**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 TRANSACTION
# IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN QINHUANGDAO MAOYE HOLDINGS CO., LTD.

31 December 2015

# CONTENTS

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

| | |
|---|---|
| "Acquisition" | the acquisition of the Target Shares by Zhongzhao; |
| "Acquisition Agreement" | the asset acquisition agreement dated 29 September 2015 entered into between Zhongzhao and Maoye Logistics for the Acquisition; |
| "associate" | has the meaning ascribed to it in the Listing Rules; |
| "Auction" | the public auction administered by China Beijing Equity Exchange in respect of the offer for sale of the Target Shares by Maoye Logistics; |
| "Board" | the board of directors of the Company; |
| "Business Day" | any day (other than a Saturday or Sunday or public holiday) on which banks in the PRC are open for the transaction of normal business; |
| "Circular" | this circular dated 31 December 2015; |
| "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; |
| "Consideration" | the consideration payable for the Acquisition; |
| "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 as of the date of the Acquisition Agreement; |
| "Enlarged Group" | the Group as enlarged by the Acquisition; |
| "Group" | the Company and its subsidiaries; |
| "Latest Practicable Date" | 29 December 2015, 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; |

| | |
|---|---|
| "Maoye Logistics" | Maoye Logistics Corporation Limited, a joint stock limited company established in the PRC and listed on the Shenzhen Stock Exchange (stock code: 000889), being an associate of the Company; |
| "Model Code" | Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules; |
| "PRC" | People's Republic of China; |
| "RMB" | Renminbi, the lawful currency in the PRC; |
| "SFO" | Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong; |
| "Shareholders" | the holder of shares in the Company; |
| "Stock Exchange" | the Stock Exchange of Hong Kong Limited; |
| "Target Company" | Qinhuangdao Maoye Holdings Co., Ltd. (秦皇島茂業控股有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Maoye Logistics; |
| "Target Shares" | the entire registered capital of the Target Company in the sum of RMB886,517,865; and |
| "Zhongzhao" | Zhongzhao Investment Management Co., Ltd. (中兆投資管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. |

**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
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P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

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

31 December 2015

*To the Shareholders*

Dear Sir or Madam,

## MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN QINHUANGDAO MAOYE HOLDINGS CO., LTD.

### 1. INTRODUCTION

Reference is made to the announcements issued by the Company dated 18 September 2015, 29 September 2015 and 30 September 2015 in relation to the Acquisition.

On 18 September 2015, Zhongzhao, a wholly-owned subsidiary of the Company, succeeded in the bid for the acquisition of the Target Shares offered for sale by Maoye Logistics through the Auction at a consideration of RMB1,405,875,700.

On 29 September 2015, Zhongzhao entered into the Acquisition Agreement, pursuant to which Zhongzhao agreed to acquire, and Maoye Logistics agreed to sell, the Target Shares.

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

## 2. THE ACQUISITION AGREEMENT

**Date**

29 September 2015

**Parties**

(i) Maoye Logistics, as vendor

(ii) Zhongzhao, as purchaser

As at the date of the Acquisition Agreement, Maoye Logistics was indirectly owned as to approximately 33.46% by the Company and was an associated company of the Company. Other than as aforesaid, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of the Acquisition Agreement, Maoye Logistics was not a connected person of the Company.

**Assets to be acquired**

Zhongzhao has agreed to acquire from Maoye Logistics the entire equity interest in the Target Company pursuant to the terms of the Acquisition Agreement.

**Consideration and terms of payment**

The consideration for Acquisition is RMB1,405,875,700, which was the price at which Zhongzhao has bid and succeeded at the Auction and shall be satisfied by Zhongzhao in the following manner:

(a) RMB281,175,100 was paid upon the execution of the Acquisition Agreement by way of the application of the deposit in the sum of RMB281,175,100 paid by Zhongzhao to China Beijing Equity Exchange on 11 September 2015 as deposit for Zhongzhao's participation in the Auction, towards partial payment of the Consideration;

(b) the second instalment of RMB421,762,800 was payable within 10 Business Days after the effective date of the Acquisition Agreement, which has been paid on 23 October 2015

(c) the third instalment of RMB702,937,800 is payable within three months after the effective date of the Acquisition Agreement.

The Consideration payable by Zhongzhao is expected to be financed by the Group's internal resources.

**Conditions Precedent**

The Acquisition Agreement shall take effect upon satisfaction of the following conditions:

(a) the Acquisition Agreement and the transactions contemplated thereunder having been approved by the board of directors of Maoye Logistics;

(b) the Acquisition Agreement and the transactions contemplated thereunder having been approved by the shareholders of Maoye Logistics at its general meeting or a shareholders' resolution in lieu of a general meeting; and

(c) the transactions under the Acquisition Agreement having been approved by the relevant regulatory body, if necessary.

As at the Latest Practicable Date, all of the above conditions precedent above had been satisfied.

**Completion**

After the payment of the second instalment of the Consideration by Zhongzhao on 23 October 2015, Maoye Logistics proceeded to register the transfer of the Target Shares to Zhongzhao with the Industry and Commerce Bureau and such registration was completed on 28 October 2015, whereupon the Target Company has become an indirect wholly-owned subsidiary of the Company.

**3. INFORMATION OF THE TARGET COMPANY**

The Target Company is principally engaged in retail business operating four department stores within the central business district of Qinhuangdao, as well as Hefei, Wuhu, Chuzhou and Huainan in the PRC.

Further details of the four department stores operated by the Target Company are as follows:

1. Qinghuangdao Jindu Maoye Department Store (秦皇島市茂業百貨金都店) is located in the Haigang area in Qinghuangdao, which commenced operation since September 2008. Its total gross floor area is approximately 46,610 $m^2$. The property of the department store is self-owned. Its operating revenue for three years ended 31 December 2014 was RMB308,393,400, RMB482,830,600, and RMB497,731,700, respectively.

2. Qinghuangdao Shangcheng Department Store (秦皇島商城店) is located in the Haigang area in Qinghuangdao, which commenced operation since June 2010. Its total gross floor area is approximately 26,696$m^2$. The property of the department store is self-owned. The market position of the store is "Boutique store". Its operating revenue for three years ended 31 December 2014 was RMB478,133,500, RMB351,997,800 and RMB344,863,500, respectively.

3. Qinghuangdao Hualian Department Store (秦皇島華聯店) is located in the Haigang area in Qinghuangdao, which commenced operation since June 2010. Its total gross floor area is approximately 10,355m$^2$. The property of the department store is self-owned. The market position of the store mainly meets the low-end customers shopping needs. Its operating revenue for three years ended 31 December 2014 was RMB284,127,600, RMB292,443,600 and RMB277,820,000, respectively.

4. Qinghuangdao Xiandai Shopping Plaza (秦皇島現代購物廣場店) is located in the Haigang area in Qinghuangdao, which commenced operation since June 2010. Its total gross floor area is approximately 36,897m$^2$. The property of the department store is self-owned. The market position of store is mainly a "fashion department store". Its operating revenue for three years ended 31 December 2014 was RMB513,172,200, RMB58,606.73 and RMB539,022,100, respectively.

The concessionaries of the Target Group mainly comprised jewelries and watches, fashion and shoes, bags and makeups. The number of concessionaires of the Target Group for three years ended 31 December 2014 and eleven months ended 30 November 2015 was 1,692, 1,708, 1,498 and 1,443, respectively. The decrease in the number of concessionaires in 2014 and 2015 is mainly due to the decrease in concessionaires of Jinyuan Supermarket Store as a result of a change in its market positioning from offering lower-end to higher-end products.

The direct sales of the Target Group are mainly made by the Target Group in the following departments: jewelries, makeups, household appliances and supermarket. Customers of the Target Group may return fashion and makeups purchased at full price within seven days of purchase and 80% of the purchase price within 30 days of purchase price. 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 the Target Group in respect of the purchase by its customers.

For the three years ended 31 December 2014 and eleven months ended 30 November 2015, the top five suppliers to the Target Group (in terms of total purchase) were suppliers of the following product: jewelries, watches, shoes, fashion and phones. The total purchase from the top five suppliers of the Target Group represented approximately 60% to 70% of the total purchase by the Target Group during such period.

Based on the audited dfinancial statements of the Target Company prepared in accordance with International Financial Reporting Standards, the audited net profit of the Target Company for each of the financial years ended 31 December 2013 and 2014 are as follows:

| | **For the year ended 31 December 2013** | **For the year ended 31 December 2014** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Net profit before taxation | 172,472 | 182,790 |
| Net profit after taxation | 123,186 | 126,226 |

The net asset value of the Target Company as at 31 December 2014 was RMB1,543,867,000.

The audited consolidated financial statements of Target Company are set out in Appendix II to this Circular.

## 4. REASONS FOR AND BENEFITS OF THE ACQUISITION

### Strengthen consolidation of regional department store retailing business

The Target Company is principally engaged in retail business operating four department stores within the central business district of Qinhuangdao, as well as Hefei, Wuhu, Chuzhou and Huainan in the PRC.

Maoye Logistics was, prior to December 2014, a subsidiary of the Company over which the Company was entitled to exercise control. As a result of the completion of an acquisition agreement dated 24 July 2014 between Maoye Logistics, Xiaochang Yingxigu Investment Centre and Beijing Bosheng Yoshi Technology Development Co., Ltd. (the "**Vendors**"), pursuant to which Maoye Logistics issued 149,859,439 shares to the Vendors and 26,445,783 shares to Shanghai Fengyou Investment Management Centre as partial consideration for the acquisition of the entire equity interest in Beijing TrustMeDu Sci-tech Co., Ltd. Maoye Logistics therefore ceased to be a subsidiary of the Company and, at the same time, Maoye Logistics planned to embark upon the business of value-added telecommunication service. For further details, please refer to the circular of the Company dated 9 January 2015.

As at the Latest Practicable Date, the Company's plan was to maintain the operation of the four existing department stores of the Target Company in Qinghuangdao. Moreover, in order to improve the Company's market position in Qinghuangdao, the Company plans to open one Qinghuangdao Maoye Central Store in the Haigang area of Qinghuangdao with an approximate gross floor area of 160,000m$^2$. The work in relation to the opening of such new store is expected to commence in 2016 and completed in 2018. It is expected that approximately RMB112 million will be required by the Company as capital expenditure for the new store, which is expected to be funded by the internal resources of the Company.

As the Company remains keen to operate department stores in Qinhuangdao, Hefei, Wuhu, Chuzhou and Huainan, and given that the Company has an in-depth knowledge over the Target Company and the department stores it operates, the Acquisition allows the Group to operate with a controlling interest the department stores those cities and expand the total number of department stores the Group operates.

The Directors consider that the terms of the Acquisition Agreement and the transaction contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## 5. FINANCIAL EFFECT OF THE ACQUISITION

Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company 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 1 January 2014 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 30 June 2014, (i) the consolidated total assets of the Enlarged Group would be increased from approximately RMB26,902,906,000 to approximately RMB28,925,933,000; (ii) the consolidated total liabilities of the Enlarged Group would be increased from approximately RMB17,869,613,000 to approximately RMB19,892,640,000; and (iii) the consolidated net assets of the Enlarged Group would be remain approximately RMB9,033,293,000.

**Earnings**

Based on the audited consolidated profit and loss statement of the Target Company for the three years ended 2014 and 30 June 2015 as set out in Appendix IV to this Circular, the consolidated revenue of the Target Company was approximately RMB643,137,000, RMB571,922,000, RMB585,977,000, and RMB264,108,000 respectively, and the net income after tax of the Target Company was approximately RMB125,616,000, RMB123,186,000, RMB126,226,000, and RMB42,162,000 respectively. As such, it is expected that, after completion of the Acquisition, the Target Company would contribute to the revenue and the results of the Enlarged Group.

## 6. INFORMATION ON THE PARTIES

**Zhongzhao and the Company**

Zhongzhao is an investment holding company established in the PRC with limited liability and a wholly-owned subsidiary of 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.

**Maoye Logistics**

Maoye Logistics is principally engaged in the department store retail and telecommunication business. It occupies a leading position in the retail industry of Qinhuangdao city. At present it has five department stores in Qinhuangdao city. The company also engaged in internet and information service, value-added telecommunication service, investment and operation and mobile payment and SMS business.

## 7. LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 75%, the Acquisition constitutes a major transaction for the Company and is subject to shareholders' approval under the Chapter 14 of the Listing Rules.

Pursuant to the Listing Rules, shareholders' approval is required for a major transaction. As at the day on which Zhongzhao succeeded in the bid at the Auction, no Shareholder had a material interest in the Acquisition, and therefore no Shareholder was required to abstain from voting if the Company were to convene a general meeting for approving of the Acquisition. As at the day on which Zhongzhao succeeded in the bid at the Auction, the Controlling Shareholder was the holder of 4,200,000,000 shares of the Company, representing approximately 81.69% of the then issued share capital of the Company. On 18 September 2015, written shareholders' approval in respect of the Acquisition was obtained from the Controlling Shareholder pursuant to Rule 14.44 of the Listing Rules. After the obtaining of such written shareholders' approval, the Company is not required to convene a general meeting for approving the Acquisition.

## 8. RECOMMENDATION

The Directors consider that the terms of the Acquisition Agreement are fair and reasonable and in the interest of the Shareholders and the Company as a whole. Had a general meeting of the Company been convened for the consideration and approval of the Acquisition Agreement, the Board would recommend the Shareholders to approve the Acquisition Agreement and the transactions contemplated thereunder.

## 9. 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. SUMMARY OF FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2012, 2013 and 2014 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.maoye.cn):

- annual report of the Company for the year ended 31 December 2012 published on 8 March 2013 (pages 46 to 139)
- annual report of the Company for the year ended 31 December 2013 published on 7 March 2014 (pages 46 to 135)
- annual report of the Company for the year ended 31 December 2014 published on 8 March 2015 (pages 49 to 151)

## 2. INDEBTEDNESS STATEMENT

As at 31 October 2015, the Group had total outstanding interest-bearing bank loans and other borrowings of approximately RMB13,274 million, comprising secured current bank loans of approximately RMB1,148 million, unsecured other loans of approximately RMB3,694 million, secured current portion of long-term bank loans of approximately RMB1,967 million, unsecured current portion of long-term bank loans of approximately RMB1,498 million, secured non-current bank loans and other loans of approximately RMB4,270 million, unsecured other loans of approximately RMB697 million.

As at 31 October 2015, 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 RMB1,349 million, RMB1,045 million, RMB48 million, RMB317 million and RMB1,807 million respectively.

As at 31 October 2015, Shenzhen Maoye Shangsha Co., Ltd., Zhongzhao, Shenzhen Maoye (Group) Co., Ltd. ("Shenzhen Maoye Group"), Maoye Department Store Holdings Limited, Maoye Department Stores (China) Limited, Maoye Shangsha Investment Limited, Dahua Investment (China) Limited, 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 RMB5,709 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.

## 3. 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.

## 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 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 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 2012, 2013 and 2014, our total operating revenue was RMB4,349.9 million, RMB4,623.6 million and RMB4400.5 million, respectively, and our profit attributable to equity holders was RMB898.6 million, RMB913.1 million and RMB1,449.2 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 Company's independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.*

31 December 2015

The Board of Directors
**Maoye International Holdings Limited**

Dear Sirs,

We set out below our report on the financial information of Qinhuangdao Maoye Holding Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 30 June 2015, together with the notes thereto (the "Financial Information"), and the comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 30 June 2014 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the circular of Maoye International Holdings Limited dated 31 December 2015 (the "Circular") in connection with the proposed acquisition of the Target Company.

The Target Company was incorporated in the People Republic of China (the "PRC") with limited liability on 4 August 2008. Pursuant to the group reorganisation (the "Reorganisation") as set out in note 2 of section II below, which was completed on 7 March 2015, the Company became the holding company of the subsidiaries now comprising the Group. Apart from the reorganisation, the principal activities of the Target Company was operation of the department stores in PRC.

As at the end of the Relevant Periods, the Target Company had direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the jurisdictions in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods 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 consolidated financial statements of the Target Group (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 2012, 2013 and 2014, and the six months ended 30 June 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, the Financial Information and the Interim Comparative 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, the Financial Information and the Interim Comparative 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 and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion 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.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

## OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Target Group and the Target Company as at 31 December 2012, 2013 and 2014 and 30 June 2015 and the consolidated results and cash flows of the Target Group for each of the Relevant Periods.

## REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

## I FINANCIAL INFORMATION

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|---|
| | *Notes* | **2012** | **2013** | **2014** | **2014** | **2015** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | *(unaudited)* | |
| REVENUE | 5 | 643,137 | 571,922 | 585,977 | 284,474 | 264,108 |
| Other income | 6 | 50,219 | 49,486 | 44,518 | 25,307 | 27,694 |
| Total operating revenue | | 693,356 | 621,408 | 630,495 | 309,781 | 291,802 |
| Cost of sales | 7 | (215,451) | (154,775) | (157,496) | (70,051) | (72,108) |
| Employee expenses | 8 | (70,946) | (71,209) | (61,931) | (29,862) | (43,008) |
| Depreciation and amortisation | | (52,150) | (53,690) | (52,174) | (24,761) | (24,393) |
| Operating lease rental expenses | 9 | (21,457) | (31,745) | (37,186) | (18,907) | (7,150) |
| Other operating expenses | 10 | (149,412) | (123,242) | (139,902) | (72,989) | (81,299) |
| Other gains and losses | 11 | 7,106 | (6,230) | 1,514 | 954 | (36) |
| Operating profit | | 191,046 | 180,517 | 183,320 | 94,165 | 63,808 |
| Finance costs | 12 | (14,150) | (8,045) | (530) | (530) | — |
| PROFIT BEFORE TAX | | 176,896 | 172,472 | 182,790 | 93,635 | 63,808 |
| Income tax expense | 13 | (51,280) | (49,286) | (56,564) | (26,338) | (21,646) |
| PROFIT FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD | | 125,616 | 123,186 | 126,226 | 67,297 | 42,162 |
| Attributable to: | | | | | | |
| Owners of the parent | | 125,588 | 123,158 | 126,232 | 67,311 | 42,171 |
| Non-controlling interests | | 28 | 28 | (6) | (14) | (9) |
| | | 125,616 | 123,186 | 126,226 | 67,297 | 42,162 |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Notes | As at 31 December 2012 | As at 31 December 2013 | As at 31 December 2014 | As at 30 June 2015 |
|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 17 | 342,255 | 368,070 | 571,975 | 594,221 |
| Investment properties | 18 | 309,095 | 296,329 | 286,163 | 281,335 |
| Land lease prepayments | 19 | 192,427 | 186,853 | 189,569 | 185,747 |
| Other intangible assets | 20 | 215 | 191 | 166 | 7,111 |
| Available-for-sale equity investments | | 350 | — | — | 5,000 |
| Prepayments | | 63,502 | 52,721 | 42,529 | 34,695 |
| Deferred tax assets | 30 | 5,706 | 7,513 | 14,677 | 20,375 |
| Total non-current assets | | 913,550 | 911,677 | 1,105,079 | 1,128,484 |
| CURRENT ASSETS | | | | | |
| Inventories | 22 | 43,575 | 33,398 | 26,621 | 24,062 |
| Completed properties held for sale | | 273,153 | 250,642 | 287,180 | 282,552 |
| Properties under development | 23 | 197,801 | 259,368 | 99,670 | 88,779 |
| Equity investments at fair value through profit or loss | | 773 | 715 | 1,180 | — |
| Trade receivables | 24 | 35,230 | 37,657 | 35,886 | 24,346 |
| Prepayments and other receivables | 25 | 15,705 | 11,285 | 17,911 | 25,490 |
| Due from a related party | | 200,511 | 347,925 | 546,472 | 162,783 |
| Pledged deposits | | 42,835 | 22,796 | 33,571 | 29,800 |
| Cash and cash equivalents | 26 | 74,783 | 70,665 | 67,302 | 90,014 |
| Total current assets | | 884,366 | 1,034,451 | 1,115,793 | 727,826 |
| CURRENT LIABILITIES | | | | | |
| Trade and bills payables | 27 | 180,561 | 170,368 | 176,442 | 279,926 |
| Deposits received, accruals and other payables | 28 | 117,510 | 130,463 | 177,294 | 315,272 |
| Interest-bearing bank loans and other borrowings | 29 | 59,000 | 25,000 | 215,500 | — |
| Due to a related party | | 128,437 | 184,399 | 89,925 | — |
| Tax payable | | 17,953 | 18,257 | 17,844 | 21,953 |
| Total current liabilities | | 503,461 | 528,487 | 677,005 | 617,151 |

| | | As at 31 December | | | As at 30 June |
|---|---|---|---|---|---|
| | *Notes* | **2012** | **2013** | **2014** | **2015** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| NET CURRENT ASSETS | | 380,905 | 505,964 | 438,788 | 110,675 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,294,455 | 1,417,641 | 1,543,867 | 1,239,159 |
| Net assets | | 1,294,455 | 1,417,641 | 1,543,867 | 1,239,159 |
| EQUITY | | | | | |
| Equity attributable to owners of the parent | | | | | |
| Share capital | 31 | 245,000 | 245,000 | 245,000 | 886,518 |
| Other reserves | 32 | 1,045,719 | 1,168,877 | 1,295,109 | 352,641 |
| | | 1,290,719 | 1,413,877 | 1,540,109 | 1,239,159 |
| Non-controlling interests | | 3,736 | 3,764 | 3,758 | — |
| Total equity | | 1,294,455 | 1,417,641 | 1,543,867 | 1,239,159 |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital** | **Merger Reserve*** | **Reserve funds*** | **Retained profits*** | **Total** | **Non-controlling interests** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(note 31)* | *(note 32)* | *(note 32)* | | | | |
| At 1 January 2012 | 245,000 | 515,539 | 60,470 | 344,122 | 1,165,131 | 3,708 | 1,168,839 |
| Profit for the year | — | — | — | 125,588 | 125,588 | 28 | 125,616 |
| Total comprehensive income for the year | — | — | — | 125,588 | 125,588 | 28 | 125,616 |
| Profit appropriated to reserve | — | — | 4,324 | (4,324) | — | — | — |
| At 31 December 2012 | 245,000 | 515,539 | 64,794 | 465,386 | 1,290,719 | 3,736 | 1,294,455 |
| At 31 December 2012 and at 1 January 2013 | 245,000 | 515,539 | 64,794 | 465,386 | 1,290,719 | 3,736 | 1,294,455 |
| Profit for the year | — | — | — | 123,158 | 123,158 | 28 | 123,186 |
| Total comprehensive income for the year | — | — | — | 123,158 | 123,158 | 28 | 123,186 |
| Profit appropriated to reserve | — | — | 4,753 | (4,753) | — | — | — |
| At 31 December 2013 | 245,000 | 515,539 | 69,547 | 583,791 | 1,413,877 | 3,764 | 1,417,641 |
| At 31 December 2013 and at 1 January 2014 | 245,000 | 515,539 | 69,547 | 583,791 | 1,413,877 | 3,764 | 1,417,641 |
| Profit for the year | — | — | — | 126,232 | 126,232 | (6) | 126,226 |
| Total comprehensive income for the year | — | — | — | 126,232 | 126,232 | (6) | 126,226 |
| Profit appropriated to reserve | — | — | 5,629 | (5,629) | — | — | — |
| At 31 December 2014 | 245,000 | 515,539 | 75,176 | 704,394 | 1,540,109 | 3,758 | 1,543,867 |

| | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Merger Reserve*** | **Acquisition of non-controlling interests** | **Reserve funds*** | **Retained profits*** | **Non-controlling interests** | **Total** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(note 31)* | *(note 32)* | | *(note 32)* | | | | |
| At 31 December 2013 and at 1 January 2014 | 245,000 | 515,539 | — | 69,547 | 583,791 | 1,413,877 | 3,764 | 1,417,641 |
| Profit for the period | — | — | — | — | 67,311 | 67,311 | (14) | 67,297 |
| Total comprehensive income for the period | — | — | — | — | 67,311 | 67,311 | (14) | 67,297 |
| At 30 June 2014 | 245,000 | 515,539 | — | 69,547 | 651,102 | 1,481,188 | 3,750 | 1,484,938 |
| | | | | | | | | |
| At 31 December 2014 and at 1 January 2015 | 245,000 | 515,539 | — | 75,176 | 704,394 | 1,540,109 | 3,758 | 1,543,867 |
| Profit for the period | — | — | — | — | 42,171 | 42,171 | (9) | 42,162 |
| Total comprehensive income for the period | — | — | — | — | 42,171 | 42,171 | (9) | 42,162 |
| Acquisition of non-controlling interests | — | — | 546 | — | — | 546 | (3,749) | (3,203) |
| Transfer from retained profits | — | — | — | (511) | 511 | — | — | — |
| Dividends declared to controlling shareholder | — | — | — | — | (471,315) | (471,315) | — | (471,315) |
| Capital contribution from controlling shareholder | 127,648 | — | — | — | — | 127,648 | — | 127,648 |
| Combination of subsidiaries from controlling shareholder | 513,870 | (515,539) | — | — | 1,669 | — | — | — |
| At 30 June 2015 | 886,518 | — | 546 | 74,665 | 277,430 | 1,239,159 | — | 1,239,159 |

* These reserve accounts comprise the consolidated reserves of RMB1,001,933,000, RMB1,086,710,000 and RMB1,163,610,000 as at 31 December 2012, 2013 and 2014, respectively.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|---|
| | | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | *(unaudited)* | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Profit before tax | | 176,896 | 172,472 | 182,790 | 93,635 | 63,808 |
| Adjustments for: | | | | | | |
| Interest income | 6 | (1,458) | (880) | (1,060) | (384) | (1,664) |
| Depreciation and amortisation | | 52,150 | 53,690 | 52,174 | 24,761 | 24,393 |
| Impairment/(reversal of impairment) of trade receivables | 10 | 1,763 | 2,004 | 15,577 | 15,249 | (4,489) |
| Impairment of properties under development | 10 | — | — | 6,976 | — | 11,253 |
| Loss on disposal of items of property, plant and equipment | 11 | 31 | 6,504 | 793 | 12 | 409 |
| Gain on disposal of investment properties | 11 | (6,724) | — | — | — | — |
| Fair value losses/(gains) on equity investments at fair value through profit or loss | 11 | (91) | 59 | (464) | 42 | 86 |
| Dividend income from available-for-sale equity investments | 11 | (322) | (333) | (1,843) | (1,008) | (459) |
| Finance costs | 12 | 14,150 | 8,045 | 530 | 530 | — |
| | | 236,395 | 241,561 | 255,473 | 132,837 | 93,337 |
| Decrease in completed properties held for sale | | 75,856 | 19,425 | 31,748 | 459 | 4,628 |
| Additions to properties under development | | (57,105) | (63,491) | (99,462) | (38,853) | (17,492) |
| Decrease in inventories | | 610 | 10,177 | 6,777 | 6,889 | 2,559 |
| Decrease/(increase) in trade receivables | | (11,181) | (4,431) | (13,806) | 3,963 | 16,019 |
| Decrease/(increase) in prepayments and other receivables | | 2,113 | 4,420 | (6,626) | (4,318) | (7,579) |
| Decrease/(increase) in amounts due from related parties | | (189,832) | (162,646) | (198,547) | (149,011) | (253,632) |

| | | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|---|
| | | 2012 | 2013 | 2014 | 2014 | 2015 |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | *(unaudited)* | |
| Increase/(decrease) in trade and bills payables | | 14,425 | (10,193) | 6,074 | (21,934) | 103,336 |
| Increase/(decrease) in deposits received, accruals and other payables | | (157,662) | 13,511 | 46,830 | 7,403 | (66,009) |
| Increase/(decrease) in amounts due to related parties | | 121,162 | 55,962 | (94,474) | 96,027 | 167,444 |
| Cash generated from/(used in) operations | | 34,781 | 104,295 | (66,013) | 33,462 | 42,611 |
| Interest received | | 1,458 | 880 | 1,060 | 384 | 1,664 |
| PRC taxes paid | | (55,807) | (50,789) | (64,141) | (35,330) | (20,273) |
| Net cash flows from/(used in) operating activities | | (19,568) | 54,386 | (129,094) | (1,484) | 24,002 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Purchases of items of property, plant and equipment | | (4,312) | (44,743) | (55,513) | (13,693) | (1,784) |
| Proceeds from disposal of items of property, plant and equipment | | — | 65 | 206 | 190 | 366 |
| Proceeds from disposal of investment properties | | 12,379 | — | — | — | — |
| Proceeds from disposal of available-for-sale equity investments | | — | 350 | — | — | 1,180 |
| Purchase of other intangible assets | | — | — | — | — | (2,079) |
| Acquisition of non-controlling interests | | — | — | — | — | (3,203) |
| Dividend income from available-for-sale equity investments | 11 | 322 | 333 | 1,843 | 1,008 | 459 |
| Net cash flows from/(used in) investing activities | | 8,389 | (43,995) | (53,464) | (12,495) | (5,061) |

| | | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|---|
| | | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | *(unaudited)* | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Repayment of bank loans and other borrowings | | (39,000) | (59,000) | (25,000) | — | — |
| New bank loans and other borrowings | | — | 25,000 | 215,500 | — | — |
| Interest paid | | (7,833) | (548) | (530) | (530) | — |
| Decrease/(increase) in pledged bank deposits | | (41,335) | 20,039 | (10,775) | 1,554 | 3,771 |
| Net cash flows from/(used in) financing activities | | (88,168) | (14,509) | 179,195 | 1,024 | 3,771 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | (99,347) | (4,118) | (3,363) | (12,955) | 22,712 |
| Cash and cash equivalents at beginning of year | | 174,130 | 74,783 | 70,665 | 70,665 | 67,302 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 74,783 | 70,665 | 67,302 | 57,710 | 90,014 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | | | | |
| Cash and bank balances | | 74,783 | 70,665 | 67,302 | 57,710 | 90,014 |
| Cash and cash equivalents as stated in the statements of cash flows | | 74,783 | 70,665 | 67,302 | 57,710 | 90,014 |

**STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

| | | As at 31 December | | | As at 30 June |
|---|---|---|---|---|---|
| | | 2012 | 2013 | 2014 | 2015 |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | | 89,896 | 87,238 | 84,472 | 237,256 |
| Investment properties | | — | — | — | 3,220 |
| Land lease prepayments | 19 | 179,076 | 174,049 | 169,022 | 178,172 |
| Other intangible assets | | — | — | — | 24,630 |
| Investments in subsidiaries | 21 | — | — | — | 743,958 |
| Available-for-sale equity investments | | — | — | — | 5,000 |
| Deferred tax assets | | — | — | — | 3,001 |
| Total non-current assets | | 268,972 | 261,287 | 253,494 | 1,195,237 |
| CURRENT ASSETS | | | | | |
| Inventories | | 2,281 | 2,101 | 1,937 | 19,780 |
| Trade receivables | | — | — | — | 1,780 |
| Prepayments and other receivables | | 70,250 | 107,825 | 6,118 | 307,630 |
| Due from related parties | | — | — | 173,903 | 162,783 |
| Pledged deposits | | — | — | 34 | 1,305 |
| Cash and cash equivalents | | 8,883 | 18,260 | 13,287 | 73,344 |
| Total current assets | | 81,414 | 128,186 | 195,279 | 566,622 |
| CURRENT LIABILITIES | | | | | |
| Trade and bills payables | 27 | 44,213 | 41,887 | 49,655 | 258,257 |
| Deposits received, accruals and other payables | 28 | 17,292 | 17,323 | 18,775 | 204,326 |
| Tax payable | | 93 | 2,160 | 2,175 | (28,474) |
| Total current liabilities | | 61,598 | 61,370 | 70,605 | 434,109 |
| NET CURRENT ASSETS | | 19,816 | 66,816 | 124,674 | 132,513 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 288,788 | 328,103 | 378,168 | 1,327,750 |
| Net assets | | 288,788 | 328,103 | 378,168 | 1,327,750 |
| EQUITY | | | | | |
| Share capital | 31 | 245,000 | 245,000 | 245,000 | 886,518 |
| Other reserves | 32 | 43,788 | 83,103 | 133,168 | 441,232 |
| Total equity | | 288,788 | 328,103 | 378,168 | 1,327,750 |

## II NOTES TO THE FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated in the People's Republic of China (the "PRC") on 4 August 2008. The Target Company's registered office is located at NO.139, Wenhua Rd., Harbour District, Qinhuangdao, Hebei Province, the PRC.

The Target Company is an investment holding company. The Target Group is principally engaged in the following businesses in the People's Republic of China (the "PRC"):

- Operation and management of department stores
- Property development
- Others

In the opinion of the Directors, the immediate holding company and ultimate holding company of the Target Company are 茂業物流股份有限公司 ("Maoye Logistics") and Maoye International Holdings Limited ("Maoye International"), respectively, from 1 January 2012 to 19 December 2014, and the immediate holding company and ultimate holding company of the Target Company is 茂業物流股份有限公司 ("Maoye Logistics") from 20 December 2014 to 30 June 2015.

As at the end of the Relevant Periods, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

| Company name | Place and date of incorporation/ registration and operations | Registered share capital | Percentage of equity attributable to the Target Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| | | | % | % | |
| Qinhuangdao Maoye Supermarket Limited (秦皇島茂業超市有限公司) (i) | PRC/Mainland China 26 June 2001 | RMB10,000,000 | 100 | — | Operation of a supermarket |
| Qinhuangdao Jinyuan Home Decoration Limited (秦皇島金原家居裝飾城有限公司) (i) | PRC/Mainland China 20 December 2003 | RMB1,000,000 | 100 | — | Home decoration |
| Qinhuangdao Jinyuan Property Development Limited (秦皇島市金原房地產開發有限公司) (i) | PRC/Mainland China 9 August 2000 | RMB135,000,000 | 100 | — | Property development |

| Company name | Place and date of incorporation/ registration and operations | Registered share capital | Percentage of equity attributable to the Target Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| | | | % | % | |
| Qinhuangdao Maoye Property Management Limited (秦皇島茂業物業服務有限公司) (i) | PRC/Mainland China 26 June 2001 | RMB5,000,000 | 100 | — | Property management |
| Qinhuangdao Jinyuan Commercial Management Limited (秦皇島市金原商業管理有限責任公司) (i) | PRC/Mainland China 14 April 2011 | RMB2,000,000 | 100 | — | Property management |
| Anhui Guorun Investment Development Limited (安徽國潤投資發展有限公司)(i) | PRC/Mainland China 4 October 1998 | RMB29,433,000 | 100 | — | Real estate investment |
| Chuzhou Maoye Investment Development Limited (滁州茂業投資發展有限公司) (i) | PRC/Mainland China 25 April 2003 | RMB70,000,000 | — | 100 | Property development |
| Huainan Maoye Investment Development Limited (淮南茂業投資發展有限公司) (i) | PRC/Mainland China 26 March 2002 | RMB31,600,000 | — | 100 | Property development |
| Anhui New Yangzi River Commodity Exchange Limited (安徽省新長江商品交易有限公司) (i) | PRC/Mainland China 4 September 1998 | RMB20,000,000 | — | 100 | Service for commodity exchange |
| Wuhu Maoye Real Estate Limited (蕪湖茂業置業有限公司) (i) | PRC/Mainland China 16 May 2002 | RMB110,000,000 | — | 100 | Property development |
| Wuhu Maoye Agriculture-related Products Market Limited (蕪湖茂業農副產品市場有限公司) (i) | PRC/Mainland China 10 June 2009 | RMB22,000,000 | — | 100 | Property investment |

(i) No audited financial statements have been prepared for these entities for the years ended 31 December 2012, 2013 and 2014, and the period ended 30 June 2015, as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

The English names of certain of the subsidiaries registered in the PRC represent the best effort made by management of the Target Company to translate their Chinese names as those subsidiaries do not have official English names.

## 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. All IFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant amendments to IFRS 10 and IAS 28, have been early adopted by the Target Group in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

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.

### Basis of consolidation

The Target Company was incorporated on 4th August 2008 and became the holding company of the companies now comprising the Target Group on 7 March 2015. These companies were under the common control of the same controlling shareholder before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared on a consideration basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of comprehensive income, statements of the changes in equity and statements of cash flows of the Target Group for the Relevant Periods include the results and cash flows of all companies now comprising the Target Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the controlling shareholder, where this is a shorter period. The consolidated statements of financial position of the Target Group as at 31 December 2012, 2013 and 2014, 30 June 2015 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholder's perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholder, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

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

Total comprehensive income within a subsidiary is attributed to the non-controlling interests, even if this results in a deficit balance. All intra-Target Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

## 2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

| | |
|---|---|
| IFRS 9 | *Financial Instruments*[2] |
| 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 (2011) | *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 Group

Further information about those IFRSs that are expected to be applicable to the Target Group 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 Group expects to adopt IFRS 9 from 1 January 2018. The Target Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Target Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

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 Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized 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 recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirement, including disaggregation of total revenue, information about performance obligation, 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. The Target Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

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 Group upon adoption on 1 January 2016 as the Target Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Subsidiaries**

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

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

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

(b) rights arising from other contractual arrangements; and

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

The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 Non-current Assets Held for sale and Discontinued Operations are stated at cost less any impairment loss.

**Investments in associates**

An associate is an entity, in which the Target Group has a long term interest or generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group. Liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Target Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previously held equity interests, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Target Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Where goodwill has been allocated to a cash-generating unit (or Target Group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

**Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of comprehensive income in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of comprehensive income in the period in which it arises.

**Related parties**

A party is considered to be related to the Target Group 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 Group; (ii) has significant influence over the Target Group; or (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group; or

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

(i) the entity and the Target Group 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 Group 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 Group or an entity related to the Target Group;

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

(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).

**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 group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal group held for sale". 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 consolidated statement of 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 Group 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 consolidated statement of comprehensive income in the period the asset is derecognised is the difference between the net sale 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 properties**

Investment properties are interests 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 40 years.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of comprehensive income 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.

**Properties under development**

Properties under development are stated at cost, which includes all development expenditures, including land costs, interest charges and other costs directly attributable to such properties.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle.

Properties under development are valued at the lower of cost and net realisable value at the end of the reporting period and any excess of cost over the net realisable value of an individual item of properties under development is accounted for as a provision. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

**Non-current assets and disposal groups held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal group and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the groups retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal Target Groups (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

**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.

**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 Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated statement of comprehensive income on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under the operating leases are charged to the consolidated statement of 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 Group 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 income and gains and negative net changes in fair value presented as finance costs in the consolidated 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 Group 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 Group 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 Group 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 and gains in the consolidated statement of comprehensive income. The loss arising from impairment is recognised in the consolidated statement of 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 investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of comprehensive income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the consolidated statement of comprehensive income in other gains or 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 consolidated statement of 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 Group 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 Group is unable to trade these financial assets due to inactive markets, the Target Group 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 consolidated statement of 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 group's consolidated statement of financial position) when:

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

— the Target Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group 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 Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group 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 Group 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 Group could be required to repay.

**Impairment of financial assets**

The group assesses, at each reporting date, whether there is objective evidence that a financial asset or a Target 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 Group 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 Group 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 consolidated 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 Group. 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 consolidated 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 Group 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 consolidated statement of comprehensive income — is removed from other comprehensive income and recognised in the consolidated statement of comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated statement of 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 Group 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 Group'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 consolidated statement of 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 consolidated statement of comprehensive income.

*Financial guarantee contracts*

Financial guarantee contracts issued by the Target Group 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 Group 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.

*Convertible bonds*

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

**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 consolidated statement of 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.

**Completed properties held for sale**

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

**Cash and cash equivalents**

For the purpose of the consolidated 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 consolidated 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 Group's past experience on the level of redemption of coupons and are recorded in other payables. The revenue of the Target Group 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 countries in which the Target Group 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

- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 Group 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 Group 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.

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

**Retirement benefits**

The employees of the Target Group's subsidiaries which operate in Mainland China are covered by government-regulated defined contribution retirement benefit schemes under which the employees are entitled to a monthly pension. The Target Group contributes a percentage of the employees' salaries to these retirement benefit schemes on a monthly basis. Under these schemes, the Target Group 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**

Dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the 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.

**Foreign currencies**

The functional currency of the PRC subsidiaries is RMB. As the Target Group mainly operates in Mainland China, RMB is used as the presentation currency of the Target Group. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

On consolidation, the assets and liabilities of the Target Group's foreign operations are translated into the presentation currency of the Target Group which is RMB at the exchange rates prevailing at the end of the reporting period and their consolidated statement of comprehensive income are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries outside Mainland China are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries outside Mainland China which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's consolidated financial statements 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 Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

- *Operating lease commitments — Target Group as lessor*

The Target Group has entered into commercial property leases on its investment property portfolio. The Target Group 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.

- *Classification between investment properties and owner-occupied properties*

The Target Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Target Group considers whether a property generates cash flows largely independently of the other assets held by the Target Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the department store operations.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Target Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the supply of goods or services or for administrative purposes.

**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 Target Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Target Group. Such changes are reflected in the assumptions when they occur.

- *Useful lives of property, plant and equipment*

The Target Group 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 goodwill*

The Target Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Target Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The estimation of the expected future cash flows from the cash-generating units could change significantly should the cash-generating units fail to sustain the estimated growth.

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

The Target Group 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 consolidated 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 and completed properties held for sale*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. Net realisable value of completed properties held for sale is estimated by the directors based on the prevailing market prices. These estimates are based on the current market conditions and the historical experience of selling merchandise of similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The Target Group reassesses these estimates at the end of the reporting period.

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

The Target Group 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 Group reassesses the provisions at the end of the reporting period.

- *Recognition of deferred tax liabilities for withholding taxes*

Deferred tax liability is recognised for withholding tax levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely dividends declared.

The carrying amount of investment properties as at 31 December 2012, 2013 and 2014, and as at 30 June 2015 was RMB521,670,000, RMB554,600,000, RMB537,200,000, and RMB528,500,000, respectively. Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 18 to the Financial Information.

## 4. SEGMENT INFORMATION

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

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

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

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

Management monitors the results of the Target Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit attributable to owners of the parent.

Intersegment revenue and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

| | **Operation of department stores** | **Property development** | **Others** | **Adjustments and eliminations** | **Total** |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Year ended 31 December 2012 | | | | | |
| **Segment revenue:** | | | | | |
| Sales to external customers | 482,874 | 160,263 | — | — | 643,137 |
| Intersegment revenue | — | 23,673 | — | (23,673) | — |
| Other income | 38,778 | 8,526 | 2,915 | — | 50,219 |
| Cost of sales | (140,573) | (74,878) | — | — | (215,451) |
| Employee expenses | (52,420) | (17,063) | (1,463) | — | (70,946) |
| Depreciation and amortisation | (37,288) | (14,862) | — | — | (52,150) |
| Operating lease rental expenses | (26,200) | (9,950) | — | 14,693 | (21,457) |
| Other operating expenses | (91,980) | (63,912) | (2,500) | 8,980 | (149,412) |
| Other gains | 378 | 6,728 | — | — | 7,106 |
| Operating profit/(loss) | 173,569 | 18,525 | (1,048) | — | 191,046 |
| Finance costs | (6,029) | (8,121) | — | — | (14,150) |
| Segment profit/(loss) before tax | 167,540 | 10,404 | (1,048) | — | 176,896 |
| Income tax expense | (47,310) | (3,970) | — | — | (51,280) |
| Segment profit/(loss) for the year | 120,230 | 6,434 | (1,048) | — | 125,616 |
| Attributable to: | | | | | |
| Owners of the parent | 120,230 | 6,406 | (1,048) | — | 125,588 |
| Non-controlling interests | — | 28 | — | — | 28 |
| | 120,230 | 6,434 | (1,048) | — | 125,616 |
| **Other segment information:** | | | | | |
| Impairment losses recognised in the consolidated statement of comprehensive income | — | 1,847 | — | — | 1,847 |
| Impairment losses reversed in the consolidated statement of comprehensive income | (6) | (78) | — | — | (84) |
| Capital expenditure* | 4,188 | 85,344 | — | — | 89,532 |

| | Operation of department stores | Property development | Others | Adjustments and eliminations | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Year ended 31 December 2013 | | | | | |
| **Segment revenue:** | | | | | |
| Sales to external customers | 484,260 | 87,662 | — | — | 571,922 |
| Intersegment revenue | — | 19,391 | — | (19,391) | — |
| Other income | 38,890 | 7,230 | 3,366 | — | 49,486 |
| Cost of sales | (136,580) | (18,195) | — | — | (154,775) |
| Employee expenses | (54,088) | (15,854) | (1,267) | — | (71,209) |
| Depreciation and amortisation | (40,355) | (13,320) | (15) | — | (53,690) |
| Operating lease rental expenses | (29,917) | (15,361) | — | 13,533 | (31,745) |
| Other operating expenses | (80,141) | (46,313) | (2,646) | 5,858 | (123,242) |
| Other gains/(losses) | (6,337) | 102 | 5 | — | (6,230) |
| Operating profit/(loss) | 175,732 | 5,342 | (557) | — | 180,517 |
| Finance costs | (6,200) | (1,845) | — | — | (8,045) |
| Segment profit/(loss) before tax | 169,532 | 3,497 | (557) | — | 172,472 |
| Income tax expense | (46,311) | (2,976) | 1 | — | (49,286) |
| Segment profit/(loss) for the year | 123,221 | 521 | (556) | — | 123,186 |
| Attributable to: | | | | | |
| Owners of the parent | 123,221 | 493 | (556) | — | 123,158 |
| Non-controlling interests | — | 28 | — | — | 28 |
| | 123,221 | 521 | (556) | — | 123,186 |
| **Other segment information:** | | | | | |
| Impairment losses recognised in the consolidated statement of comprehensive income | 456 | 1,546 | 2 | — | 2,004 |
| Capital expenditure* | 50,985 | 64,342 | 99 | — | 115,426 |

| | Operation of department stores | Property development | Others | Adjustments and eliminations | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Year ended 31 December 2014 | | | | | |
| **Segment revenue:** | | | | | |
| Sales to external customers | 471,690 | 114,287 | — | — | 585,977 |
| Intersegment revenue | — | 5,720 | — | (5,720) | — |
| Other income | 29,583 | 10,522 | 4,413 | — | 44,518 |
| Cost of sales | (110,963) | (46,533) | — | — | (157,496) |
| Employee expenses | (41,908) | (17,322) | (2,701) | — | (61,931) |
| Depreciation and amortisation | (40,917) | (11,221) | (36) | — | (52,174) |
| Operating lease rental expenses | (24,453) | (14,615) | (55) | 1,937 | (37,186) |
| Other operating expenses | (77,931) | (64,318) | (1,436) | 3,783 | (139,902) |
| Other gains | 547 | 865 | 102 | — | 1,514 |
| Operating profit/(loss) | 205,648 | (22,615) | 287 | — | 183,320 |
| Finance costs | — | (530) | — | — | (530) |
| Segment profit/(loss) before tax | 205,648 | (23,145) | 287 | — | 182,790 |
| Income tax expense | (59,606) | 3,394 | (352) | — | (56,564) |
| Segment profit/(loss) for the year | 146,042 | (19,751) | (65) | — | 126,226 |
| Attributable to: | | | | | |
| Owners of the parent | 146,042 | (19,745) | (65) | — | 126,232 |
| Non-controlling interests | — | (6) | — | — | (6) |
| | 146,042 | (19,751) | (65) | — | 126,226 |
| **Other segment information:** | | | | | |
| Impairment losses recognised in the consolidated statement of comprehensive income | 68 | 22,485 | — | — | 22,553 |
| Capital expenditure* | 54,991 | 105,354 | 208 | — | 160,553 |

| | Operation of department stores | Property development | Others | Adjustments and eliminations | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Period ended 30 June 2014 | | | | | |
| Segment revenue: | | | | | |
| Sales to external customers | 261,017 | 23,457 | — | — | 284,474 |
| Intersegment revenue | — | 3,694 | — | (3,694) | — |
| Other income | 15,413 | 8,116 | 1,778 | — | 25,307 |
| Cost of sales | (69,612) | (439) | — | — | (70,051) |
| Employee expenses | (20,709) | (8,559) | (594) | — | (29,862) |
| Depreciation and amortisation | (19,251) | (5,495) | (15) | — | (24,761) |
| Operating lease rental expenses | (13,177) | (7,305) | — | 1,575 | (18,907) |
| Other operating expenses | (39,578) | (34,981) | (549) | 2,119 | (72,989) |
| Other gains | 444 | 409 | 101 | — | 954 |
| Operating profit/(loss) | 114,547 | (21,103) | 721 | — | 94,165 |
| Finance costs | — | (530) | — | — | (530) |
| Segment profit/(loss) before tax | 114,547 | (21,633) | 721 | — | 93,635 |
| Income tax expense | (32,277) | 5,939 | — | — | (26,338) |
| Segment profit/(loss) for the period | 82,270 | (15,694) | 721 | — | 67,297 |
| Attributable to: | | | | | |
| Owners of the parent | 82,270 | (15,680) | 721 | — | 67,311 |
| Non-controlling interests | — | (14) | — | — | (14) |
| | 82,270 | (15,694) | 721 | — | 67,297 |
| Other segment information: | | | | | |
| Impairment losses recognised in the consolidated statement of comprehensive incomee | 155 | 15,107 | — | — | 15,262 |
| Impairment losses reversed in the consolidated statement of comprehensive income | (3) | (10) | — | — | (13) |
| Capital expenditure* | 11,111 | 34,387 | — | — | 45,498 |

| | Operation of department stores | Property development | Others | Adjustments and eliminations | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Period ended 30 June 2015 | | | | | |
| **Segment revenue:** | | | | | |
| Sales to external customers | 235,188 | 27,461 | 1,459 | — | 264,108 |
| Intersegment revenue | — | 2,233 | — | (2,233) | — |
| Other income | 20,018 | 5,339 | 2,337 | — | 27,694 |
| Cost of sales | (61,162) | (10,420) | (526) | — | (72,108) |
| Employee expenses | (32,834) | (7,815) | (2,359) | — | (43,008) |
| Depreciation and amortisation | (21,630) | (2,584) | (179) | — | (24,393) |
| Operating lease rental expenses | (2,579) | (4,852) | (19) | 300 | (7,150) |
| Other operating expenses | (51,326) | (30,036) | (1,870) | 1,933 | (81,299) |
| Other gains/(losses) | 174 | (212) | 2 | — | (36) |
| Operating profit/(loss) | 85,849 | (20,886) | (1,155) | — | 63,808 |
| Segment profit/(loss) before tax | 85,849 | (20,886) | (1,155) | — | 63,808 |
| Income tax expense | (24,288) | 2,967 | (325) | — | (21,646) |
| Segment profit/(loss) for the period | 61,561 | (17,919) | (1,480) | — | 42,162 |
| Attributable to: | | | | | |
| Owners of the parent | 61,561 | (17,910) | (1,480) | — | 42,171 |
| Non-controlling interests | — | (9) | — | — | (9) |
| | 61,561 | (17,919) | (1,480) | — | 42,162 |
| **Other segment information:** | | | | | |
| Impairment losses recognised in the consolidated statement of comprehensive income | — | 11,253 | — | — | 11,253 |
| Impairment losses reversed in the consolidated statement of comprehensive income | — | (4,489) | — | — | (4,489) |
| Capital expenditure* | 549 | 24,266 | 2,090 | — | 26,905 |

* Capital expenditure consists of additions to property, plant and equipment, land lease prepayments, investment properties, properties under development, other intangible assets and completed properties held for sale.

As the Target Group generates substantially all of its revenues from customers domiciled in the PRC, no geographical information is presented.

## 5. REVENUE

An analysis of revenue, other income and gains is as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* | |
| **Revenue** | | | | | |
| Commissions from concessionaire sales | 297,390 | 306,161 | 323,991 | 169,925 | 156,229 |
| Direct sales | 161,758 | 156,287 | 127,561 | 79,757 | 72,756 |
| Rental income from the leasing of shop premises | 23,727 | 21,812 | 25,538 | 11,336 | 4,971 |
| Rental income from investment properties | 44,444 | 46,242 | 47,223 | 22,604 | 22,762 |
| Sale of properties | 115,818 | 41,420 | 61,664 | 852 | 7,390 |
| | 643,137 | 571,922 | 585,977 | 284,474 | 264,108 |

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

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* | |
| Total sales proceeds from concessionaire sales | 1,580,962 | 1,698,168 | 1,570,843 | 819,748 | 797,980 |
| Commissions from concessionaire sales | 297,390 | 306,161 | 323,991 | 169,925 | 156,229 |

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

| | | | | | |
|---|---|---|---|---|---|
| Rental income | 6,738 | 5,243 | 10,724 | 2,584 | 2,791 |
| Sublease rental income | 16,989 | 16,569 | 14,814 | 8,752 | 2,180 |
| | 23,727 | 21,812 | 25,538 | 11,336 | 4,971 |

## 6. OTHER INCOME

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* | |
| Income from suppliers and concessionaires | | | | | |
| - Administration and management fee income | 13,718 | 12,248 | 6,753 | 5,448 | 8,669 |
| - Promotion income | 9,796 | 9,609 | 6,600 | 4,501 | 4,163 |
| - Credit card handling fees | 14,802 | 15,407 | 15,275 | 7,595 | 8,676 |
| Interest income | 1,458 | 880 | 1,060 | 384 | 1,664 |
| Others | 10,445 | 11,342 | 14,830 | 7,379 | 4,522 |
| | 50,219 | 49,486 | 44,518 | 25,307 | 27,694 |

## 7. COST OF SALES

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* | |
| Purchases of and changes in inventories | 141,035 | 135,817 | 120,752 | 69,546 | 63,208 |
| Cost of properties sold | 74,416 | 18,958 | 36,744 | 505 | 8,900 |
| | 215,451 | 154,775 | 157,496 | 70,051 | 72,108 |

## 8. EMPLOYEE EXPENSES

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* | |
| Wages and salaries | 53,515 | 57,530 | 51,335 | 25,441 | 36,329 |
| Retirement benefits | 8,360 | 7,920 | 6,233 | 3,191 | 5,324 |
| Other employee benefits | 9,071 | 5,759 | 4,363 | 1,230 | 1,355 |
| | 70,946 | 71,209 | 61,931 | 29,862 | 43,008 |

## 9. OPERATING LEASE RENTAL EXPENSES

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* | |
| Operating lease rental | 6,743 | 16,724 | 21,521 | 13,654 | 5,163 |
| Operating sublease rental | 14,714 | 15,021 | 15,665 | 5,253 | 1,987 |
| | 21,457 | 31,745 | 37,186 | 18,907 | 7,150 |

## 10. OTHER OPERATING EXPENSES

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* | |
| Utility expenses | 15,598 | 13,547 | 28,150 | 7,583 | 13,876 |
| Promotion and advertising expenses | 9,673 | 8,438 | 7,362 | 3,910 | 3,747 |
| Repair and maintenance expenses | 39,196 | 28,033 | 10,296 | 12,037 | 6,000 |
| Entertainment expenses | 3,003 | 2,853 | 2,021 | 1,003 | 788 |
| Office expenses | 7,289 | 7,914 | 5,627 | 2,397 | 2,999 |
| Other tax expenses | 52,602 | 45,793 | 48,752 | 23,827 | 28,509 |
| Professional service fees | 1,526 | 1,413 | 1,130 | 360 | 2,110 |
| Bank charges | 10,457 | 8,807 | 8,315 | 4,200 | 4,504 |
| Impairment/(reversal of impairment) of trade receivables | 1,763 | 2,004 | 15,577 | 15,249 | (4,489) |
| Impairment of properties under development | — | — | 6,976 | — | 11,253 |
| Others | 8,305 | 4,440 | 5,696 | 2,423 | 12,002 |
| | 149,412 | 123,242 | 139,902 | 72,989 | 81,299 |

## 11. OTHER GAINS AND LOSSES

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* | |
| Loss on disposal of items of property, plant and equipment | 31 | 6,504 | 793 | 12 | 409 |
| Fair value losses/(gains) on equity investments at fair value through profit or loss | (91) | 59 | (464) | 42 | 86 |
| Gain on disposal of investment properties | (6,724) | — | — | — | — |
| Dividend income from available-for-sale equity investments | (322) | (333) | (1,843) | (1,008) | (459) |
| | (7,106) | 6,230 | (1,514) | (954) | 36 |

## 12. FINANCE COSTS

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* | |
| Total interest expense on financial liabilities not at fair value through profit or loss | 15,108 | 15,780 | 11,641 | 6,086 | — |
| Less: Interest capitalised | (958) | (7,735) | (11,111) | (5,556) | — |
| | 14,150 | 8,045 | 530 | 530 | — |

## 13. INCOME TAX EXPENSE

The Target Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Target Group are domiciled and operate.

Under the relevant PRC income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% on their respective taxable income.

PRC Land Appreciation Tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. LAT of RMB3,777,000, RMB4,344,000, RMB2,191,000, nil, RMB221,000 is charged to the consolidated statement of comprehensive income for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30June 2014 and 30 June 2015, respectively.

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(unaudited)* | |
| Target Group: | | | | | |
| Current — CIT | 50,101 | 46,749 | 61,537 | 25,456 | 24,161 |
| Current — LAT | 3,777 | 4,344 | 2,191 | — | 221 |
| Deferred (note 30) | (2,598) | (1,807) | (7,164) | 882 | (2,736) |
| Total tax charge for the year/period | 51,280 | 49,286 | 56,564 | 26,338 | 21,646 |

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

| | Year ended 31 December | | | | | | Six months ended 30 June | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | | 2013 | | 2014 | | 2014 | | 2015 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* (*unaudited*) | *%* | *RMB'000* | *%* |
| Profit before tax | 176,896 | | 172,472 | | 182,790 | | 93,635 | | 63,808 | |
| Income tax at the statutory tax rate | 44,224 | 25 | 43,118 | 25 | 45,698 | 25 | 23,409 | 25 | 15,952 | 25 |
| Income not subject to tax | (23) | — | (15) | — | (648) | — | (10) | — | — | — |
| Expenses not deductible for tax | 1,053 | 1 | 199 | — | 705 | — | 25 | — | — | — |
| Tax losses not recognised | 4,439 | 3 | 5,436 | 3 | 9,069 | 5 | 3,084 | 3 | 5,652 | 9 |
| Tax effect of LAT | 2,833 | 2 | 3,258 | 2 | 1,643 | 1 | — | — | 166 | — |
| Others | (1,246) | (1) | (2,710) | (2) | 97 | — | (170) | — | (124) | — |
| Tax charged at the Target Group's effective rate | 51,280 | | 49,286 | | 56,564 | | 26,338 | | 21,646 | |

## 14. DIRECTORS' REMUNERATION

The Company had three directors during the Relevant Periods. Mrs Lu Xiaojuan and Mr Chen Zheyuan were appointed as executive directors of the Company on December 2008 and 10 October 2010, respectively. Mr Liu Hong was appointed as the chief executive of the Company on 16 October 2012.

No director received any fees or emoluments in respect of their services rendered to the Target Group during the Relevant Periods.

## 15. FIVE HIGHEST PAID EMPLOYEES

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

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Salaries and allowances | 1,231 | 1,166 | 1,429 | 609 | 565 |
| Retirement benefits | 223 | 246 | 224 | 114 | 136 |
| | 1,454 | 1,412 | 1,653 | 723 | 701 |

Remuneration of each of the highest paid employees, for each of the Relevant Periods, was less than RMB1,000,000.

## 16. DIVIDENDS

The dividends issued to its then shareholders at the end of 31 December 2012, 2013 and 2014 and 30 June 2015 were nil, nil, nil and RMB471,315,000, respectively.

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings | Machinery and equipment | Motor vehicles | Furniture, fittings and other equipment | Leasehold improvements | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2012** | | | | | | |
| At 1 January 2012: | | | | | | |
| Cost | 543,165 | 8,439 | 4,832 | 13,179 | 12,569 | 582,184 |
| Accumulated depreciation | (201,975) | (3,539) | (1,271) | (6,803) | (9,111) | (222,699) |
| Net carrying amount | 341,190 | 4,900 | 3,561 | 6,376 | 3,458 | 359,485 |
| At 1 January 2012, net of accumulated depreciation | 341,190 | 4,900 | 3,561 | 6,376 | 3,458 | 359,485 |
| Additions | — | 386 | — | 713 | 3,213 | 4,312 |
| Disposals | — | — | — | (31) | — | (31) |
| Depreciation provided during the year | (16,712) | (772) | (601) | (1,130) | (2,296) | (21,511) |
| At 31 December 2012, net of accumulated depreciation | 324,478 | 4,514 | 2,960 | 5,928 | 4,375 | 342,255 |
| At 31 December 2012: | | | | | | |
| Cost | 543,165 | 8,825 | 4,832 | 13,589 | 15,782 | 586,193 |
| Accumulated depreciation | (218,687) | (4,311) | (1,872) | (7,661) | (11,407) | (243,938) |
| Net carrying amount | 324,478 | 4,514 | 2,960 | 5,928 | 4,375 | 342,255 |

| | 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 | 543,165 | 8,825 | 4,832 | 13,589 | 15,782 | — | 586,193 |
| Accumulated depreciation | (218,687) | (4,311) | (1,872) | (7,661) | (11,407) | — | (243,938) |
| Net carrying amount | 324,478 | 4,514 | 2,960 | 5,928 | 4,375 | — | 342,255 |
| At 1 January 2013, net of accumulated depreciation | 324,478 | 4,514 | 2,960 | 5,928 | 4,375 | — | 342,255 |
| Additions | — | 910 | — | 2,680 | — | 50,269 | 53,859 |
| Disposals | (6,491) | (2) | (4) | (72) | — | — | (6,569) |
| Depreciation provided during the year | (15,066) | (1,020) | (575) | (922) | (6,976) | — | (24,559) |
| Transfer | 40,935 | — | — | — | 9,334 | (50,269) | — |
| Transfer from completed properties held for sale | 3,084 | — | — | — | — | — | 3,084 |
| At 31 December 2013, net of accumulated depreciation | 346,940 | 4,402 | 2,381 | 7,614 | 6,733 | — | 368,070 |
| At 31 December 2013: | | | | | | | |
| Cost | 514,683 | 9,714 | 4,824 | 16,021 | 25,116 | — | 570,358 |
| Accumulated depreciation | (167,743) | (5,312) | (2,443) | (8,407) | (18,383) | — | (202,288) |
| Net carrying amount | 346,940 | 4,402 | 2,381 | 7,614 | 6,733 | — | 368,070 |

| | 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 | 514,683 | 9,714 | 4,824 | 16,021 | 25,116 | — | 570,358 |
| Accumulated depreciation | (167,743) | (5,312) | (2,443) | (8,407) | (18,383) | — | (202,288) |
| Net carrying amount | 346,940 | 4,402 | 2,381 | 7,614 | 6,733 | — | 368,070 |
| At 1 January 2014, net of accumulated depreciation: | 346,940 | 4,402 | 2,381 | 7,614 | 6,733 | — | 368,070 |
| Additions | — | 1,181 | 81 | 979 | 4,637 | 48,635 | 55,513 |
| Disposals | — | (896) | (14) | (21) | (68) | — | (999) |
| Depreciation provided during the year | (16,941) | (625) | (703) | (1,467) | (1,294) | — | (21,030) |
| Transfer | — | 3,482 | — | — | 45,153 | (48,635) | — |
| Transfer from properties under development | 170,421 | — | — | — | — | — | 170,421 |
| At 31 December 2014, net of accumulated depreciation | 500,420 | 7,544 | 1,745 | 7,105 | 55,161 | — | 571,975 |
| At 31 December 2014: | | | | | | | |
| Cost | 685,104 | 10,988 | 4,491 | 17,120 | 68,906 | — | 786,609 |
| Accumulated depreciation | (184,684) | (3,444) | (2,746) | (10,015) | (13,745) | — | (214,634) |
| Net carrying amount | 500,420 | 7,544 | 1,745 | 7,105 | 55,161 | — | 571,975 |

| | Land and buildings *RMB'000* | Machinery and equipment *RMB'000* | Motor vehicles *RMB'000* | Furniture, fittings and other equipment *RMB'000* | Leasehold improvements *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **30 June 2015** | | | | | | |
| At 1 January 2015: | | | | | | |
| Cost | 685,104 | 10,988 | 4,491 | 17,120 | 68,906 | 786,609 |
| Accumulated depreciation | (184,684) | (3,444) | (2,746) | (10,015) | (13,745) | (214,634) |
| Net carrying amount | 500,420 | 7,544 | 1,745 | 7,105 | 55,161 | 571,975 |
| At 1 January 2015, net of accumulated depreciation: | 500,420 | 7,544 | 1,745 | 7,105 | 55,161 | 571,975 |
| Additions | — | 220 | 14 | 1,894 | 521 | 2,649 |
| Transfer from a shareholder | 7,575 | 522 | 1,829 | 1,594 | — | 11,520 |
| Disposals | — | (74) | (701) | — | — | (775) |
| Depreciation provided during the year | (11,561) | (837) | (181) | (920) | (1,542) | (15,041) |
| Transfer from properties under development | 23,893 | — | — | — | — | 23,893 |
| At 30 June 2015, net of accumulated depreciation | 520,327 | 7,375 | 2,706 | 9,673 | 54,140 | 594,221 |
| At 30 June 2015: | | | | | | |
| Cost | 718,375 | 11,788 | 5,163 | 22,153 | 69,427 | 826,906 |
| Accumulated depreciation | (198,048) | (4,413) | (2,457) | (12,480) | (15,287) | (232,685) |
| Net carrying amount | 520,327 | 7,375 | 2,706 | 9,673 | 54,140 | 594,221 |

The Target Group's land and buildings are held under medium term leases and are situated in Mainland China.

## 18. INVESTMENT PROPERTIES

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Carrying amount at 1 January | 327,842 | 309,095 | 296,329 | 286,163 |
| Disposals | (5,655) | — | — | — |
| Depreciation charged for the period/year | (13,092) | (12,766) | (10,166) | (4,828) |
| Carrying amount at 30 June/31 December | 309,095 | 296,329 | 286,163 | 281,335 |
| Carrying amount at 30 June/31 December: | | | | |
| Cost | 338,021 | 338,021 | 338,021 | 338,021 |
| Accumulated depreciation | (28,926) | (41,692) | (51,858) | (56,686) |
| Net carrying amount | 309,095 | 296,329 | 286,163 | 281,335 |

The Target Group's investment properties are held under medium term leases and are situated in Mainland China. The investment properties are leased to third parties under operating leases.

Certificates of ownership in respect of certain investment properties of the Group with a net carrying amount of approximately RMB25,180,000, RMB17,027,000, RMB15,811,000 and RMB15,513,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015, have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

Details of the Target Group's investment properties pledged to secure the Target Group's interest-bearing bank loans are set out in note 29(a).

The Target Group's investment properties consist of several commercial properties in Qinhuangdao, the PRC. The directors of the Target Company determined these investment properties as commercial properties based on the nature, characteristics and risks of each property. At 31 December 2012, 2013 and 2014 and 30 June 2015, the fair value of the Group's investment properties were approximately RMB521,670,000, RMB554,600,000, RMB537,200,000 and RMB528,500,000, respectively, which were based on the valuations by DTZ Debenham Tie Leung Limited ("DTZ"), an independent professionally qualified valuer. Each year, the Group's management decides, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuation of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

The Target Group's investment properties under construction are measured at cost until such time as fair value can be determined reliably or construction is completed.

**Fair value hierarchy**

The following table illustrates the fair value measurement hierarchy of the Target Group's investment properties:

| Recurring fair value measurement for: | Fair value measurement as at the end of each reporting period 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* |
| As at 30 June 2015 | | | | |
| Commercial properties | — | — | 528,500 | 528,500 |
| As at 31 December 2014 | | | | |
| Commercial properties | — | — | 537,200 | 537,200 |
| As at 31 December 2013 | | | | |
| Commercial properties | — | — | 554,600 | 554,600 |
| As at 31 December 2012 | | | | |
| Commercial properties | — | — | 521,670 | 521,670 |

During the Related Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The fair values of investment properties are determined using the comparison method by making references to comparable sale evidence as available in the relevant market. Comparable properties of similar size, character and location are analysed and selected for each investment property in order to arrive at a fair comparison of its fair value. The fair value measurement is positively correlated to the market unit sale rate.

## 19. LAND LEASE PREPAYMENTS

**Target Group**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Carrying amount at 1 January | 203,667 | 198,047 | 192,450 | 194,597 |
| Transfer from properties under development | — | — | 9,022 | — |
| Amortisation provided during the year | (5,620) | (5,597) | (6,875) | (2,951) |
| Carrying amount at the end of the year/period | 198,047 | 192,450 | 194,597 | 191,646 |
| Current portion included in prepayments and other receivables | (5,620) | (5,597) | (5,028) | (5,899) |
| Non-current portion | 192,427 | 186,853 | 189,569 | 185,747 |

Details of the Target Group's land lease prepayments pledged to secure the Target Group's interest-bearing bank loans are set out in note 29(a).

**Target Company**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Carrying amount at 1 January | 189,130 | 184,103 | 179,076 | 174,049 |
| Transfer from controlling shareholder | — | — | — | 12,520 |
| Amortisation provided during the year | (5,027) | (5,027) | (5,027) | (2,799) |
| Carrying amount at the end of the year/period | 184,103 | 179,076 | 174,049 | 183,770 |
| Current portion included in prepayments and other receivables | (5,027) | (5,027) | (5,027) | (5,598) |
| Non-current portion | 179,076 | 174,049 | 169,022 | 178,172 |

## 20. OTHER INTANGIBLE ASSETS

**Target Group**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cost at 1 January, net of accumulated amortisation | 240 | 215 | 191 | 166 |
| Additions | — | — | — | 2,079 |
| Transfer from a shareholder | — | — | — | 5,314 |
| Amortisation provided during the period/year | (25) | (24) | (25) | (448) |
| At 30 June/31 December | 215 | 191 | 166 | 7,111 |
| At 30 June/31 December: | | | | |
| Cost | 246 | 246 | 246 | 7,639 |
| Accumulated amortisation | (31) | (55) | (80) | (528) |
| Net carrying amount | 215 | 191 | 166 | 7,111 |

## 21. INVESTMENTS IN SUBSIDIARIES

**Target Company**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Unlisted shares, at cost | — | — | — | 743,958 |

Particulars of the subsidiaries of the Target Group as at the end of the Relevant Periods are set out in note 1 to the Financial Information.

## 22. INVENTORIES

**Target Group**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Merchandise for resale | 43,727 | 33,550 | 26,621 | 24,062 |
| Provision against slow-moving inventories | (152) | (152) | — | — |
| | 43,575 | 33,398 | 26,621 | 24,062 |

## 23. PROPERTIES UNDER DEVELOPMENT

**Target Group**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Land in the PRC held under medium term leases, at cost: | | | | |
| At beginning of year | 68,309 | 60,414 | 60,414 | 51,392 |
| Transfer to land lease prepayments | — | — | (9,022) | — |
| Transfer to completed properties held for sale | (7,895) | — | — | — |
| Impairment | — | — | — | (8,821) |
| At end of year/period | 60,414 | 60,414 | 51,392 | 42,571 |
| Development expenditure, at cost: | | | | |
| At beginning of year | 191,793 | 137,387 | 198,954 | 48,278 |
| Additions | 85,220 | 61,567 | 105,080 | 24,255 |
| Transfer to property, plant and equipment | — | — | (170,421) | (23,893) |
| Transfer to completed properties held for sale | (139,626) | — | (78,359) | — |
| Impairment | — | — | (6,976) | (2,432) |
| At end of year/period | 137,387 | 198,954 | 48,278 | 46,208 |
| | 197,801 | 259,368 | 99,670 | 88,779 |

The Target Group's properties under development are held under a medium term lease and are situated in Mainland China.

## 24. TRADE RECEIVABLES

The Target Group 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 Group'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 Periods, based on the contract date and net of provision, is as follows:

**Target Group**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 60 days | 11,815 | 9,708 | 22,986 | 6,446 |
| 61 to 90 days | 22 | — | 34 | 2,067 |
| 91 to 180 days | 869 | 178 | 30 | 1,772 |
| 181 to 270 days | 1,693 | — | 13 | — |
| 271 to 360 days | — | 363 | 319 | 648 |
| Over 360 days | 34,127 | 42,225 | 42,760 | 25,114 |
| | 48,526 | 52,474 | 66,142 | 36,047 |
| Impairment of trade receivables | (13,296) | (14,817) | (30,256) | (11,701) |
| | 35,230 | 37,657 | 35,886 | 24,346 |

Movements in the provision for impairment of trade receivables are as follows:

**Target Group**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At beginning of the year/period | 11,694 | 13,296 | 14,817 | 30,256 |
| Recognised during the year | 1,847 | 2,004 | 15,577 | 96 |
| Amount written off during the year | (161) | (483) | (138) | (14,066) |
| Amount reversed during the year | (84) | — | — | (4,585) |
| At end of the year/period | 13,296 | 14,817 | 30,256 | 11,701 |

As at 31 December 2012, 2013 2014 and 30 June 2015, included in the above provision for impairment of trade receivables was a provision for individually impaired trade receivables of RMB13,296,000, RMB14,817,000, RMB30,256,000 and RMB29,172,000 with a carrying amount before provision of RMB13,296,000, RMB14,817,000, RMB30,256,000 and RMB25,767,000, respectively.

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments.

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.

## 25. PREPAYMENTS AND OTHER RECEIVABLES

**Target Group**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current assets** | | | | |
| Prepayments | 63,502 | 52,721 | 42,529 | 34,695 |
| **Current assets** | | | | |
| Prepayments | 10,404 | 8,117 | 14,194 | 12,158 |
| Other receivables | 5,928 | 3,597 | 4,146 | 13,761 |
| | 16,332 | 11,714 | 18,340 | 25,919 |
| Impairment of other receivables | (627) | (429) | (429) | (429) |
| | 15,705 | 11,285 | 17,911 | 25,490 |

Movements in the provision for impairment of other receivables are as follows:

**Target Group**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At beginning of the year/period | 717 | 627 | 429 | 429 |
| Amount written off during the year | (90) | (198) | — | — |
| At end of the year/period | 627 | 429 | 429 | 429 |

As at 31 December 2012, 2013 2014 and 30 June 2015, included in the above provision for impairment of other receivables was a provision for individually impaired other receivables of approximately RMB627,000, RMB429,000, RMB429,000 and RMB429,000 with a gross carrying amount of approximately RMB627,000, RMB429,000, RMB429,000 and RMB429,000. The individually impaired other receivables relate to other debtors that were in financial difficulties or in default of payments. The Group does not hold any collateral or other credit enhancements over these balances.

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

## 26. CASH AND CASH EQUIVALENTS

**Target Group**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and bank balances | 107,618 | 93,461 | 100,873 | 119,814 |
| Less: Pledged bank balances for construction in progress | 23,645 | 14,795 | 26,932 | 20,868 |
| Other pledged bank balances | 9,190 | 8,001 | 6,639 | 8,932 |
| Cash and cash equivalents | 74,783 | 70,665 | 67,302 | 90,014 |

## 27. TRADE AND BILLS PAYABLES

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

**Target Group**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 90 days | 173,803 | 166,124 | 149,318 | 245,887 |
| 91 to 180 days | 3,595 | 1,162 | 21,414 | 12,885 |
| 181 to 360 days | 2,599 | 1,660 | 1,319 | 20,035 |
| Over 360 days | 564 | 1,422 | 4,391 | 1,119 |
| | 180,561 | 170,368 | 176,442 | 279,926 |

**Target Company**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 90 days | 42,907 | 40,928 | 43,189 | 229,063 |
| 91 to 180 days | 174 | 416 | 1,980 | 10,611 |
| 181 to 360 days | 799 | 117 | 369 | 11,394 |
| Over 360 days | 333 | 426 | 4,117 | 7,189 |
| | 44,213 | 41,887 | 49,655 | 258,257 |

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

## 28. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

**Target Group**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Deferred income | 23,265 | 22,694 | 14,650 | 173,049 |
| Deposits received | 33,893 | 41,276 | 59,714 | 50,599 |
| Accrued operating lease rental expenses | 14 | 25 | — | — |
| Accrued utilities | 857 | 348 | 89 | 2 |
| Accrued liabilities | 816 | 392 | 829 | 264 |
| Accrued staff costs | 7,029 | 7,772 | 9,556 | 9,784 |
| Value-added tax and other tax payables | (14,552) | (14,639) | (7,537) | (47,009) |
| Other payables | 66,188 | 72,595 | 99,993 | 128,583 |
| | 117,510 | 130,463 | 177,294 | 315,272 |

**Target Company**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Deferred income | 411 | 182 | 149 | 156,411 |
| Deposits received | 8,910 | 9,550 | 17,062 | 35,718 |
| Accrued utilities | 650 | — | — | — |
| Accrued liabilities | 41 | — | 43 | — |
| Accrued staff costs | 224 | 522 | 503 | 5,408 |
| Other payables | 7,056 | 7,069 | 1,018 | 6,789 |
| | 17,292 | 17,323 | 18,775 | 204,326 |

## 29. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

| Target Group | As at 31 December 2012 | | | As at 31 December 2013 | | | As at 31 December 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Effective interest rate* | *Maturity* | *RMB'000* | *Effective interest rate* | *Maturity* | *RMB'000* | *Effective interest rate* | *Maturity* | *RMB'000* |
| **Current** | | | | | | | | | |
| Bank loans - secured | 7.54%-9.84% | 2013 | 59,000 | — | — | — | — | — | — |
| | | | 59,000 | | | — | | | — |
| Other borrowings | | | — | 6% | 2014 | 25,000 | 6% | 2015 | 215,500 |
| | | | — | | | 25,000 | | | 215,500 |
| | | | 59,000 | | | 25,000 | | | 215,500 |

| Target Group | As at 31 December 2012 | As at 31 December 2013 | As at 31 December 2014 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Analysed into: | | | |
| Bank loans repayable: | | | |
| within one year | 59,000 | 25,000 | 215,500 |

(a) As at 31 December 2012, 2013, 2014 and 30 June 2015, the Target Group's bank loans amounting to RMB59,000,000, nil, nil and nil, respectively, were secured by:

(i) Certain of the Target Group's land lease prepayments with a net book value of RMB47,168,000 as at 31 December 2012 (note 19); and

(ii) Certain of the Target Group's investment properties with a net book value of RMB12,981,000 as at 31 December 2012 (note 18).

(b) As at 31 December 2013 and 2014, the Target Group's other borrowings amounting to RMB25,000,000, RMB215,500,000, were provided by Maoye Logistics with an monthly interest rate 0.5%.

## 30. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

### Deferred tax assets:

*Target Group*

| | Provisions and accruals | Impairment of properties under development | Impairment of trade and other receivables | Losses available for offsetting against future taxable profits | Unrealised intercompany transaction profit | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2012 | 38 | — | 2,974 | — | 96 | 3,108 |
| Deferred tax credited to the consolidated statement of comprehensive income during the year | — | — | 441 | 105 | 2,052 | 2,598 |
| At 31 December 2012 and 1 January 2013 | 38 | — | 3,415 | 105 | 2,148 | 5,706 |
| Deferred tax credited/(charged) to the consolidated statement of comprehensive income during the year | (38) | — | 501 | 9 | 1,335 | 1,807 |
| At 31 December 2013 and 1 January 2014 | — | — | 3,916 | 114 | 3,483 | 7,513 |
| Deferred tax charged to the consolidated statement of comprehensive income during the year | — | 1,744 | 3,894 | — | 1,526 | 7,164 |
| At 31 December 2014 and 1 January 2015 | — | 1,744 | 7,810 | 114 | 5,009 | 14,677 |
| Deferred tax charged/(credited) to the consolidated statement of comprehensive income during the year | — | 2,813 | (4,638) | 4,468 | 93 | 2,736 |
| Transfer from a shareholder | — | — | — | 2,962 | — | 2,962 |
| At 30 June 2015 | — | 4,557 | 3,172 | 7,544 | 5,102 | 20,375 |

**Target Group**

The Target Group has tax losses arising in Mainland China RMB23,112,000, RMB40,588,000, RMB75,950,000 and RMB92,181,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively, that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of tax losses of approximately RMB22,692,000, RMB40,132,000, RMB75,494,000 and RMB62,005,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively, as they have arisen in subsidiaries that have been loss-making for some time and there is insufficient convincing evidence that sufficient taxable profits will be available to allow the utilisation of the carryforward of tax losses before they expire in five years.

## 31. SHARE CAPITAL

| **Target Group and Company** | **As at 31 December** | | | **As at 30 June** |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Authorised: | 245,000 | 245,000 | 245,000 | 886,518 |
| Issued and fully paid: | 245,000 | 245,000 | 245,000 | 886,518 |

During the period, the movements in share capital were as follows:

| | Number of shares in issue | Share capital | Total |
|---|---|---|---|
| | | *RMB'000* | *RMB'000* |
| At 1 January 2012 | 245,000,000 | 245,000 | 245,000 |
| At 31 December 2012 | 245,000,000 | 245,000 | 245,000 |
| At 1 January 2013 | 245,000,000 | 245,000 | 245,000 |
| At 31 December 2013 | 245,000,000 | 245,000 | 245,000 |
| At 1 January 2014 | 245,000,000 | 245,000 | 245,000 |
| At 31 December 2014 | 245,000,000 | 245,000 | 245,000 |
| At 1 January 2015 | 245,000,000 | 245,000 | 245,000 |
| Issue of shares | 641,517,865 | 641,518 | 641,518 |
| At 30 June 2015 | 886,517,865 | 886,518 | 886,518 |

## 32. RESERVES

### (a) Target Group

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on pages 6 to 7 of the Financial Information.

(b) **Target Company**

| | **Share premium account** | **Statutory surplus reserve** | **Retained profits** | **Total** |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2012 | — | 312 | 10,746 | 11,058 |
| Total comprehensive income for the year | — | — | 32,730 | 32,730 |
| Profit appropriated to reserve | — | 4,395 | (4,395) | — |
| At 31 December 2012 and 1 January 2013 | — | 4,707 | 39,081 | 43,788 |
| Total comprehensive income for the year | — | — | 39,315 | 39,315 |
| Profit appropriated to reserve | — | 4,056 | (4,056) | — |
| At 31 December 2013 and 1 January 2014 | — | 8,763 | 74,340 | 83,103 |
| Total comprehensive income for the year | — | — | 50,065 | 50,065 |
| Profit appropriated to reserve | — | 4,898 | (4,898) | — |
| At 31 December 2014 and 1 January 2015 | — | 13,661 | 119,507 | 133,168 |
| Total comprehensive income for the year | — | — | 67,107 | 67,107 |
| Capital contribution from controlling shareholder | 240,957 | — | — | 240,957 |
| At 30 June 2015 | 240,957 | 13,661 | 186,614 | 441,232 |

(c) **Merger Reserve**

The merger reserve represents the aggregate amount of the paid-up capital and reserve of these companies comprising the Target Group prior to the incorporation of the Company, Details of the movement in the merger reserve are set out in the consolidated statements of changes in equity.

## 33. OPERATING LEASE ARRANGEMENTS

### (i) As lessor

The Target Group leases its investment properties (note 18 to the Financial Information) and 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 Periods, the Target Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within one year | 20,778 | 16,685 | 11,389 | 21,714 |
| In the second to fifth years, inclusive | 11,281 | 4,763 | 17,810 | 22,210 |
| After five years | 1,522 | — | 168 | 2,363 |
| | 33,581 | 21,448 | 29,367 | 46,287 |

### (ii) As lessee

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

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within one year | 12,160 | 45,402 | 27,492 | 30,342 |
| In the second to fifth years, inclusive | 18,133 | 104,887 | 121,467 | 126,839 |
| After five years | — | — | 302,169 | 302,169 |
| | 30,293 | 150,289 | 451,128 | 459,350 |

## 34. CAPITAL COMMITMENTS

The Target Group and the Target Company had the following commitments at the end of each of the Relevant Periods:

**Target Group**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Contracted, but not provided for | 72,324 | 59,690 | 92,097 | 4,961 |
| | 72,324 | 59,690 | 92,097 | 4,961 |

## 35. RELATED PARTY TRANSACTIONS AND BALANCES

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

**Target Group**

| | | As at 31 December | | | As at 30 June | |
|---|---|---|---|---|---|---|
| | | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *notes* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| (1) Recurring transactions property management income: Maoye Logistics Corporation Ltd. ("Maoye Logistics") | (i) | 497 | 418 | 1,470 | 752 | — |
| Rental income: Maoye Logistics | (i) | 300 | 300 | 575 | 150 | — |
| (2) Non-recurring transactions Borrowing provided by: Maoye Logistics | (i) | 453,808 | 701,845 | 1,542,641 | 758,821 | — |
| Repayment of borrowing to: Maoye Logistics | (i) | 512,489 | 686,973 | 132,410 | 53,705 | — |
| Interest paid to: Maoye Logistics | (i) | 10,029 | 15,232 | 11,641 | 6,086 | — |

*Notes*

(i) This entity is the immediate holding company of the Company.

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

**Target Group**

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Due from a related party:** | | | | |
| Due from immediate holding company | 200,511 | 347,925 | 546,472 | 162,783 |
| **Due to a related party:** | | | | |
| Due to the immediate holding company | 128,437 | 184,399 | 89,925 | — |

Included in the balances due from a related party were amounts of approximately RMB200,511,000, RMB347,925,000, RMB546,472,000 and RMB161,783,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively. Included in the balances due to a related party were amounts of approximately RMB128,437,000, RMB209,399,000, RMB305,425,000 and nil, as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively. The balance is trade in nature, unsecured, interest-free and has 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 a related party approximate to their fair values.

(c) Compensation of key management:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Salaries and allowances | 1,231 | 1,166 | 1,429 | 609 | 565 |
| Retirement benefits | 223 | 246 | 224 | 114 | 136 |
| | 1,454 | 1,412 | 1,653 | 723 | 701 |

## 36. FINANCIAL INSTRUMENTS BY CATEGORY

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

**31 December 2012**

***Financial assets***

| | Loans and receivables | Available-for-sale financial assets | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Available-for-sale equity investments | — | 350 | 350 |
| Trade receivables | 35,230 | — | 35,230 |
| Prepayments and other receivables | 15,705 | — | 15,705 |
| Due from a related party | 200,511 | — | 200,511 |
| Cash and cash equivalents | 74,783 | — | 74,783 |
| Pledged deposits | 42,835 | — | 42,835 |
| | 369,064 | 350 | 369,414 |

**31 December 2013**

***Financial assets***

| | Loans and receivables | Available-for-sale financial assets | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | 37,657 | — | 37,657 |
| Prepayments and other receivables | 11,285 | — | 11,285 |
| Due from a related party | 347,925 | — | 347,925 |
| Cash and cash equivalents | 70,665 | — | 70,665 |
| Pledged deposits | 22,796 | — | 22,796 |
| | 490,328 | — | 490,328 |

**31 December 2014**

***Financial assets***

| | Loans and receivables | Available-for-sale financial assets | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | 35,886 | — | 35,886 |
| Prepayments and other receivables | 17,911 | — | 17,911 |
| Due from a related party | 546,472 | — | 546,472 |
| Cash and cash equivalents | 67,302 | — | 67,302 |
| Pledged deposits | 33,571 | — | 33,571 |
| | 701,142 | — | 701,142 |

**30 June 2015**

***Financial assets***

| | Loans and receivables | Available-for-sale financial assets | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Available-for-sale equity investments | 5,000 | — | 5,000 |
| Trade receivables | 24,346 | — | 24,346 |
| Prepayments and other receivables | 25,490 | — | 25,490 |
| Due from a related party | 162,783 | — | 162,783 |
| Cash and cash equivalents | 90,014 | — | 90,014 |
| Pledged deposits | 29,800 | — | 29,800 |
| | 337,433 | — | 337,433 |

***Financial liabilities at amortised cost***

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and bills payables | 180,561 | 170,368 | 176,442 | 279,926 |
| Financial liabilities included in other payables and accruals | 117,510 | 130,463 | 177,294 | 315,272 |
| Due to a related party | 128,437 | 184,399 | 89,925 | — |
| Interest-bearing bank loans and other borrowings | 59,000 | 25,000 | 215,500 | — |
| | 485,508 | 510,230 | 659,161 | 595,198 |

## 37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Target Group'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 the immediate holding company, cash and cash equivalents, pledged deposits, restricted cash, trade payables, other payables and an amount due to the immediate holding company approximated to their respective carrying amounts largely due to the short term maturities of these instruments.

The Target Group'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 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 Group's own non-performance risk for interest-bearing bank loans as at the end of each of the Relevant Periods 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 Group's financial instruments:

**31 December 2012**

| | Carrying amounts | Fair values |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Financial assets** | | |
| Available-for-sale equity investments | 350 | 350 |
| | 350 | 350 |
| **Financial liabilities** | | |
| Interest-bearing bank loans and other borrowings | 59,000 | 59,000 |
| | 59,000 | 59,000 |

**31 December 2013**

| | Carrying amounts | Fair values |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Financial liabilities** | | |
| Interest-bearing bank loans and other borrowings | 25,000 | 25,000 |
| | 25,000 | 25,000 |

**31 December 2014**

| | Carrying amounts | Fair values |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Financial liabilities** | | |
| Interest-bearing bank loans and other borrowings | 215,500 | 215,500 |
| | 215,500 | 215,500 |

**30 June 2015**

| | Carrying amounts | Fair values |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Financial assets** | | |
| Available-for-sale equity investments | 5,000 | 5,000 |
| | 5,000 | 5,000 |

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 a related party 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 Group's financial instruments:

*Assets measured at fair value:*

| **As at 31 December 2012** | **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 | — | — | 350 | 350 |

| **As at 30 June 2015** | **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 | — | — | 5,000 | 5,000 |

The Target Group did not have any financial assets as at 31 December 2013 and 2014.

The Target Group did not have any financial liabilities measured at fair value as at 31 December 2012, 2013and 2014 and 30 June 2015.

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Target Group 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 Group'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 Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group'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 Group's profit before tax.

**Interest rate risk**

| **Target Group** | **Increase/(decrease) in profit before tax** | | | | |
|---|---|---|---|---|---|
| | **Year ended 31 December** | | | **Six months ended 30 June** | |
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Change in basis points | | | | | |
| +50 basis points | 397 | — | — | — | — |
| -50 basis points | (397) | — | — | — | — |

**Credit risk**

The credit risk of the Target Group's financial assets, which comprise trade receivables and other receivables, an amount due from the immediate holding company, 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 Group trades only with recognised and creditworthy third parties for the sales of goods. The Target Group 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 Group 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 Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Target Group 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 Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the Financial Information.

**Liquidity risk**

Liquidity risk arises when the Target Group is unable to meet its current liabilities that fall due. The Target Group'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 Group is able to meet its ongoing financial needs.

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

| | As at 31 December 2012 | | | | | |
|---|---|---|---|---|---|---|
| | **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 and other borrowings | — | 59,000 | — | — | — | 59,000 |
| Trade and bills payables | — | 180,561 | — | — | — | 180,561 |
| Financial liabilities included in other payables and accruals | 117,510 | — | — | — | — | 117,510 |
| Due to a related party | 128,437 | — | — | — | — | 128,437 |
| Total | 245,947 | 239,561 | — | — | — | 485,508 |

| | 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 and other borrowings | — | 25,000 | — | — | — | 25,000 |
| Trade and bills payables | — | 170,368 | — | — | — | 170,368 |
| Financial liabilities included in other payables and accruals | 130,463 | — | — | — | — | 130,463 |
| Due to a related party | 184,399 | — | — | — | — | 184,399 |
| Total | 314,862 | 195,368 | — | — | — | 510,230 |

| | 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 and other borrowings | — | 215,500 | — | — | — | 215,500 |
| Trade and bills payables | — | 176,442 | — | — | — | 176,442 |
| Financial liabilities included in other payables and accruals | 177,294 | — | — | — | — | 177,294 |
| Due to a related party | 89,925 | — | — | — | — | 89,925 |
| Total | 267,219 | 391,942 | — | — | — | 659,161 |

| | As at 30 June 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 | — | 279,926 | — | — | — | 279,926 |
| Financial liabilities included in other payables and accruals | 315,272 | — | — | — | — | 315,272 |
| Due to a related party | — | — | — | — | — | — |
| Total | 315,272 | 279,926 | — | — | — | 595,198 |

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

| | As at 31 December 2012 | | |
|---|---|---|---|
| | **On demand** | **Within one year** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Due to the immediate holding company | — | 128,437 | 128,437 |
| Other payables | — | 66,188 | 66,188 |
| Total | — | 194,625 | 194,625 |

| | As at 31 December 2013 | | |
|---|---|---|---|
| | On demand | Within one year | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Due to the immediate holding company | — | 184,399 | 184,399 |
| Other payables | — | 72,595 | 72,595 |
| Total | — | 256,994 | 256,994 |

| | As at 31 December 2014 | | |
|---|---|---|---|
| | On demand | Within one year | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Due to the immediate holding company | — | 89,925 | 89,925 |
| Other payables | — | 99,993 | 99,993 |
| Total | — | 189,918 | 189,918 |

| | As at 30 June 2015 | | |
|---|---|---|---|
| | On demand | Within one year | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Due to the immediate holding company | — | — | — |
| Other payables | — | 128,583 | 128,583 |
| Total | — | 128,583 | 128,583 |

**Capital management**

The objectives of the Target Group's capital management policy are to ensure the financing capabilities of the Target Group 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 Group 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 Group is able to maintain an optimal capital structure.

The Target Group monitors capital using a gearing ratio, which is net debts divided by equity attributable to owners of the parent. The Target Group's policy is to keep the gearing ratio at a reasonable level. Net debt includes interest-bearing bank loans and other payables and accruals less cash and cash equivalents. The gearing ratios as at the end of the reporting periods are as follows:

| **Target Group** | **As at 31 December** | | | **As at 30 June** |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest-bearing bank loans and other borrowings (note 29) | 59,000 | 25,000 | 215,500 | — |
| Less: Cash and cash equivalents (note 26) | (74,783) | (70,665) | (67,302) | (90,014) |
| Net debt | (15,783) | (45,665) | 148,198 | (90,014) |
| Equity attributable to owners of the parent | 1,290,719 | 1,413,877 | 1,540,109 | 1,239,159 |
| Capital and net debt | 1,274,936 | 1,368,212 | 1,688,307 | 1,149,145 |
| Gearing ratio | (1%) | (3%) | 9% | (8%) |

## III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group or any of its subsidiaries in respect of any period subsequent to 30 June 2015.

Yours faithfully,

*Certified Public Accountants*
Hong Kong

## MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

The Management Discussion and Analysis of the Target Company is set out below. The financial information below is based on the Appendix II to this Circular headed "Financial Information of the Target Company".

### Business and Financial Review

The Target Company is a company established in the People's Republic of China with limited liability which is principally engaged in the operation and management of department stores and property development.

*Revenue*

For the six months ended 30 June 2015, the Target Company recorded revenue of approximately RMB264.1 million, representing a decrease of approximately RMB20.4 million as compared with approximately RMB284.5 million for the six months ended 30 June 2014. The decrease was mainly attributable to (i) the decrease in revenue from concessionaire sales due to continued effect of macroeconomic downturn and measures introduced to limit government spending during the period; and (ii) the decrease in revenue from direct sales due to decreasing gold prices during the period as well as the decrease in sales of Hualian Store and Shangcheng Store with gold as their main commodity for direct sales resulting from the decrease in demand for gold during the period subsequent to a big rush for gold arising from the decrease in gold prices during 2014.

For the six months ended 30 June 2015, the Target Company recorded a net profit after tax of approximately RMB42.2 million, representing a decrease of approximately RMB25.1 million as compared with a net profit after tax of approximately RMB67.3 million for the six months ended 30 June 2014. Such change was mainly attributable to the decrease in income and the increase in cost of sales as compared with the same period of last year.

*Other income*

For the six months ended 30 June 2015, the Target Company's other income amounted to RMB27.7 million, representing an increase of 9.4% as compared with RMB25.3 million for the same period in 2014, which was attributable to increase in management fees resulting from Jinyuan Business Management's resumption of opening stores from December 2014.

*Cost of sales*

For the six months ended 30 June 2015, the Target Company's cost of sales amounted to RMB72.1 million, representing an increase of 4.2% as compared with RMB70.0 million for the same period in 2014. The increase in cost of sales was mainly attributable to the decrease in direct sales in some stores.

*Employee expenses*

For the six months ended 30 June 2015, the Target Company's employee expenses amounted to RMB43.0 million, representing an increase of 44.0% as compared with RMB29.9 million for the same period in 2014. The increase in employee expenses was mainly attributable to the increase in the transfer of employees to the Target Company from its parent for administration purposes resulting in the increase in salaries of RMB6.81 million and establishment of Jindu Branch resulting in the increase in salaries of RMB2.89 million during the period.

*Depreciation and amortisation*

For the six months ended 30 June 2015, the Target Company's depreciation and amortisation amounted to RMB24.4 million, representing a decrease of 1.5% as compared with RMB24.8 million for the same period in 2014, which was mainly attributable to the decrease in depreciation and amortisation of Jinyuan Real Estate of RMB2.97 million.

*Operating lease rental expenses*

For the six months ended 30 June 2015, the Target Company's operating lease rental expenses amounted to RMB7.2 million, representing a decrease of 62.2% as compared with RMB18.9 million for the same period in 2014, which was mainly attributable to rental fees charged from suppliers by Jinyuan Business Management which resumed opening stores from December 2014 which can be used to cover bonus payments to owners of stores.

**Liquidity and Financial Resources**

As at 31 December 2014 and 30 June 2015, the Target Company's total assets amounted to approximately RMB866.9 and RMB622.0 million, respectively.

As at 31 December 2014 and 30 June 2015, the Target Company had cash and cash equivalents of approximately RMB67.3 million and RMB90.0 million, and net current liabilities of RMB677.0 million and RMB617.2 million, respectively,

*Capital structure*

As at 31 December 2014 and 30 June 2015, the Target Company did not have interest-bearing bank loans and other borrowings, respectively.

*Gearing ratio*

As at 31 December 2014 and 30 June 2015, the gearing ratio (calculated by total liabilities divided by total assets) amounted to approximately 30.49% and 33.25%, respectively. Increase in the gearing ratio as at 30 June 2015 as compared with that as at 31 December 2014 was mainly attributable to significant decrease in amounts due from related companies as at 30 June 2015 resulting in decrease of total assets and then increase of gearing ratio as compared with that as at 31 December 2014.

*Foreign exchange risk*

The Target Company is a company established in the Peoples' Republic of China with limited liability and most of its monetary assets, liabilities, income and expenses were dominated in RMB. Therefore, the management of the Target Company considers that the risk of exchange rate fluctuation is relatively low. During the aforementioned period, the Target Company did not use any derivative financial instruments for hedging purposes.

*Funding and treasury policy*

The Target Company has adopted a prudent funding and treasury policy towards its overall business operations with an aim to minimise 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 2012, 2013 and 2014 and 30 June 2015, the Target Company had no capital commitment.

*Significant investment, acquisition and disposal*

The Target Company did not have any significant investment, acquisition and disposal for the period from 1 January 2012 to 30 June 2015.

*Contingent liabilities*

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Target Company did not have any significant contingent liabilities.

*Pledge of asset*

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Target Company did not have any pledge of assets.

*Employee information*

As at 30 June 2015, the Target Company had 1701 employees (including directors).

*Remuneration policy*

The Target Company recruits, employs, promotes and remunerates its employees based on their qualification, experience, skills, performance, contribution and the market trend. Other benefits include social insurance and allowance. Bonus to the employees of the Target Company was determined after taking into account the results of the Target Company and the performance of its employees. During the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015, staff costs of the Target Company were approximately RMB70.9 million, RMB71.2 million, RMB61.9 million and RMB43.0 million, respectively.

The remuneration policy of the Target Company's senior management is monitored by the Company's remuneration committee.

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

**Additional financial information of the Target Company**

The following is the additional financial information of the Target Company for the period of 1 July 2015 to 30 September 2015 (the "**Additional Period**") based on the unaudited management account of the Target Company.

*Operating Revenue*

The Target Company recorded revenue of approximately RMB375.0 million during the Additional Period.

*Operating Profit*

The Target Company recorded operating profit of approximately RMB28.2 million during the Additional Period.

*Net Profit*

The Target Company recorded a net profit after tax of approximately RMB19.2 million during the Additional Period.

*Cost of Sales*

The Target Company recorded cost of sales of approximately RMB41.0 million during the Additional Period.

*Financial Cost*

The Target Company recorded financial costs of approximately RMB1.8 million during the Additional Period.

During the Additional Period, the Target Company did not have any material investment, acquisition or disposal.

*Business prospect*

Although the growth of the retail market in the PRC has been sluggish in recent years, due to the market leading position of the Target Company in Qinhuangdao, the Target Company's retail business has remained stable. According to the Qinhuangdao Statistical Yearbook, revenue from the Company's department store retail business in 2014 represented 77.89% of the sales of department stores/shopping centres exceeding the local limit (turnover of RMB10 million). The Target Company enjoys an absolute industry-leading position and a competitive edge in the local department store retail business in Qinghuadao.

The Target Company will maintain its plan in relation to business property development in the Anhui area. And given the potential conflict of interest in the department store retail business between Maoye Logistics and entities controlled by its ultimate controller, the completion of the transaction will help thoroughly resolve the horizontal competition issue and promote the development of listed companies in the PRC.

*Future plan*

The Target Company is principally engaged in retail business operating five department stores within the central business district of Qinghuangdao, and is engaged in commercial property business in Hefei, Wuhu, Chuzhou and Huainan, Anhui province. The Company will fully leverage its listing status, brand image and management experience to further consolidate the department store retail business and improve its profitability.

## 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 30 June2015 as if the transactions contemplated under the Acquisition Agreement had been completed on 1 January 2014. 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 30 June 2015 or at any future date had the transaction taken place on 30 June 2015.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated statement of financial position and unaudited consolidated statement of profit or loss of the Group as at 30 June 2015 extracted from the 2015 interim report of the Company, and the audited consolidated statement of financial position and unaudited consolidated statement of profit or loss of the Target Group as at 30 June 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 30 June 2015 | The Target Group as at 30 June 2015 | Pro forma adjustments | Pro forma Enlarged Group |
|---|---|---|---|---|
| | *(Unaudited)* | *(Audited)* | *(Unaudited)* | *(Unaudited)* |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | *(note 1)* | |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 6,569,517 | 594,221 | | 7,163,738 |
| Intangible assets | 46,999 | 7,111 | | 54,110 |
| Land lease prepayments | 4,140,445 | 185,747 | | 4,326,192 |
| Goodwill | 352,104 | — | 166,717 | 518,821 |
| Investment properties | 444,941 | 281,335 | | 726,276 |
| Investments in associates | 2,349,403 | — | | 2,349,403 |
| Available-for-sale equity investments | 1,709,334 | 5,000 | | 1,714,334 |
| Prepayments | 415,583 | 34,695 | | 450,278 |
| Deferred tax assets | 362,136 | 20,375 | | 382,511 |
| Total non-current assets | 16,390,462 | 1,128,484 | | 17,685,663 |
| CURRENT ASSETS | | | | |
| Inventories | 166,807 | 24,062 | | 190,869 |
| Completed properties held for sale | 937,111 | 282,552 | | 1,219,663 |
| Properties under development | 6,484,751 | 88,779 | | 6,573,530 |
| Trade receivables | 22,516 | 24,346 | | 46,862 |
| Prepayments and other receivables | 1,335,584 | 25,490 | | 1,361,074 |
| Equity investments at fair value through profit or loss | 284,964 | — | | 284,964 |
| Due from related parties | 250,807 | 162,783 | | 413,590 |
| Pleged deposit | 17,694 | 29,800 | | 47,494 |
| Cash and cash equivalents | 1,012,210 | 90,014 | | 1,102,224 |
| Total current assets | 10,512,444 | 727,826 | | 11,240,270 |

| | The Group as at 30 June 2015 | The Target Group as at 30 June 2015 | Pro forma adjustments | Pro forma Enlarged Group |
|---|---|---|---|---|
| | *(Unaudited)* | *(Audited)* | *(Unaudited)* | *(Unaudited)* |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | *(note 1)* | |
| CURRENT LIABILITIES | | | | |
| Interest-bearing bank loans and other borrowings | 6,727,845 | — | | 6,727,845 |
| Trade and bills payables | 1,756,826 | 279,926 | | 2,036,752 |
| Deposits received, accruals and other payables | 3,295,666 | 315,272 | 1,405,876 | 5,016,814 |
| Due to related parties | 47,590 | — | | 47,590 |
| Income tax payable | 224,181 | 21,953 | | 246,134 |
| Total current liabilities | 12,052,108 | 617,151 | | 14,075,135 |
| NET CURRENT ASSETS | (1,539,664) | 110,675 | | (2,834,865) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 14,850,798 | 1,239,159 | | 14,850,798 |
| NON-CURRENT LIABILITIES | | | | |
| Interest-bearing bank loans | 4,601,840 | — | | 4,601,840 |
| Deferred tax liability | 1,215,665 | — | | 1,215,665 |
| Total non-current liabilities | 5,817,505 | — | | 5,817,505 |
| Net assets | 9,033,293 | 1,239,159 | | 9,033,293 |

| | The Group as at 30 June 2015 | The Target Group as at 30 June 2015 | Pro forma adjustments | Pro forma Enlarged Group |
|---|---|---|---|---|
| | *(Unaudited)* | *(Audited)* | *(Unaudited)* | *(Unaudited)* |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | *(note 1)* | |
| EQUITY | | | | |
| Equity attributable to owners of the parent | | | | |
| Issued capital | 460,270 | — | | 460,270 |
| Equity compoent of convertible bonds | 55,538 | — | | 55,538 |
| Reserves | 7,415,375 | 1,239,159 | (1,239,159) | 7,415,375 |
| Proposed interim dividend | — | — | | — |
| | 7,931,183 | 1,239,159 | (1,239,159) | 7,931,183 |
| Non-controlling interests | 1,102,110 | — | | 1,102,110 |
| Total equity | 9,033,293 | 1,239,159 | (1,239,159) | 9,033,293 |

1. For the purpose of preparing the Unaudited Pro Forma Financial Information, the Acquisition is assumed to have been completed on 30 June 2015 and thus the payment of the cash consideration of RMB1,405,875,700 is included as a pro forma adjustment.

The pro forma adjustments reflect: (a) elimination of the Group's equity interests in the Target Group after the Acquisition; and (b) the recognition of the estimated goodwill arising from the Acquisition as calculated below:

| | *RMB'000* |
|---|---|
| Net assets value of the Target Group as at 30 June 2015 | 1,239,159 |
| Goodwill on acquisition | 166,717 |
| Satisfied by: | |
| Cash consideration | 1,405,876 |

The Group shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair value. The management of the Company will perform the valuation procedures and the price allocation procedures (the "PPA") to allocate the purchase price to the identifiable assets acquired and the liabilities assumed upon the Acquisition. While the valuation procedures have not been finalised in the Unaudited Pro Forma Financial Information, the assumption was made that the fair value of properties of the Target Companies were equal to their carrying amounts (the "Assumption"). The auditors of the Company are unable to conclude whether or not there will be any goodwill since the PPA has not yet been finalised. On this condition, the amount of goodwill disclosed in the circular was calculated based on the

Assumption. Moreover, for reference, according to the valuation report prepared by an independent and professionally qualified valuer employed by Maoye Logistics, the preliminary valuation result of identifiable net asset of the target group was approximately RMB 2.2 billion, which is approximately RMB 0.8 billion higher than the Consideration and approximately RMB 1 billion higher than the carrying amount. The management of the Target Group has assumed that the retail market environment did not have a dramatic change in recent years, and the management team of the Target Group is expected to be stable and the target group has no plans to change its business model in the near future. In addition, the Target Group has made profit in the past three years, the auditors are of the view that there is no indication that the Enlarged Group would have impairment of goodwill.

The Company will adopt consistent account policies and principal assumptions as used in the pro forma financial statement to assess the impairment of the Enlarged Group's goodwill during the preparation of the Company's financial statements.

## ENLARGED GROUP UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | **The Group Year ended 31 December 2014** | **The Target Group Year ended 31 December 2014** | **Pro forma adjustments** | **Pro forma adjustments** | **Pro forma Enlarged Group** |
|---|---|---|---|---|---|
| | *(Audited)* | *(Audited)* | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | *(note 2)* | *(note 3)* | |
| REVENUE | 3,550,111 | 585,977 | (483,454) | | 3,652,634 |
| Other income | 850,349 | 44,518 | (33,863) | | 861,004 |
| Total operating revenue | 4,400,460 | 630,495 | (517,317) | | 4,513,638 |
| Cost of sales | (1,365,726) | (157,496) | 104,301 | | (1,418,921) |
| Employee expenses | (467,529) | (61,931) | 54,672 | | (474,788) |
| Depreciation and amortisation | (363,458) | (52,174) | 50,409 | | (365,223) |
| Operating lease rental expenses | (225,575) | (37,186) | 35,400 | | (227,361) |
| Other operating expenses | (914,409) | (139,902) | 111,132 | | (943,179) |
| Other gains/(losses), net | 1,257,995 | 1,514 | (813) | | 1,258,696 |
| Operating profit | 2,321,758 | 183,320 | (162,216) | | 2,342,862 |
| Finance costs | (170,354) | (530) | (10,079) | | (180,963) |
| Share of profits and losses of associates | (64,927) | — | 1,482 | 55,784 | (7,661) |
| PROFIT BEFORE TAX | 2,086,477 | 182,790 | (170,813) | 55,784 | 2,154,238 |
| Income tax expense | (637,274) | (56,564) | 51,347 | | (642,491) |
| PROFIT FOR THE YEAR | 1,449,203 | 126,226 | (119,466) | 55,784 | 1,511,747 |
| Equity holders of the parent | 1,364,692 | 126,232 | (119,470) | 55,784 | 1,427,238 |
| Non-controlling interests | 84,511 | (6) | 4 | | 84,509 |
| | 1,449,203 | 126,226 | (119,466) | 55,784 | 1,511,747 |

2. Maoye Logistics was a subsidiary of the Company since 30 June 2010. On 24 July 2014, Maoye Logistics entered into an acquisition agreement for the acquisition of Beijing TrustMeDu Sci-tech Co., Ltd. As a result of acquisition, Maoye Logistics ceased to be a subsidiary of the Company and became an associated company of the Company since 19 December 2014. The consolidated statement of comprehensive income of Maoye Logistics for the period from 1 January 2014 to 19 December 2014 had been consolidated by the Group in the consolidated statement of profit or loss. And losses of Maoye Logistics from 19 December 2014 to 31 December 2014, which had been shared by the Company, had been recognized in share of profits and losses of associates. For the purpose of preparing the Unaudited Pro Forma Financial Information, the Group's profits or losses should be adjusted as the Target Group was wholly-owned by Maoye Logistics in the period from 1 January 2014 to 31 December 2014 The profits or losses of The Target Group which had been contained in the statement of profit or loss of the Group is deducted as pro forma adjustment.

3. For the purpose of preparing the Unaudited Pro Forma Financial Information, Maoye Holding was disposed by Maoye Logistics at the beginning of 2014, consideration received from disposal amounted to RMB1,405.9 million, the difference between consideration received and the carrying amount of net asset of Maoye Holding was recognised in profits or losses of Maoye Logistics. The Group share the profits or losses from the associate by 33.46% amounted to RMB55.8 million. The recognition of estimated gain of disposal of subsidiaries as calculated below:

| | **RMB,000** |
|---|---|
| Cash consideration | 1,405,876 |
| Carrying amount of net asset | 1,239,159 |
| Gain on disposal | 166,717 |
| Proportion of the Group's ownership | 33.46% |
| Group's share of profits or losses in the associate | 55,784 |

## B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORAMTION

*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, Certified Public Accountants, Hong Kong.*

31 December 2015

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 Qinhuangdao Maoye Holdings Co., Ltd. and its subsidiaries (the "Target Group") (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 (3) to Appendix IV to the circular of the Company dated 31 December 2015 (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 30 June 2015 and effected the profit or loss of the Group for the whole year of year ended 31 December 2014. As part of this process, the unaudited consolidated statement of financial position of the Group as at 30 June 2015 has been extracted by the Directors from the annual results announcement of the Company for the period ended 30 June 2015 dated 20 August 2015 and the audited financial information of the Target Group as at 30 June 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 2014 has been extracted by the Directors from the annual results announcement of the Company for the year ended 31 December 2014 dated 16 February 2015 and the audited profit or loss of the Target Group as at 30 June 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 or review 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,

**Ernst & Young**
*Certified Public Accountants*
Hong Kong

## 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 |
|---|---|
| Ernst & Young | 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 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, 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 2014, the date to which the latest published audited financial statements of the Group were made up:

(a) 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) have entered into an agreement dated 5 June 2015 (the "**Share Transfer Agreement**"), pursuant to which Demao and Hezhengmao have 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.

(b) Maoye Shangsha, Shenzhen Demao and Hezhengmao (together as vendors) and Chengshang Group Co., Ltd. ("**Chengshang**"), a subsidiary of the Company (as purchaser) have entered into an agreement dated 28 August 2015 (the "**Framework Agreement**") 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. Mr. Wang Bin, an executive Director, is the holder of 25% equity interest in Hezhengmao.

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.

(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.

## 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 agreement dated 16 February 2014 entered into by Zhongzhao, pursuant to which Zhongzhao 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.

(b) 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 RMB800 million with a term of 365 days in the PRC. The interest rate is 5.0% per annum.

(c) The land use rights transfer agreement dated 25 April 2014 entered into by Qinhuangdao Maoye Real Estate Development Co., Ltd ("**Qinhuangdao Maoye Real Estate**"), a wholly-owned subsidiary of the Company, 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.

(d) 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. The service fees receivable by the Company are the sum of (i) 1.8% of the total sales proceeds from concessionaire sales and revenue from direct sales at of the department stores and (ii) 10% of the profit before tax of the department stores.

(e) 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.

(f) The property service contract dated 15 May 2014 entered into between Chengshang and Chongde Property Management (Shenzhen) Co., Ltd. Chengdu 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. 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 at the rate of RMB19.5 per square meter per month based on the gross floor area of the leased out area. Based on the gross floor area of the expected leased out offices, the maximum service fees per year will be approximately RMB7.7 million.

(g) 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.

(h) 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.

(i) The agreement dated 24 July 2014 entered into between 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.

(j) 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.

(k) 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.

(l) The agreement dated 20 April 2015 entered between Zhongzhao, a wholly-owned subsidiary of the Company, 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.

(m) The Share Transfer Agreement.

(n) The Framework Agreement.

(o) The agreement dated 16 October 2015 entered into between Chengdu Renhe Industrial (Group) Limited ("**Renhe Industrial**") and Chengshang Group Holding Co., Ltd. ("**Chengshang Holding**"), a wholly-owned subsidiary of Chengshang, pursuant to which Renhe Industrial agreed to sell and Chengshang Holding agreed to purchase 100% of the equity interests in Chengdu Renhe Chuntian Department Store Ltd. for a consideration of RMB742,325,600.

(p) The agreement dated 16 October 2015 entered into between Grand Collection Limited ("**Grand Collection**") and Chengshang Holding, pursuant to which Grand Collection agreed to sell and Chengshang Holding agreed to purchase 100% of the equity interests in Chengdu Qingyang District Renhe Chuntian Department Store Ltd. for a consideration of RMB1,732,093,000.

## 9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the announcement of the Company dated 11 August 2015 in relation to a profit warning concerning the profit of the Company for the six months ended 30 June 2015, namely that the Group recorded approximately RMB317 million in its net profit attributable to equity holders of the Company for the six months ended 30 June 2015, representing approximately a 26% decrease as compared to that for the corresponding period in 2014 where the Group recorded approximately RMB427 million, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2014, being the date to which the latest published and audited financial statements of the Group were made up. The decrease in profit mentioned above was mainly attributable to the decline in revenue of the Group from department store operation due to the overall slowdown of the retailing industry in the PRC and the increase in finance cost of the Group.

## 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 Acquisition Agreement;

(b) memorandum and articles of association of the Company;

(c) the consolidated audited financial statements of the Company for the two years ended 31 December 2014;

(d) the accountants' report of the Target Company for the three years ended 31 December 2014, the text of which is set out in Appendix II to this Circular, and the related statement of adjustments, if any;

(e) 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;

(f) the letter from the Board, the text of which is set out in this Circular;

(g) the letter of consent from Ernst & Young referred to in the above paragraph headed "Experts' Qualifications and Consents" in this Appendix;

(h) the material contracts referred to in the above paragraph headed "Material Contracts" in this Appendix; and

(i) this Circular.