

1. There will be no significant changes in the relevant prevailing national laws, regulations and policies as well as national macro-economic situation, and there will be no significant changes in the political, economic and social environment in the regions where the parties to the transaction are located, and there will be no material adverse impacts resulting from other unpredictable and force majeure factors;

2. Chengdu Renhe Chuntian has the basis and conditions for continuing operations, with relatively stable proportion relationship between asset operation and the income therefrom;

3. It is assumed that the operators of Chengdu Renhe Chuntian are responsible and the management of Chengdu Renhe Chuntian are competent in discharging their duties;

4. Unless otherwise stated, it is assumed that Chengdu Renhe Chuntian is in full compliance with all relevant laws and regulations;

5. It is assumed that the accounting policies adopted in the historical financial information by Chengdu Renhe Chuntian are basically consistent with those adopted in the preparation of this report in all material aspects;

6. The future expected income of the appraised assets can be predicted and measured in currency;

7. The risk exposure for obtaining the expected income by the owners of the assets can also be predicted and measured in currency.

(II) *Special Assumptions*

1. No factors of inflation have been taken into account in calculating the various parameters in this valuation; all prices are constant;

2. There will be no significant changes in the national macro-economic policies and the basic policies relating to the industry;

3. There will be no significant changes in the prevailing national policies in connection with bank interest rates, exchange rates and taxation;

4. There will be no significant changes in the social and economic environment of the regions where Chengdu Renhe Chuntian is located;

5. There will be no significant changes in the accounting policy and auditing method of Chengdu Renhe Chuntian;

6. The cash flow of Chengdu Renhe Chuntian is generated in the middle of every forecast period;

7. The control over costs and expenses of Chengdu Renhe Chuntian can be achieved as scheduled;

8. It is assumed that the future business scope and business model of Chengdu Renhe Chuntian will remain the same as the current situation, on the basis of its existing management approach and standards;

9. It is assumed that its asset utilizing rate will be effectively achieved;

10. There will be no significant changes in the credit interest rates, exchange rates, tax bases and tax rates, and policy-based levies, etc.;

11. It is assumed that there will be no material difficulties in the recovery of receivables from sales during the term of discounting (i.e. bad debts);

12. There will be no force majeure and unpredictable factors which cause material adverse effect to the enterprise;

13. In the future operating period, all operation and management expenses to be incurred by the appraised entity will not differ substantially from the current basis, and will continue to maintain the same trend as the past few years and will vary with changes in operating scale simultaneously;

14. The changes in the conditions of business structure and operation scale, etc., resulting from changes in the management, business strategies, additional investment and commercial environment have not been taken into consideration. Chengdu Renhe Chuntian's main business structure, income and cost composition during the future business operation period as well as business strategies and cost control for its future business will maintain the same development trend as in the past few years.

According to the requirements of the asset appraisal, these assumptions are deemed to be valid on the appraisal benchmark date by our valuation staff. Our valuation staff will not accept any responsibility for any different appraisal conclusions resulting from any changes in these assumptions when the economic environment changes significantly in future.

X. **Calculation Method and Model of Income Approach**

As the entire value of the enterprise is attributable to various obligees of the enterprise including equity capital investors, creditors and bondholders, we have selected free cash flow of the enterprise as the income amount for this valuation, while the cash flow of all capital investors is selected as the corresponding amount of assets.

This valuation is based on the net cash flow of the enterprise in several coming years which is discounted at an appropriate discount rate, the sum of which results in the value of overall operating assets of the enterprise, plus surplus assets and the value of non-operating assets, and less interest-bearing debts.

The resulting amount represents the value of entire shareholders' equity.

1. *Valuation Model:* Future Income discounted method has been adopted for this valuation, i.e. the cash flow for the investment capital is the quantitative indicator for the enterprise's expected income, and the Weighted Average Cost of Capital (WACC) model has been adopted for calculating the discount rate.

2. *Calculation Formula*

Future Income discounted method has been adopted for this valuation, i.e. the cash flow for the investment capital is the quantitative indicator for the enterprise's expected income. The calculation formula is as follows:

$$P = \sum_{n=1}^{i} Ai/(1+r)^{i} + An/r(1+r)^{i} + N - D$$

Where:

P is the total shareholders' equity;
Ai is the expected income in period i of the specific forecast period;
r is the discount rate;
i is the forecast period;
An is the perpetual income;
N is the appraised value of net non-operating assets and liabilities and surplus assets; and
D is the interest-bearing debts.

3. *Determination of Income Period*

Perpetual period is adopted as income period for this valuation. In particular, the first phase is the detailed forecast period, commencing from July 1, 2015 and ending on December 31, 2020. During such period, the income of the appraised enterprise varies with the appraised enterprise's operating conditions and business plan. The second phase refers to 2021 and the years thereafter, the appraised enterprise will be assumed to maintain its profitability at a stable rate and continue to operate as a going concern.

4. *Determination of Expected Income*

The enterprise's free cash flow is the quantitative indicator for the enterprise's expected income.

The enterprise's free cash flow is the entire cash flow after deducting operation cost and income tax but before paying cash to the obligees of the enterprise. The calculation formula is as follows:

The enterprise's free cash flow = net profit after tax + depreciation and amortization + interest expenses × (1-income tax rate) — capital expenditure — additional working capital

5. *Determination of Discount Rate*

There are several ways and methods to determine the discount rate. In accordance with the principle that the amount of income should be kept consistent with the discount rate, the amount of income for this valuation is the free cash flow of the enterprise, and the discount rate is determined by the Weighted Average Cost of Capital (WACC).

The calculation formula is:

$$WACC = (Re \times We) + \{Rd \times (1 - T) \times Wd\}$$

Where:

Re is the cost of ordinary equity capital of the company;
Rd is the cost of debt capital of the company;
We is the percentage of equity capital over the total capital;
Wd is the percentage of debt capital over the total capital; and
T is income tax rate of the company.

In this valuation, the Capital Asset Pricing Model (CAPM) is adopted to determine Re, i.e. the cost of ordinary equity capital of Chengdu Renhe Chuntian.

The calculation formula is:

$$Re = Rf + \beta \times (Rm - Rf) + Rc$$

Where:

Rf is risk-free rate
β is risk factor of the enterprise
Rm is average market rate of return
(Rm — Rf) is market risk premium
Rc is specific risk adjustment coefficient of the enterprise

The selection process of the relevant parameters in the model is as follows:

1. *Determination of the risk-free interest rate (Rf)*

The risk-free premium is the compensation for time value of capital. Such compensation has two portions, one portion is the average rate of return under the circumstances of no inflation and no risk, it is the premium for transferring the right to use capital; the other portion is the added rate for inflation which is a compensation for the decline in purchasing power caused by inflation. These two portions will constitute the risk-free interest rate. After making reference to Wind Info, the average yield of issued long-term treasury bonds with a maturity of over 10 years from the valuation date is taken as the risk-free interest rate, i.e. Rf = 4.20%.

2. *Determination of the systematic risk parameter* β *of equity*

The risk parameter (Beta:β) is an assessment tool for estimating the systematic risk of a security and is used to measure the volatility of a security or a portfolio of securities investment relative to the overall market, usually the parameter β will reflect the sensitivity of individual stock to market changes. The calculation of β often involves three criteria, namely the statistical period, statistical cycle and relative index. In our calculation of β, a 60-month period prior to the valuation date is taken as the statistical period, a month is taken as the statistical interval and the relative index is CSI 300.

By searching through Wind Info, the arithmetic average of β without financial leverage for five comparable listed companies in the department store industry is 0.7931.

Through the following formula, the β without financial leverage will be converted into a β with financial leverage, and the conversion between β with financial leverage and β without financial leverage can be made by the following formula:

$\beta 1/\beta u=1+D/E\times(1-T)$
where: β1 — β with financial leverage;
βu — β without financial leverage;
D — current market value of interest-bearing liabilities;
E — current market value of owners' equity;
T — income tax rate.

The entity under appraisal had no interest-bearing liabilities on the valuation date, with sufficient working capital, and there was zero interest-bearing liabilities in the target capital structure, and the β with financial leverage of the entity under appraisal is 0.7931.

3. *Determination of the equity risk premium (ERP)*

The equity risk premium is the excess return required by an investor above the risk-free interest rate for a market investment portfolio with sufficiently diversified risk. According to the Wind Info financial terminals, the average of the difference between the geometric mean of yields in the last 10 years of CSI 300 and the risk-free premium is taken as the equity risk premium (ERP), which is equal to 8.21%.

Table of estimated ERP for 2014

No.	Year	Rm (geometric mean)	Risk-free interest rate Rf (more than 10 years in remainder from maturity)	ERP=Rm (geometric mean)-Rf
1	2005	3.25%	3.56%	-0.31%
2	2006	22.54%	3.55%	18.99%
3	2007	37.39%	4.30%	33.09%
4	2008	0.57%	3.80%	-3.23%
5	2009	16.89%	4.09%	12.80%
6	2010	15.10%	4.25%	10.85%
7	2011	0.12%	3.98%	-3.86%
8	2012	1.60%	4.15%	-2.55%
9	2013	4.26%	4.32%	-0.06%
10	2014	20.69%	4.28%	16.41%
Average of last 10 years		12.24%	4.03%	8.21%

4. *Determination of the entity's specific risk excess premium*

The entity's specific risk excess premium usually takes into account the following factors:

1 operation stage of the enterprise;

2 historical operating conditions;

3 financial risk of the enterprise;

4 development stage of major products;

5 distribution of the enterprise's operating business, products and regions;

6 internal management and control mechanism of the enterprise;

7 experience and qualifications of management personnel;

8 reliance on major customers and suppliers.

After consolidated analysis and consideration, the specific risk adjustment parameter Rc of the entity under appraisal is 2.10%, the particulars are set out in the table below:

No.	**Item**	**Explanation**	**Value (%)**
1	Operation stage of the enterprise	The enterprise is in the stable operation stage	0.2
2	Historical operating conditions	The enterprise has been established for a long time and its operation was modest in recent years	0.2
3	Financial risk of the enterprise	The enterprise's gearing ratio is relatively high	0.2
4	Continuity of the markets of the enterprise's business	The continuity of business markets is modest.	0.3
5	Distribution of the enterprise's operating business, services and regions	The operating business is in Chengdu.	0.4
6	Internal management and control mechanism of the enterprise	The enterprise's internal management and control mechanism is relatively comprehensive.	0.3
7	Experience and qualifications of the management personnel	The management personnel of the enterprise have extensive experience	0.2
8	Reliance on major customers and suppliers	Reliance on major suppliers is modest.	0.3
Total		2.10	

5. *Determination of cost of equity capital*

$$\begin{aligned} Re &= 4.20\% + 0.7931 \times 8.21\% + 2.1\% \\ &= 12.81\% \end{aligned}$$

6. *Determination of weighted average cost of capital (WACC)*

There is zero interest-bearing liabilities in the target capital structure of the entity under appraisal.

WACC = (Re×We) +〔Rd× (1-T) ×Wd〕
= 12.81%

discount rate = 12.81%

The estimation of the discount rate is consistent with practice of the asset valuation industry and the selected parameters are reasonable.

XI. Valuation Process of Income Approach

The forecast for the future financial data of Chengdu Renhe Chuntian is prepared based on its operating results from 2013 to June 2015, in compliance with current laws and regulations of the PRC, in accordance with national macro policies and national and regional macro-economic condition, and through thorough analysis of the corporate development plans and operation plans, strengths, weaknesses opportunities and risks of the enterprise, in particular the market environment and the future development prospect and potential of the enterprise, the analysis is based on Qingyang Renhe Chuntian's development plans as from communication with management of the enterprise and is made after comprehensive consideration of the aforementioned.

XII. Valuation Conclusions

Asset-based approach and income approach were mainly adopted in this valuation, we have arrived at the following valuation conclusions according to the above valuations:

(I) *Valuation conclusions of asset-based approach*

As at the valuation base date, i.e. 30 June 2015, the book value and the appraised value of total assets were RMB 1,128,992,800 and RMB 1,714,254,200, respectively, representing an appreciation of RMB585,261,400 and an appreciation rate of 51.84%;

The book value and the appraised value of total liabilities were RMB 991,964,800 and RMB 991,964,800, respectively, of which there is no difference between the appraised value and the book value;

The book value and the appraised value of entire shareholders' equity were RMB 137,028,000 and RMB 722,289,400, respectively, representing an appreciation of RMB585,261,400 and an appreciation rate of 427.11%.

For details of the valuation conclusions, please refer to the summary of result of asset valuation and summary of valuation breakdown.

Summary of Result of Asset Valuation
Valuation base date: 30 June 2015

Appraised Entity: Chengdu Renhe Chuntian *Unit: RMB 0'000*

Item		Book Value	Appraised Value	Appreciation/ Depreciation	Appreciation Rate%
		A	B	C=B-A	D=C/A×100%
1	Current Assets	78,400.77	78,095.92	-304.85	-0.39
2	Non-Current Assets	34,498.51	93,329.50	58,830.99	170.53
3	Of which: Available-for-sale financial assets	10,531.80	10,531.80	0.00	0.00
4	Held-to-maturity investments				
5	Long-term receivables				
6	Long-tem equity investments				
7	Investment properties				
8	Fixed assets	12,300.25	82,468.94	70,168.69	570.47
9	Construction in progress	91.44	91.44	0.00	0.00
10	Construction materials				
11	Clearance of fixed assets				
12	Productive biological assets				
13	Oil and gas assets				
14	Intangible assets	11,317.57	0.00	-11,317.57	-100.00
15	Development expenses				
16	Goodwill				
17	Long-term deferred expenses	257.45	237.32	-20.13	-7.82
18	Deferred profit tax assets				
19	Other non-current assets				
20	**Total Assets**	**112,899.28**	**171,425.42**	**58,526.14**	**51.84**
21	Current Liabilities	65,351.03	65,351.03	0.00	0.00
22	Non-Current Liabilities	33,845.45	33,845.45	0.00	0.00
23	**Total Liabilities**	**99,196.48**	**99,196.48**	**0.00**	**0.00**
24	**Net Assets (Shareholders' Equity)**	**13,702.80**	**72,228.94**	**58,526.14**	**427.11**

Explanatory notes: appreciation or depreciation in the appraised value of various assets of Chengdu Renhe Chuntian and reasons

a. **Appreciation or depreciation in the appraised value of current assets and the reasons**

The appraised value of current assets depreciated by RMB3,048,500, or a depreciation rate of 0.39%, the reasons for depreciation were that current assets due within one year were renovation fees, some of the projects were construction projects related to houses and buildings (such as curtain wall projects, canopy projects, fire services reconstruction projects, etc.), their values were contained in the valuation of the houses and buildings. In order to avoid repeated valuation, the appraised values of these projects were set to zero and resulted in a depreciation in appraised value.

b. **Appreciation or depreciation in the appraised value of non-current assets and the reasons**

The appraised value of non-current assets appreciated by RMB588,309,900, or an appreciation rate of 170.53%, of which the appraised value of fixed assets appreciated by RMB701,686,900 (including an appreciation of RMB719,243,300 in the appraised value of houses and buildings and a depreciation of RMB17,556,300 in the appraised value of equipment assets), the appraised value of intangible assets depreciated by RMB113,175,700 and the appraised value of long-term deferred expenses depreciated by RMB201,300, the reasons for such appreciation and depreciation are as follows:

1. *Appreciation or depreciation in the appraised value of houses and buildings and the reasons*

The appraised value of houses and buildings appreciated by RMB719,243,300, the reasons of appreciation were that the houses and buildings were self-constructed properties for commercial purpose with a gross floor area of 38,278.87 sq.m. and a carrying amount (including land use right) of RMB214,572,200 and a carrying amount per square meter of RMB5,600; the market approach and income approach were adopted in the valuation of properties and the final valuation was determined by weighted average approach (weight of market approach 60%; weight of income approach 40%). Houses and buildings were recorded at construction costs, the carrying amount was the net value after deducting cumulated depreciation as at the valuation date. As the value of commercial properties in Chengdu appreciated by greater extent, therefore an appreciation was estimated in the appraised value.

2. *Appreciation or depreciation in the appraised value of equipment assets and the reasons*

2.1 The appraised value of machinery and equipment depreciated by RMB19,495,200, the reasons for the depreciation were mainly due to the value of equipment ancillary to houses and buildings, such as lifts, surveillance systems, fire service systems and central air-conditioning systems, were included in the valuation of houses and buildings and resulted in a depreciation.

2.2 The appraised value of vehicles appreciated by RMB1,266,900, the reasons for the appreciation were mainly due to the term of years used in depreciation accounting for vehicles was shorter than the term of years for economic usage adopted in the valuation.

2.3 The appraised value of electronic office equipment appreciated by RMB672,000, the reasons for the appreciation were mainly due to the appraised units adopted a one-off

100% depreciation method for some of the electronic office equipment purchased and their carrying amount was zero and the term of years used in depreciation accounting for some electronic office equipment was shorter than the term of years for economic usage adopted in the valuation.

3. *Appreciation or depreciation in the appraised value of intangible assets and the reasons*

Intangible assets were land use rights of state-owned land, the appraised value of which depreciated by RMB113,175,700. The reasons for depreciation were due to the adoption of market approach and income approach in the valuation for houses and buildings, and the value of land use rights of state-owned land was included in their valuation.

4. *Appreciation or depreciation in the appraised value of long-term deferred expenses and the reasons*

The appraised value of long-term deferred expenses depreciated by RMB201,300, the reasons for the depreciation were some of the long-term deferred expenses were construction projects related to houses and buildings (such as renovation and reconstruction projects, curtain wall projects, etc.), their values were contained in the valuation of the houses and buildings. In order to avoid repeated valuation, the appraised values of these projects were set to zero and resulted in a depreciation in appraised value.

(II) *Valuation conclusions of income approach*

Based on the income approach, the appraised value of vale of entire shareholders' equity of Chengdu Renhe Chuntian amounted to RMB 823,645,000, the appraised value was appreciated by RMB 686,617,000 or an appreciation rate of 501.08% when compared with the book value of net assets.

Calculation of Appraised Value under Income Approach

The following table sets out the calculation and results of income approach valuation:

Appraised entity: Chengdu Renhe Chuntian *Unit: RMB 0'000*

Item	Period under Forecast						
	Jul - Dec 2015	2016	2017	2018	2019	2020	Subsequent Years
Operating revenue	44,914.05	92,266.83	93,189.50	94,121.39	95,062.61	95,062.61	95,062.61
Operating cost	34,329.10	70,535.39	71,240.74	71,953.15	72,672.68	72,672.68	72,672.68
Business tax and surcharges	511.40	1,050.25	1,060.76	1,071.36	1,082.08	1,082.08	1,082.08
Cost of sales	2,711.46	5,338.51	5,459.39	5,585.08	5,715.80	5,819.85	5,819.85
Administrative expenses	1,818.83	3,625.05	3,644.55	3,664.97	3,686.35	3,707.27	3,707.27
Finance cost	242.54	498.24	503.22	508.26	513.34	513.34	513.34
Investment income	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating profit	5,300.72	11,219.39	11,280.83	11,338.57	11,392.35	11,267.39	11,267.39
Net non-operating income and Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross profit	5,300.72	11,219.39	11,280.83	11,338.57	11,392.35	11,267.39	11,267.39
Income tax expense	1,326.53	2,807.61	2,823.00	2,837.47	2,850.94	2,819.70	2,819.70
Net profit	3,974.19	8,411.77	8,457.83	8,501.10	8,541.41	8,447.69	8,447.69
Add: Depreciation	465.04	930.08	930.08	930.08	930.08	930.08	930.08
Amortisation	1,149.18	2,298.37	2,298.37	2,298.37	2,298.37	2,298.37	2,298.37
Interest expenses (net of tax effect)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Capital expenditure	1,535.19	3,070.38	3,070.38	3,070.38	3,070.38	3,070.38	3,070.38
Additional working capital	14,040.59	-261.20	-219.86	-222.42	-225.02	-10.41	
Free cash flow of the enterprise	-9,987.37	8,831.04	8,835.76	8,881.60	8,924.51	8,616.17	8,605.76
Discount rate (WACC)	12.81%	12.81%	12.81%	12.81%	12.81%	12.81%	12.81%
Discount term	0.25	1.00	2.00	3.00	4.00	5.00	
Discount coefficient	0.9703	0.8864	0.7858	0.6966	0.6175	0.5473	4.2724
Present value of free cash flow of the enterprise	-9,690.75	7,827.83	6,943.14	6,186.92	5,510.88	4,715.63	36,767.25
Total present value of free cash flow of the enterprise	58,260.89						
Add: Net non-operating assets and liabilities	24,103.61						
Less: Interest-bearing liabilities	0.00						
Total value of equity of the enterprise	**82,364.50**						
Book value of net assets as at the valuation benchmark date	13,702.80						
Appreciation of appraised value under income approach	68,661.70						
Appreciation rate of appraised value under income approach	501.08						

The forecast on future financial data of Chengdu Renhe Chuntian is based on its operating results from 2013 to June 2015, in compliance with the relevant laws and regulations prevailing in China and according to national macro policies as well as national and regional macroeconomic conditions, and has been compiled after consolidated analysis by taking into sufficient consideration of the corporate development plans and operation plans, advantages, disadvantages, opportunities and risks, etc., particularly the market environment and future development prospects and potential to be faced by the entity, and according to the corporate development plans obtained after communication with the corporate management.

1. *Operating Revenue*

1.1 Revenue from principal business

Chengdu Renhe Chuntian commenced business in 1998, it was located at the Yanshikou business district in Chengdu and positioned as a high-end department store. It was the first department store in Chengdu carrying international luxury brands. It has good reputation in the consumer market of luxurious products in Chengdu to a certain extent, and has been rated as the Top 10 Department Store Retail Enterprises by the Chengdu Retail Business Association for 4 consecutive years (from 2011 to 2014). The reasons for the decrease in revenue from principal business of Chengdu Renhe Chuntian for 2014 and the period from January to June of 2015 were: the impact from the national restriction on using public funds for high-end consumption; some merchants with higher revenue, such as Cartier, withdrew their concessionaire stores in early 2015, and depreciation of foreign currencies resulted in a relatively large outflow of domestic consumption.

Measures intended to be taken to maintain growth in revenue from principal business in future:

1. Adjust brand mix and product mix according to changes in consumption market and consumer needs, introduce fashionable semi-luxury brands with higher gross profit and leisure experiential business to increase customer traffic and sales amount of the shopping mall, while new and effective marketing activities will be introduced jointly with merchants at the same time to increase the number of shoppers and sales amount;

2. The entity will study and implement the fusion of traditional retail sales and online retail sales models by fully utilizing big data information from the internet and exploiting offline resources to shorten the time for decision-making by consumers, reduce the cost of shopping, enhance the enjoyment in consumption services and fully reflect the advantages of online and offline transactions, consumer demand will be better satisfied by increasing promotional efforts and consumption experience for online products, attachment and loyalty of members will be enhanced by further improving and enriching customer services;

3. Upon completion of the Transaction, the number of outlets will be further increased to realize sharing of members, products and management between the Listed Company and Target Asset for more convenient delivery and to better satisfy the demand for various types of products by members of both entities to achieve the objective of increasing sales;

4. The synergy in operations such as purchasing, tenant solicitation and cost management will be fully utilized to realize economies of scale, reduce operating costs, lower marketing losses, enhance bargaining power and increase gross profit income;

5. With slower depreciation in foreign currencies, the outflow of domestic consumption will decrease, and the impact of the policy of national restriction on using public funds for high-end consumption will diminish gradually.

The forecast on revenue from principal business is based on historical financial data, combining with the operation plans, strategic layout plan and adopted operation measures of Chengdu Renhe Chuntian during the forecast period, and taking into consideration the business development trend during the forecast period, together with the future economic development trend of Chengdu for making the forecast. The revenue for the period from July to December 2015 is estimated by using the average ratio of revenue for the period from January to June in 2013 and the period from January to June in 2014 to the revenue for the full years. The growth rates of revenue from principal business in subsequent years will be: 1% growth for each of the years from 2016 to 2019. The amount of feedback card and shopping card will be determined by the average ratio of the revenue for 2014 and the period from January to June in 2015 to the revenue from department store retail sales. The forecast on revenue from principal business is as follows:

Unit: RMB

Item/Year		**July — December 2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Self-owned	Department store retail sales	57,681,000	118,530,500	119,715,900	120,913,000	122,122,100	122,122,100
	Food and beverage	8,299,500	16,784,200	16,952,000	17,121,500	17,292,800	17,292,800
Joint venture	Department store retail sales	362,599,700	745,118,300	752,569,500	760,095,200	767,696,100	767,696,100
Feedback card, shopping card		-2,773,900	-5,700,100	-5,757,100	-5,814,700	-5,872,800	-5,872,800
Total revenue from principal business		425,806,300	874,732,900	883,480,300	892,315,100	901,238,200	901,238,200

Average ratio refers to the average of ratio of the revenue from principal business from January to June 2013 and January to June 2014 to the revenue from principal business for the full year.

The details of calculation of figures from July to December 2015 are as follows: the arithmetic average from January to June 2013 and January to June 2014 to the revenue from principal business for the full year was 50.85%; the figure from July to December 2015 is predicted based on the actual figure from January to June 2015 divided by 50.85% and minus the figure from January to June 2015 as the figure from July to December. The following table sets out the revenue from principal business of various major merchandises in 2015:

Item		January — June 2015	July — December 2015
Self-owned	Cosmetics	5,967.60	5,768.10
	Food and beverage	831.85	829.95
Joint venture	Kitchenware	532.13	514.34
	Porcelain & gift	842.57	814.40
	Bedding & houseware	354.18	342.34
	Kids clothing & toy	702.47	678.98
	Home appliance	569.06	550.03
	Fashion	4,331.53	4,186.72
	Premium & miscellaneous item	5,981.13	5,781.17
	Watch	1,909.59	1,845.74
	Jewelry	1,805.20	1,744.84
	Pant	0.00	0.00
	Outdoor	0.00	0.00
	Men's premium	0.00	0.00
	Men's miscellaneous item	193.58	187.11
	Casual wear	2,509.30	2,425.41
	Sport wear	0.00	0.00
	Formal wear	2,278.45	2,202.28
	Mature ladies' wear	4,314.55	4,170.30
	Ladies' lingerie	834.29	806.40
	Ladies' miscellaneous item	468.20	452.55
	Young ladies' fashion item	7,329.69	7,084.65
	Men's bag	101.12	97.74
	Men's shoe	493.78	477.27
	Ladies' bag	572.80	553.65
	Ladies' shoe	1,054.47	1,019.22
	Cosmetics	336.04	324.81
	Total	37,514.12	36,259.97
Feedback card, shopping card		-80.31	-277.39
Total revenue from principal business		44,233.26	42,580.63

It can be observed from the above table that the actual revenue from January to June 2015 can be used as the reference for estimation of the revenue from July to December 2015.

1% of the growth rate of revenue from principal business was forecasted after taking account into the operating plan, strategic layout and adopting operating measure of Chengdu Renhe Chuntian, and also taking account into the developing trend of department store business during the prediction period, as well as based on the future economic development trend of Chengdu.

Feedback card and shopping card represent sales discount, thus the feedback card and shopping card shall be deducted.

1.2 Forecast on revenue from other business

Revenue from other business mainly includes rental income, income from services, income from target management fees and income from handling fees. Revenue from other business is related to the principal business, it is forecast by using the average ratio of revenue from other business of the previous year to the revenue from principal business.

The forecast on revenue from other business is as follows:

Unit: RMB

Item/Year	**July — December 2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Revenue from other business	23,334,200	47,935,400	48,414,700	48,898,900	49,387,900	49,387,900

1.3 Forecast on operating revenue

Based on the above, the forecast on operating revenue is as follows:

Unit: RMB

Item/Year	**April — December 2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Revenue from principal business	425,806,300	874,732,900	883,480,300	892,315,100	901,238,200	901,238,200
Revenue from other business	23,334,200	47,935,400	48,414,700	48,898,900	49,387,900	49,387,900
Total operating revenue	449,140,500	922,668,300	931,895,000	941,213,900	950,626,100	950,626,100

2. *Forecast on operating costs*

Operating costs include costs of principal business and costs of other business.

2.1 Forecast on costs of principal business

Costs of principal business is the actual costs incurred in the daily activities relating to sales of products, provision of labour services or right to use asset in transition, costs of self-owned channels are costs of product sales, costs of joint venture are the amounts of agreed ratio paid to joint venture merchants. The costs of principal business from 2012 to the period of January to June in 2015 are set out in the table below:

Unit: RMB

Item/Year		**2012**	**2013**	**2014**	**January — June 2015**
Self-owned	Department store retail sales	114,365,900	113,005,000	105,167,900	45,991,300
	Food and beverage	9,014,300	7,294,200	6,283,900	2,737,000
Joint venture	Department store retail sales	1,046,893,400	1,056,472,100	895,881,300	305,131,700
Costs of principal business		1,170,273,700	1,176,771,300	1,007,333,100	353,860,000
Percentage in revenue from principal business		82.59%	82.52%	82.30%	80.00%

The cost ratios from principal business of various major merchandises in 2014 and 2015 are set out as follows:

Item		2014	January — June 2015	Average
Self-owned	Cosmetics	76.69%	77.07%	76.88%
	Food and beverage	30.94%	32.90%	31.92%
Joint venture	Kitchenware	82.69%	83.62%	83.16%
	Porcelain & gift	80.94%	82.37%	81.66%
	Bedding & houseware	81.50%	79.66%	80.58%
	Kids clothing & toy	78.10%	78.29%	78.20%
	Home appliance	87.48%	88.45%	87.97%
	Fashion	87.06%	86.16%	86.61%
	Premium & miscellaneous item	91.47%	88.98%	90.23%
	Watch	88.79%	89.93%	89.36%
	Jewelry	84.83%	85.61%	85.22%
	Men's miscellaneous item	75.62%	75.13%	75.38%
	Casual wear	77.35%	76.07%	76.71%
	Formal wear	77.05%	77.07%	77.06%
	Mature ladies' wear	77.50%	76.30%	76.90%
	Ladies' lingerie	75.17%	74.69%	74.93%
	Ladies's miscellaneous item	78.75%	77.36%	78.06%
	Young ladies' fashion item	77.94%	77.74%	77.84%
	Men's bag	73.96%	74.04%	74.00%
	Men's shoe	76.42%	75.63%	76.03%
	Ladies' bag	77.09%	75.50%	76.30%
	Ladies' shoe	77.37%	75.73%	76.55%
	Cosmetics	78.44%	76.60%	77.52%

The cost ratios from principal business from June 2013 to 2015 were: 2013 was 82.56%, 2014 was 82.3%, January to June 2015 was 80.00%, and the cost ratio from principal business experienced a downtrend. This estimation is considered with care, which derived from the cost ratios from principal business from 2014 and January to June 2015, and the predicted cost ratio will be around 80.6%.

Viewing from the historical financial data, the percentage of the costs of principal business was relatively stable and presented a declining trend; the reasons for a relatively considerable decrease in the percentage of the costs of principal business in January to June 2015 were due to the adjustment of certain merchants with higher operating revenue but very low gross profit margin (such as the gross profit margin of Cartier was about 2%). According to relevant surveys in the retail industry and interviews with the corporate management, Chengdu Renhe Chuntian will introduce fashionable semi-luxury brands with higher gross profits. As the data from 2014 and the period from January to June in 2015 are able to better reflect the changing trend in the costs of principal business of the appraised entity, the estimates are based on the average cost percentage level in 2014 and the period from January to June in 2015 and the forecast operating revenue to calculate the corresponding costs of principal business. The forecast on the costs of principal business is as follows:

Unit: RMB

Item/Year		**July — December 2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Self-owned	Department store retail sales	44,345,100	91,126,300	92,037,500	92,957,900	93,887,500	93,887,500
	Food and beverage	2,649,200	5,357,500	5,411,100	5,465,200	5,519,800	5,519,800
Joint venture	Department store retail sales	296,296,700	608,870,100	614,958,800	621,108,400	627,319,500	627,319,500
Costs of principal business		343,291,000	705,353,900	712,407,400	719,531,500	726,726,800	726,726,800
Percentage in revenue from principal business		80.62%	80.64%	80.64%	80.64%	80.64%	80.64%

2.2 Forecast on costs of other business

The appraised entity does not have costs of other business.

2.3 Forecast on operating costs

Based on the above, the forecast on operating costs is as follows:

Unit: RMB

Item/Year	**June — December 2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Costs of principal business	343,291,000	705,353,900	712,407,400	719,531,500	726,726,800	726,726,800
Costs of other business	0	0	0	0	0	0
Total operating costs	343,291,000	705,353,900	712,407,400	719,531,500	726,726,800	726,726,800

3. *Selling expenses*

Selling expenses mainly include staff remuneration, office expenses, advertising expenses, promotion expenses, leasing expenses, utility expenses, greenery conservation and cleaning expenses and depreciation.

The forecast on selling expenses is divided into 3 parts: depreciation of fixed assets is forecast based on the forecast method for depreciation and amortization as stated below; salaries are forecast based on the expected number of employees required according to the operating conditions and multiply by the annual average salaries, the annual average salaries are determined by reference to the level of salaries of the previous year plus a certain growth rate; other expenses are forecast by the average amount of the previous year, expenses incurred occasionally will not be taken into consideration. The forecast on selling expenses according to the above methods are set out in the table below:

Unit: RMB

Item/Year	July — December 2015	2016	2017	2018	2019	2020
Staff remuneration	9,820,000	17,976,6 00	18,875,400	19,819,200	20,810,200	21,850,700
Entertainment expenses	134,700	276,800	279,600	282,400	285,200	285,200
Travelling expenses	179,700	369,100	372,800	376,500	380,300	380,300
Office expenses	808,500	1,660,800	1,677,400	1,694,200	1,711,100	1,711,100
Vehicle expenses	269,500	553,600	559,100	564,700	570,400	570,400
Advertising expenses	988,100	2,029,900	2,050,200	2,070,700	2,091,400	2,091,400
Promotion expenses	1,706,700	3,506,100	3,541,200	3,576,600	3,612,400	3,612,400
Packaging expenses	134,700	276,800	279,600	282,400	285,200	285,200
Materials and maintenance expenses	943,200	1,937,600	1,957,000	1,976,500	1,996,300	1,996,300
Facilities	89,800	184,500	186,400	188,200	190,100	190,100
Greenery conservation and cleaning expenses	1,122,900	2,306,700	2,329,700	2,353,000	2,376,600	2,376,600
Utility expenses	3,952,400	8,119,500	8,200,700	8,282,700	8,365,500	8,365,500
Leasing expenses	3,907,500	8,027,200	8,107,500	8,188,600	8,270,400	8,270,400
Clothing expenses	134,700	276,800	279,600	282,400	285,200	285,200

Item/Year	July — December 2015	2016	2017	2018	2019	2020
Insurance premium	224,600	461,300	465,900	470,600	475,300	475,300
Service consulting expenses	314,400	645,900	652,300	658,800	665,400	665,400
Others	89,800	184,500	186,400	188,200	190,100	190,100
Materials expenses	89,800	184,500	186,400	188,200	190,100	190,100
Depreciation	2,203,400	4,406,800	4,406,800	4,406,800	4,406,800	4,406,800
Total selling expenses	27,114,600	53,385,100	54,593,900	55,850,800	57,158,000	58,198,500

Staff remunerations include salary, welfare expenditure, social security, housing provident fund, labor union fee and staff education expenses, welfare expenditure, social security, housing provident fund, labor union fee and staff education expenses are determined with reference to the percentage of salary in prior years, and each percentage was: welfare expenditure: 4%, labor union fee: 2%, staff education expenses: 0.5%, social security: 14%, housing provident fund :2.6%, which amounted to 23.1% in aggregate. The average salary is calculated as total salary per annual divided by average headcount per annual. The salary per capita in 2013 was RMB 41,700, the salary per capita in 2014 was RMB 46,200. In 2015, the number of staff was decreased in a relatively large extent, because the operating revenue was decreased in a relatively large extent and Chengdu Renhe Chuntian has strengthened its internal management.

The number of staff is determined with reference to the establishment implemented by the personnel department of Chengdu Renhe Chuntian, and the number of staff was 269. From July to December 2015, it is expected that the total salary audited in the sales fees amounted to RMB7.6153 million, and it is expected that the total salary audited in the management fees (staff number: 33) amounted to RMB1.9292 million. As welfare expenditure, social security, housing provident fund, labor union fee and staff education expenses of management of Chengdu Renhe Chuntian were also audited in sales fees, it is expected that the salary, welfare expenditure, social security, housing provident fund, labor union fee and staff education expenses from July to December 2015 will amount to RMB2.2047 million, and staff remunerations from July to December 2015 will be RMB9.82 million in aggregate.

The growth rate in salary is reference to the economic development condition and the growth in operating revenue of company, which determined as 5% of annual growth rate.

4. *Capital expenditure*

Valuation of properties is based on the valuation date and its annualized amount will be recognized as capital expenditure. The annual depreciation amount of electronic office equipment will be recognized as capital expenditure. The valuation of properties includes the value of land use rights, thus the capital expenditure on land use rights will not be estimated separately. The annual amortization amount of software and long-term deferred expenses will be recognized as capital expenditure. The forecast of capital expenditure is set out in the table below:

Unit: RMB

Item	**July — December 2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Properties	407,100	8,142,100	8,142,100	8,142,100	8,142,100	8,142,100
Machinery and equipment	1,603,300	3,206,500	3,206,500	3,206,500	3,206,500	3,206,500
Vehicles	166,900	333,900	333,900	333,900	333,900	333,900
Electronic office equipment	676,800	1,353,500	1,353,500	1,353,500	1,353,500	1,353,500
Long-term deferred expenses	8,833,900	17,667,800	17,667,800	17,667,800	17,667,800	17,667,800
Total	15,351,900	30,703,800	30,703,800	30,703,800	30,703,800	30,703,800

This assessment does not take account into the fixed asset investment required to be increased by Chengdu Renhe Chuntian for its operation expansion but only take into account the purpose of sustaining continued operation. As for the expenditure of fixed asset required for renewal, the asset depreciation/amortization per annum was stated as capital expenditure for sustaining the continued operation of Chengdu Renhe Chuntian.

The years of various asset amortization are as follows: for building, the remaining usage term of land use right: 21.29 years; for machine and equipment: 12 years; for vehicle: 15 years; for electronic office equipment and other equipment: 6 years; for long-term deferred expenses: 10 years.

Long-term deferred expenses mainly represent the expenses spent on maintenance and improvement of the malls.

5. *Increase in working capital*

The increase in working capital needs to take into account the impact on corporate operations resulting from the effects of the following elements, such as cash and bank balances, account receivables, prepayment, inventory, other receivables, account payables, receipts in advance, staff remuneration payable, tax expenses payable and other payables (excluding amounts of non-operating assets and liabilities). The historical turnover of each of the elements is used to forecast the required amount in future for each of the elements, and the increase in working capital will be calculated by the following formula:

Increase in working capital for the year = working capital required for the current year — working capital required in the previous year

Increase in working capital for the current year after the valuation date = working capital required for the year of the valuation date — working capital required as at the valuation date

5.1 Data of working capital in historical years

Unit: RMB

Item	**31 December 2011**	**31 December 2012**	**31 December 2013**	**31 December 2014**	**30 June 2015**	**Turnover rate**
Cash and bank balances	40,678,900	18,913,300	177,276,5 00	105,863,300	89,352,900	
Account receivables	20,900	1,363,400	47,200	82,100	64,100	
Prepayments	29,108,400	17,560,300	14,024,700	1,946,300	823,700	
Other receivables	35,096,100	25,534,800	25,828,500	3,698,700	9,962,400	
Inventory	22,068,300	29,235,100	27,324,900	23,790,500	19,737,700	
Other current assets	0	0	2,565,900	4,088,200	3,181,800	
Total operating current assets	126,972,500	92,606,900	247,067,700	139,469,200	123,122,700	
Account payables	192,064,300	156,763,700	175,795,100	143,216,400	88,673,700	
Receipts in advance	9,300	68,800	272,416,200	146,417,500	310,790,300	
Staff remuneration payable	1,329,500	4,868,400	4,761,100	5,344,100	1,223,500	
Tax expenses payable	28,856,300	19,413,400	15,589,800	16,667,400	22,046,400	
Other payables	170,925,300	262,414,400	75,885,400	77,234,400	50,849,800	
Total operating current liabilities	393,184,700	443,528,600	544,447,500	388,879,800	473,583,700	
Working capital	-266,212,300	-350,921,700	-297,379,800	-249,410,700	-350,460,900	
Increase in working capital		-84,709,500	53,542,000	47,969,100	-101,050,300	
Working capital/annual sales revenue (sales for current period)		-24.77%	-20.87%	-20.38%		
Turnover times of cash and bank balances	13.32	50.78	15.31	9.11	9.69	12.58
Turnover times of account receivables	2,270.50	37.48	31.82	314.20	227.65	34.65
Turnover times of prepayments	34.63	50.15	74.50	126.14	510.97	83.60

Item	31 December 2011	31 December 2012	31 December 2013	31 December 2014	30 June 2015	Turnover rate
Turnover times of inventory	5.86	4.81	4.24	4.36	4.48	4.47
Turnover times of other receivables	29.11	49.91	58.47	87.40	138.49	56.22
Turnover times of other current assets	0.00	0.00	585.26	387.84	260.24	411.11
Turnover times of account payables	6.74	6.71	7.08	6.32	6.10	6.71
Turnover times of receipts in advance	28,656.98	36,288.80	5.23	5.85	3.87	5.54
Turnover times of tax expenses payable	77.85	62.69	85.80	80.00	48.87	76.16
Turnover times of other payables	8.35	5.40	6.96	13.16	11.05	12.11

5.2 According to the forecast on operating revenue, operating costs and turnover rate of selected items in future years, the forecast on working capital for future years are as follows:

Unit: RMB

Item	31 December 2015	31 December 2016	31 December 2017	31 December 2018	31 December 2019	31 December 2020
Cash and bank balances	73,301,900	73,344,100	74,077,5 00	74,818,300	75,566,500	75,566,500
Account receivables	479,600	484,400	489,200	494,100	499,100	499,100
Prepayments	8,339,100	8,437,200	8,521,600	8,606,800	8,692,900	8,692,900
Other receivables	16,402,300	16,411,700	16,575,900	16,741,600	16,909,000	16,909,000
Inventory	21,414,500	21,584,700	21,800,600	22,018,600	22,238,800	22,238,800
Other current assets	2,243,000	2,244,300	2,266,800	2,289,400	2,312,300	2,312,300
Total operating current assets	122,180,400	122,506,500	123,731,600	124,968,900	126,218,600	126,218,600
Account payables	103,897,300	105,119,800	106,171,000	107,232,700	108,305,000	108,305,000
Receipts in advance	156,703,800	157,894,000	159,473,000	161,067,700	162,678,400	162,678,400
Staff remuneration payable	1,958,200	1,799,200	1,889,200	1,983,600	2,082,800	2,187,000
Tax expenses payable	12,107,900	12,114,900	12,236,000	12,358,400	12,482,000	12,482,000
Other payables	57,568,200	58,245,600	58,828,000	59,416,300	60,010,500	60,010,500
Total operating current liabilities	332,235,400	335,173,500	338,597,200	342,058,800	345,558,700	345,662,800
Working capital	-210,055,000	-212,667,000	-214,865,600	-217,089,800	-219,340,100	-219,444,200
Increase in working capital	140,405,900	-2,612,000	-2,198,600	-2,224,200	-2,250,200	-104,100
Working capital/annual sales revenue (sales for current period)	-24.20%	-24.31%	-24.32%	-24.33%	-24.34%	-24.35%

Capital expenditure is the capital expenditure required by the enterprise each year to ensure the production, operation and normal development of the enterprise. The appraisal will not take into account the increase in fixed asset investment required for the expanded operation of Chengdu Renhe Chuntian, but only maintenance for sustainable operation and expenditure required for replacement of fixed assets are considered. Annualize amounts of properties will be recognized as capital expenditure. Annual depreciation of machinery and equipment, vehicles and electronic office equipment are recognized as capital expenditure. The valuation of properties includes the value of land use rights, thus the capital expenditure on land use rights will not be estimated separately. The annual amortization amount of long-term deferred expenses will be recognized as capital expenditure. The annual depreciation amount of machinery and equipment, vehicles and electronic office equipment will be determined by multiplying the carrying value at the valuation date with the annual consolidated depreciation rate, therefore the capital expenditure for the forecast period will remain unchanged.

Analysis of non-operating assets and liabilities

Non-operating assets refer to assets held by the enterprise for a purpose other than operation and are not directly related to production operations of the enterprise. Non-operating liabilities refer to liabilities undertaken by the enterprise which are not incurred in operating activities of the principal business, but due to other business activities which are unrelated or not directly related to the principal business, such as liabilities incurred in activities like external investment or investment in infrastructural construction. According to the financial statements provided by the enterprise and judging from the examination result of the appraiser, the non-operating assets and liabilities of the enterprise were as follows:

3.1 On the valuation date, the appraised entity had the following non-operating assets

3.1.1 The total carrying amount of receivables from related companies in other receivables was RMB654,099,248.73.

3.1.2 The carrying amount of available-for-sale financial assets was RMB105,318,019.54.

3.2 On the valuation date, the appraised entity had the following non-operating liabilities

3.2.1 Pursuant to the Agreement on Interest Rate of Borrowings and Financial Management Fees dated 30 June 2015 signed by Chengdu Renhe Chuntian (Party A), Chengdu Renhe (Real Industrial) Group Ltd. (Party B) and Chengdu Renhe Investment Co., Ltd. (Party C), Party A shall apply to the bank for borrowings on behalf of Party C, with Party C being the de facto user of the entrusted borrowings, and Party C shall pay interest for the borrowings. Therefore, the bank borrowings of Chengdu Renhe Chuntian in the amount of RMB400,000,000.00 as at the valuation date was classified as non-operating liabilities.

3.2.2 The carrying amount of interest payable was RMB664,598.61.

3.2.3 The total carrying amount of payables to related companies in other payables was RMB117,662,018.11.

3.2.4 The carrying amount of deferred income tax liabilities was RMB54,504.88.

The relevant figures of net non-operating assets and liabilities were from the financial statement.

(III) *Selection of valuation conclusions*

The difference between the valuation conclusions of the income approach and the cost approach amounted to RMB101,355,600 or a varience of 14.03%, which is mainly attributable to the following reasons:

The income approach is based on future income, based on the possible future income to be realised by the appraised entity's existing assets, we further estimated the operating net cash flow that may be generated from the proposed acquisition of assets in the future, the present value discounted of risk and the appraised value of the equity interests appraised entity. The income approach not only consider the impact of whether each asset of the enterprise is fully and reasonably utilized and whether each asset, in combination, can make the necessary contribution, etc., on the value of total shareholders' equity of the enterprise, but also considers the impact of intangible assets of the enterprise not consolidated onto its balance sheet, such as brand value, client relationship, management ability of the company, human resources and synergy of factors, etc., on the value of entire shareholders' equity interest. As a result, the income approach more sufficiently considers the effects arising from the expected development factors of the enterprise in the future.

While asset-based approach is based on the balance sheet, which indirectly valuates the fair market value of assets through asset replacement. The exercise of asset-based approach valuation cannot reasonably reflect the comprehensive profitability of each asset and the growth of enterprise when conducting overall assets valuation.

According to the above analysis, the valuation result of income approach was adopted in the valuation conclusions of this valuation report.

The value of the entire shareholders' equity interests in Chengdu Renhe Chuntian was RMB823,645,000, i.e. **RMB Eight Hundred and Twenty-Three Million Six Hundred and Forty-Five Thousand Only.**

The appraisal business of enterprise value is in fact an act of judging the value of an enterprise by simulating the market. Since the external and internal environment of the appraised entity is changing constantly, judgment is required to be made according to the information obtained on certain characteristics or all conditions in respect of the enterprise value as at the valuation date. Such explanation by making logical assumption on the studied matter based on limited facts and through a series of deductions is known as assumption. Appraisal assumptions usually include basic assumptions and specific assumptions. Basic assumptions include transaction assumption, open market assumption, sustainable operation assumption or liquidation assumption. Specific assumptions refer to the description of specific assumptions on, among others, policy environment assumption, economic environment assumption, legal environment assumption, assumption on the scope of usage of asset, asset utilization rate assumption and asset utilization effect assumption, etc. During the appraisal, consolidated analysis will be made on factors such as the appraisal objective, type of value, market conditions and the conditions of the appraised target itself to confirm the assumptions of the appraisal. It is clear that, regardless of how stringent the assumptions are, such assumptions would still contain an element of prediction anyway.

In this appraisal, based on the information obtained, the assumptions made in the aspects of macro-economy, regional economies, industry economies and enterprise operations are reasonable.

We believe that all the assumptions, approaches and analysis of this valuation report are fair and reasonable.

XIII. **Valuation Report Date**

The finalized data used in compiling the opinion in this report is 18 November 2015.

Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd.

18 November 2015

B. **Formal Valuation Report of Qingyang Renhe Chuntian**

Disclaimer

(i) We carry out the assets valuation according to the relevant laws and regulations and the asset valuation standards, adhering to the principles of independence, objectiveness and fairness. Based on the facts commanded in the course of our valuation exercise, the matters stated in the valuation report are objective and true. Our analysis, judgment and inferences and the issued valuation report complies with the rules and relevant standards of assets valuation, and we assume corresponding legal responsibilities for the reasonableness of the conclusion of the valuation.

(ii) The lists of assets and liabilities related to the valuation subject have been provided by the appraised entity and confirmed by the appraised entity under its signature and seal. The principal and related parties shall be responsible for the authenticity, legality and completeness of the data provided by them, as well as the appropriate usage of the appraisal report.

(iii) We do not have any interests in the valuation subject mentioned in the appraisal report and we do not have any interests in or prejudices against any related parties.

(iv) We have conducted on-site investigation, given due consideration to the status of the legal title of the appraised subject of this valuation report and examined the relevant information regarding the legal title of the appraised subject, but we are unable to give any form of guarantee as to the truthfulness of the legal title of the appraised subject. We have requested the enterprise to perfect the titles and have duly disclosed any issues discovered.

(v) We have the practicing qualifications and relevant professional valuation experience required in the valuation business.

(vi) The analysis, judgment and conclusions in the appraisal report issued by us are restricted by the assumptions and confining conditions as stated in the appraisal report. Users of this report shall give due consideration to the notes on special matters, valuation assumptions and confining conditions, as stated in the appraisal report as well as their impacts on the valuation's conclusions.

(vii) Our appraisal of the value of the valuation subject and our professional opinion thereby issued on the valuation of the appraised subject is the basis of reference for the conduct of economic actions and shall not be taken as any assurance that such value can be realized by the appraised subject. The valuation report issued by us and the valuation conclusions disclosed therein shall only be for the purpose of the valuation as set out in the valuation report, and may only be used within the valid term of using such valuation conclusions. We are not responsible for any consequences from any misuse thereof.

(viii) We have not considered some factors that may affect the valuation, such as the expenses and taxes assumed of this equity interest transfer, and we have not considered any tax as may be levied in respect of the appraisal gain and loss of asset value in each category of assets.

(ix) We have not considered the impact to the valuation conclusions arising from any limiting factors such as the guarantee and pledge of appraised asset.

(x) Except as otherwise required by laws and regulations, the content in this report shall not be extracted, copied, quoted or disclosed in the public media without the written consent of the valuation institution and the registered assets valuer.

(xi) The value of equity interest of this valuation has neither taken into account minority interests discount nor controlling right premium, nor the impact of liquidity discount on the value of equity interest.

Important Notice

The content below is solely for the inclusion in the Circular as required by the Stock Exchange and is extracted from the asset evaluation report. For the understanding of the overall condition of this valuation project and reasonable comprehension of the conclusions of valuation, please read the full text of the asset valuation report. The separate use of this summary might lead to the misunderstanding or misuse of the conclusions of valuation.

Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd. (國眾聯資產評估土地房地產估價有限公司) was entrusted by Chengshang ("Chengshang") to conduct valuation on the market value of entire shareholder's equity interests in Qingyang Renhe Chuntian ("Qingyang Renhe Chentian") in respect of the proposed equity transfer to Chengshang as at 30 June 2015, in accordance with relevant laws and regulations as well as the standards of asset valuation and by valuation methods of the asset-based approach and the income approach, as well as the necessary valuation procedures.

I. **Entrusting Party and Appraised Entity**

Entrusting Party: Chengshang

Appraised Entity: Qingyang Renhe Chuntian

II. **Purpose of Valuation**

Chengshang proposes to acquire the equity interests of Qingyang Renhe Chuntian, this valuation provides a value reference basis for the economic behavior of the proposed equity interest acquisition by Chengshang.

III. **Valuation Subject and Scope of Valuation**

The valuation subject is the total shareholders' equity of Qingyang Renhe Chuntian as at the valuation base date.

The specific scope of valuation includes all assets and liabilities of Qingyang Renhe Chuntian as at the valuation base date, for which the book values of total assets, total liabilities and shareholders' equity amounted to RMB527,714,700, RMB208,963,000 and RMB318,751,700, respectively. The book value prior to the valuation was audited by Ruihua China CPAs (Special Ordinary Partnership) for which an unqualified audit report, "Ruihuazhuanshen Zi" No. (2015) 48200008, has been issued.

IV. **Valuation Base Date**

The valuation base date for this asset valuation is 30 June 2015. The valuation base date is determined by the entrusting party for the reason that such date is close to the implementation date of the purpose of the valuation. The valuation standards for this valuation are the pricing standards effective as at the valuation base date.

V. **Implementation Process and Conditions of the Valuation Procedures**

According to the requirements on asset valuation of the relevant authorities of the PRC and the general principles on accounting and auditing, and according to the letter of engagement for asset valuation entered into between our company and Chengshang, our valuation staff performed validation and examination of the legal documents as well as accounting records and related information provided by the appraised entity, and conducted on-site inspection and verification of the assets. We also obtained relevant title proof documents, conducted necessary market research and comparison of trading prices, as well as other procedures for asset evaluation which we consider necessary to implement.

VI. **Valuation Approaches**

The asset-based approach and income approach are adopted for this valuation.

VII. **Value Types**

We have been adopted market value as the type of value in this valuation.

VIII. **Valuation Assumptions**

(I) *Basic Assumptions*

1. Open Market Assumption: The Open Market Assumption is an assumption and limitation as to the conditions applicable to assets entering into the market and the influence that will be imposed on such assets under such market conditions. The open market is a fully developed and improved market where voluntary purchasers and sellers compete with each other on an equal basis. In the market, both purchasers and sellers have ample opportunity and time to acquire market information, and their tradings are on a voluntary, rational and not mandatory, and unrestricted basis.

2. Going Concern Assets Assumption: Firstly, it is assumed that the appraised assets are being used (including assets being used and reserved assets); secondly, based on relevant information and data, it is assumed that the assets being used will continuously be used. Assumption of sustainable use on one hand explains what market conditions and environment the appraised assets are subject to and on the other hand explains the continued existence of the assets. Specifically, it includes continuing to be used as existing usage; continuing to be used with a change of usage; continuing to be used at a different location or space. Continuing to be used as existing usage refers to the case when the appraised asset in use will continue to be used in accordance with the existing usage and form after the ownership is changed or asset business occurred. Continuing to be used with a change of usage refers to the case when the appraised asset in use will continue to be used with a change of usage where the existing usage is replaced by a new usage after the ownership is changed or asset business occurred. Continuing to be used at a different location or space refers to the case when the appraised asset in use will continue to be used with a change of location or space and continue to be used at another location or space after the ownership is changed or asset business occurred. It is assumed that the continuing to be used as existing usage mode was adopted to use of the company's assets.

3. Continuing Operation Assumption: The appraised entity is assumed to legally continue as a going concern based on its existing assets and resource conditions in the foreseeable future, and its operation will not suspend due to various reasons.

4. Transactional Assumption: The transactional assumption assumes that all assets to be appraised are in the trading process, and the appraisal is based on a simulated market with trading conditions of the assets to be appraised. Transactional assumption is the most fundamental prerequisite of the appraisal of assets.

(II) *General Assumptions*

1. No material changes are expected in the relevant current national laws, regulations and policies and national economic condition applicable to the industry.

2. No material changes are expected in the economic social environment and economic development, save and except those changes known to the public.

3. The fluctuation in the bank's interest rates and exchange rates is within a reasonable range.

4. There are no material changes in the taxation policies that are currently in place, save and except those changes known to the public.

5. There are no other unpredictable and force majeure factors which cause material adverse effect.

6. There are no material changes in the appraised entity's accounting policy and auditing method following the base date of the valuation.

7. The cash flow of the appraised entity is generated in the middle of every forecast period.

8. No inflationary factors have been taken into account in determining the various parameters in this valuation; all prices are constant.

9. The future development plan and operational data provided by the appraised entity to the valuer will be materialised according to the plan.

10. There are no material changes in the company's mode of operation.

(III) *Special Assumptions*

1. In terms of the legal description or legal issues of the appraised assets (including their ownership or encumbrance limitations) in the valuation report, we have performed general investigation according to relevant standards. Apart from those disclosed in the valuation report, the ownership of the appraised assets is assumed to be in good condition and tradable in the market, not subject to any lien and easement, be unviolated and bearing no other encumbrances.

2. In terms of the information provided by the entrusting part and other parties upon which all or part of the valuation conclusions set out in the valuation report relies, we have only conducted independent review pursuant to the valuation procedures. We make no representation as to the authenticity and accuracy of such information.

3. All certificates, licenses, letters of consent or other legal or administrative authorisation documents signed or issued by relevant local and national government institutions, private organisations or groups, which are required to be employed as basis of value estimation by the users of assets in the valuation report, have been or could be obtained or updated at any time.

4. The valuation is made based on the purchasing power of local currency on the base date of the valuation.

5. All improvements on the relevant assets performed by Qingyang Renhe Chuntian complies with all the requirements of relevant laws and the regulations related to other laws, plans, or engineering codes set by relevant competent departments at higher levels.

6. Estimations in the valuation report are made based on the assumption that all significant or potential factors which may affect the value analysis have been sufficiently disclosed to us by the appraised entity.

This valuation result is conditional upon the satisfaction of above assumptions of valuation. The valuation result will be normally invalid if any change occurs to the assumptions of valuation complied in this valuation.

IX. **Specific Assumptions for Income Approach**

(I) *General Assumptions*

1. There will be no significant changes in the relevant prevailing national laws, regulations and policies as well as national macro-economic situation, and there will be no significant changes in the political, economic and social environment in the regions where the parties to the transaction are located, and there will be no material adverse impacts resulting from other unpredictable and force majeure factors;

2. Qingyang Renhe Chuntian has the basis and conditions for continuing operations, with relatively stable proportion relationship between asset operation and the income therefrom;

3. It is assumed that the operators of Qingyang Renhe Chuntian are responsible and the management of Qingyang Renhe Chuntian are competent in discharging their duties;

4. Unless otherwise stated, it is assumed that Qingyang Renhe Chuntian is in full compliance with all relevant laws and regulations;

5. It is assumed that the accounting policies adopted in the historical financial information by Qingyang Renhe Chuntian are basically consistent with those adopted in the preparation of this report in all material aspects;

6. The future expected income of the appraised assets can be predicted and measured in currency;

7. The risk exposure for obtaining the expected income by the owners of the assets can also be predicted and measured in currency.

(II) *Special Assumptions*

1. No factors of inflation have been taken into account in calculating the various parameters in this valuation; all prices are constant;

2. There will be no significant changes in the national macro-economic policies and the basic policies relating to the industry;

3. There will be no significant changes in the prevailing national policies in connection with bank interest rates, exchange rates and taxation;

4. There will be no significant changes in the social and economic environment of the regions where Qingyang Renhe Chuntian is located;

5. There will be no significant changes in the accounting policy and auditing method of Qingyang Renhe Chuntian;

6. The cash flow of Qingyang Renhe Chuntian is generated in the middle of every forecast period;

7. The control over costs and expenses of Qingyang Renhe Chuntian can be achieved as scheduled;

8. It is assumed that the future business scope and business model of Qingyang Renhe Chuntian will remain the same as the current situation, on the basis of its existing management approach and standards.

9. It is assumed that its asset utilizing rate will be effectively achieved;

10. There will be no significant changes in the credit interest rates, exchange rates, tax bases and tax rates, and policy-based levies, etc.

11. It is assumed that there will be no material difficulties in the recovery of receivables from sales during the term of discounting (i.e. bad debts);

12. There will be no force majeure and unpredictable factors which cause material adverse effect to the enterprise;

13. In the future operating period, all operation and management expenses to be incurred by the appraised entity will not differ substantially from the current basis, and will continue to maintain the same trend as the past few years and will vary with changes in operating scale simultaneously.

14. The changes in the conditions of business structure and operation scale, etc., resulting from changes in the management, business strategies, additional investment and commercial environment have not been taken into consideration. Qingyang Renhe Chuntian's main business structure, income and cost composition during the future business operation period as well as business strategies and cost control for its future business will maintain the same development trend as in the past few years.

According to the requirements of the asset appraisal, these assumptions are deemed to be valid on the appraisal benchmark date by our valuation staff. Our valuation staff will not accept any responsibility for any different appraisal conclusions resulting from any changes in these assumptions when the economic environment changes significantly in future.

X. **Calculation Method and Model of Income Approach**

As the entire value of the enterprise is attributable to various obligees of the enterprise, including equity capital investors, creditors and bondholders, we have selected free cash flow of the enterprise as the income amount for this valuation, while the cash flow of all capital investors is selected as the corresponding amount of assets.

This valuation is based on the net cash flow of the enterprise in several coming years which is discounted at an appropriate discount rate, the sum of which results in the value of overall operating assets of the enterprise, plus surplus assets and the value of non-operating assets, and less interest-bearing debts.

The resulting amount represents the value of entire shareholders' equity.

1. *Valuation Model:* Future Income discounted method has been adopted for this valuation, i.e. the cash flow for the investment capital is the quantitative indicator for the enterprise's expected income, and the Weighted Average Cost of Capital (WACC) model has been adopted for calculating the discount rate.

2. *Calculation Formula*

Future Income discounted method has been adopted for this valuation, i.e. the cash flow for the investment capital is the quantitative indicator for the enterprise's expected income. The calculation formula is as follows:

$$P = \sum_{n=1}^{i} Ai/(1+r)^{i} + An/r(1+r)^{i} + N - D$$

Where:

P is the total shareholders' equity;
Ai is the expected income in period i of the specific forecast;
period r is the discount rate;

i is the forecast period;
An is the perpetual income;
N is the appraised value of net non-operating assets and liabilities and surplus assets; and
D is the interest-bearing debts.

3. *Determination of Income Period*

Perpetual period is adopted as income period for this valuation. In particular, the first phase is the detailed forecast period, commencing from July 1, 2015 and ending on December 31, 2020. During such period, the income of the appraised enterprise varies with the appraised enterprise's operating conditions and business plan. The second phase refers to 2021 and the years thereafter, the appraised enterprise will be assumed to maintain its profitability at a stable rate and continue to operate as a going concern.

4. *Determination of Expected Income*

The enterprise's free cash flow is the quantitative indicator for the enterprise's expected income.

The enterprise's free cash flow is the entire cash flow after deducting operation cost and income tax but before paying cash to the obligees of the enterprise. The calculation formula is as follows:

The enterprise's free cash flow = net profit after tax + depreciation and amortization + interest expenses × (1-income tax rate) — capital expenditure — additional working capital

5. *Determination of Discount Rate*

There are several ways and methods to determine the discount rate. In accordance with the principle that the amount of income should be kept consistent with the discount rate, the amount of income for this valuation is the free cash flow of the enterprise, and the discount rate is determined by the Weighted Average Cost of Capital (WACC).

The calculation formula is:

$$WACC = (Re \times We) + \{Rd \times (1 - T) \times Wd\}$$

Where:

Re is the cost of ordinary equity capital of the company;
Rd is the cost of debt capital of the company;
We is the percentage of equity capital over the total capital;
Wd is the percentage of debt capital over the total capital; and
T is income tax rate of the company.

In this valuation, the Capital Asset Pricing Model (CAPM) is adopted to determine Re, i.e. the cost of ordinary equity capital of the Qingyang Renhe Chuntian.

The calculation formula is:

$$Re = Rf + \beta \times (Rm — Rf) + Rc$$

Where:

Rf is risk-free rate
β is risk factor of the enterprise
Rm is average market rate of return
(Rm – Rf) is market risk premium
Rc is specific risk adjustment coefficient of the enterprise

The selection process of the relevant parameters in the model is as follows:

1. *Determination of the risk-free interest rate (Rf)*

The risk-free premium is the compensation for time value of capital. Such compensation has two portions, one portion is the average rate of return under the circumstances of no inflation and no risk, it is the premium for transferring the right to use capital; the other portion is the added rate for inflation which is a compensation for the decline in purchasing power caused by inflation. These two portions will constitute the risk-free interest rate. After making reference to Wind Info, the average yield of issued long-term treasury bonds with a maturity of over 10 years from the valuation date is taken as the risk-free interest rate, i.e. Rf = 4.20%.

2. *Determination of the systematic risk parameter* β *of equity*

The risk parameter (Beta:β) is an assessment tool for estimating the systematic risk of a security and is used to measure the volatility of a security or a portfolio of securities investment relative to the overall market, usually the parameter β will reflect the sensitivity of individual stock to market changes. The calculation of β often involves three criteria, namely the statistical period, statistical cycle and relative index. In our calculation of β, a 60-month period prior to the valuation date is taken as the statistical period, a month is taken as the statistical interval and the relative index is CSI 300.

By searching through Wind Info, the arithmetic average of β without financial leverage for five comparable listed companies in the department store industry is 0.7931.

Through the following formula, the β without financial leverage will be converted into a β with financial leverage, and the conversion between β with financial leverage and β without financial leverage can be made by the following formula:

$\beta 1/\beta u=1+D/E\times(1-T)$

where: β1 — β with financial leverage;
βu — β without financial leverage;
D — current market value of interest-bearing liabilities;
E — current market value of owners' equity
T — income tax rate.

The entity under appraisal had no interest-bearing liabilities on the valuation date, with sufficient working capital, and there was zero interest-bearing liabilities in the target capital structure, and the β with financial leverage of the entity under appraisal is 0.7931.

3. *Determination of the equity risk premium (ERP)*

The equity risk premium is the excess return required by an investor above the risk-free interest rate for a market investment portfolio with sufficiently diversified risk. According to the Wind Info financial terminals, the average of the difference between the geometric mean of yields in the last 10 years of CSI 300 and the risk-free premium is taken as the equity risk premium (ERP), which is equal to 8.21%.

Table of estimated ERP for 2014

No.	**Year**	**Rm (geometric mean)**	**Risk-free interest rate Rf (more than 10 years in remainder from maturity)**	**ERP=Rm (geometric mean)-Rf**
1	2005	3.25%	3.56%	-0.31%
2	2006	22.54%	3.55%	18.99%
3	2007	37.39%	4.30%	33.09%
4	2008	0.57%	3.80%	-3.23%
5	2009	16.89%	4.09%	12.80%
6	2010	15.10%	4.25%	10.85%
7	2011	0.12%	3.98%	-3.86%
8	2012	1.60%	4.15%	-2.55%
9	2013	4.26%	4.32%	-0.06%
10	2014	20.69%	4.28%	16.41%
Average of last 10 years		12.24%	4.03%	8.21%

4. *Determination of the entity's specific risk excess premium*

The entity's specific risk excess premium usually takes into account the following factors:

① operation stage of the enterprise;

② historical operating conditions;

③ financial risk of the enterprise;

④ development stage of major products;

⑤ distribution of the enterprise's operating business, products and regions;

⑥ internal management and control mechanism of the enterprise;

⑦ experience and qualifications of management personnel;

⑧ reliance on major customers and suppliers.

After consolidated analysis and consideration, the specific risk adjustment parameter Rc of the entity under appraisal is 2.10%, the particulars are set out in the table below:

No.	**Item**	**Explanation**	**Value (%)**
1	Operation stage of the enterprise	The enterprise is in the stable operation stage	0.2
2	Historical operating conditions	The enterprise has been established for a long time and its operation was modest in recent years	0.2
3	Financial risk of the enterprise	The enterprise's gearing ratio is relatively high	0.2
4	Continuity of the markets of the enterprise's business	The continuity of business markets is modest.	0.3
5	Distribution of the enterprise's operating business, services and regions	The operating business is in Chengdu.	0.4
6	Internal management and control mechanism of the enterprise	The enterprise's internal management and control mechanism is relatively comprehensive.	0.3
7	Experience and qualifications of the management personnel	The management personnel of the enterprise have extensive experience	0.2
8	Reliance on major customers and suppliers	Reliance on major suppliers is modest.	0.3
Total		2.10	

5. *Determination of cost of equity capital*

$$\begin{aligned} Re &= 4.20\%+0.7931\times 8.21\%+2.1\% \\ &= 12.81\% \end{aligned}$$

6. *Determination of weighted average cost of capital (WACC)*

There is zero interest-bearing liabilities in the target capital structure of the entity under appraisal.

$$\begin{aligned} WACC &= (Re\times We) + 〔Rd \times (1\text{-}T) \times Wd〕 \\ &= 12.81\% \end{aligned}$$

discount rate = 12.81%

The estimation of the discount rate is consistent with practice of the asset valuation industry and the selected parameters are reasonable.

XI. **Valuation Process of Income Approach**

The forecast for the future financial data of Qingyang Renhe Chuntian is prepared based on its operating results from 2013 to June 2015, in compliance with current laws and regulations of the PRC, in accordance with national macro policies and national and regional macro-economic coniditon, and through thorough analysis of the corporate development plans and operation plans, strengths, weaknesses opportunities and risks of the enterprise, in particular the market environment and the future development prospect and potential of the enterprise, the analysis is based on Qingyang Renhe Chuntian's development plans as from communication with management of the enterprise and is made after comprehensive consideration of the aforementioned.

XII. **Valuation Conclusions**

Asset-based approach and income approach were adopted in this valuation, we have arrived at the following evaluation conclusions according to the above valuations:

(I) *Valuation conclusions of asset-based approach*

As at the valuation base date, i.e. 30 June 2015, the book value and the appraised value of total assets were RMB 527,714,700 and RMB 1,334,745,300, respectively, representing an appreciation of RMB807,030,600 and an appreciation rate of 152.93%;

The book value and the appraised value of total liabilities were RMB 2,089,630,000 and RMB 2,031,130,000, respectively, which depreciated by RMB 8,850,000 with a depreciation rate of 2.80%;

The book value and the appraised value of net assets were RMB 318,751,700 and RMB 1,131,632,300, respectively, representing an appreciation of RMB 812,880,600 and an appreciation rate of 255.02%.

For details of the valuation conclusions, please refer to the summary of result of asset valuation and summary of evaluation breakdown.

Summary of Result of Asset Valuation
Valuation basis date: 30 June 2015

Appraised Entity: Qingyang Renhe Chuntian *Unit: RMB 0'000*

No.	Item	Book Value	Appraised Value	Appreciation/ Depreciation	Appreciation Rate%
		A	B	C=B-A	D=C/A×100%
1	Current Assets	20,568.77	19,242.36	-1,326.41	-6.45
2	Non-Current Assets	32,202.70	114,232.17	82,029.47	254.73
3	Of which: Available-for-sale financial assets	879.09	879.09	—	—
4	Held-to maturity investments	—	—	—	—
5	Long-term receivables	—	—	—	—
6	Long-tem equity investments	—	—	—	—
7	Investment properties	—	—	—	—
8	Fixed assets	22,040.65	111,428.14	89,387.49	405.56
9	Construction in progress	986.71	1,074.35	87.64	8.88
10	Construction materials	—	—	—	—
11	Clearance of fixed assets	—	—	—	—
12	Productive biological assets	—	—	—	—
13	Oil and gas assets	—	—	—	—
14	Intangible assets	4,153.54	553.94	-3,599.60	-86.66
15	Development expenses	—	—	—	—
16	Goodwill	—	—	—	—
17	Long-term deferred expenses	4,142.71	296.65	-3,846.06	-92.84
18	Deferred profit tax assets	—	—	—	—
19	Other non-current assets	—	—	—	—
20	**Total Assets**	**52,771.47**	**133,474.53**	**80,703.06**	**152.93**
21	Current Liabilities	20,219.28	20,219.28	—	—
22	Non-Current Liabilities	677.02	92.02	-585.00	-86.41
23	**Total Liabilities**	**20,896.30**	**20,311.30**	**-585.00**	**-2.80**
24	**Net Assets (Shareholders' Equity)**	**31,875.17**	**113,163.23**	**81,288.06**	**255.02**

Explanatory notes: Appreciation or depreciation in the appraised value of various assets and liabilities of Qingyang Renhe Chuntian and reasons

a. **Appreciation or depreciation in the appraised value of current assets and the reasons**

The appraised value of current assets depreciated by RMB13,264,100, or a depreciation rate of 6.45%, the reasons for depreciation were that current assets due within one year were renovation or reconstruction fees, some of the projects were construction projects related to houses and buildings (such as supermarket expansion, plaza reconstruction, basic renovation, etc.), their values were contained in the valuation of the houses and buildings. In order to avoid repeated valuation, the appraised values of these projects were set to zero and resulted in a depreciation in appraised value.

b. **Appreciation or depreciation in the appraised value of non-current assets and the reasons**

The appraised value of non-current assets appreciated by RMB820,294,700, or an appreciation rate of 254.73%, of which: the appraised value of fixed assets appreciated by RMB893,874,900 (including an appreciation of RMB894,672,000 in the appraised value of houses and buildings, a depreciation of RMB797,100 in the appraised value of equipment assets and an appreciation of RMB876,400 in the appraised value of construction in progress), the appraised value of intangible assets depreciated by RMB35,995,900 and the appraised value of long-term deferred expenses depreciated by RMB38,460,600, the reasons for such appreciation and depreciation are as follows:

1. *Appreciation or depreciation in the appraised value of houses and buildings and the Reasons*

The appraised value of houses and buildings appreciated by RMB894,672,000, the reasons of appreciation were that the houses and buildings were self-constructed properties for commercial purpose with a gross floor area of 65,881.77 sq.m. and a carrying amount of RMB209,384,200 and a carrying amount per square meter of RMB4,500; the market approach and income approach were adopted in the valuation of properties and the final valuation was determined by weighted average approach (weight of market approach 60%; weight of income approach 40%). Houses and buildings were recorded at construction costs, the carrying amount was the net value after deducting cumulated depreciation as at the valuation date. As the value of commercial properties in Chengdu appreciated by a greater extent, therefore an appreciation was estimated in the appraised value.

2. *Appreciation or depreciation in the appraised value of equipment assets and the reasons*

2.1 The appraised value of machinery and equipment depreciated by RMB2,540,400, the reasons for the depreciation were mainly due to the value of equipment ancillary to houses and buildings, such as lifts, diesel power generators, and central air-conditioning systems, were included in the valuation of houses and buildings and resulted in a depreciation.

2.2 The appraised value of vehicles appreciated by RMB57,100, the reasons for the appreciation were mainly due to the term of years used in depreciation accounting for vehicles was shorter than the term of years for economic usage adopted in the valuation.

2.3 The appraised value of electronic office equipment appreciated by RMB1,686,300, the reasons for the appreciation were mainly due to the appraised units adopted a one-off 100% depreciation method for some of the electronic office equipment purchased and their carrying amount was zero and the term of years used in depreciation accounting for some electronic office equipment was shorter than the term of years for economic usage adopted in the valuation.

3. *Appreciation or depreciation in the appraised value of construction in progress and the reasons*

The appraised value of construction in progress appreciated by RMB876,400, the reasons of appreciation were due to management fees, capital costs and investment profits were taken into account in valuation but not included in the carrying amount.

4. *Appreciation or depreciation in the appraised value of intangible assets and the reasons*

Intangible assets were land use rights of state-owned land, the appraised value of which depreciated by RMB35,995,900. The reasons for depreciation were due to the adoption of market approach and income approach in the valuation for houses and buildings, and the value of land use rights of State-owned land attributable to the houses and buildings was included in their valuation.

5. *Appreciation or depreciation in the appraised value of long-term deferred expenses and the reasons*

The appraised value of long-term deferred expenses depreciated by RMB38,460,600, the reasons for the depreciation were that some of the long-term deferred expenses were construction projects related to houses and buildings (such as basic renovation projects, supermarket expansion projects, etc.), their values were contained in the valuation of the houses and buildings, in order to avoid repeated valuation, the appraised values of these projects were set to zero and resulted in a depreciation in appraised value.

c. **Appreciation or depreciation in the appraised value of non-current liabilities and the reasons**

Non-current liabilities were subsidies from the local government for the company’s intelligent management systems for security, fire services, cash collection and internet, the appraised value depreciated by RMB5,850,000, representing the amount actually not required for repayment, therefore the appraised value was zero, resulted in a depreciation in appraised value.

(II) *Valuation conclusions of income approach:*

Based on the income approach, the appraised value of vale of entire shareholders' equity of Qingyang Renhe Chuntian amounted to RMB 1,804,634,300, the appraised value was appreciated by RMB 1,485,882,600 or an appreciation rate of 501.08% when compared with the book value of net assets.

Calculation of Appraised Value under Income Approach

The following table sets out the calculation and results of income approach valuation:

Appraised entity: Qingyang Renhe Chuntian *Unit: RMB 0'000*

Item	Period under Forecast						
	Jul - Dec 2015	2016	2017	2018	2019	2020	Subsequent Years
Operating revenue	67,752.00	137,045.92	143,891.78	151,079.81	157,118.54	161,829.82	161,829.82
Operating cost	52,528.54	106,251.15	111,563.70	117,141.89	121,827.56	125,482.39	125,482.39
Business tax and surcharges	509.34	1,030.36	1,081.51	1,135.22	1,180.36	1,215.67	1,215.67
Cost of sales	2,515.24	4,969.93	5,181.37	5,403.37	5,602.92	5,776.21	5,776.21
Administrative expenses	1,286.59	2,575.40	2,598.21	2,622.16	2,645.08	2,666.73	2,666.73
Finance cost	345.54	698.93	733.85	770.51	801.30	825.33	825.33
Investment income	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating profit	10,566.75	21,520.15	22,733.14	24,006.66	25,061.29	25,863.49	25,863.49
Net non- operating income and expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross profit	10,566.75	21,520.15	22,733.14	24,006.66	25,061.29	25,863.49	25,863.49
Income tax expense	2,642.57	5,381.82	5,685.16	6,003.63	6,267.37	6,467.98	6,467.98
Net profit	7,924.18	16,138.33	17,047.98	18,003.03	18,793.93	19,395.52	19,395.52
Add: Depreciation	527.46	1,054.91	1,054.91	1,054.91	1,054.91	1,054.91	1,054.91
Amortization	708.07	1,416.15	1,416.15	1,416.15	1,416.15	1,416.15	1,416.15
Interest expenses (net of tax effect)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Capital expenditure	1,111.93	2,223.86	2,223.86	2,223.86	2,223.86	2,223.86	2,223.86
Additional working capital	-8,699.61	-866.03	-884.68	-928.92	-781.59	-611.40	0.00
Free cash flow of the enterprise	16,747.39	17,251.56	18,179.86	19,179.14	19,822.72	20,254.12	19,642.72
Discount rate (WACC)	12.41%	12.41%	12.41%	12.41%	12.41%	12.41%	12.41%
Discount term	0.25	1.00	2.00	3.00	4.00	5.00	
Discount coefficient	0.9712	0.8896	0.7914	0.7040	0.6263	0.5572	4.4899
Present value of free cash flow of the enterprise	16,265.07	15,346.99	14,387.54	13,502.11	12,414.97	11,285.60	88,193.85
Total present value of free cash flow of the enterprise	171,396.11						
Add: Net non-operating assets and liabilities	9,067.32						
Less: Interest-bearing liabilities	0.00						
Total value of equity of the enterprise	180.463.43						
Book value of net assets as at the valuation benchmark date	31,875.17						
Appreciation of appraised value under income approach	148,588.26						
Appreciation rate of appraised value under income approach	466.16						

The forecast on future financial data of Qingyang Renhe Chuntian is based on its operating results from 2013 to June 2015, in compliance with the relevant laws and regulations prevailing in China and according to national macro policies as well as national and regional macroeconomic conditions, and has been compiled after consolidated analysis by taking into sufficient consideration of the corporate development plans and operation plans, advantages, disadvantages, opportunities and risks, etc., particularly the market environment and future development prospects and potential to be faced by the entity, and according to the corporate development plans obtained after communication with the corporate management.

1. *Operating Revenue*

1.1 Revenue from principal business

The reasons for the decrease in revenue from principal business of Qingyang Renhe Chuntian for 2014 and the period from January to June of 2015 were: the impact from the national restriction on using public funds for high-end consumption, the construction of an underground mall in 2015 caused inconvenience to parking, noise and dust produced from construction work affected the shopping experience of consumers, and depreciation of foreign currencies resulted in a relatively large outflow of domestic consumption.

Measures intended to be taken to maintain growth in revenue from principal business in future:

1. Adjust brand mix and product mix according to changes in consumption market and consumer needs, introduce fashionable semi-luxury brands with higher gross profit and leisure experiential business to increase customer traffic and sales amount of the shopping mall, while new and effective marketing activities will be introduced jointly with merchants at the same time to increase the number of shoppers and sales amount;

2. The entity will study and implement the fusion of traditional retail sales and online retail sales models by fully utilizing big data information from the internet and exploiting offline resources to shorten the time for decision-making by consumers, reduce the cost of shopping, enhance the enjoyment in consumption services and fully reflect the advantages of online and offline transactions, consumer demand will be better satisfied by increasing promotional efforts and consumption experience for online products, attachment and loyalty of members will be enhanced by further improving and enriching customer services;

3. Upon completion of the Transaction, the number of outlets will be further increased to realize sharing of members, products and management between the Listed Company and Target Asset for more convenient delivery and to better satisfy the demand for various types of products by members of both entities to achieve the objective of increasing sales;

4. The synergy in operations such as purchasing, tenant solicitation and cost management will be fully utilized to realize economies of scale, reduce operating costs, lower marketing losses, enhance bargaining power and increase gross profit income;

5. The underground mall is expected to be completed in 2016. After completion, the business layout and area for ancillary facilities will be more reasonable to improve shopping experience of customers and bringing positive effect on operating revenue;

6. With slower depreciation in foreign currencies, the outflow of domestic consumption will decrease, and the impact of the policy of national restriction on using public funds for high-end consumption will diminish gradually.

The forecast on revenue from principal business is based on historical financial data, combining with the operation plans, strategic layout plan and adopted operation measures of Qingyang Renhe Chuntian during the forecast period, and taking into consideration the business development trend during the forecast period, together with the future economic development trend of Chengdu for making the forecast. The revenue for the period from July to December 2015 is estimated by using the average ratio of revenue for the period from January to June in 2013 and the period from January to June in 2014 to the revenue for the full years. The growth rates of revenue from principal business in subsequent years will be: 5% for 2016, 5% for 2017, 5% for 2018, 4% for 2019 and 3% for 2020. The rebate amount of feedback card bonus points will be determined by the average ratio of the revenue for 2014 and the period from January to June in 2015 to the revenue from principal business. The forecast on revenue from principal business is as follows:

Unit: RMB

Item/Year		**July — December 2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Self-owned	Department store retail sales	73,770,600	149,218,000	156,678,900	164,512,900	171,093,400	176,226,200
	Supermarket	33,280,200	67,317,000	70,682,800	74,217,000	77,185,700	79,501,200
Joint venture		542,144,800	1,096,613,500	1,151,444,200	1,209,016,400	1,257,377,100	1,295,098,400
Rebate of feedback card bonus points		-2,661,700	-5,383,900	-5,653,100	-5,935,800	-6,173,200	-6,358,400
Total revenue from principal business		646,533,900	1,307,764,700	1,373,152,900	1,441,810,600	1,499,483,000	1,544,467,500

Average ratio refers to the average of ratio of the revenue from principal business from January to June 2013 and January to June 2014 to the revenue from principal business for the full year.

The details of calculation of figures from July to December 2015 are as follows: the arithmetic average from January to June 2013 and January to June 2014 to the revenue from principal business for the full year was 48.09%; the figure from July to December 2015 is predicted based on the actual figure from January to June 2015 divided by 48.09% and minus the figure from January to June 2015 as the figure from July to December. The following table sets out the revenue from principal business of various major merchandises in 2015:

Item		January — June 2015	July — December 2015
Self-owned	Cosmetics	6,834.19	7,377.06
	Supermarket	3,083.12	3,328.02
Joint venture	Kitchenware	428.61	462.66
	Porcelain & gift	175.35	189.28
	Bedding & houseware	700.39	756.03
	Kids clothing & toy	2,243.99	2,422.24
	Home appliance	797.55	860.90
	Fashion	8,808.63	9,508.33
	Premium & miscellaneous item	3,014.40	3,253.85
	Watch	2,313.54	2,497.32
	Jewelry	2,365.57	2,553.48
	Men's premium	104.38	112.67
	Casual wear	2,423.49	2,616.00
	Sport wear	525.11	566.82
	Formal wear	2,579.04	2,783.90
	Men's underwear	192.88	208.20
	Audio electronics	109.76	118.47
	Pant	41.40	44.69
	Telecommunications equipment	282.64	305.09
	Mature ladies' wear	11,216.03	12,106.97
	Ladies' lingerie	907.75	979.85
	Ladies's miscellaneous item	1,395.57	1,506.43
	Young ladies' fashion item	2,086.19	2,251.91
	Men's bag	371.13	400.61
	Men's shoe	907.71	979.82
	Ladies' bag	546.84	590.28
	Ladies' shoe	1,674.75	1,807.78
	Supermarket	3,604.82	3,891.16
	Cosmetics	407.39	439.75
	Total	50,224.90	54,214.48
Rebate of feedback card bonus points		-47.07	-266.17
Total revenue from principal business		60,095.14	64,653.39

It can be observed from the above table that the actual revenue from January to June 2015 can be used as the reference for estimation of the revenue from July to December 2015.

5% and 3% of the growth rate of revenue from principal business was forecasted after taking account into the operating plan, strategic layout and adopting operating measure of Qingyang Renhe Chuntian, and also taking account into the developing trend of department store business during the prediction period, as well as based on the future economic development trend of Chengdu. It is expected that the sunken podium will be completed in 2016. The commercial layout and ancillary area will be more reasonable after completion, and the shopping experience of customer will be enhanced. It is expected that the operating revenue will be affected positively.

Feedback card and shopping card represent sales discount, thus the feedback card and shopping card shall be deducted.

1.2 Forecast on revenue from other business

Revenue from other business mainly includes sponsorship income, rental income, income from services, income from target management fees, income from handling fees and income from property management. Revenue from other business is related to the principal business, it is forecast by using the average ratio of revenue from other business of the previous year to the revenue from principal business.

The forecast on revenue from other business is as follows:

Unit: RMB

Item/Year	**July — December 2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Revenue from other business	30,986,000	62,694,600	65,764,900	68,987,500	71,702,400	73,830,700

1.3 Forecast on operating revenue

Based on the above, the forecast on operating revenue is as follows:

Unit: RMB

Item/Year	**April — December 2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Revenue from principal business	646,533,900	1,307,764,700	1,373,152,900	1,441,810,600	1,499,483,000	1,544,467,500
Revenue from other business	30,986,000	62,694,600	65,764,900	68,987,500	71,702,400	73,830,700
Total operating revenue	677,520,000	1,370,459,200	1,438,917,800	1,510,798,100	1,571,185,400	1,618,298,200

2. *Forecast on operating costs*

Operating costs include costs of principal business and costs of other business.

2.1 Forecast on costs of principal business

Costs of principal business is the actual costs incurred in the daily activities relating to sales of products, provision of labour services or right to use asset in transition, costs of self-owned channels are costs of product sales, costs of joint venture are the amounts of agreed ratio paid to joint venture merchants. The costs of principal business from 2012 to the period of January to June in 2015 are set out in the table below:

Unit: RMB

Item/Year		**2012**	**2013**	**2014**	**January — June 2015**
Self-owned	Department store retail sales	89,525,400	102,788,800	110,773,900	52,583,600
	Supermarket	54,790,400	57,358,500	57,273,800	25,651,200
Joint venture		1,087,135,600	1,062,681,500	1,021,913,900	407,435,800
Costs of principal business		1,231,451,400	1,222,828,800	1,189,961,700	485,670,600
Percentage in revenue from principal business		82.70%	82.11%	81.69%	80.82%

The cost ratios from principal business of various major merchandises in 2014 and 2015 are set out as follows:

Item		2014	January — June 2015	Average
Self-owned	Cosmetics	76.93%	76.94%	76.94%
	Supermarket	83.28%	83.20%	83.24%
Joint venture	Kitchenware	85.11%	82.75%	83.93%
	Porcelain & gift	82.01%	83.73%	82.87%
	Bedding & houseware	78.79%	78.79%	78.79%
	Kids clothing & toy	79.33%	79.14%	79.24%
	Home appliance	83.14%	84.01%	83.58%
	Fashion	87.37%	87.44%	87.41%
	Premium & miscellaneous item	83.06%	83.33%	83.20%
	Watch	88.53%	89.31%	88.92%
	Jewelry	86.65%	85.66%	86.16%
	Men’s premium	73.85%	73.36%	73.61%
	Casual wear	78.40%	79.57%	78.99%
	Sport wear	81.77%	81.97%	81.87%
	Formal wear	77.71%	76.83%	77.27%
	Men’s underwear	73.57%	74.07%	73.82%
	Audio electronics	93.62%	94.24%	93.93%
	Pant	76.46%	75.10%	75.78%
	Telecommunications equipment	95.30%	95.42%	95.36%
	Mature ladies’ wear	78.43%	77.32%	77.88%
	Ladies’ lingerie	74.52%	73.95%	74.24%
	Ladies’s miscellaneous item	79.18%	80.38%	79.78%
	Young ladies’ fashion item	77.45%	76.50%	76.98%
	Men’s bag	76.41%	75.32%	75.87%
	Men’s shoe	76.81%	76.33%	76.57%
	Ladies’ bag	76.69%	75.22%	75.96%
	Ladies’ shoe	78.15%	76.66%	77.41%
	Supermarket	81.41%	81.09%	81.25%
	Cosmetics	81.88%	79.12%	80.50%

The cost ratios from principal business from June 2013 to 2015 were: 2013 was 82.11%, 2014 was 81.69%, January to June 2015 was 80.82%, and the cost ratio from principal business experienced a downtrend. This estimation is considered with care, which derived from the cost ratios from principal business from 2014 and January to June 2015, and the predicted cost ratio will be 81.25%.

Viewing from the historical financial data, the percentage of the costs of principal business presented a declining trend. According to relevant surveys in the retail industry and interviews with the corporate management, Qingyang Renhe Chuntian will introduce fashionable semi-luxury brands with higher gross profits. As the data from 2014 and the period from January to June in 2015 are able to better reflect the changing trend in the costs of principal business of the appraised entity, the estimates are based on the average cost percentage level in 2014 and the period from January to June in 2015 and the forecast operating revenue to calculate the corresponding costs of principal business. The forecast on the costs of principal business is as follows:

Unit: RMB

Item/Year		**July — December 2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Self-owned	Department store retail sales	56,759,100	114,808,400	120,548,800	126,576,200	131,639,300	135,588,400
	Supermarket	27,702,500	56,034,700	58,836,400	61,778,200	64,249,300	66,176,800
Joint venture		440,823,900	891,668,400	936,251,900	983,064,400	1,022,387,000	1,053,058,600
Costs of principal business		525,285,400	1,062,511,500	1,115,637,000	1,171,418,900	1,218,275,600	1,254,823,900
Percentage in revenue from principal business		81.25%	81.25%	81.25%	81.25%	81.25%	81.25%

2.2 Forecast on costs of other business

The appraised entity does not have costs of other business.

2.3 Forecast on operating costs

Based on the above, the forecast on operating costs is as follows:

Unit: RMB

Item/Year	**June — December 2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Costs of principal business	525,285,400	1,062,511,500	1,115,637,000	1,171,418,900	1,218,275,600	1,254,823,900
Costs of other business	0	0	0	0	0	0
Total operating costs	525,285,400	1,062,511,500	1,115,637,000	1,171,418,900	1,218,275,600	1,254,823,900

3. *Forecast on selling expenses*

Selling expenses mainly include staff remuneration, office expenses, advertising expenses, promotion expenses, leasing expenses, utility expenses, greenery conservation and cleaning expenses and depreciation.

The forecast on selling expenses is divided into 3 parts: depreciation of fixed assets is forecast based on the forecast method for depreciation and amortization; salaries are forecast based on the expected number of employees required according to the operating conditions and multiply by the annual average salaries, the annual average salaries are determined by reference to the level of salaries of the previous year plus a certain growth rate; other expenses are forecast by the average amount of the previous year, expenses incurred occasionally will not be taken into consideration. The forecast on selling expenses according to the above methods are set out in the table below:

Unit: RMB

Item/Year	**July — December 2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Staff remuneration	6,392,400	11,836,400	12,428,200	13,049,600	13,702,100	14,387,200
Uniform expenses	122,000	246,700	259,000	271,900	282,800	291,300
Entertainment expenses	88,001	178,200	187,100	196,400	204,300	210,400
Travelling expenses	142,300	287,800	302,200	317,300	329,900	339,800
Office expenses	752,000	1,521,200	1,597,200	1,677,000	1,744,000	1,796,300
Vehicle expenses	33,900	68,500	71,900	75,500	78,600	80,900
Advertising expenses	833,300	1,685,700	1,769,900	1,858,300	1,932,600	1,990,500
Promotion expenses	2,025,800	4,097,700	4,302,400	4,517,300	4,697,800	4,838,700
Packaging expenses	216,800	438,500	460,500	483,500	502,800	517,900
Materials and maintenance expense	1,402,500	2,836,900	2,978,600	3,127,400	3,252,400	3,349,900
Expenses of low-cost consumables	135,500	274,100	287,800	302,200	314,200	323,700
Greenery conservation and cleaning expenses	1,178,900	2,384,600	2,503,700	2,628,800	2,733,900	2,815,800
Utility expenses	5,528,600	11,182,900	11,741,600	12,328,100	12,820,900	13,205,300

Item/Year	July — December 2015	2016	2017	2018	2019	2020
Property management expenses	1,239,900	2,507,900	2,633,200	2,764,800	2,875,300	2,961,500
Leasing expenses	1,219,500	2,466,800	2,590,100	2,719,400	2,828,100	2,912,900
Insurance premium	128,700	260,400	273,400	287,100	298,500	307,500
Product loss	20,300	41,100	43,200	45,300	47,100	48,500
Others	0	0	0	0	0	0
Depreciation	3,692,000	7,383,900	7,383,900	7,383,900	7,383,900	7,383,900
Total selling expenses	25,152,400	49,699,300	51,813,700	54,033,700	56,029,200	57,762,100

Staff remunerations include salary, welfare expenditure, social security, housing provident fund, labor union fee and staff education expenses, welfare expenditure, social security, housing provident fund, labor union fee and staff education expenses are determined with reference to the percentage of salary in prior years, and each percentage was: welfare expenditure: 3%, labor union fee: 2%, staff education expenses: 0.5%, social security: 15%, housing provident fund :3.5%, which amounted to 24% in aggregate. The average salary is calculated as total salary per annual divided by average headcount per annual. The salary per capita in 2013 was RMB 36,200, the salary per capita in 2014 was RMB 44,600. In 2015, the number of staff was decreased in a relatively large extent, because Qingyang Renhe Chuntian has strengthened its internal management. The number of staff is determined with reference to the establishment implemented by the personnel department of Qingyang Renhe Chuntian, and the number of staff was 192. From July to December 2015, it is expected that the total salary audited in the sales fees amounted to RMB5.1046 million, and it is expected that total salary audited in the management fees (staff number: 19) amounted to RMB1.1396 million. As welfare expenditure, labor union fee and staff education expenses of management of Qingyang Renhe Chuntian were audited in sales fees, it is expected that the salary, welfare expenditure, social security, housing provide fund, labor union fee and staff education expenses from July to December 2015 will amount to RMB1.2878 million, and staff remunerations from July to December 2015 will be RMB6.3924 million in aggregate.

The growth rate in salary is reference to the economic development condition and the growth in operating revenue of company, which determined as 5% of annual growth rate.

4. *Capital expenditure*

Valuation of properties is based on the valuation date and its annualized amount will be recognized as capital expenditure. The annual depreciation amount of electronic office equipment will be recognized as capital expenditure. The valuation of properties includes the value of land use rights, thus the capital expenditure on land use rights will not be estimated separately. The annual amortization amount of software and long-term deferred expenses will be recognized as capital expenditure. The forecast of capital expenditure is set out in the table below:

Unit: RMB

Item	**July — December 2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Properties	3,140,900	6,281,800	6,281,800	6,281,800	6,281,800	6,281,800
Electronic office equipment	1,582,600	3,165,200	3,165,200	3,165,200	3,165,200	3,165,200
Intangible asset - software	28,500	57,000	57,000	57,000	57,000	57,000
Long-term deferred expenses	6,367,300	12,734,600	12,734,600	12,734,600	12,734,600	12,734,600
Total	11,119,300	22,238,600	22,238,600	22,238,600	22,238,600	22,238,600

This assessment does not take account into the fixed asset investment required to be increased by Qingyang Renhe Chuntian for its operation expansion but only take into account the purpose of sustaining continued operation. As for the expenditure of fixed asset required for renewal, the asset depreciation/amortization per annum was stated as capital expenditure for sustaining the continued operation of Qingyang Renhe Chuntian.

The years of various asset amortization are as follows: for building, the remaining usage term of land use right: 26.44 years, for machine and equipment: 12 years, for electronic office equipment and other equipment: 8 years, for intangible asset — software: 10 years, for long-term deferred expenses: 10 years.

Long-term deferred expenses mainly represent the expenses spent on maintenance and improvement of the malls.

5. *Increase in working capital*

The increase in working capital needs to take into account the impact on corporate operations resulting from the effects of the following elements, such as cash and bank balances, account receivables, prepayment, inventory, other receivables, account payables, receipts in advance, staff remuneration payable, tax expenses payable and other payables (excluding amounts of non-operating assets and liabilities). The historical turnover of each of the elements is used to forecast the required amount in future for each of the elements, and the increase in working capital will be calculated by the following formula:

Increase in working capital for the year = working capital required for the current year — working capital required in the previous year

Increase in working capital for the current year after the valuation date = working capital required for the year of the valuation date — working capital required as at the valuation date

5.1 Data of working capital in historical years

Unit: RMB

Item	**31 December 2011**	**31 December 2012**	**31 December 2013**	**31 December 2014**	**30 June 2015**	**Turnover rate**
Cash and bank balances	34,153,800	25,471,200	69,939,100	175,824,300	86,471,900	
Account receivables	96,600	228,000	116,900	177,000	319,200	
Prepayments	30,249,200	282,600	117,400	75,600	1,584,100	
Other receivables	3,017,200	44,278,700	4,554,700	4,033,600	7,029,700	
Inventory	24,984,600	31,421,900	27,823,200	29,602,500	25,524,500	
Other current assets	0	0	0	33,000	11,000	
Total operating current assets	92,501,400	101,682,400	102,551,200	209,746,000	120,940,400	
Account payables	217,311,500	193,515,100	228,120,900	210,106,700	139,828,500	
Receipts in advance	597,600	2,471,300	2,357,700	3,072,800	1,909,600	
Staff remuneration payable	1,256,200	4,991,100	3,550,100	3,394,300	1,083,300	
Tax expenses payable	39,474,500	81,400	21,539,900	17,427,000	15,631,000	
Other payables	62,080,600	74,693,000	44,280,500	47,154,400	43,740,500	
Total operating current liabilities	320,720,300	275,751,800	299,849,200	281,155,100	202,192,800	
Working capital	-228,218,900	-174,069,500	-197,297,900	-71,409,100	-81,252,300	
Increase in working capital		54,149,500	-23,228,400	125,888,800	-9,843,200	
Working capital/annual sales revenue (sales for current period)		-11.69%	-13.25%	-4.90%		
Turnover times of cash and bank balances	23.91	52.58	32.43	12.36	9.70	36.31
Turnover times of account receivables	28,121.42	9,174.72	8,635.21	9,911.90	4,844.14	9,240.61
Turnover times of prepayments	26.61	80.67	6,114.13	12,332.11	1,170.48	9,223.12
Turnover times of inventory	5.32	5.11	5.41	5.85	5.68	5.42

Item	31 December 2011	31 December 2012	31 December 2013	31 December 2014	30 June 2015	Turnover rate
Turnover times of other receivables	24.79	66.29	63.37	353.83	230.02	161.16
Turnover times of account payables	5.75	5.99	5.80	5.43	5.55	5.74
Turnover times of receipts in advance	4,544.60	970.40	616.79	536.50	482.47	707.90
Turnover times of tax expenses payable	47.16	79.26	143.12	77.98	76.98	78.62
Turnover times of other payables	31.67	18.01	20.56	26.03	21.37	21.53

5.2 According to the forecast on operating revenue, operating costs and turnover rate of selected items in future years, the forecast on working capital for future years are as follows:

Unit: RMB

Item	31 December 2015	31 December 2016	31 December 2017	31 December 2018	31 December 2019	31 December 2020
Cash and bank balances	36,180,400	37,743,300	39,628,700	41,608,300	43,271,400	44,568,900
Account receivables	135,000	141,500	148,600	156,000	162,300	167,100
Prepayments	109,600	115,200	121,000	127,000	132,100	136,100
Other receivables	8,151,600	8,503,700	8,928,500	9,374,500	9,749,200	10,041,600
Inventory	30,017,800	31,520,900	33,096,900	34,751,700	36,141,800	37,226,100
Total operating current assets	74,594,400	78,024,600	81,923,700	86,017,600	89,456,800	92,139,800
Account payables	176,124,700	185,106,500	194,361,900	204,079,900	212,243,100	218,610,400
Receipts in advance	1,762,200	1,847,400	1,939,800	2,036,700	2,118,200	2,181,800
Staff remuneration payable	1,290,500	1,197,700	1,257,500	1,320,400	1,386,400	1,455,800
Tax expenses payable	16,709,600	17,431,400	18,302,200	19,216,500	19,984,600	20,583,800
Other payables	46,955,700	49,350,300	51,817,800	54,408,700	56,585,000	58,282,600
Total operating current liabilities	242,842,800	254,933,300	267,679,100	281,062,300	292,317,400	301,114,300
Working capital	-168,248,400	-176,908,700	-185,755,500	-195,044,600	-202,860,600	-208,974,600
Increase in working capital	-86,996,100	-8,660,300	-8,846,800	-9,289,200	-7,815,900	-6,114,000
Working capital/annual sales revenue (sales for current period)	-13.49%	-13.53%	-13.53%	-13.53%	-13.53%	-13.53%

Capital expenditure is the capital expenditure required by the enterprise each year to ensure the production, operation and normal development of the enterprise. The appraisal will not take into account the increase in fixed asset investment required for the expanded operation of Qingyang Renhe Chuntian, but only maintenance for sustainable operation and expenditure required for replacement of fixed assets are considered. Annualize amounts of properties will be recognized as capital expenditure. Annual depreciation of machinery and equipment, vehicles and electronic office equipment are recognized as capital expenditure. The valuation of properties includes the value of land use rights, thus the capital expenditure on land use rights will not be estimated separately. The annual amortization amount of long-term deferred expenses will be recognized as capital expenditure. The annual depreciation amount of machinery and equipment, vehicles and electronic office equipment will be determined by multiplying the carrying value at the valuation date with the annual consolidated depreciation rate, therefore the capital expenditure for the forecast period will remain unchanged.

Analysis of non-operating assets and liabilities

Non-operating assets refer to assets held by the enterprise for a purpose other than operation and are not directly related to production operations of the enterprise. Non-operating liabilities refer to liabilities undertaken by the enterprise which are not incurred in operating activities of the principal business, but due to other business activities which are unrelated or not directly related to the principal business, such as liabilities incurred in activities like external investment or investment in infrastructural construction. According to the financial statements provided by the enterprise and judging from the examination result of the appraiser, the non-operating assets and liabilities of the enterprise were as follows:

3.1 On the valuation date, the appraised entity had the following non-operating assets

3.1.1 The total carrying amount of prepayments for equipment in the prepayments was RMB2,767,500.00.

3.1.2 The total carrying amount of receivables from related companies in other receivables was RMB66,380,402.54.

3.1.3 The carrying amount of available-for-sale financial assets was RMB8,790,938.65.

3.1.4 The carrying amount of the underground mall of construction-in-progress was RMB7,219,722.69.

3.1.5 The carrying amount of State-owned land use rights attributable to the underground mall in the intangible assets was RMB5,021,400.03.

3.2 On the valuation date, the appraised entity had the following non-operating liabilities

3.2.1 The carrying amount of deferred income tax liabilities was RMB920,234.66.

The relevant figures of net non-operating assets and liabilities were from the financial statement.

(III) *Selection of valuation conclusions*

The difference between the valuation conclusions of the income approach and the asset-based approach amounted to RMB673,002,000 or a varience of 59.47%, which is mainly attributable to the following reasons:

The income approach is based on future income, based on the possible future income to be realised by the appraised entity's existing assets, we further estimated the operating net cash flow that may be generated from the proposed acquisition of assets in the future, the present value discounted of risk and the appraised value of the equity interests appraised entity. The income approach not only consider the impact of whether each asset of the enterprise is fully and reasonably utilized and whether each asset, in combination, can make the necessary contribution, etc., on the value of total shareholders' equity of the enterprise, but also considers the impact of intangible assets of the enterprise not consolidated onto its balance sheet, such as brand value, client relationship, management ability of the company, human resources and synergy of factors, etc., on the value of entire shareholders' equity interest. As a result, the income approach more sufficiently considers the effects arising from the expected development factors of the enterprise in the future.

While asset-based approach is based on the balance sheet, which indirectly evaluates the fair market value of assets through asset replacement. The exercise of asset-based approach valuation cannot reasonably reflect the comprehensive profitability of each asset and the growth of enterprise when conducting overall assets evaluation.

According to the above analysis, the valuation result of income approach was adopted in the valuation conclusions of this evaluation report.

The value of the entire shareholders' equity interests in Qingyang Renhe Chuntian was RMB1,804,634,300, i.e. **RMB One Billion Eight Hundred and Four Million Six Hundred and Thirty-Four Thousand and Three Hundred Only.**

The appraisal business of enterprise value is in fact an act of judging the value of an enterprise by simulating the market. Since the external and internal environment of the appraised entity is changing constantly, judgment is required to be made according to the information obtained on certain characteristics or all conditions in respect of the enterprise value as at the valuation date. Such explanation by making logical assumption on the studied matter based on limited facts and through a series of deductions is known as assumption. Appraisal assumptions usually include basic assumptions and specific assumptions. Basic assumptions include transaction assumption, open market assumption, sustainable operation assumption or liquidation assumption. Specific assumptions refer to the description of specific assumptions on, among others, policy environment assumption, economic environment assumption, legal environment assumption, assumption on the scope of usage of asset, asset utilization rate assumption and asset utilization effect assumption, etc. During the appraisal, consolidated analysis will be made on factors such as the appraisal objective, type of value, market conditions and the conditions of the appraised target itself to confirm the assumptions of the appraisal. It is clear that, regardless of how stringent the assumptions are, such assumptions would still contain an element of prediction.

In this appraisal, based on the information obtained, the assumptions made in the aspects of macro-economy, regional economies, industry economies and enterprise operations are reasonable.

We believe that all the assumptions, approaches and analysis of this valuation report are fair and reasonable.

XIII. **Valuation Report Date**

The finalized data used in compiling the opinions in this report is 18 November 2015.

Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd.

18 November 2015

1. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a report received from the reporting accountants, RSM, Certified Public Accountants, Hong Kong, for inclusion in this Circular.

RSM Hong Kong
中瑞岳華(香港)會計師事務所
Certified Public Accountants

29th Floor
Lee Gardens Two
28 Yun Ping Road
Causeway Bay
Hong Kong

10 December 2015

INDEPENDENT ASSURANCE REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE TARGET ENTITIES

TO THE BOARD OF DIRECTORS OF MAOYE INTERNATIONAL HOLDINGS LIMITED

Dear Sirs,

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd (國眾聯資產評估土地房地產估價有限公司) (the "Independent Valuer") finalised on 4 December 2015 of the Target Entities set out in Appendix as at 30 June 2015 (the "Valuation") is based. The Valuation, based on the discounted future estimated cash flows, is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and will be included in a circular to be issued by Maoye International Holdings Limited (the "Company") on or about 30 May 2016 (the "Circular").

Responsibilities of directors of the Company and Chengshang Group Co., Ltd (成商集團股份有限公司) ("Chengshang") for the discounted future estimated cash flows

The directors of Chengshang are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors of Chengshang as set out in the Circular (the "Assumptions"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

The directors of the Company are responsible for review of the Assumptions based upon which the valuation of the Target Entities was prepared by the Independent Valuer, and shall form an opinion as to whether the Valuation prepared by us has been made after due and careful enquiries.

Responsibilities of RSM Hong Kong

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by paragraph 14.62(2) of the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work. We are not reporting on the appropriateness and validity of the Assumptions on which the Valuation is based and our work does not constitute any valuation of the Target Entities.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the Assumptions.

Because the Valuation relates to the discounted estimated future cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from those used in the Valuation and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

In our opinion, based on the foregoing, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled, in all material respects, in accordance with the Assumptions made by the directors of Chengshang.

Yours faithfully,
RSM Hong Kong
Certified Public Accountants
Hong Kong

APPENDIX

Target Entities

Chengdu Renhe Chuntian Department Store Ltd	成都仁和春天百貨有限公司
Qingyang Renhe Chuntian	成都青羊區仁和春天百貨有限公司

As the valuation of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian is based on the discounted future earnings method, it is deemed to be a profit forecast under the Listing Rules. The following is the text of a letter from the Board on such valuation for the purpose of incorporation in this circular.

2. LETTER FROM THE BOARD

LETTER FROM BOARD OF DIRECTORS OF
MAOYE INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 848)

10 December 2015
The Listing Division
The Stock Exchange of Hong Kong Limited
11/F, One International Finance Centre
1 Harbour View Street
Hong Kong

Dear Sirs,

We refer to the final valuation reports (the "Valuation Reports") in relation to Chengdu Renhe Chuntian and Qingyang Renhe Chuntian, respectively, dated 4 December 2015 prepared by Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd. (國眾聯資產評估土地房地產估價有限公司), the valuer in relation to the valuation of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian (the "**Valuer**") which valuations constitute profit forecast under Rule 14.61 of the Listing Rules. Terms defined in the announcement of the Company dated 16 October 2015 shall have the same meanings in this letter unless the context otherwise requires.

We have reviewed the bases and assumptions based upon which the valuations of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian were prepared by the Valuer, for which valuations the Valuer is solely responsible. We have also considered the report from RSM Hong Kong Certified Public Accountants, the reporting accountants in relation to the Acquisitions, confirming that, so far as the arithmetical accuracy of the calculations of the discounted future cash flows on which the valuation is based and concerned, the discounted future cash flows have been properly compiled, in all material respects, in accordance with the respective bases and assumptions.

On the basis of the foregoing, we have made the forecast after due and careful enquires.

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

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) ***Long positions in the shares of the Company***

Name of director	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital*
Mr. Huang Mao Ru	Interest of controlled corporations	4,200,000,000 *(Note)*	81.69%
	Beneficial owner	50,000,000	0.97%
		4,250,000,000	82.66%
Ms. Wang Fuqin	Beneficial owner	792,000	0.015%

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

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at the Latest Practicable Date.

(ii) ***Long position in shares of associated corporations of the Company***

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

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

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

* The percentage represents the number of ordinary shares divided by the number of Maoye Department Store Investment Limited's issued shares as at the Latest Practicable Date.

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

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

* The percentage represents the number of ordinary shares divided by the number of MOY International Holdings Limited's issued shares as at the Latest Practicable Date.

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

As at the Latest Practicable Date, no Director or proposed Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

(b) **Substantial shareholders' interests and short positions in shares and underlying shares of the Company**

As at the Latest Practicable Date, the following persons (other than the Directors of the Company, whose interests have been disclosed in the above section headed "Directors' and chief executives' interests and short positions in shares and underlying shares of the Company and its associated corporations") had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long position in the shares of the Company

Name	**Capacity**	**Number of ordinary shares interested**	**Approximate percentage of the Company's issued share capital***
Mrs. Huang Jingzhang	Interest of spouse	4,250,000,000 *(Note (a))*	82.66%
Maoye Department Store Investment Limited	Beneficial owner	4,200,000,000 *(Note (b))*	81.69%
MOY International Holdings Limited	Interest of controlled corporation	4,200,000,000 *(Note (b))*	81.69%

Note:

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

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

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, no person (other than the directors of the Company, whose interests have been disclosed in the above section headed "Directors' and chief executives' interests and short positions in shares and underlying shares of the Company and its associated corporations") had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

4. EXPERT AND CONSENT

The following sets out the qualification of the expert who has given opinion or advice which are contained in this Circular:

Name	Qualification
RSM Hong Kong	Certified Public Accountants
Ernst & Young	Certified Public Accountants
Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd. (國眾聯資產評估土地房地產估價有限公司)	Independent professional valuer

As at the Latest Practicable Date, the above expert has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter(s) and references to its names in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any interest in the share capital of any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

5. LITIGATION

As at the Latest Practicable Date, no members of the Group were engaged in any litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

(a) Mr. Huang owns the Maoye Chongqing Jiefangbei Store and Wuxi Maoye Department Store Company Limited and Wuxi Maoye Baifu Supermarket Company Limited (collectively, the "**Maoye Wuxi Store**") through Maoye Holdings Limited, a company wholly-owned by Mr. Huang Mao Ru. The Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store are managed by our Group under management agreements to operate Maoye-branded department stores.

In addition, Mr. Huang owns a 18.93% equity interest in Guiyang Friendship Group Holdings Company Limited (the "**Guiyang Friendship Group**") as of the Latest Practicable Date. Guiyang Friendship Group primarily operates two department stores in Guiyang, Guizhou Province. The operations of our Group and Guiyang Friendship Group are totally independent. Therefore, we are capable of carrying on our business independently of, and at arm's length from, Guiyang Friendship Group.

To manage the conflicts of interest between the Group and the Controlling Shareholder Group in respect of these stores, Mr. Huang, Maoye Holdings Limited and Richon Holdings Limited have granted the Group an option to purchase the whole or part of the interest of these companies.

(b) Mr. Zhong, a non-executive Director, currently holds a 40% equity interest in Shenzhen Friendship Trading Centre Company Limited, which in turn holds a 90% equity interest in Shenzhen Friendship Department Store Company Limited and a 25.01% equity interest in Shenzhen Aeon Friendship Co., Ltd. Mr. Zhong is also the chairman of Shenzhen Friendship Department Store Company Limited and the vice-chairman of Shenzhen Aeon Friendship Co., Ltd., but he does not have control over the board of Shenzhen Aeon Friendship Co., Ltd.

Both Shenzhen Friendship Department Store Company Limited and Shenzhen Aeon Friendship Co., Ltd. are engaged in the department store and retail business. As advised by Mr. Zhong and based on the best knowledge and belief of the other Directors, the department store of Shenzhen Friendship Department Store Company Limited is situated in the central commercial district on Renmin South Road in Shenzhen, and Shenzhen Aeon Friendship Co., Ltd has four department stores in Shenzhen.

The Directors consider that there is competition between our Group and Shenzhen Friendship Department Store Company Limited and Shenzhen Aeon Friendship Co., Ltd. To manage the conflict of interest arising from Mr. Zhong's interests in these companies, Mr. Zhong is required to abstain from participation, deliberation or voting at Board meetings where matters involving these companies are discussed or resolved, and he will not be counted for purpose of determining quorum for such Board meetings.

7. DIRECTORS' AND EXPERT'S INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors and the expert(s) had any direct or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, save as disclosed below, no Director had a significant beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year:

(a) Maoye Shangsha and Shenzhen City Friendship Trading Center Company Limited ("**Shenzhen Friendship**") which is 40% owned by Mr. Zhong, a director of the Company, have entered into the lease agreement dated 30 April 2013 (the "**Lease Agreement**"), pursuant to which Maoye Shangsha Company Limited has agreed to lease the first four storeys of the Friendship City Building with a gross floor area of approximately 21,000 square metres at 63 Friendship Road, Shenzhen, PRC. The Lease Agreement has a term of three years and is effective from 1 May 2013. Pursuant to the Lease Agreement, the rents payable for the three years ended 30 April 2016 are RMB25,000,000, RMB27,060,000 and RMB27,060,000, respectively.

(b) The Company and Maoye Holdings Limited which is wholly-owned by Mr. Huang, the chairman and a director of the Company, have entered into the master leasing agreement dated 28 November 2012 (the "**Master Leasing Agreement**"), pursuant to which the Group may lease premises from Mr. Huang, any of his associates and companies majority owned or controlled by Mr. Huang and his associates (but excluding the Group) for a period of three years with effect from 1 January 2013. The supplemental agreement to the Master Leasing Agreement dated 30 April 2013 has been entered into between the Company and Maoye Holdings Limited in relation to a proposed revision of annual caps under the Master Leasing Agreement. Pursuant to the supplemental agreement to the Master Leasing Agreement, the annual maximum rents and other payments payable by the Company is RMB175,000,000.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within two years immediately preceding the issue of this Circular and are material:

(a) The sale and purchase agreement dated 26 June 2014 entered into between Maoye Shangsha and Commercial City, pursuant to which Maoye Shangsha has agreed to purchase and Commercial City has agreed to sell its entire equity interest in Liaoning Logistics Company Limited ("**Liaoning Logistics**"), being 99.94% of Liaoning Logistics' total issued share capital, for a cash consideration of up to RMB295,500,000, which will be confirmed based on the Formal Valuation Report. In addition, Maoye Shangsha undertook to repay any outstanding trade receivables of up to RMB181,215,600 due from Liaoning Logistics and its subsidiaries to Commercial City and its subsidiaries as at the completion date of the Liaoning Agreement.

(b) The sale and purchase agreement dated 26 June 2014 entered into between Maoye Shangsha and Commercial City, pursuant to which Maoye Shangsha has agreed to purchase and Commercial City has agreed to sell its entire equity interest in Shenyang Anli Real Estate Operations Company Limited) ("**Anli Real Estate**"), being 100% of Anli Real Estate's total issued share capital, for an aggregate consideration of RMB41,400,000, which will be confirmed based on the Formal Valuation Report.

(c) The agreement dated 24 July 2014 entered into between Maoye Logistics Corporation Limited (Maoye Logistics) and Xiaochang Yingxigu Investment Centre (Limited Partnership) and Beijing Bosheng Youshi Technology Development Co., Ltd, pursuant to which Maoye Logistics agreed to purchase from Xiaochang Yingxigu Investment Centre (Limited Partnership) and Beijing Bosheng Youshi Technology Development Co., Ltd 100% equity interest in Beijing TrustMeDu Sci-tech Co., Ltd (北京創世漫道科技有限公司) for a consideration of RMB878 million, which was settled partly by issuing shares and partly by cash.

(d) The agreement dated 19 September 2014 entered into between Shenyang Maoye and Maoye Property to terminate the Jinlang Management Agreement, pursuant to which no party is required to pay any penalty or compensation to any other party in respect of the early termination of the Jinlang Management Agreement.

(e) The agreement dated 13 March 2015 entered into between Maoye Shangsha, a wholly-owned subsidiary of the Company, Baotou Lucheng and Baotou Real Estate, whereby Maoye Shangsha agreed to purchase and Baotou Lucheng and Baotou Real Estate together agreed to sell 100% of the issue share capital of Baotou-Maoye East River Real Estate Development Company, a company established pursuant to the agreement, for a consideration of RMB270,000,000, which was payable in cash.

(f) The agreement dated 20 April 2015 entered into between Zhongzhao Investment Management Co., Ltd., a wholly-owned subsidiary of the Company ("**Zhongzhao**") , and Shenyang Maoye Property Company Limited, a company wholly-owned by Mr. Huang, the controlling shareholder of the Company, in respect of the sale of 8,000,000 shares in Maoye Logistics, representing 1.29% of the issued share capital of Maoye Logistics, for a consideration of RMB87,520,000.

(g) The agreement dated 5 June 2015 entered into among Maoye Shangsha Company Limited ("**Maoye Shangsha**"), a wholly-owned subsidiary of the Company (as vendor), Demao Investment Enterprises (Limited Partnership) ("**Demao**") and Shenzhen Hezhengmao Investment Enterprise (Limited Partnership) ("**Hezhengmao**") (together as purchasers), pursuant to which Demao and Hezhengmao agreed to purchase 16.43% and 6.57% equity interest, respectively, in Shenzhen Maoye Department Store Huaqiangbei Co., Limited ("**Maoye Huaqiangbei**") for a consideration of RMB368,611,815 and RMB147,399,855, respectively.

(h) The agreement dated 28 August 2015 entered into among Maoye Shangsha, Shenzhen Demao and Hezhengmao (together as vendors) and Chengshang, a subsidiary of the Company (as purchaser) in respect of the sale of the entire issued share capital of Shenzhen Maoye Department Store Company Limited, Shenzhen Maoye Department Store Shennan Co., Ltd., Maoye Huaqiangbei, Shenzhen Maoye Oriental Times Department Store Co., Ltd. and Zhuhai City Maoye Department Store Co., Ltd. for a consideration of RMB8,560,571,100 in aggregate.

(i) The agreement dated 29 September 2015 entered into between Maoye Logistics and Zhongzhao, pursuant to which Zhongzhao agreed to purchase, and Maoye Logistics agreed to sell, the entire registered share capital of Qinhuangdao Maoye Holdings Co., Ltd., for a consideration of RMB1,405,875,700.

(j) The agreement dated 5 April 2016 entered into between, among others, Chengshang, Inner Mongolia Victoria Commercial (Group) Co., Ltd. ("**Inner Mongolia**") and Victoria Investment Holding Co., Ltd. ("**Victoria Investment**") pursuant to which Chengshang conditionally agreed to purchase and Victoria Investment conditionally agreed to sell 70% of the equity interests in Inner Mongolia for a consideration of RMB1,565,300.000.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2015, being the date to which the latest published and audited financial statements of the Group were made up.

10. MISCELLANEOUS

(a) The registered office of the Company is located at Floor 4, Willow House, Cricket Square, P.O. Box 2804 Grand Cayman KY1-1112, Cayman Islands. The head office in the PRC is at 38/F, World Finance Centre, 4003 Shennan East Road, Shenzhen, PRC and the principal place of business in Hong Kong is at Room 3301, 33/F, Office Tower Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong.

(b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong.

(c) The company secretary of the Company is Ms. Soon Yuk Tai ("**Ms Soon**"). Ms. Soon is a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Soon is a Chartered Secretary and a fellow of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Apart from the Company, Ms. Soon has been providing professional secretarial services to a number of listed companies.

(d) This Circular has been printed in English and Chinese, in the event of inconsistency, the English version shall prevail.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. 9:30 a.m. to 5:00 p.m., Monday to Friday (public holidays excluded)) at the offices of Herbert Smith Freehills in Hong Kong at 23/F, Gloucester Tower, 15 Queen's Road Central, Hong Kong from the date of this Circular up to and including at least 14 days after the date of this Circular:

(a) the Chengdu Renhe Chuntian Agreement;

(b) the Qingyang Renhe Chuntian Agreement;

(c) the Chengdu Renhe Chuntian Supplement Agreement;

(d) the Qingyang Renhe Chuntian Supplement Agreement;

(e) memorandum and articles of association of the Company;

(f) the consolidated audited financial statements of the Company for the two years ended 31 December 2015;

(g) the accountants' report of Chengdu Renhe Chuntian and Qingyang Renhe Chuntian for the three years ended 31 December 2015, the text of which is set out in Appendix II to this Circular, and the related statement of adjustments, if any;

(h) the accountants' report in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this Circular;

(i) the Formal Valuation Reports prepared by the Valuer;

(j) the letter from the Board, the text of which is set out in this Circular;

(k) the letter from RSM and the Board in relation to profit forecasts, the text of which is set out in Appendix V to this Circular;

(l) the letter of consent from RSM referred to in the above paragraph headed "Experts' Qualifications and Consents" in this Appendix;

(m) the letter of consent from Ernst & Young referred to in the above paragraph headed "Experts' Qualifications and Consents" in this Appendix;

(n) the letter of consent from Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd. (國眾聯資產評估土地房地產估價有限公司) referred to in the above paragraph headed "Experts' Qualifications and Consents" in this Appendix;

(o) the material contracts referred to in the above paragraph headed "Material Contracts" in this Appendix; and

(p) this Circular.