**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 TRANSACTION

9 January 2015

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*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

| | |
|---|---|
| "Acquisition" | the acquisition of 100% of the issued share capital of Target by Maoye Logistics from the Vendors pursuant to the Acquisition Agreement |
| "Acquisition Agreement" | the sale and purchase agreement dated 24 July 2014 between Maoye Logistics and the Vendors for the acquisition of 100% equity interest of Target |
| "Adjusted Issue Price" | the issue price of the Maoye Logistics Consideration Shares and the Subscription Shares which has been adjusted pursuant to the Acquisition Agreement and the Subscription Agreement, respectively |
| "Board" | the board of Directors |
| "Bosheng" | Beijing Bosheng Youshi Technology Development Co., Ltd (北京博升優勢科技發展有限公司), a company established in the PRC |
| "Company" | Maoye International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange |
| "Consideration" | the consideration payable for the Acquisition |
| "Controlling Shareholder Group" | Mr. Huang Mao Ru, Maoye Holdings Limited and Richon Holdings Limited |
| "CSRC" | China Securities Regulatory Commission |
| "Deemed Disposal" | the issue of the Maoye Logistics Consideration Shares by Maoye Logistics as part of the Consideration and the Subscription |
| "Director(s)" | the director(s) of the Company |
| "Group" | the Company and its subsidiaries |
| "Industry and Commerce Bureau" | Beijing Administration for Industry & Commerce |
| "Latest Practicable Date" | 5 January 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular |

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| "Listing Rules" | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "Maoye Logistics" | Maoye Logistics Corporation Ltd. (茂業物流股份有限公司), a subsidiary of the Company and a joint stock limited company established in the PRC and listed on the Shenzhen Stock Exchange (stock code: 000889). As at the date of this circular, the Company holds 208,074,832 shares in Maoye Logistics through Zhongzhao Investment Management, representing approximately 46.70% of its issued share capital |
| "Maoye Logistics Consideration Shares" | 149,859,439 new shares to be issued by Maoye Logistics as part of the Consideration (as adjusted) |
| "Model Code" | Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules |
| "PRC" or "China" | the People's Republic of China |
| "RMB" | Renminbi, the lawful currency in the PRC |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time |
| "Shareholders" | the shareholders of the Company |
| "Shanghai Fengyou" | Shanghai Fengyou Investment Management Centre (上海峰幽投資管理中心(普通合夥)), a partnership established in the PRC |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Subscription" | the allotment and issue of 26,445,783 shares by Maoye Logistics to Shanghai Fengyou pursuant to the Subscription Agreement (as adjusted) |
| "Subscription Agreement" | the subscription agreement dated 24 July 2014 between Maoye Logistics and Shanghai Fengyou for the subscription of 26,445,783 shares in Maoye Logistics (as adjusted) |
| "Subscription Shares" | 26,445,783 new shares to be issued by Maoye Logistics to Shanghai Fengyou pursuant to the Subscription Agreement (as adjusted) |
| "Target" | Beijing TrustMeDu Sci-tech Co., Ltd (北京創世漫道科技有限公司), a company established in the PRC |
| "Transaction" | the Acquisition and the Deemed Disposal |

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|---|---|
| "Valuer" | Beijing Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司), an independent third party professional valuer in relation to the Transaction |
| "Vendors" | Yingxigu and Bosheng |
| "Reporting Accountants" | World Link CPA Limited, the reporting accountants in relation to the Transaction |
| "Yingxigu" | Xiaochang Yingxigu Investment Centre (Limited Partnership) (孝昌鷹溪谷投資中心(有限合夥)), a partnership established in the PRC |
| "Zhongzhao Investment Management" | Zhongzhao Investment Management Company Limited (中兆投資管理有限公司), a wholly-owned subsidiary of the Company incorporated in the PRC. As at the date of this circular, Zhongzhao Investment Management Company Limited holds 208,074,832 shares in Maoye Logistics, representing approximately 46.70% of its issued share capital |

# 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
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PRC

9 January 2015

*To the Shareholders,*

Dear Sir/Madam,

## MAJOR TRANSACTION

### 1. INTRODUCTION

Reference is made to the announcement issued by the Company dated 3 March 2014 in relation to the suspension of trading of Maoye Logistics on the Shenzhen Stock Exchange in relation to a material asset reorganisation matter, the announcement dated 24 July 2014 in relation to the major transaction of the Company and the announcement dated 17 December 2014 in relation to the completion of the Transaction.

### THE ACQUISITION AGREEMENT

On 24 July 2014, Maoye Logistics, a subsidiary of the Company, entered into the Acquisition Agreement with the Vendors for the acquisition of Beijing TrustMeDu Sci-tech Co., Ltd (北京創世漫道科技有限公司). Pursuant to the Acquisition Agreement, Maoye Logistics agreed to purchase and the Vendors agreed to sell their equity interest in the Target, being in aggregate 100% of the Target's total issued share capital for a consideration of approximately RMB878 million (subject to adjustment based on the formal valuation report). The Consideration shall be satisfied as to 15% (approximately RMB 132 million) in cash and as to 85% (approximately RMB746 million) by the allotment and issue of the Maoye Logistics Consideration Shares by Maoye Logistics. Pursuant to the Acquisition Agreement, 148,665,400 Maoye Logistics Consideration Shares will be issued to the Vendors at an issue price of RMB5.02 per share, subject to adjustment.

Based on the formal valuation report, no adjustment to the Consideration was required. As such, the Consideration shall remain to be approximately RMB878 million. Due to the distribution of dividend of RMB0.42 per 10 shares of Maoye Logistics to the shareholders of Maoye Logistics on 8 May 2014, the issue price of the Maoye Logistics Consideration Shares shall be adjusted to the Adjusted Issue Price of RMB4.98 per share pursuant to the Acquisition Agreement. As a result, 149,859,439 Maoye Logistics Consideration Shares will be issued to the Vendors at the Adjusted Issue Price of RMB4.98 per share.

The issue of the Maoye Logistics Consideration Shares will result in a dilution of the shareholding interest of our Group in Maoye Logistics. Under the Listing Rules, such dilution is regarded as a deemed disposal by the Company of shareholding interest in Maoye Logistics.

## THE SUBSCRIPTION AGREEMENT

Separately, Maoye Logistics has entered into the Subscription Agreement with Shanghai Fengyou, pursuant to which Maoye Logistics shall allot and issue and Shanghai Fengyou shall subscribe to such number of shares of Maoye Logistics representing an aggregate value of approximately RMB132 million. Pursuant to the Subscription Agreement, the Subscription Shares will be issued at an issue price of RMB5.02 per share, subject to adjustment. Due to the distribution of dividend of RMB0.42 per 10 shares of Maoye Logistics to the shareholders of Maoye Logistics on 8 May 2014, the issue price of the Subscription Shares shall be adjusted to the Adjusted Issue Price of RMB4.98 per share pursuant to the Subscription Agreement. As a result, 26,445,783 Subscription Shares of Maoye Logistics will be issued to Shanghai Fengyou at the Adjusted Issue Price of RMB4.98 per share.

The proceeds of the Subscription will be applied to settle the cash consideration of the Acquisition. Shanghai Fengyou and the Vendors are regarded as parties acting in concert pursuant to the Acquisition Agreement and the Subscription Agreement.

## COMPLETION OF THE TRANSACTION

All conditions precedent under the Acquisition Agreement and the Subscription Agreement had been fulfilled on 24 November 2014. On 19 December 2014, the Maoye Logistics Consideration Shares and the Subscription Shares were listed on the Shenzhen Stock Exchange and the Transaction was completed.

After the issue of the Maoye Logistics Consideration Shares and the Subscription Shares, the shareholding in Maoye Logistics held by Zhongzhao Investment Management, a wholly-owned subsidiary of the Company, was diluted from approximately 46.70% to 33.46%. After completion of the Transaction, the Company currently remains to be the single largest shareholder of Maoye Logistics and it is able to appoint the majority members of its board. Maoye Logistics will be accounted for as an associated company of the Company.

The Group has not entered into any other agreement for the disposal of the remaining 33.46% interest in Maoye Logistics.

**SUBSEQUENT DEVELOPMENT**

The Group is preliminarily contemplating certain material matters related to Maoye Logistics. In light of the uncertainties regarding such plans and to protect the interests of the investors, Maoye Logistics has applied for a suspension of trading beginning 7 January 2015 pursuant to the relevant requirements under the Rules Governing Listing of Stocks on Shenzhen Stock Exchange. Further announcements will be made by the Company as and when appropriate and in accordance with the Listing Rules.

## 2. THE ACQUISITION AGREEMENT

**Date** 24 July 2014

**Parties**

Vendors: Yingxigu, which held 99% of the issued share capital of the Target; and Bosheng, which held 1% of the issued share capital of the Target.

Purchaser: Maoye Logistics, a subsidiary of the Company

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendors and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

**Assets to be acquired**

Pursuant to the Acquisition Agreement, Maoye Logistics has conditionally agreed to purchase and the Vendors have agreed to sell their entire equity interest in the Target, being 100% of the Target's total issued share capital.

**Assets to be disposed of**

Pursuant to the Acquisition Agreement, Maoye Logistics has conditionally agreed to allot and issue, as part of the Consideration, such number of Maoye Logistics Consideration Shares representing an aggregate value of approximately RMB746 million to the Vendors, subject to adjustment. Based on the formal valuation report, no adjustment to the Consideration for the Acquisition was required to be made.

Due to the distribution of dividend of RMB0.42 per 10 shares of Maoye Logistics to the shareholders of Maoye Logistics on 8 May 2014, the issue price of the Maoye Logistics Consideration Shares shall be adjusted from RMB5.02 per share to the Adjusted Issue Price of RMB4.98 per share pursuant to the Acquisition Agreement. As a result, 149,859,439 Maoye Logistics Consideration Shares will be issued to the Vendors at the Adjusted Issue Price of RMB4.98 per share.

**Consideration**

Pursuant to the Acquisition Agreement, the Consideration for the Acquisition is approximately RMB878 million (subject to adjustment based on the formal valuation report). Based on the formal valuation report, no adjustment to the Consideration for the Acquisition was required to be made.

Pursuant to the Acquisition Agreement, 85% of the Consideration (equivalent to approximately RMB746 million) shall be satisfied by an allotment and issue of the Maoye Logistics Consideration Shares. 15% of the Consideration (equivalent to approximately RMB132 million) shall be payable in cash.

**Terms of payment**

Upon completion of the Acquisition Agreement and the receipt of the proceeds of the Subscription by Maoye Logistics, Maoye Logistics shall engage a qualified accountant to issue a capital verification report in respect of the proceeds of the Subscription.

When the capital verification report is issued, Maoye Logistics shall:

1. register the Maoye Logistics Consideration Shares under the name of the Vendors at the share registrar; and

2. within three working days, pay the cash consideration of approximately RMB132 million to the Vendors.

The allotment and issue of the Maoye Logistics Consideration Shares and the payment of cash consideration shall be completed within 12 months after the Acquisition Agreement has come into effect.

**Basis of determination of the Consideration**

The Consideration was determined after arm's length negotiations between the Vendors and Maoye Logistics on normal commercial terms with reference to the valuation of the Target on discounted future cash flows method (also known as "present earning value method"). Based on the valuation conducted by the Valuer, the net asset value of the Target was valued as RMB878,029,800 as at 22 August 2014. The valuation of the Target constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The issue price of the Maoye Logistics Consideration Shares reflects the average trading price of Maoye Logistics' shares for the 20 trading days immediately preceding 3 March 2014, the date of suspension of trading of Maoye Logistics on the Shenzhen Stock Exchange, as well as the adjustment required to be made due to the distribution of dividend of RMB0.42 per 10 shares of Maoye Logistics paid to the shareholders of Maoye Logistics on 8 May 2014.

The issue price of RMB4.98 per Maoye Logistics Consideration Shares:

1. represents a premium of approximately 3.75% to the closing price of RMB4.80 per Maoye Logistics' share as quoted on the Stock Exchange on 28 February 2014;

2. represents a premium of approximately 3.11% to the average of the closing prices per Maoye Logistics' share of RMB4.83 for the last 5 trading days up to and excluding 3 March 2014; and

3. is the same as the average of the closing prices per Maoye Logistics' share of RMB4.98 for the last 20 trading days up to and excluding 3 March 2014.

The Directors consider that the terms of the transactions under the Acquisition Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

**Conditions Precedent**

The Acquisition Agreement takes effect upon satisfaction of the following conditions:

1. The transaction under the Acquisition Agreement having been approved by the board of directors of Maoye Logistics;

2. The transaction under the Acquisition Agreement having been approved by the shareholders' meeting of Maoye Logistics;

3. The transaction under the Acquisition Agreement having been approved by the shareholders of the Company; and

4. The transaction under the Acquisition Agreement having been approved by the CSRC.

Completion of the Acquisition Agreement is conditional upon the fulfilment of the following conditions:

1. The Acquisition Agreement becoming effective pursuant to the conditions stated above;

2. All third party consent, authorisation or approval which are necessary or relevant to give effect to the transaction contemplated by the Acquisition Agreement (if any) having been obtained and the Target is not encumbered by any third parties' rights;

3. Necessary approval by the relevant regulatory authorities concerning the change of shareholding of the Target having been obtained;

4. Non-competition agreements having been entered into between the Target or its subsidiaries and the senior management and core employees of the Target;

5. There being no judgment, decision, or order by relevant authorities, or promulgation or amendment of laws that would prohibit or render illegal the Acquisition Agreement or the transactions thereunder;

6. There being no material adverse changes to the Target's financial conditions and business operation prior to Completion;

7. All representations and warranties remain true, accurate and complete;

8. There having been no default or evidence of potential default under the Acquisition Agreement.

**Completion**

Completion of the Acquisition Agreement is conditional upon the satisfaction (or waiver in accordance with the terms of the Acquisition Agreement) of the conditions precedent above and shall take place upon, amongst other things, the transfer of the shares of Target by the Vendors to Maoye Logistics is registered with the Industry and Commerce Bureau.

The transactions under the Acquisition Agreement were approved by the CSRC on 24 November 2014. Further, all conditions precedent under the Acquisition Agreement had been fulfilled on 24 November 2014. On 19 December 2014, the Maoye Logistics Consideration Shares were listed on the Shenzhen Stock Exchange and the Acquisition was completed.

**Other provisions**

1. The Maoye Logistics Consideration Shares are subject to a lock-up period of 36 months from the date of allotment and issue of such shares to the Vendors.

2. The Vendors will provide a guarantee for the profit of the Target for the three financial years after the completion of the Acquisition Agreement based on the formal valuation report. The Vendors shall indemnify Maoye Logistics for the shortfall if the profit falls below the guaranteed amount.

3. Maoye Logistics shall be entitled to any profit generated by the Target between 31 May 2014 and the completion date, while the Vendor shall bear any loss incurred. The Vendor shall indemnify Maoye Logistics the relevant loss if any.

## 3. THE SUBSCRIPTION AGREEMENT

On 24 July 2014, Maoye Logistics entered into the Subscription Agreement with Shanghai Fengyou. Details of the Subscription Agreement are set out below.

**Parties**

Issuer: Maoye Logistics, a subsidiary of the Company

Subscriber: Shanghai Fengyou

Shanghai Fengyou and the Vendors are regarded as parties acting in concert pursuant to the Acquisition Agreement and the Subscription Agreement. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shanghai Fengyou and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

**The Subscription**

Pursuant to the Subscription Agreement, Maoye Logistics has conditionally agreed to allot and issue and Shanghai Fengyou shall subscribe to such number of shares of Maoye Logistics representing an aggregate value of approximately RMB132 million, subject to adjustment. Based on the formal valuation report, no adjustment to the consideration for the Subscription was required to be made.

Due to the distribution of dividend of RMB0.42 per 10 shares of Maoye Logistics to the shareholders of Maoye Logistics on 8 May 2014, the issue price of the Subscription Shares shall be adjusted from RMB5.02 per share to the Adjusted Issue Price of RMB4.98 per share pursuant to the Subscription Agreement. As a result, 26,445,783 Subscription Shares will be issued to Shanghai Fengyou at the Adjusted Issue Price of RMB4.98 per share.

**Consideration**

Pursuant to the Subscription Agreement, the consideration for the Subscription is approximately RMB132 million, subject to adjustment, which shall be payable in cash. Based on the formal valuation report, no adjustment to the consideration for the Subscription was required to be made.

**Terms of payment**

After the allotment and issue of the Maoye Logistics Consideration Shares and the Subscription has been approved by the CSRC, Shanghai Fengyou shall pay the cash consideration in full within seven working days.

**Basis of determination of the consideration**

The consideration for the Subscription was determined after arm's length negotiations between the Vendors and Maoye Logistics on normal commercial terms. The issue price of the Subscription Shares reflect the average trading price of Maoye Logistics' shares for the 20 trading days immediately preceding 3 March 2014, the date of suspension of trading of Maoye Logistics on the Shenzhen Stock Exchange, as well as the adjustment after the dividend of RMB0.42 per 10 shares of Maoye Logistics was paid to the shareholders of Maoye Logistics on 8 May 2014.

The issue price of RMB4.98 per Subscription Shares:

1. represents a premium of approximately 3.75% to the closing price of RMB4.80 per Maoye Logistics' share as quoted on the Stock Exchange on 28 February 2014;

2. represents a premium of approximately 3.11% to the average of the closing prices per Maoye Logistics' share of RMB4.83 for the last 5 trading days up to and excluding 3 March 2014; and

3. is the same as the average of the closing prices per Maoye Logistics' share of RMB4.98 for the last 20 trading days up to and excluding 3 March 2014.

The Directors consider that the terms of the transaction under the Subscription Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

**Conditions Precedent**

The Subscription Agreement shall take effect upon the Acquisition Agreement becoming effective pursuant to the conditions stated above. If the Acquisition Agreement is discharged, terminated or otherwise declared ineffective, the Subscription Agreement shall be terminated accordingly.

**Completion**

After the payment of the consideration by Shanghai Fengyou, Maoye Logistics shall register the Subscription Shares with the Industry and Commerce Bureau under the name of Shanghai Fengyou. The Subscription Agreement is completed upon completion of the registration of the Subscription Shares.

The Subscription was approved by the CSRC on 24 November 2014. Further, all conditions precedent under the Subscription Agreement had been fulfilled on 24 November 2014. On 19 December 2014, the Subscription Shares were listed on the Shenzhen Stock Exchange and the Subscription was completed.

**Use of Proceeds**

The proceeds of the Subscription will be applied to settle the cash consideration of Acquisition.

**Other provisions**

The Subscription Shares are subject to a lock-up period of 36 months from the date of allotment and issue of such shares to Shanghai Fengyou.

## 4. FINANCIAL AND OTHER EFFECTS OF THE DEEMED DISPOSAL

Upon completion of the Deemed Disposal:

1. The total issued share capital of Maoye Logistics increased from 445,521,564 to 621,826,786; and

2. The shareholding of Zhongzhao Investment Management in Maoye Logistics decreased from 46.70% to 33.46%.

After the completion of the Deemed Disposal, the Company currently remains to be the single largest shareholder of Maoye Logistics and it is able to appoint the majority members of its board. Maoye Logistics will be accounted for as an associated company of the Company.

The unaudited total assets and total liabilities of Maoye Logistics amounted to approximately RMB1,738 million and RMB511 million, respectively, as at 30 September 2014. Upon completion of the Deemed Disposal, it is expected that the Group will reduce its total assets by approximately RMB1,738 million and reduce its total liabilities by approximately RMB511 million, respectively. The Group will record its investment in Maoye Logistics by using the equity method of accounting.

Upon completion of the Deemed Disposal, based on the revenue of Maoye Logistics for the year ended 31 December 2013, it is expected that the Group will reduce its revenue by approximately RMB572 million. The Group will record 33.46% of the profits or losses of Maoye Logistics using the equity method of accounting in the consolidated financial statements of the Group in the future.

In addition, in accordance with International Financial Reporting Standard 10, based on the closing price per Maoye Logistics's share of RMB11.23 as at 19 December 2014, being the completion date of the Deemed Disposal, and the unaudited net assets value of Maoye Logistics as at 30 November 2014 of approximately RMB971 million, the Group expects to recognise a gain of approximately RMB1,025 million after tax from the Deemed Disposal. The determination of the gain from the Deemed Disposal will be subject to further adjustment taking into account the impact of the unrealised inter-company transactions between the Group and Maoye Logistics in the previous years. The actual gain from the Deemed Disposal will be further disclosed in the Company's 2014 annual results announcement and 2014 annual report.

## 5. INFORMATION OF THE SUBJECT OF THE ACQUISITION AND THE DEEMED DISPOSAL

### The Target

The Target is principally engaged in value-added telecommunications service.

Based on the unaudited accounts of the Target prepared based on PRC Generally Accepted Accounting Principles, the unaudited net profit of the Target for each of the financial years ended 31 December 2012 and 2013 are as follows:

| | **For the year ended 31 December 2012 (unaudited)** *RMB* | **For the year ended 31 December 2013 (unaudited)** *RMB* |
|---|---|---|
| Net profit before taxation | 56,028,907 | 58,157,078 |
| Net profit after taxation | 47,585,844 | 49,670,264 |

The unaudited total asset value of the Target as at 31 December 2013 was approximately RMB160,189,722. Based on valuation conducted by the Valuer, the report valued the net asset value of the Target as RMB878,029,800 as at 22 August 2014 based on discounted future cash flows method.

The valuation of the Target constitutes a profit forecast under Rule 14.61 of the Listing Rules.

### Principal Assumptions of the valuation

Given that the valuation of the Target involves use of the discounted future cash flows method approach, such valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

The valuation of the Target has been prepared on the following principal basis and assumptions:

### General assumptions

1. Trading assumption: assuming that all assets to be appraised are within the trading process, and that the appraiser conducts the valuation by simulating the market, such as valuation based on the trading conditions of the assets to be appraised.

2. Open-market assumption: an assumption made on the conditions of the market into which the assets are to be entered and the impact on assets under such market conditions. Open market refers to fully developed and perfected market conditions, a competitive market with a voluntary buyer and seller and in such market, both the buyer and the seller have equal status and they both have the opportunity and time to obtain sufficient market information. Trading between both parties is conducted in a voluntary, rational, non-compulsory or unrestricted manner.

3. Continuing use assumption: an assumption made on the conditions of the market into which the assets are to be entered and the status of assets under such market conditions. Firstly, all the appraised assets are in active state and secondly, it is assumed that those assets in active state will still be continuously used. Under the assumption of continuing use, the change of purpose or the best utilization condition of such assets would not be considered and therefore the application scope of such valuation result is limited.

4. Going-concern assumption: assuming that the appraised assets would have no material changes on its scope of operation during the future revenue period, so as to assess the going concern status on the base date.

5. During the valuation process, the Valuer has not considered the impact on asset valuation of the price payable additionally by the special transaction party upon changes in equity. The valuation results have not considered either any change in the national macroeconomic policies and the impact of any other force majeure events on asset price.

**Revenue appraisal assumptions**

1. Assuming that there is no significant change in the existing laws, regulations and policies as well as the macroeconomic situation of the state; there is no significant change in political, economic and social environment of the region in which the transaction parties are located; and there is no significant adverse impact caused by any other unforeseeable and force majeure factors.

2. Assuming there is no significant change in interest rate, exchange rate, tax base and tax rate, policy fees etc.; no inflation factors have been considered for testing various parameters in the valuation.

3. Assuming that the there is no significant change in the future scope of operation of the appraised unit, which is able to operate as a going concern based on predetermined strategies.

4. Assuming that the future accounting policies to be adopted for the appraised unit is basically consistent in material aspects with those adopted in the preparation of the valuation report.

5. Assuming that the appraised unit fully complies with all relevant laws and regulations.

6. Assuming that the current and future management of the appraised unit is competent and responsible as well as capable of promoting the development plan of the Company.

7. Assuming that the development plan as well as the production and operational programs of the appraised unit can be implemented on time.

8. Assuming that the appraised unit is able to continuously control its various resources (including human resources, franchises, marketing networks, customer channels, etc.) and to continuously possess value-added telecommunications business qualities, so as to maintain its core competitiveness.

9. Assuming that the appraised unit still acquires operating sites by way of operating leases.

10. Assuming that the "Short and Multimedia Messaging Services Agency Cooperation Agreement" entered into between the appraised unit and the respective telecommunications operators during the operation period is able to be continuously implemented.

11. The Target is certified as a high- and new- technology enterprise in December 2010 with validity of 3 years and it is further certified as a high- and new- technology enterprise for a term of 3 years. Upon expiry of the certification period, the high- and new- technology enterprise can be re-certified. The current valuation assumes that the Target is able to be re-certified as a high- and new- technology enterprise upon expiry of its certification and may continue to enjoy a preferential income tax rate of 15%.

12. According to the relevant documents, with effect from 1 June 2014, telecommunications industry has been included in a pilot taxation program to replace business tax with value-added tax. We assume that a value-added tax is applied to the Target with effect from 1 June 2014 at a value-added tax rate of 6%.

13. By conducting due diligence on the enterprise, the appraisers have determined that these assumptions have been established on the base date, and the corresponding valuation conclusion was deduced in accordance with these assumptions. If there is any significant change in future economic environment or if these assumptions are no longer valid, the valuation results may be different.

The Reporting Accountants have reported to the Directors in respect of the compilation, in accordance with the assumptions to the valuation, of the estimated discounted future cash flows in connection with the valuation of Target prepared by the Valuer.

The Directors confirm that the valuation of the Target, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiries.

Letters from the Reporting Accountants and the Board relating to the valuation report are set out in the section headed "Appendix II — Letters from the Board and the Reporting Accountants relating to the Profit Forecast" in this circular.

**Maoye Logistics**

Maoye Logistics is principally engaged in the department store retail business. It occupies a leading position in the retail industry of Qinhuangdao city. At present it has five department stores in Qinhuangdao city.

Based on the audited accounts of Maoye Logistics prepared based on PRC Generally Accepted Accounting Principles, the audited net profit of the Maoye Logistics for each of the financial years ended 31 December 2012 and 2013 are as follows:

| | **For the year ended 31 December 2012 (audited)** *RMB* | **For the year ended 31 December 2013 (audited)** *RMB* |
|---|---|---|
| Net profit before taxation | 155,728,149 | 140,039,860 |
| Net profit after taxation | 110,268,028 | 92,903,757 |

The audited total asset value of Maoye Logistics as at 31 December 2013 was approximately RMB1,722,215,378.

## 6. REASONS AND BENEFITS OF THE TRANSACTION AND IMPACT ON THE COMPANY

The Group's business structure is expected to be optimized with the addition of the new mobile information services on top of the Group's traditional core retail business.

The industry that the Target operates in has a promising prospect, together with its quality assets and regulated operations, the Target enjoys a leading position and strong and sustainable profitability in the mobile information services industry.

The Acquisition enables Maoye Logistics to expand into the mobile information service industry by integrating the existing business and management expertise of the Target. For the financial years ended 31 December 2012 and 2013, the net profit after taxation of the Target amount to RMB47,585,844 and RMB49,670,264, respectively, being 43.15% and 53.46% of the net profit after taxation of Maoye Logistics in the corresponding periods. Based on its historical performance, the Group believes that the strong financial performance and development prospect of the Target would enhance the profitability and business scale of Maoye Logistics. In addition, the integration of the innovative business of the Target and the traditional commercial retail business of Maoye Logistics is expected to generate synergy which would contribute to the enlarged business of Maoye Logistics. The Company acknowledges that the Transaction will result in a dilution of its interest in Maoye Logistics from 46.70% to 33.46%, pursuant to which Maoye Logistics will cease to be accounted for and consolidated as a subsidiary of the Group. Nevertheless, as we remain the single largest shareholder of Maoye Logistics and Maoye Logistics will continue to be accounted for as our associated company after the Transaction, we are expected to benefit from the improvement in financial performance and dividend distribution of Maoye Logistics as a result of the Acquisition.

The Company believes that by settling the Consideration for the Acquisition by issuing the Maoye Logistics Consideration Shares, the Acquisition can be achieved without utilizing the internal financial resources of Maoye Logistics which will have the adverse effect of restricting its future development, or increasing the liability of Maoye Logistics and the Group on a consolidated basis. In light of the expected benefits to Maoye Logistics' performance and prospects, the Company believes that as the single largest shareholder of Maoye Logistics, it will also benefit from the Acquisition and the Transaction is in the interest of the Company and its Shareholders as a whole.

## 7. 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 future department stores mainly in the second- and third-tier cities in the most economically developed regions and the regions with high economic growth in the PRC.

### Vendors

Yingxigu is principally engaged in investment management and corporate management consultation services.

Bosheng is principally engaged in internet and information service, value-added telecommunication service, investment and operation and mobile payment and SMS business.

### Subscriber

Shanghai Fengyou is principally engaged in investment and asset management.

## 8. LISTING RULES IMPLICATIONS

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Deemed Disposal exceeds 25% but is less than 75%, the Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholders or any of their respective associates have any material interest in the Transaction and none of the Shareholders is required to abstain from voting in favour of the resolution approving the Transaction. Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval by Maoye Department Store Investment Limited, the holder of approximately 80.61% of the total issued share capital of the Company, has been obtained in lieu of holding a general meeting of the Company to approve the Transaction.

## 9. WAIVERS OBTAINED FROM STRICT COMPLIANCE WITH THE LISTING RULES

Reference is made to the announcements of the Company dated 30 December 2014, 29 December 2014, 14 August 2014 and 27 November 2014. As stated in the aforementioned announcements, the Stock Exchange had granted waivers from strict compliance with Rules 14.41(a) and 14.62 of the Listing Rules to the Company on 4 August 2014 and 11 August 2014, respectively, and again on 26 November 2014 and 30 December 2014, as the Company required additional time for the despatch of this circular. The reason for the obtaining of such waivers was that additional time was required to finalise the contents of this circular, including the final valuation of the Target and the information in relation to profit forecast under Rule 14.62 of the Listing Rules and financial information to be included in this circular. The waivers were granted on the basis that the Stock Exchange may change the waivers if the Company's situation changed.

## 10. RECOMMENDATION

The Board believes that the Acquisition Agreement, Subscription Agreement and the transactions contemplated thereunder were entered into on normal commercial terms and the terms thereof are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Had the Transaction been required to be put forward for consideration and approval at a general meeting of the Company, the Board would recommend the Shareholders to approve the Transaction.

## 11. ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

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

Hong Kong, 9 January 2015

## 1. INDEBTEDNESS STATEMENT

As at 31 October 2014, the Group had total outstanding interest-bearing bank loans and other borrowings of approximately RMB9,545 million, comprising secured current bank loans of approximately RMB530 million, unsecured other loans of approximately RMB1,197 million, secured current portion of long-term bank loans of approximately RMB197 million, secured non-current bank loans and other loans of approximately RMB5,433 million, unsecured other loans of approximately RMB2,188 million.

As at 31 October 2014, the Group's bank loans were secured by certain land and buildings, land lease prepayments, investment properties and completed properties held for sale of the Group of approximately RMB958 million, RMB758 million, RMB50 million and RMB318 million respectively.

As at 31 October 2014, Shenzhen Maoye Shangsha Co., Ltd., Zhongzhao Investment Management, Maoye Department Store Holdings Limited, Maoye Department Stores (China) Limited, Maoye Shangsha Investment Limited, Dahua Investment (China) Limited, Shenzhen Maoye (Group) Co., Ltd., Mr. Huang Mao Ru, a director of the Company, and Mrs. Huang Jingzhang (the spouse of Mr. Huang Mao Ru) have guaranteed certain of the Group's bank loans up to RMB 5,044 million.

## 2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available financial resources, the banking facilities presently available and the estimated net proceeds from the Deemed Disposal, 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. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2014 (being the date to which the latest published consolidated financial statements of the Group were made up).

## 4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

We are a leading department store chain operator in affluent regions throughout China. As of 30 June 2014, we operated and managed 40 stores in 18 cities in China, including 7 stores in southern China, 10 stores in southwestern China, 12 stores in eastern China and 11 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 offer a stylish and diversified merchandise mix designed to cater to the preferences of a wide range of customers.

For the years ended 31 December 2011, 2012 and 2013, our total operating revenue was RMB4,123.3 million, RMB4,349.9 million and RMB4,623.6 million, respectively and our profit attributable to equity holders was RMB734.9 million, RMB898.6 million and RMB913.1 million, respectively.

The Group plans to open more new stores in Taiyuan, Zibo, Baotou and other cities in the coming years in order to obtain larger market shares in China. Meanwhile, the Group will take effective measures to face the challenges from the transformation of the retail industry, such as slow growth of consumption and rise of shopping centres and e-commerce. We will continue to adjust the trade mix and operation mode in accordance with the market environment to enhance the experience of the customers. In light of the fierce homogenous competition in the market, the Group will introduce a wider range of different brands to differentiate its brand portfolio from other competitors. Further, the Group will actively promote the expansion of multiple channels online in order to further integrate the online and offline resources by the application of new technology, including mobile internet and enterprise resource planning system. Through the above measures, we look forward to achieving sustainable growth.

*As the valuation of the acquisition of the Target is based on the discounted future cash flows 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.*

## 1. LETTER FROM THE BOARD

**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)**

9 January 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 dated 22 August 2014 prepared by Beijing Pan-China Assets Appraisal Co., Ltd., the valuer in relation to the valuation of Target (the "**Valuer**") which valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Terms defined in the circular of the Company dated 9 January 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 valuation of Target was prepared by the Valuer, for which valuation the Valuer is solely responsible. We are also aware that the China Securities Regulatory Commission has approved the valuation. We have also considered the report from World Link CPA Limited, the reporting accountants in relation to the Transaction, 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 has been properly compiled, in all material respects, in accordance with the respective bases and assumptions.

On the basis of the foregoing, we are of the opinion that the valuations prepared by the Valuer have been made after due and careful enquires.

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

## 2. LETTER FROM THE REPORTING ACCOUNTANT

World Link
**World Link CPA Limited**

5th Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

9 January 2015

The Board of Directors
Maoye International Holdings Limited
Room 3301, 33/F,
Office Tower Convention Plaza, No.1 Harbour Road, Wanchai, Hong Kong

Dear Sirs,

We have examined the arithmetical accuracy of the calculations of the discounted future cash flows underlying the business valuation (the "Valuation") of Beijing TrustMeDu Sci-tech Co., Ltd. (北京創世漫道科技有限公司) (the "Target Company") performed by Beijing Pan-China Assets Appraisal Co. Ltd. (the "Valuer") as at the reference date of 31 May 2014 in connection with the proposed acquisition of the Target Company by Maoye Logistics Corporation Ltd. ("Maoye Logisitcs"), a subsidiary of Maoye International Holdings Limited (the "Company"), at consideration to be satisfied by cash and allotment and issue of the Maoye Logistics consideration shares by Maoye Logistics that regarded as deemed disposals and constitutes a major transaction ("Major Transaction") of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Valuation, which was determined based on the discounted future cash flows, is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

**Respective responsibilities of directors and World Link CPA Limited**

The directors of the Company are responsible for the preparation of the discounted future cash flows and the reasonableness and validity of the assumptions based on which the Valuation is prepared (the "Assumptions") under Rule 14.61 of the Listing Rules.

It is our responsibility to form an opinion, based on our reasonable assurance engagement and required by Rule 14.62 of the Listing Rules, so far as the arithmetical accuracy of the calculations of the discounted future cash flows on which the Valuation is based and concerned, on whether the discounted future cash flows has been properly compiled, in all material respects, in accordance with the Assumptions and to report our opinion solely to you, as a body, solely for the purpose in connection with the Major Transaction and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

The Valuer has adopted the income approach in determining the fair value of the Target Company, and therefore the calculation of the discounted future cash flows did not involve the adoption of accounting policies. The discounted future cash flows depend on future events and on a number of bases and the Assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. We have not reviewed, considered or conducted any work on the appropriateness and validity of the bases and the Assumptions and express no opinion on the appropriateness and validity of the bases and the Assumptions on which the discounted future cash flows, and thus the Valuation, are based.

**Basis of opinion**

We conducted our reasonable assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" with reference to the procedures under Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" issued by the Hong Kong Institute of Certified Public Accountants. Our work was performed solely to assist the directors of the Company to evaluate, so far as the arithmetical accuracy of the calculations of the discounted future cash flows on which the Valuation is based and concerned, whether the discounted future cash flows has been properly compiled, in all material respects, in accordance with the Assumptions. We accept no responsibility to any other person in respect of, arising out of in connection with our work. Our work does not constitute any valuation of the Target Company.

**Opinion**

In our opinion, based on the foregoing, so far as the arithmetical accuracy of the calculations are concerned, the discounted future cash flows has been properly compiled, in all material respects, in accordance with the Assumptions made by the directors of the Company.

Yours faithfully,
**World Link CPA Limited**
*Certified Public Accountants Hong Kong*
**Fung Tze Wa**
Practising Certificate Number — P01138

## 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)* | 80.81% |
| | Beneficial owner | 50,000,000 | 0.96% |
| | | 4,250,000,000 | 81.77% |
| Mr. Zhong Pengyi | Beneficial owner | 198,000 | 0.004% |
| 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 Mao Ru.

* 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 Mao Ru.

* The percentage represents the number of ordinary shares divided by the number of Maoye Department Store Investment Limited's issued shares as at 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))* | 81.77% |
| Maoye Department Store Investment Limited | Beneficial owner | 4,200,000,000 *(Note (b))* | 80.81% |
| MOY International Holdings Limited | Interest of controlled corporation | 4,200,000,000 *(Note (b))* | 80.81% |

*Note:*

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

(b) Maoye Department Store Investment Limited was a wholly-owned subsidiary of MOY International Holdings Limited. Such interests were also disclosed as the interests of Mr. Huang Mao Ru in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares 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** |
|---|---|
| World Link CPA Limited | Hong Kong Certified Public Accountants |

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 Mao Ru 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 Mao Ru 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 Mao Ru, 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 Pengyi ("**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, save as disclosed below, 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 2013, 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 Company Limited ("**Maoye Shangsha**"), a wholly-owned subsidiary of the Company and Shenzhen City Friendship Trading Center Company Limited ("**Shenzhen Friendship**") which is 40% owned by Mr. Zhong Pengyi, 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.

(b) The Company and Maoye Holdings Limited which is wholly-owned by Mr. Huang Mao Ru, 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 Mao Ru, any of his associates and companies majority owned or controlled by Mr. Huang Mao Ru 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.

## 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 new lease agreement dated 30 April 2013 entered into between Maoye Shangsha and Shenzhen Friendship to replace the former lease agreement (expired on 1 May 2013), pursuant to which Maoye Shangsha will lease the property with a gross floor area of approximately 21,000 square metres at 63 Friendship Road, Shenzhen, PRC. The new lease agreement has a term of three years with an annual cap of RMB32 million and is effective from 1 May 2013.

(b) The supplemental agreement to an existing leasing agreement dated 30 April 2013 entered into between the Company and Maoye Holdings Limited, pursuant to which the Group may lease premises from the controlling shareholder group for a period of three years with effect from 1 January 2013. Pursuant to the supplemental agreement, the annual cap for each of the years ending 31 December 2013, 31 December 2014 and 31 December 2015 is increased from RMB167 million to RMB175 million.

(c) The management agreement (the "**Jinlang Management Agreement**") dated 5 July 2013 entered into between Shenyang Maoye Department Store Limited ("**Shenyang Maoye**") and Shenyang Maoye Property Company Limited ("**Maoye Property**"), pursuant to which

Shenyang Maoye has agreed to operate and manage the commercial properties which are located at No. 185-1, Youth Street, the intersection between Youth Street and Wencui Road in Shenhe District, Shenyang City, Liaoning Province, the PRC. The Jinlang Management Agreement has a term of three years with retrospective effect from 1 July 2013. The management fee (inclusive of equipment usage fee) payable to Shenyang Maoye by the appointer includes 5% of the sale proceeds (exclusive of tax) and 5% of the rental income. The maximum annual management fee to be payable to Shenyang Maoye shall not exceed RMB50 million.

(d) The management agreement (the "**Wujin Management Agreement**") dated 5 July 2013 entered into between Changzhou Maoye Department Store Co., Ltd. ("**Changzhou Maoye**") and Changzhou Taifu Real Estate Development Co., Ltd., pursuant to which Changzhou Maoye has agreed to operate and manage the commercial properties which are located at No. 172, Lake Garden Street, Wujin District, Changzhou City, Jiangsu Province, the PRC. The Wujin Management Agreement has a term of three years with retrospective effect from 1 July 2013. The management fee (inclusive of equipment usage fee) payable to Changzhou Maoye by the appointer shall include 5% of the sale proceeds (exclusive of tax) and 5% of the rental income. The maximum annual management fee to be payable to Changzhou Maoye shall not exceed RMB10 million.

(e) The settlement agreement dated 2 August 2013 entered into between Chengshang Group Co., Ltd ("**Chengshang Group**"), Pacific China Holdings Co., Ltd. and Chengdu Shangsha Pacific Department Store Co., Ltd. ("**Chengdu Shangsha Pacific**") in order to resolve a dispute, pursuant to which the rents payable to and the profits distributable to Chengshang Group by Chengdu Shangsha Pacific for the period from 1 January 2011 to 3 November 2013 shall be calculated at a rate of RMB78.5 million per year (save for the period from 15 July 2013 to 2 August 2013 when the department store operated within a commercial building situated at 12 Zongfu Street, Jinjiang District, Chengdu, the PRC (the "**Chengdu Commercial Building**") ceased operation). The settlement agreement also provided that, among other things, Chengdu Shangsha Pacific will unconditionally hand over the Chengdu Commercial Building to Chengshang Group on 4 November 2013.

(f) The syndicated facility agreement dated 1 November 2013 entered into between the Company as borrower, Deutsche Bank AG, Bank of China Limited Macau Branch and a consortium of other banks (collectively, the "**Lenders**"), pursuant to which the Lenders have made available to the Company a three year guaranteed and secured loan in the principal sum of USD190,500,000 at an interest rate of LIBOR plus 3.10% per annum, with an option to increase the loan amount by an additional USD 9,500,000 upon mutual agreement between the Company and the Lenders.

(g) The confirmation agreement dated 4 December 2013 entered into between Maoye Shangsha and Zibo Land Reserve and Exchange Centre, a sub-division of the Zibo Bureau of Land Resources and an independent third party in relation to the acquisition of the land use rights of a parcel of land after a listing-for-sale process at a total consideration of

RMB425,746,500. The target land is located at the west of Liuquan Road, north of Lutai Avenue and south of Mingbo Road, Zibo National High-tech Industry Development Zone in the Shandong Province, the PRC, with a total site area of approximately 117,402 square metres.

(h) The underwriting agreement dated 23 December 2013 entered in to between Maoye Shangsha, Bank of China and China Construction Bank, pursuant to which Maoye Shangsha has engaged Bank of China as the lead underwriter and bookrunner, and China Construction Bank as the joint lead underwriter in respect of the proposed issue of the short-term notes with an aggregate principal amount not exceeding RMB400 million (the "**Notes**"). On 10 June 2014, Maoye Shangsha has completed the issue of the Notes with a term of 365 days in the PRC. The interest rate is 5.3% per annum.

(i) The agreement dated 16 February 2014 Zhongzhao Investment Management Company Limited ("**Zhongzhao Investment Management**"), a wholly-owned subsidiary of the Company entered into, pursuant to which Zhongzhao Investment Management has agreed to purchase from Shenyang Commercial City (Group) Co., Ltd 20,907,940 shares of Shenyang Commercial City Co. Ltd ("Commercial City"), representing 11.74% of the issued share capital of Commercial City for an aggregate consideration of RMB206,988,606.

(j) The underwriting agreement dated 11 April 2014 entered into between Maoye Shangsha, and Bank of China, pursuant to which Maoye Shangsha has engaged Bank of China as the lead underwriter and bookrunner in respect of the proposed issue of the short-term notes with an aggregate principal amount not exceeding RMB1,600 million (the "**Notes**"). On 8 July 2014, Maoye Shangsha has completed the issue of the first tranche of the Notes with a principal amount of RMB 800 million with a term of 365 days in the PRC. The interest rate is 5.0% per annum.

(k) The land use rights transfer agreement dated 25 April 2014 Qinhuangdao Maoye Real Estate Development Co., Ltd ("**Qinhuangdao Maoye Real Estate**"), a wholly-owned subsidiary of the Company entered into, pursuant to which Qinhuangdao Maoye Real Estate has agreed to purchase from the Bureau of Land and Resources Qinhuangdao a parcel of land located at the north of Hebei Street and the west of Wenchang Road, in Haigang District of Qinhuangdao City in the PRC, with a total site area of approximately 51,364.06 square meters. The aggregate consideration of the Acquisition is RMB291,233,900.

(l) The new master management agreement dated 4 May 2014 entered into between the Company and Maoye Holdings Limited to govern the terms upon which the Group will provide store management services to the controlling shareholder group with respect to department stores owned by such persons or entities including a department store owned by Wuxi Maoye Department Store Co. Ltd for the next 3 years. The new master management agreement has a term of three years from 5 May 2014.

(m) The purchase agreement dated 12 May 2014 entered into between, among others, the Company, Citigroup Global Markets Inc., CLSA Limited, Deutsche Bank AG, Singapore Branch and Morgan Stanley & Co. International plc (collectively, the "**Initial Purchasers**") in connection with the proposed issue of US$300 million senior guaranteed notes due 2017 with the interest rate of 7.75% per annum (the "**Notes**"), pursuant to which the Company agreed to issue and sell, the Initial Purchasers agreed, severally and not jointly, to purchase from the Company the Notes. On 19 May 2014, the Company has completed the issuance of the Notes, which were listed on the Stock Exchange on 20 May 2014.

(n) The property service contract dated 15 May 2014 entered into between Chengshang Group, a subsidiary of the Company and Chongde Property Management (Shenzhen) Co., Ltd. Chendu Branch ("**Chongde Property Management**") for engaging Chongde Property Management to provide property management services for the leased out portions of offices on levels 28-44, common areas and public facilities and utilities of the south area of Maoye Complex project of Chengshang Group. The property service contract has a term of three years with effect from 15 May 2014. The service fees are payable by the tenants of the property.

(o) The sale and purchase agreements with Commercial City, being: (a) the Liaoning Agreement (as defined herein); and (b) the Shenyang Agreement (as defined herein) dated 26 June 2014 Maoye Shangsha entered into.

Pursuant to the terms and conditions of the Liaoning Agreement, 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.

Pursuant to the terms and conditions of the Shenyang Agreement, 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.

(p) 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.

## 9. 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.

## 10. 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 memorandum and articles of association of the Company;

(b) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(c) the letter from the Reporting Accountants, the text of which is set out on pages II-2 to II-3 in Appendix II to this circular;

(d) the written consent of the Reporting Accounts as expert referred to in the paragraph headed "Expert and consent" in this Appendix;

(e) the annual reports of the Company for the two financial years ended 31 December 2012 and 31 December 2013 and the interim report of the Company dated 30 June 2014;

(f) the interim report of the Company and its subsidiaries for the six months ended 30 June 2014; and

(g) this circular.