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 70% OF THE EQUITY INTERESTS IN INNER MONGOLIA VICTORIA COMMERCIAL (GROUP) CO., LTD.* (內蒙古維多利商業(集團)有限公司)

31 October 2016

CONTENTS

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

"Acquisition"	the proposed conditional sale and purchase of 70% of the equity interests in the Target Company by the Vendors to the Purchaser pursuant to the Acquisition Agreement
"Acquisition Agreement"	the acquisition agreement dated 5 April 2016 entered into between the Purchaser, the Vendors and the Target Company pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell 70% of the equity interests in the Target Company
"Aggregate Actual Profit"	the actual aggregate audited consolidated net profits attributable to the Guaranteed Business (after interest, tax and any extraordinary items in respect of the Guaranteed Business) during the Profit Guaranteed Period
"Announcement"	the announcement of the Company dated 5 April 2016 in relation to the Acquisition and the Acquisition Agreement and the transactions contemplated thereunder
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"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 October 2016
"Company"	Maoye International Holdings Limited (茂業國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement, which had taken place on 22 June 2016
"Completion Date"	the third business day after the fulfilment or wavier (as the case may be) of all the conditions precedent stipulated in the Acquisition Agreement (or such other date as agreed between the Purchaser and the Vendors) on which the Completion shall take place, being 22 June 2016

"Consideration"	the consideration of RMB1,565,300,000 (subject to adjustment) payable in cash by the Purchaser for the Acquisition
"Consideration Deductibles"	pursuant to the Acquisition Agreement, the Consideration payable by the Purchaser to the Vendors is subject to downward adjustments for, among other things, (a) non-operating expenses incurred by the Target Company from the date of the Acquisition Agreement up to and including the Completion Date; (b) debts and liabilities incurred by the Target Company after the Completion Date for events occurred prior to 31 December 2015; and (c) liability of the Vendors to the Purchaser for any breach of the Vendors' Warranties
"Covenantors"	together, Vendor 1, Vendor 2, Vendor 3, Vendor 4 and Vendor 5
"CSRC"	China Securities Regulatory Commission
"Directors"	the directors of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition
"Group"	the Company and its subsidiaries from time to time (excluding the Target Company)
"Guaranteed Business"	certain supermarket business of the Target Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	26 October 2016, being the last practicable date prior to the printing of this Circular for ascertaining certain information in this Circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maoye Shangsha"	Shenzhen Maoye Trade Building Co., Ltd. (深圳茂業商廈有限公司), a wholly owned subsidiary of the Company incorporated in the PRC
"Model Code"	Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules
"PRC"	the People's Republic of China
"PRC GAAP"	generally accepted accounting principles of the PRC in effect as modified from time to time

"Profit Guaranteed Period"	the period commencing from the day following the audited completion accounts date to the third anniversary thereof
"Purchaser"	Maoye Commercial Co., Ltd.* (茂業商業股份有限公司), (previously known as Chengshang Group Co., Ltd.* (成商集團股份有限公司)), a subsidiary of the Company and a joint stock limited company established in the PRC and listed on the Shanghai Stock Exchange (stock code: 600828)
"RMB"	Renminbi, the lawful currency in the PRC
"Sale Shares"	the shares in the Target Company held by the Vendors, immediately preceding the Completion, representing 70% of the equity interests of the Target Company
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Shares"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder of Share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Inner Mongolia Victoria Commercial (Group) Co., Ltd.* (內蒙古維多利商業(集團)有限公司), a company established under the laws of the PRC with limited liability which is principally engaged in owning and operating department stores, supermarkets and commercial real estate business, and the entire equity interests of which is held by the Vendors
"Target Group"	the Target Company and its subsidiaries
"Uncollected Account Receivables"	such amount of outstanding account receivables of the Target Company as specified in the Acquisition Agreement that remains uncollected as at the Completion Date
"Valuer"	Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd.(國眾聯資產評估土地房地產估價有限公司),an independent third party valuer
"Vendor(s)"	shareholders of the Target Company which together own its entire equity interests, comprising 1 corporate shareholder, namely Vendor 1, and 19 individuals, including Vendor 2, Vendor 3, Vendor 4 and Vendor 5

"Vendor 1"	Victoria Investment Holding Co., Ltd.* (維多利投資控股有限公司), a company established under the laws of the PRC, shareholder of the Target Company as to approximately 57.1076% immediately preceding the Completion
"Vendor 2"	Mr. Zou (鄒招斌), Chinese citizen, shareholder of the Target Company as to approximately 5% immediately preceding the Completion, and sole shareholder of Vendor 1
"Vendor 3"	Mr. Chen (陳千敢), Chinese citizen, shareholder of the Target Company as to approximately 8.1% immediately preceding the Completion
"Vendor 4"	Mr. Lin (林志健), Chinese citizen, shareholder of the Target Company as to approximately 6.781% immediately preceding the Completion
"Vendor 5"	Mr. Chen (陳幫海), Chinese citizen, shareholder of the Target Company as to approximately 6% immediately preceding the Completion
"Vendors' Warranties"	the representations, warranties, undertakings and covenants on the part of each of the Vendors given pursuant to the Acquisition Agreement
"%"	per cent

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

Maoye International Holdings Limited
茂業國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 848)

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

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

Registered Office:
P.O. Box 31119 Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
Cayman Islands

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

31 October 2016

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 70% OF EQUITY INTERESTS IN INNER MONGOLIA VICTORIA COMMERCIAL (GROUP) CO., LTD.* (內蒙古維多利商業(集團)有限公司)

1. INTRODUCTION

Reference is made to the announcements issued by the Company dated 19 February 2016, 29 March 2016, 5 April 2016, 8 April 2016, 24 June 2016, 29 June 2016 and 30 June 2016 in relation to the Acquisition.

On 5 April 2016 (after trading hours), the Purchaser, a subsidiary of the Company and a joint stock limited company established in the PRC and listed on the Shanghai Stock Exchange (stock code: 600828), entered into the Acquisition Agreement with the Vendors and the Target Company, pursuant to which the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing an aggregate of 70% of the equity interests in the Target Company, for the Consideration of RMB1,565,300,000 (subject to adjustment), which shall be payable in cash. As disclosed in the announcement of the Company dated 24 June 2016, all the conditions precedents to the Acquisition Agreement had been fulfilled and Completion had taken place on 22 June 2016.

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

2. THE ACQUISITION AGREEMENT

Date

5 April 2016 (after trading hours)

Parties

(i) The Purchaser;

(ii) The Vendors; and

(iii) The Target Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Vendors and the Target Company are third parties independent of the Company and connected persons of the Company.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing an aggregate of 70% of the equity interests in the Target Company.

Consideration

The Consideration is RMB1,565,300,000 (subject to adjustment) which shall be payable in cash. A refundable deposit in the amount of RMB100 million was paid to the Vendors on 25 March 2016 as earnest money (the "**Earnest Money**"). Upon entering into the Acquisition Agreement, the Earnest Money was applied as partial payment of the Consideration.

Terms of payment

The Consideration (subject to adjustment) shall be payable in cash by the Purchaser to the Vendors in the following manner:

(1) RMB626,120,000, being 40% of the proposed consideration, shall be payable by way of bank transfer within 3 business days upon the Acquisition Agreement become effective provided that certain conditions have been satisfied or waived (as the case may be) ("**First Instalment**");

(2) RMB469,590,000, being 30% of the Consideration (less any Uncollected Account Receivables or Consideration Deductibles) shall be payable within 1 month upon the conditions precedent having been fulfilled or waived (as the case may be) ("**Second Instalment**");

(3) RMB313,060,000, being 20% of the Consideration (less RMB100 million being the Earnest Money paid by the Purchaser, any Uncollected Account Receivables, Consideration Deductibles, accrued loss or depreciation of the Target Company's assets from 31 December 2015 up to the Completion Date, or any return or discount of current assets of the Target Company as at 31 December 2015 after the Completion), shall be payable within 3 months upon the Completion provided that certain conditions have been satisfied or waived (as the case may be) ("**Third Instalment**"); and

(4) RMB156,530,000, being 10% of the Consideration (less any Consideration Deductibles, accrued loss or depreciation of the Target Company's assets from 31 December 2015 up to the Completion Date, or any return or discount of current assets of the Target Company as at 31 December 2015 after the Completion), shall be payable by way of bank transfer within 1 year from the date of the Acquisition Agreement provided that certain conditions have been satisfied or waived (as the case may be) ("**Final Instalment**").

The Earnest Money was funded by internal resources of the Group. The Group intends to fund the remaining balance of the Consideration by internal resources of the Group.

Basis of determination of the consideration

The Consideration of RMB1,565,300,000 was arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendors and was determined after taking into account the preliminary valuation of the asset value of the Target Company for 100% of the equity interests in the Target Company of approximately RMB2,257,599,500 as at 31 December 2015 prepared by the Valuer (the "**Valuation Report**").

Asset-based approach to valuation

The operating assets of the Target Group mostly consist of commercial real estate. Due to fierce market competition and competition from the e-commerce sector, the assets of the Target Group are under-utilised and have not been able to generate optimum profits.

The Directors agree with the analysis set out in the Valuation Report in adopting the asset-based approach to appraise the value of the Target Company on the basis that:

(i) investments on the physical assets account for a large proportion of the scope of the valuation and such value can be better reflected using the asset-based approach; and

(ii) the assets of the Target Group are under-utilised as of the date of the valuation and the asset-based approach can better reflect their full profitability potential.

Given the above, the Directors consider that it is more appropriate to adopt the asset-based approach to appraise the value of the Target Company. Details of the above analysis can be found in the Valuation Report in Appendix V.

Assumptions of valuation

The principal assumptions adopted in the Valuation Report are as follows:

(1) *Basic assumptions*

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

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

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

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

(2) *General assumptions*

(a) There expects to be no material changes in the relevant current national laws, regulations and policies and national macroeconomic condition applicable to the industry of the appraised entities.

(b) There expects to be no material changes in the political, economic and social environment in which the appraised entities operate, save and except those changes known to the public.

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

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

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

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

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

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

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

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

(3) *Special assumptions*

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

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

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

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

(e) All improvements on the relevant assets performed by the Target Company are in line with all the requirements of relevant laws and the regulations related to other laws, plans, or engineering codes set by relevant competent departments at higher levels.

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

The Directors have reviewed the assumptions in relation to the Valuation Report and are of the view that the assumptions are necessary and in line with the market standard. The Directors confirmed that the assumptions made by the Valuer in the Valuation Report were made after due and careful enquiry and are fair and reasonable.

To ensure the assumptions in the Valuation Report are fair and reasonable, the Board performed due diligence by reviewing and checking all supporting documents including but not limited to the business licenses, business plans as well as the accounts of the Target Company.

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

The report on acquisition of material assets dated 5 April 2016 was conducted by HuaTai United Securities Company Limited (華泰聯合證券有限責任公司) ("**HuaTai Securities**"), an independent financial advisor to Maoye Commercial in the PRC. The report provided market and specific information in relation to the Acquisitions, such as (i) macro economy of the PRC, (ii) market trends of the retail business in the PRC, (iii) competition in the retail business in the PRC; (iv) analysis on the major competitors; (v) analysis on the business model of the Target Company and financial projections; and (vi) applicable laws and regulations governing the retail business in the PRC for the Board to assess the feasibility of business operation and development of the Target Company. The report opined that (i) the outlooks on the marco economy of the PRC and the market trends of the retail business in the PRC are generally positive; (ii) there is an increased competition from the e-commerce sector in the retail business in the PRC; (iii) the Target Company is a major leader in the department store and retail business in Inner Mongolia and (iv) the business model of the Company in operating physical stores to provide catering services, entertainment and shopping experience at one stop enhances its customer loyalty, however the Company remains subject to the increased competition from the e-commerce sector. After due and careful consideration of the analysis set out in the report, the Directors consider the above assessments in the report to be fair and reasonable. The report presented to Board that (i) domestic purchasing power would increase and thus stimulating the retail business; (ii) the department stores industry had a vast number of acquisition opportunities, and expansion through acquisitions would become the developing trend; (iii) strong alliance would further enhance the comprehensive competitiveness of the Target Company; (iv) the effect of synergy would enhance the Target Company's continued profitability; and (v) Mongolian area would provide great demand for retail business. The Target Company is positioned in the medium to high-end market and would provide the synergy to the Company. Through the Acquisition, the market influence, business scale and sales channels of the Company in the northern region of the Company would be enhanced. The report also highlighted several challenges and risks such as intense competition from online shopping in the PRC.

HuaTai Securities also analyzed the valuations of the Target Company done by the Valuer and is of the opinion that assumptions made by the Valuer are in accordance with the relevant applicable regulations and market standards in the PRC and are reasonable, and that the forecasts and valuations were done with reference to accurate and reliable data and information and are fair, appropriate and reasonable. The Board considered that HuaTai Securities is an independent professional firm with expertise to conduct market research and analysis in the retail business in relation to the Target Company in the PRC. The Directors were confident that they had sufficient expertise and information to opine on the fairness and reasonableness on the assumptions and forecast made in the Valuation Report.

The Board (including the independent non-executive Directors) considers that the terms and conditions (including the Consideration) of the Acquisition Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Share Charges

On the date of the Acquisition Agreement, the following share charges were simultaneously executed in favour of the Purchaser to secure the refund of the Earnest Money in the event that the Completion does not take place and the Acquisition Agreement is terminated in accordance with its terms:

(a) a share charge executed by Vendor 2, being the ultimate beneficial owner of Vendor 1, pursuant to which Vendor 2 created a first ranking fixed charge over his entire equity interests in Vendor 1; and

(b) a share charge executed by the Covenantors, pursuant to which they together created a first ranking fixed charge over an aggregate of approximately 30% of equity interests in the Target Company,

(collectively, the "**Share Charges**").

Conditions Precedent

The Completion is conditional upon certain conditions being fulfilled or waived (as the case may be), including the following:

(1) up to and including the Completion Date, the Vendors' Warranties being true, accurate and complete in all respects and not misleading in any respect;

(2) no events exist which might cause any material adverse change on the business, financial position, prospects, assets or obligations of the Target Company up to and including the Completion Date;

(3) the Covenantors having signed the amended articles of association of the Target Company and the same having been filed with the relevant competent authority(ies);

(4) the Target Company having obtained all necessary approvals for (a) the appointment and resignation of directors and supervisors of the Target Company, and (b) the Acquisition Agreement, all ancillary agreements and documentations contemplated thereunder, and all shareholders of the Target Company having waived their respective rights of first offer or pre-emptive rights in respect of the Sale Shares (if any);

(5) all necessary consents, approvals and authorizations required for the execution and performance of the Acquisition Agreement and the contemplated transfer of the Sale Shares having been obtained from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the Acquisition Agreement, and no third party rights exist over the Sale Shares that would inhibit or otherwise materially affect the consummation of the transactions contemplated under the Acquisition;

(6) the legal and beneficial interests of the Sale Shares having been transferred to the Purchaser and all filing and registration formalities having been completed;

(7) no promulgations or implementations of any laws, regulations, injunctions, decisions or policies by the government relevant to any of the parties to the Acquisition Agreement will restrict or prohibit the Acquisition or deem the Acquisition illegal; and

(8) there having been no breach of the Acquisition Agreement and no relevant evidence suggesting there will be any breach thereof.

Unless otherwise agreed, if the condition precedents set out above are not satisfied within 3 months upon the Acquisition Agreement becoming effective (the "**Long Stop Date**"), the Purchaser shall be entitled to terminate the Acquisition Agreement and any other ancillary documents and in such event, the Vendors shall return all payments already made by the Purchaser, namely the Earnest Money and where applicable, the First Instalment, to the Purchaser within 3 business days from the relevant date of termination. The parties shall use their respective best endeavours to procure that the conditions set out above be fulfilled on or before the Long Stop Date.

As at the date of this Circular, all the conditions precedent above have been fulfilled (and none waived). The audited revenue of the Target Company as at 31 December 2015, based on IFRS, was approximately RMB1,386,225,000.

Completion

The Completion shall take place within 3 business days from the fulfilment or waiver (as the case may be) of the conditions precedent to the Completion pursuant to the Acquisition Agreement (or such other time as the parties may agree in writing). Upon the Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company.

As disclosed in the Company's announcement dated 24 June 2016, the Completion took place on 22 June 2016.

Profit Guarantee

Pursuant to the Acquisition Agreement, each of the Covenantors jointly and severally guaranteed to the Purchaser that the audited consolidated net profits (after tax, interest and any extraordinary items) attributable to certain supermarket business of the Target Company (the "**Guaranteed Business**") for each of the three years following the audited completion accounts date (the "**Profit Guaranteed Period**") shall be no less than RMB20,740,000, RMB22,810,000 and RMB25,100,000, respectively (the "**Guaranteed Profit**").

Given that the Completion took place on 22 June 2016, the Profit Guaranteed Period is as follows:

(i) from 1 July 2016 to 30 June 2017;

(ii) from 1 July 2017 to 30 June 2018; and

(iii) from 1 July 2018 to 30 June 2019.

The audited completion accounts shall be prepared in accordance with PRC GAAP. There is no adjustment formula in deriving the Guaranteed Profit.

The Guaranteed Business comprises of the following companies and supermarket stores in the PRC:

Names of the supermarket store	**Opening date**	**Location**
Inner Mongolia Victoria Supermarket Chain Co. Limited	28 May 2003	Inner Mongolia
Inner Mongolia Victoria Supermarket Chain Co. Limited — XinTianDi Store	28 December 2005	Inner Mongolia
Inner Mongolia Victoria Supermarket Chain Co. Limited — The Second Store	1 September 2006	Inner Mongolia
Inner Mongolia Victoria Supermarket Chain Co. Limited — West Long Wang Miao Store	1 January 2010	Inner Mongolia

Names of the supermarket store	Opening date	Location
Inner Mongolia Victoria Supermarket Chain Co. Limited — Hai Liang Store	22 April 2011	Inner Mongolia
Inner Mongolia Victoria Supermarket Chain Co. Limited — XinHua East Store	25 November 2011	Inner Mongolia
Inner Mongolia Victoria Supermarket Chain Co. Limited — Jinqiao Store	13 January 2012	Inner Mongolia
Inner Mongolia Victoria Supermarket Chain Co. Limited — Sports Centre Store	22 June 2012	Inner Mongolia
Inner Mongolia Victoria Supermarket Chain Co. Limited — University East Store	25 January 2013	Inner Mongolia
Inner Mongolia Victoria Supermarket Chain Co. Limited — North Gate Store	25 June 2013	Inner Mongolia
Inner Mongolia Victoria Supermarket Chain Co. Limited — Rail Station Store	25 October 2013	Inner Mongolia
Inner Mongolia Victoria Supermarket Chain Co. Limited — Dong Ying South Store	24 December 2013	Inner Mongolia
Inner Mongolia Victoria Supermarket Chain Co. Limited — Jin Chuan Store	8 January 2014	Inner Mongolia
Baotou Victoria Supermarket Co. Limited	30 December 2013	Inner Mongolia — Baotou City
Baotou Victoria Supermarket Co. Limited — XinTianDi Branch	18 September 2014	Inner Mongolia — Baotou City

The supermarkets listed in the above table represents all supermarkets owned by the Target Group.

Given the Company's limited experience in running a supermarket business, the Directors and the directors of the Purchaser were of the view that it is in the best interests of the Group and the Shareholders as a whole to retain certain employees of the Target Company following the Acquisition to form a new management team (the "**Management Team**") to be responsible for the operation of the Target Company's supermarket business. The Management Team consists of six members, each of whom has at least 15 years of experience in managing the operations of supermarket stores. During the Profit Guaranteed Period, while the Management Team is directly responsible for the day-to-day operations and management of the supermarket stores of the Target Company, the directors of the Purchaser take on a supervisory role to ensure the overall smooth running of the supermarket business.

As the Company has limited experience in the operation and management of supermarket stores, as part of the commercial negotiations between the parties, it had requested the Covenantors to provide the Guaranteed Profit in relation to the Guaranteed Business under the Acquisition Agreement. The Company had not requested such guarantee in respect of the businesses relating to department stores and commercial real estate under the Acquisition Agreement because (i) the Company has extensive experience in the operation and management of department stores and property development in the PRC, (ii) the Company will be responsible for managing the six department stores of the Target Company following the Completion as part of the Group's business and (iii) the Target Company will not engage in additional real estate projects after the Completion.

In determining the Guaranteed Profit, the parties to the Acquisition Agreement took into account the statistics of a number of comparable listed supermarket companies on the Shanghai Stock Exchange in the PRC, in particular, their respective net profit to revenue ratio over the past three years. The average net profit to revenue ratio (i.e. net profits / revenue) of these companies is approximately 2%.

The supermarket business of the Target Company has a great brand image in Hothot and Baotou and is led by the sound and competent Management Team. Upon Completion, the Management Team will (i) continue to maintain its strengths and (ii) keep the costs of sales and management at a reasonable and effective level via strengthened internal administration. Moreover, the Target Company will be able to benefit from Company's comprehensive resourcing network in the PRC and well-developed management system to enhance its profitability in its supermarket business.

Given the revenues of the Target Company in 2014 and 2015 were approximately RMB927 million and RMB913 million, respectively, and based on the net profit ratios of comparable supermarket companies in the PRC and the positive factors as set out above, the Directors are of the view that it is fair and reasonable to determine the Guaranteed Profit for the three years to be RMB20.74 million, RMB22.81 million and RMB25.1 million, respectively.

If the Aggregate Actual Profit shall be less than the aggregate Guaranteed Profit, the Covenantors shall compensate the Purchaser in cash for the shortfall calculated according to the following formula (the "**Compensation Sum**"):

A = (Aggregate Guaranteed Profit — Aggregate Actual Profit) x price-to-earnings ratio (the "PE")

where A is the Compensation Sum

For the purpose of calculating the Compensation Sum, the PE is determined to be at 20, which is based on the price-to-earnings ratios of similar supermarket companies in the PRC (ranging from 12 to 17) and the commercial negotiations among the parties to the Acquisition Agreement.

The main asset intended to be acquired by the Company in the Acquisition was the department store business of the Target Group, while the purchase of the supermarket business of the Target Group was only part and parcel of the Acquisition. Although the Directors believe that the acquisition of the supermarket business of the Target Group is in the best interests of the Group for reasons such as the synergy effect it will have on the department store business, the potential increase in customer base and the potential prospects of such business, it recognizes that it has limited experience in the management and operation of such supermarket business. Accordingly, based on the above factors and the commercial negotiations between the parties to the Acquisition Agreement, for the purpose of calculating the Guaranteed Profit and the Compensation Sum, the Guaranteed Profit and the PE were negotiated to be at slightly higher values than the market comparables.

The Purchaser will appoint qualified auditors to prepare an audit report to determine the Aggregate Actual Profit (the "**Profit Guarantee Audited Report**") within 30 days following the expiry of the relevant Profit Guaranteed Period. The Compensation Sum, if any, shall be paid to the Purchaser within 10 days after the delivery of the Profit Guarantee Audited Report.

3. INFORMATION ON THE TARGET COMPANY

The Target Company

The Target Company is principally engaged in owning and operating department stores, supermarkets and commercial real estate.

Based on the audited accounts of the Target Company prepared based on PRC GAAP, the audited net profit (before taxation) and the audited net profit (after taxation) of the Target Company for each of the financial years ended 31 December 2014 and 2015 are as follows:

	For the year ended 31 December 2014 *RMB*	For the year ended 31 December 2015 *RMB*
Net profit before taxation	(23,238,597)	(45,614,854)
Net profit after taxation	(44,621,276)	(75,017,713)

The audited total asset value of the Target Company as at 31 December 2015, based on PRC GAAP, was approximately RMB5,026,928,030.

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

4. REASONS FOR AND BENEFITS FOR THE ACQUISITION

The Group 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. The Group is always seeking opportunities to enhance the performance of the Group and maximizing returns to the Shareholders.

In view of the potential synergies generated upon the Completion, the technological know-how and experience of the Target Company in operating department store, supermarket and commercial real estate, the Acquisition is beneficial for the Group as it allows the Group, with enlarged business operations, to strengthen its market position and expand the total number of department stores and other commercial real estate the Group operates which will further increase the Group's influences and negotiation powers in the PRC's capital market. As a result, the Acquisition will increase the Company's value and benefit the Company and its Shareholders as a whole.

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

5. FINANCIAL EFFECT OF THE ACQUISITION

Upon the Completion of the Acquisition, the Company holds 70% of the equity interest of the Target Company, the Target Company has become an indirect non-wholly owned subsidiary of the Company and the financial results of the Target Company has been consolidated into the Group's financial statements as of 30 June 2016.

The unaudited pro forma consolidation statement of the Enlarged Group after Completion illustrating the financial effects of the Acquisition on the assets and liabilities of the Group taking into account that the Completion had taken place on 31 December 2015 is set out in Appendix IV to this Circular headed "Unaudited Pro Forma Financial Information of the Enlarged Group".

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this Circular, taking into account that the Completion had taken place on 31 December 2015, (i) the consolidated total assets of the Group had increased from approximately RMB30,266 million to approximately RMB37,200 million for the Enlarged Group; (ii) the consolidated total liabilities of the Group had increased from approximately RMB21,751 million to approximately RMB28,069 million for the Enlarged Group; and (iii) the consolidated net assets of the Group had increased from approximately RMB8,515 million to approximately RMB9,130 million for the Enlarged Group.

Earnings

Based on the audited consolidated profit and loss statement of the Target Company for the three years ended 31 December 2013, 2014 and 2015 as set out in Appendix II to this Circular, the consolidated revenue of the Target Company was approximately RMB1,203 million, RMB1,405 million, and RMB1,386 million respectively, and the net loss after tax of the Target Company was approximately RMB82 million, RMB36 million, and RMB86 million, respectively. As such, after the Completion, the Target Company had contributed to the revenue and the results of the Group as shown in the unaudited pro forma consolidated financial information of the Enlarged Group as set out in Appendix IV of this Circular.

6. INFORMATION ON THE PARTIES

The Company

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

The Purchaser

The Purchaser is a joint stock limited company established in the PRC, whose shares are listed on the Shanghai Stock Exchange (stock code: 600828). Maoye Shangsha, the Company's wholly-owned subsidiary, is an approximately 85.53% shareholder of the Purchaser. The Purchaser is principally engaged in the operation of department stores.

The Vendors

The Vendors collectively own the entire equity interests in the Target Company immediately prior to the Completion and comprise of a corporate entity, namely Vendor 1, and 19 individuals.

Vendor 1 is an investment holding company principally engaged in commerce, realty business and building industry.

7. LISTING RULES IMPLICATIONS

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

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

8. WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Reference is made to the announcements issued by the Company dated 8 April 2016 and 30 June 2016 in relation to the grant of waivers under Rule 14.41(a) of the Listing Rules. As stated in the aforementioned announcements, in order to allow sufficient time to prepare the financial and other information to be included in this Circular, the Stock Exchange granted to the Company waivers from strict compliance with Rule 14.41(a) of the Listing Rules which requires the Circular to be despatched to the Shareholders within 15 business days after the publication of the relevant announcement. The reasons for obtaining such waivers were that (1) additional time is required to prepare and finalise the formal valuation report of the Target Company; (2) additional time is required for the auditors to perform an audit and prepare an accountants' report on the Target Company and a pro forma statement of the assets and liabilities of the Company's group enlarged with those of the Target Company; and (3) the delay in despatch of the Circular will not prejudice the Shareholders' interests as the Company would obtain a written approval of the Acquisition from Maoye Department Store Investment Limited, the holder of 4,200,000,000 Shares.as at the date of the aforementioned announcement (representing approximately 81.69% of the total issued share capital of the Company), pursuant to Rule 14.44 of the Listing Rules in lieu of holding a general meeting of the Company to approve the Acquisition. The waivers were granted on the basis that the Stock Exchange may withdraw or change the terms of the Waivers if the Company's situation changes.

9. RECOMMENDATION

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

10. 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 2013, 2014 and 2015 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 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).

- annual report of the Company for the year ended 31 December 2015 published on 21 April 2016 (pages 52 to 155).

2. INDEBTEDNESS STATEMENT

As at 6 September 2016, the Group had total outstanding interest-bearing bank loans and other borrowings of approximately RMB18,099 million, comprising secured current bank loans of approximately RMB4,607 million, unsecured current other loans of approximately RMB950 million, secured current portion of long-term bank loans of approximately RMB3,424 million unsecured current portion of long-term bank loans of approximately RMB1,396 million, secured non-current bank loans and other loans of approximately RMB6,441 million, unsecured other long-term loans of approximately RMB1,281 million.

As at 6 September 2016, the Group's bank loans were secured by certain land and buildings, land lease prepayments, investment properties, completed properties held for sale of the Group and properties under development of the Group of approximately RMB4,265 million, RMB1,269 million, RMB719 million, RMB197 million and RMB2,399 million, respectively.

As at 6 September 2016, Zhongzhao Investment Management Co., Ltd., Maoye Department Store Holdings Limited, Maoye (China) Investment Limited, Maoye Shangsha Investment Limited, Shenzhen Maoye Group, Maoye commercial Co., Ltd, Shenzhen Xinghua Industry Co., Ltd, Mr. Huang Mao Ru and Mrs. Huang Jingzhang (spouse of Mr. Huang Mao Ru) have guaranteed certain of the Group's bank loans up to RMB2,643 million.

Save as aforesaid, as at the close of business on 6 September 2016, the Group did not have any outstanding mortgages, pledge, debentures, loan capital, bank loans and overdrafts or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities or acceptance credits, any guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account its present available financial resources, the Group will have sufficient working capital for its present requirements and for the period up to 12 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 December 2015, we operated and managed 41 stores in 17 cities in China, including 7 stores in southern China, 9 stores in southwestern China, 12 stores in eastern China and 13 stores in northern China. Our department stores primarily target at relatively well-off urban residents in China. We have positioned ourselves at the medium- to high-end segment of the retail market in China and 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 2013, 2014 and 2015, our total operating revenue was RMB4,623.6 million, RMB4,400.5 million and RMB4,115.5 million, respectively, and our profit attributable to equity holders was RMB802.0 million, RMB1,365.2 million and RMB139.5 million, respectively.

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

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

31 October 2016

The Board of Directors
Maoye International Holdings Limited

Dear Sirs,

We set out below our report on the financial of Inner Mongolia Victoria Commercial (Group) Co., Ltd. (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") comprising the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Target Group for each of the years ended 31 December 2013, 2014 and 2015, and the six months ended 30 June 2016 (the "Relevant Periods"), and the combined statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2013, 2014 and 2015 and 30 June 2016, together with the notes thereto (the "Financial Information"), and the comparative combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Target Group for the six months ended 30 June 2015 (the "Interim Comparative Information"), prepared on the basis of preparation set out in note 2.1 of Section II below, for inclusion in the circular of Maoye International Holdings Limited dated 30 June 2016 (the "Circular") in connection with the acquisition of the Target Company.

Pursuant to the group reorganisation (the "Reorganisation") as set out in note 2 of section II below, which was completed on 23 May 2016, the Target Company became the holding of the subsidiaries now comprising the Target Group. The Target Company was established in the People's Republic of China (the "PRC") with limited liability on 12 June 2002. The principal activity of the Target Company during the Relevant Periods was the operation of department stores and properties development in the 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 combined 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 2013, 2014 and 2015, and the six months ended 30 June 2016 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 on the Financial Information and a review conclusion on 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 preparation 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 2013, 2014 and 2015 and 30 June 2016 and the combined financial performance 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

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	Notes	**2013**	**2014**	**2015**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
REVENUE	5	1,203,450	1,404,907	1,386,225	705,268	699,411
Other income	6	181,591	222,262	253,427	131,559	126,237
Total operating revenue		1,385,041	1,627,169	1,639,652	836,827	825,648
Cost of sales	7	(603,699)	(763,738)	(733,459)	(397,171)	(342,512)
Employee expenses	8	(135,966)	(144,588)	(138,337)	(71,581)	(62,273)
Depreciation and amortisation		(78,471)	(73,084)	(66,472)	(29,441)	(60,285)
Operating lease rental expenses		(109,124)	(131,242)	(158,241)	(65,557)	(64,831)
Other operating expenses	9	(260,618)	(270,374)	(290,018)	(137,504)	(134,335)
Other gains and losses	10	(1,694)	70	(43,839)	511	683
Operating profit		195,469	244,213	209,286	136,084	162,095
Finance costs	11	(263,881)	(258,148)	(275,677)	(122,169)	(96,694)
(LOSS)/PROFIT BEFORE TAX		(68,412)	(13,935)	(66,391)	13,915	65,401
Income tax expense	12	(13,674)	(22,048)	(19,735)	(12,279)	(29,115)
(LOSS)/PROFIT FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD		(82,086)	(35,983)	(86,126)	1,636	36,286
Attributable to:						
Owners of the parent		(82,086)	(35,983)	(86,126)	1,636	36,286

COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
	Notes	**2013**	**2014**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	16	1,065,169	1,033,140	3,173,499	3,150,941
Investment properties	17	—	—	278,181	274,632
Land lease prepayments	18	108,217	104,867	101,517	99,842
Other intangible assets		723	538	492	330
Goodwill		—	—	1,381	1,381
Available-for-sale equity investments		—	10,000	10,000	10,000
Prepayments	22	54,618	49,679	8,803	1,203
Total non-current assets		1,228,727	1,198,224	3,573,873	3,538,329
CURRENT ASSETS					
Inventories	19	83,097	83,980	82,047	72,160
Completed properties held for sale		39,239	21,154	3,929	3,929
Properties under development	20	103,641	119,024	181,398	195,149
Trade receivables	21	3,448	950	950	2,846
Prepayments and other receivables	22	2,088,074	2,233,192	862,986	268,369
Pledged deposits	23	9,975	88,271	88,621	87,457
Cash and cash equivalents	23	250,008	142,548	205,883	42,477
Total current assets		2,577,482	2,689,119	1,425,814	672,387
CURRENT LIABILITIES					
Trade payables	24	516,778	715,909	624,319	613,373
Deposits received, accruals and other payables	25	1,340,748	1,258,139	2,339,724	2,085,757
Interest-bearing bank loans and other borrowings	26	793,900	1,191,601	1,661,743	1,075,188
Tax payable		12,661	17,594	21,598	32,749
Total current liabilities		2,664,087	3,183,243	4,647,384	3,807,067
NET CURRENT LIABILITIES		(86,605)	(494,124)	(3,221,570)	(3,134,680)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,142,122	704,100	352,303	403,649

		As at 31 December			As at 30 June
	Notes	2013	2014	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Interest-bearing bank loans	26	1,401,000	947,961	480,940	384,000
Total non-current liabilities		1,401,000	947,961	480,940	384,000
Net (liabilities)/assets		(258,878)	(243,861)	(128,637)	19,649
EQUITY					
Equity attributable to owners of the parent					
Share capital	27	50,000	50,000	170,000	170,000
Reserves	28	(308,878)	(293,861)	(298,637)	(150,351)
Total (deficits)/equity		(258,878)	(243,861)	(128,637)	19,649

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent				
	Share capital	**Capital Reserve**	**Statutory surplus reserve**	**Retained profits/ (accumulated loss)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 28)*	*(note 28)*		
At 1 January 2013	50,000	(280,778)	23,764	23,422	(183,592)
Loss for the year	—	—	—	(82,086)	(82,086)
Total comprehensive loss for the year	—	—	—	(82,086)	(82,086)
Exclusion of subsidiaries not within scope of combination	—	6,800	—	—	6,800
Profit appropriated to reserve	—	—	2,410	(2,410)	—
At 31 December 2013	50,000	(273,978)*	26,174*	(61,074)*	(258,878)
At 31 December 2013 and at 1 January 2014	50,000	(273,978)	26,174	(61,074)	(258,878)
Loss for the year	—	—	—	(35,983)	(35,983)
Total comprehensive loss for the year	—	—	—	(35,983)	(35,983)
Exclusion of subsidiaries not within scope of combination	—	51,000	—	—	51,000
At 31 December 2014	50,000	(222,978)*	26,174*	(97,057)*	(243,861)
At 31 December 2014 and at 1 January 2015	50,000	(222,978)	26,174	(97,057)	(243,861)
Loss for the year	—	—	—	(86,126)	(86,126)
Total comprehensive loss for the year	—	—	—	(86,126)	(86,126)
Exclusion of subsidiaries not within scope of combination	—	171,350	—	—	171,350
Capital increased from reserve	96,123	—	(20,568)	(75,555)	—
Issue of share	23,877	6,123	—	—	30,000
At 31 December 2015	170,000	(45,505)*	5,606*	(258,738)*	(128,637)

	Attributable to owners of the parent				
	Share capital	**Capital Reserve**	**Statutory surplus reserve**	**Retained profits/ (accumulated loss)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 28)*	*(note 28)*		
At 31 December 2015 and at 1 January 2016	170,000	(45,505)	5,606	(258,738)	(128,637)
Profit for the period	—	—	—	36,286	36,286
Total comprehensive profit for the period	—	—	—	36,286	36,286
Exclusion of subsidiaries not within scope of combination	—	112,000	—	—	112,000
At 30 June 2016	170,000	66,495*	5,606*	(222,452)*	19,649

* These reserve accounts comprise combined reserves of RMB308,878,000, RMB293,861,000, RMB298,637,000 and RMB150,351,000 as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively.

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
		2013	**2014**	**2015**	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax		(68,412)	(13,935)	(66,391)	13,915	65,401
Adjustments for:						
Interest income	6	(62,465)	(82,602)	(82,902)	(56,896)	(1,524)
Depreciation and amortisation		78,471	73,084	66,472	29,441	60,285
Finance costs	11	263,881	258,148	275,677	122,169	96,694
Loss on disposal of a subsidiary		—	—	45,000	—	—
Loss on disposal of items of property, plant and equipment		—	—	—	—	23
Cash flows from operating activities		211,475	234,695	237,856	108,629	220,879
Decrease in completed properties held for sale		51,677	53,667	—	11,634	—
(Increase)/decrease to properties under development		(29,441)	(15,383)	(62,374)	14,683	(13,751)
(Increase)/decrease in inventories		(7,104)	(883)	1,933	—	9,887
Decrease/(increase) in trade receivables		11,012	2,498	—	(928)	(1,896)
(Increase)/decrease in prepayments and other receivables		(815,829)	(127,925)	709,592	(546,443)	698,302
Increase/(decrease) in trade payables		3,464	199,131	(91,590)	113,143	(10,946)
Increase/(decrease) in deposits received, accruals and other payables		428,824	(82,609)	1,095,578	703,794	(253,967)
Cash (used in)/generated from operations		(145,922)	263,191	1,890,995	404,512	648,508

	Notes	Year ended 31 December 2013 RMB'000	2014 RMB'000	2015 RMB'000	Six months ended 30 June 2015 RMB'000 (unaudited)	2016 RMB'000
Interest received		62,465	82,602	82,902	56,896	1,524
PRC taxes paid		(23,456)	(17,115)	(16,127)	(32,270)	(19,031)
Net cash flows (used in)/from operating activities		(106,913)	328,678	1,957,770	429,138	631,001
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(62,574)	(34,493)	(1,628,481)	(365,644)	(16,705)
Proceeds from disposal of items of property, plant and equipment		4	139	164	—	1,323
Purchase of available-for-sale equity investments		—	(10,000)	—	—	—
Acquisition of a subsidiary		—	—	6,787	—	—
Net cash flows used in investing activities		(62,570)	(44,354)	(1,621,530)	(365,644)	(15,382)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans and other borrowings		884,600	1,129,461	1,567,915	710,049	475,951
Repayment of bank loans and other borrowings		(582,602)	(1,184,801)	(1,564,793)	(504,967)	(1,159,446)
Interest paid		(263,881)	(258,148)	(275,677)	(122,169)	(96,694)
Decrease/(increase) in pledged bank deposits		25,140	(78,296)	(350)	(350)	1,164
Net cash flows from/(used in) financing activities		63,257	(391,784)	(272,905)	82,563	(779,025)

		Year ended 31 December			Six months ended 30 June	
		2013	**2014**	**2015**	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(106,226)	(107,460)	63,335	146,057	(163,406)
Cash and cash equivalents at beginning of year/period		356,234	250,008	142,548	142,548	205,883
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		250,008	142,548	205,883	288,605	42,477
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		250,008	142,548	205,883	288,605	42,477
Cash and cash equivalents as stated in the statements of cash flows		250,008	142,548	205,883	288,605	42,477

II NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Target Company is a limited liability company established in the People's Republic of China (the "PRC") on 12 June 2002. The Target Company's registered office is located at No.3 Zhongshan West Road, Huimin District, Huhhot, Inner Mongolia Autonomous Region, the PRC.

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 and ultimate holding owner of the Target Company is Zou Zhaobin before the Reorganisation and the immediate holding company and ultimate holding company of the Target Company are Maoye Commercial Co., Ltd. and Maoye International Holdings Limited, respectively, from 23 May to 30 June 2016.

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	
			%	%	
Inner Mongolia Victory Commercial Management Co., Limited (內蒙古維多利商業管理有限公司) (i)	PRC/Mainland China 18 January 2004	RMB20,000,000	100	—	Operation of a department store
Inner Mongolia Victory Xincheng Commercial Management Co., Limited (內蒙古維多利新城商業管理有限公司) (i)	PRC/Mainland China 15 January 2008	RMB50,000,000	100	—	Operation of a department store

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	
			%	%	
Baotou Victory Mall Co., Limited (包頭市維多利商廈有限公司) (i)	PRC/Mainland China 14 April 2009	RMB10,000,000	100	—	Operation of a department store
Inner Mongolia Jinweili Commercial Management Co., Limited (內蒙古金維利商業管理有限公司) (i)	PRC/Mainland China 24 March 2015	RMB10,000,000	100	—	Operation of a department store
Baotou Victory Commercial Management Co., Limited (包頭市維多利商業管理有限公司) (i)	PRC/Mainland China 28 October 2013	RMB3,000,000	100	—	Operation of a department store
Inner Mongolia Victory Supermarket Chain Co., Limited (內蒙古維多利超市連鎖有限公司) (i)	PRC/Mainland China 6 March 2003	RMB20,000,000	100	—	Operation of a supermarket
Hohhot Victory Real Estate Development Co., Limited (呼和浩特市維多利房地產開發有限公司) (i)	PRC/Mainland China 29 November 2001	RMB30,000,000	100	—	Property development
Inner Mongolia Ludi Real Estate Co., Limited (內蒙古魯弟房地產有限公司) (i)	PRC/Mainland China 29 June 2006	RMB30,000,000	100	—	Property development
Inner Mongolia Jiashijie Real Estate Co., Limited (內蒙古家世界房地產有限公司) (i)	PRC/Mainland China 7 March 2006	RMB10,000,000	100	—	Property development
Baotou Victory Supermarket Chain Co., Limited (包頭市維多利超市有限公司) (i)	PRC/Mainland China 30 December 2013	RMB500,000	—	100	Operation of a supermarket
Hohhot Victory Property Management LLC (呼和浩特市維多利物業服務有限責任公司) (i)	PRC/Mainland China 25 January 2008	RMB500,000	—	100	Property management

Company name	Place and date of incorporation/ registration and operations	Registered share capital	Percentage of equity attributable to the Target Company Direct %	Indirect %	Principal activities
Baotou Victory Property Management Co., Limited (包頭市維多利物業管理有限公司) (i)	PRC/Mainland China 21 May 2014	RMB1,000,000	—	100	Property management

(i) No audited financial statements have been prepared for these entities for the years ended 31 December 2013, 2014 and 2015, and the period ended 30 June 2016, 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.

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.

As at 30 June 2016, the Target Group had net current liabilities of approximately RMB3,134,680,000. The directors have carefully estimated the cash flow for the next twelve months from the end of the current reporting period, and the ultimate parent company undertakes to provide continuing financial support to the Target Group.

On the basis of the above consideration, the directors believe that the Target Group can satisfy its financial obligations in the foreseeable future and accordingly, the financial report has been prepared on a going concern basis.

Basis of consolidation

The Company has undertaken a series of restructuring steps from 2013 to 2015. The Restructuring was completed in 2015, and the Target Company became the holding company of the companies then comprising the Group in 2016. Maoye Commercial Co., Ltd. has purchased 70% interest from twenty vendors with the consideration payable amounted to RMB1,560,000,000.

The Target Company was established on 12 June 2002 and became the holding company of the companies now comprising the Target Group. 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 combined statements of comprehensive income, statements of the changes in equity and statements of cash flows of the Target Group for the Relevant Years 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 combined statements of financial position of the Target Group as at 31 December 2013, 2014 and 2015, and 30 June 2016 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.

The combined 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 Target Company, using consistent accounting policies. The results of subsidiaries are combined from the date on which the Target Group obtains control, and continue to be combined until the date that such control ceases.

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*[1]
IFRS 15	*Revenue from Contracts with Customers*[1]

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

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target 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 Target 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 Target 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.

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 is measured at fair value with changes in fair value recognised in profit or loss. 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 previous interest held 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, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or 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 combined statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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 combined statement of profit or loss 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);

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

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

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 combined statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target 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	20 - 40 years	4%
Machinery and equipment	5 years	4%
Motor vehicles	5 years	4%
Furniture, fittings and other equipment	5 years	4%
Leasehold improvements	3 - 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 consolidatd statement of profit or loss 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 and capitalised borrowing costs on related borrowed funds 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.

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

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

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.

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 combined statement of profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the combined statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments 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:

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 combined statement of profit or loss. The loss arising from impairment is recognised in the combined statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Available-for-sale financial investments

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

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised in other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the combined statement of profit or loss in other 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 combined statement of profit or loss 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 combined statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

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

The Target 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 combined statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's combined 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 Target Group assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 through the use of an allowance account and the loss is recognised in the combined statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 combined statement of profit or loss.

Assets carried at cost

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

Available-for-sale financial investments

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

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the combined statement of profit or loss, is removed from other comprehensive income and recognised in the combined statement of profit or loss.

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 combined statement of profit or loss — is removed from other comprehensive income and recognised in the combined statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the combined statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgements. In making this judgement, the Target 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 method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the combined statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

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. A financial guarantee contract is recognised initially as a liability at its 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 end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined 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 combined 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 combined statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, 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 combined statement of profit or loss.

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 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 at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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 the end of each reporting period 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 the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of 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 when the revenue can be measured reliably, 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 exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

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

Retirement benefits

The employees of the Target 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 12.13% 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. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Group's combined 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. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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 combined 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 combined statement of profit or loss.

- ***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.

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 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 is principally engaged in property management.

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 *RMB'000*	**Property development** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2013			
Segment revenue:			
Sales to external customers	1,170,820	32,630	1,203,450
Other income	181,591	—	181,591
Cost of sales	(585,614)	(18,085)	(603,699)
Employee expenses	(135,216)	(750)	(135,966)
Depreciation and amortisation	(47,569)	(30,902)	(78,471)
Operating lease rental expenses	(109,124)	—	(109,124)
Other operating expenses	(253,093)	(7,525)	(260,618)
Other losses	(1,673)	(21)	(1,694)
Operating profit/(loss)	220,122	(24,653)	195,469
Finance costs	(263,881)	—	(263,881)
Segment profit before tax	(43,759)	(24,653)	(68,412)
Income tax expense	(11,821)	(1,853)	(13,674)
Segment loss for the year	(55,580)	(26,506)	(82,086)
Attributable to:			
Owners of the parent	(55,580)	(26,506)	(82,086)

	Operation of department stores RMB'000	Property development RMB'000	Total RMB'000
Year ended 31 December 2014			
Segment revenue:			
Sales to external customers	1,342,527	62,380	1,404,907
Other income	222,262	—	222,262
Cost of sales	(732,840)	(30,898)	(763,738)
Employee expenses	(144,235)	(353)	(144,588)
Depreciation and amortisation	(35,888)	(37,196)	(73,084)
Operating lease rental expenses	(131,027)	(215)	(131,242)
Other operating expenses	(262,600)	(7,774)	(270,374)
Other gains/(losses)	72	(2)	70
Operating profit/(loss)	258,271	(14,058)	244,213
Finance costs	(258,148)	—	(258,148)
Segment profit/(loss) before tax	123	(14,058)	(13,935)
Income tax expense	(17,122)	(4,926)	(22,048)
Segment loss for the year	(16,999)	(18,984)	(35,983)
Attributable to:			
Owners of the parent	(16,999)	(18,984)	(35,983)

	Operation of department stores *RMB'000*	Property development *RMB'000*	Others *RMB'000*	Total *RMB'000*
Year ended 31 December 2015				
Segment revenue:				
Sales to external customers	1,369,429	16,796	—	1,386,225
Other income	241,108	—	12,319	253,427
Cost of sales	(725,995)	(7,464)	—	(733,459)
Employee expenses	(132,234)	(546)	(5,557)	(138,337)
Depreciation and amortisation	(34,609)	(31,858)	(5)	(66,472)
Operating lease rental expenses	(158,134)	(107)	—	(158,241)
Other operating expenses	(266,450)	(19,673)	(3,895)	(290,018)
Other (losses)/gains	(43,731)	(114)	6	(43,839)
Operating profit/(loss)	249,384	(42,966)	2,868	209,286
Finance costs	(269,776)	(5,901)	—	(275,677)
Segment profit/(loss) before tax	(20,392)	(48,867)	2,868	(66,391)
Income tax expense	(17,906)	(1,217)	(612)	(19,735)
Segment profit/(loss) for the year	(38,298)	(50,084)	2,256	(86,126)
Attributable to:				
Owners of the parent	(38,298)	(50,084)	2,256	(86,126)
Other segment information:				
Capital expenditure*	—	14,441	—	14,441

	Operation of department stores *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Period ended 30 June 2015 (unaudited)			
Segment revenue:			
Sales to external customers	704,274	994	705,268
Other income	131,559	—	131,559
Cost of sales	(396,464)	(707)	(397,171)
Employee expenses	(71,317)	(264)	(71,581)
Depreciation and amortisation	(25,198)	(4,243)	(29,441)
Operating lease rental expenses	(65,557)	—	(65,557)
Other operating expenses	(136,149)	(1,355)	(137,504)
Other gains	511	—	511
Operating profit/(loss)	141,659	(5,575)	136,084
Finance costs	(122,169)	—	(122,169)
Segment profit/(loss) before tax	19,490	(5,575)	13,915
Income tax expense	(12,008)	(271)	(12,279)
Segment profit/(loss) for the period	7,482	(5,846)	1,636
Attributable to:			
Owners of the parent	7,482	(5,846)	1,636

	Operation of department stores *RMB'000*	Property development *RMB'000*	Others *RMB'000*	Total *RMB'000*
Period ended 30 June 2016				
Segment revenue:				
Sales to external customers	697,433	1,978	—	699,411
Other income	109,007	—	17,230	126,237
Cost of sales	(342,512)	—	—	(342,512)
Employee expenses	(58,659)	(415)	(3,199)	(62,273)
Depreciation and amortisation	(56,804)	(3,477)	(4)	(60,285)
Operating lease rental expenses	(64,831)	—	—	(64,831)
Other operating expenses	(129,516)	(176)	(4,643)	(134,335)
Other gains/(losses)	689	(14)	8	683
Operating profit/(loss)	154,807	(2,104)	9,392	162,095
Finance costs	(96,694)	—	—	(96,694)
Segment profit/(loss) before tax	58,113	(2,104)	9,392	65,401
Income tax expense	(26,007)	(741)	(2,367)	(29,115)
Segment profit/(loss) for the period	32,106	(2,845)	7,025	36,286
Attributable to:				
Owners of the parent	32,106	(2,845)	7,025	36,286

* Capital expenditure consists of additions to properties under development.

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	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue					
Commissions from concessionaire sales	442,156	467,303	440,555	217,700	209,531
Direct sales	687,535	831,625	818,285	446,184	395,247
Rental income from the leasing of shop premises	41,129	43,599	110,589	40,390	92,655
Sale of properties	32,630	62,380	16,796	994	1,978
	1,203,450	1,404,907	1,386,225	705,268	699,411

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

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Total sales proceeds from concessionaire sales	3,136,426	2,821,195	2,686,160	1,429,807	1,343,175
Commissions from concessionaire sales	442,156	467,303	440,555	217,700	209,531

6. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Income from suppliers and concessionaires					
- Service fee	80,374	92,257	93,379	46,717	54,176
Property management income	18,983	31,525	59,222	19,743	43,467
Interest income	62,465	82,602	82,902	56,896	1,524
Others	19,769	15,878	17,924	8,203	27,070
	181,591	222,262	253,427	131,559	126,237

7. COST OF SALES

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Purchases of and changes in inventories	585,614	732,840	725,995	396,464	342,512
Cost of properties sold	18,085	30,898	7,464	707	—
	603,699	763,738	733,459	397,171	342,512

8. EMPLOYEE EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Wages and salaries	123,556	132,820	128,015	68,643	59,607
Retirement benefits	8,582	10,178	9,034	2,257	1,984
Other employee benefits	3,828	1,590	1,288	681	682
	135,966	144,588	138,337	71,581	62,273

9. OTHER OPERATING EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Utility expenses	46,186	56,100	67,118	29,570	34,287
Promotion and advertising expenses	41,368	36,041	33,766	12,321	8,235
Repair and maintenance expenses	23,327	20,786	22,737	16,851	14,648
Entertainment expenses	3,412	1,195	2,415	857	1,453
Office expenses	9,086	8,141	8,428	4,221	5,489
Other tax expenses	59,655	60,436	76,703	33,241	51,719
Professional service fees	25,069	36,633	19,704	17,145	772
Audit fees	2,830	1,368	1,519	147	917
Bank charges	20,726	19,426	18,341	9,462	9,337
Others	28,959	30,248	39,287	13,689	7,478
	260,618	270,374	290,018	137,504	134,335

10. OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Loss on disposal of a subsidiary	—	—	(45,000)	—	—
Loss on disposal of items of property plant and equipment	—	—	—	—	(23)
Donation	(2,000)	—	—	—	—
Others	306	70	1,161	511	706
	(1,694)	70	(43,839)	511	683

11. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	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	263,881	258,148	284,217	126,439	96,694
Less: Interest capitalised	—	—	(8,540)	(4,270)	—
	263,881	258,148	275,677	122,169	96,694

12. 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 RMB1,714,000, RMB4,781,000, RMB895,000 and RMB168,000 are charged to the combined statement of profit or loss for the years ended 31 December 2013, 2014 and 2015, and the period ended 30 June 2016, respectively.

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Target Group:					
Current — CIT	11,960	17,267	18,840	12,222	28,947
Current — LAT	1,714	4,781	895	57	168
Total tax charge for the year/period	13,674	22,048	19,735	12,279	29,115

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 Relevent 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			
	2013		2014		2015		2015		2016	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(unaudited)			
(Loss)/profit before tax	(68,412)		(13,935)		(66,391)		13,915		65,401	
Income tax at the statutory tax rate	(17,103)	25	(3,484)	25	(16,598)	25	3,479	25	16,350	25
Income not subject to tax	—	—	—	—	14,517	(22)	—	—	—	—
Expenses not deductible for tax	1,298	(2)	328	(2)	237	—	—	—	287	—
Tax losses not recognized*	28,193	(41)	21,618	(155)	20,908	(32)	8,757	63	12,352	19
Tax effect of LAT	1,286	(2)	3,586	(26)	671	(1)	43	—	126	—
Tax charged at the Target Group's effective rate	13,674	(20)	22,048	(158)	19,735	(30)	12,279	88	29,115	44

* The Target Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB190,459,000, RMB277,779,000, RMB370,927,000 and RMB395,860,000 as at the year/period ended 31 December 2013, 2014, 2015 and 30 June 2016, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses can be carried forward up to five years from the year in which the loss originated under current tax legislation.

13. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	4,204	4,204	2,452	2,102	371
Retirement contributions	62	36	34	21	6
	4,266	4,240	2,486	2,123	377

Year ended 31 December 2013	**Salaries, allowances and benefits in kind**	**Retirement contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Mr. Zou Zhaobin	2,402	31	2,433
Mr. Chen Qiangan	1,802	31	1,833
	4,204	62	4,266

Year ended 31 December 2014	**Salaries, allowances and benefits in kind**	**Retirement contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Mr. Zou Zhaobin	2,402	18	2,420
Mr. Chen Qiangan	1,802	18	1,820
	4,204	36	4,240

Year ended 31 December 2015	Salaries, allowances and benefits in kind	Retirement contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
Mr. Zou Zhaobin	1,401	17	1,418
Mr. Chen Qiangan	1,051	17	1,068
	2,452	34	2,486

Period ended 30 June 2015	Salaries, allowances and benefits in kind	Retirement contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
Mr. Zou Zhaobin	1,201	14	1,215
Mr. Chen Qiangan	901	7	908
	2,102	21	2,123

Period ended 30 June 2016	Salaries, allowances and benefits in kind	Retirement contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
Mr. Zou Zhaobin	371	6	377
	371	6	377

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Target Group during the year ended 31 December 2013, 2014 and 2015 and the period ended 30 June 2015 and 2016 include 3, 2, 2, 2 and 1 directors, respectively, details of whose remuneration are set out in note 13 above. Details of the remuneration of the remaining 2, 3, 3, 3 and 4 highest paid employees who are neither a director nor chief executive of the Target Group during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, allowances and benefits in kind	3,122	2,185	1,798	933	1,995
Retirement contributions	24	34	26	17	32
	3,146	2,219	1,824	950	2,027

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
				(unaudited)	
Nil to RMB1,000,000	2	3	3	3	4
RMB1,000,001 to RMB1,500,000	1	—	—	—	—

During the Relevant Periods, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Target Group to any of the five highest paid employees as an inducement to join or upon joining the Target Group or as compensation for loss of office.

15. DIVIDENDS

No dividends paid to its then shareholders at the end of 31 December 2013, 2014 and 2015, and 30 June 2016.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture, fittings and other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2013							
At 1 January 2013:							
Cost	1,042,862	44,168	9,757	13,876	106,594	—	1,217,257
Accumulated depreciation	(81,625)	(15,145)	(6,210)	(8,748)	(30,850)	—	(142,578)
Net carrying amount	961,237	29,023	3,547	5,128	75,744	—	1,074,679
At 1 January 2013, net of accumulated depreciation	961,237	29,023	3,547	5,128	75,744	—	1,074,679
Additions	15,547	18,081	424	2,298	—	29,081	65,431
Transfer	—	—	—	—	29,081	(29,081)	—
Disposals	—	—	—	(4)	—	—	(4)
Depreciation provided during the year	(29,928)	(8,899)	(1,364)	(2,050)	(32,696)	—	(74,937)
At 31 December 2013, net of accumulated depreciation	946,856	38,205	2,607	5,372	72,129	—	1,065,169
At 31 December 2013:							
Cost	1,058,409	62,249	10,181	16,174	135,675	—	1,282,688
Accumulated depreciation	(111,553)	(24,044)	(7,574)	(10,802)	(63,546)	—	(217,519)
Net carrying amount	946,856	38,205	2,607	5,372	72,129	—	1,065,169
31 December 2014							
At 1 January 2014:							
Cost	1,058,409	62,028	10,181	15,112	135,675	—	1,281,405
Accumulated depreciation	(111,553)	(23,823)	(7,574)	(9,740)	(63,546)	—	(216,236)
Net carrying amount	946,856	38,205	2,607	5,372	72,129	—	1,065,169

	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*
At 1 January 2014, net of accumulated depreciation	946,856	38,205	2,607	5,372	72,129	—	1,065,169
Additions	8,033	9,477	350	540	—	19,444	37,844
Transfer	—	—	—	—	19,444	(19,444)	—
Disposals	—	(104)	(4)	(31)	—	—	(139)
Depreciation provided during the year	(15,619)	(12,009)	(680)	(1,941)	(39,485)	—	(69,734)
At 31 December 2014, net of accumulated depreciation	939,270	35,569	2,273	3,940	52,088	—	1,033,140
At 31 December 2014:							
Cost	1,066,442	71,505	10,531	15,652	155,119	—	1,319,249
Accumulated depreciation	(127,172)	(35,936)	(8,258)	(11,712)	(103,031)	—	(286,109)
Net carrying amount	939,270	35,569	2,273	3,940	52,088	—	1,033,140
31 December 2015							
At 1 January 2015:							
Cost	1,066,442	65,576	10,196	12,535	155,118	—	1,309,867
Accumulated depreciation	(127,172)	(30,007)	(7,923)	(8,595)	(103,030)	—	(276,727)
Net carrying amount	939,270	35,569	2,273	3,940	52,088	—	1,033,140
At 1 January 2015, net of accumulated depreciation:	939,270	35,569	2,273	3,940	52,088	—	1,033,140
Additions	2,159,068	4,716	—	509	—	38,800	2,203,093
Transfer	—	—	—	—	38,800	(38,800)	—
Disposals	—	(158)	—	(6)	—	—	(164)
Depreciation provided during the year	(34,194)	(11,887)	(560)	(1,671)	(14,258)	—	(62,570)
At 31 December 2015, net of accumulated depreciation	3,064,144	28,240	1,713	2,772	76,630	—	3,173,499

	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*
At 31 December 2015:							
Cost	3,225,510	70,292	10,196	13,044	193,918	—	3,512,960
Accumulated depreciation	(161,366)	(42,052)	(8,483)	(10,272)	(117,288)	—	(339,461)
Net carrying amount	3,064,144	28,240	1,713	2,772	76,630	—	3,173,499
30 June 2016							
At 1 January 2016:							
Cost	3,225,509	66,974	10,196	12,415	193,918	—	3,509,012
Accumulated depreciation	(161,365)	(38,734)	(8,483)	(9,643)	(117,288)	—	(335,513)
Net carrying amount	3,064,144	28,240	1,713	2,772	76,630	—	3,173,499
At 1 January 2016, net of accumulated depreciation:	3,064,144	28,240	1,713	2,772	76,630	—	3,173,499
Additions	8,799	—	—	186	—	24,670	33,655
Transfer	—	—	—	—	24,670	(24,670)	—
Disposals	(197)	—	(388)	(100)	(661)	—	(1,346)
Depreciation provided during the period	(35,721)	(4,617)	(222)	(1,300)	(13,007)	—	(54,867)
Reclassification	1,378	—	—	(1,378)	—	—	—
At 30 June 2016, net of accumulated depreciation	3,038,403	23,623	1,103	180	87,632	—	3,150,941
At 30 June 2016:							
Cost	3,234,308	66,974	10,196	12,601	218,588	—	3,542,667
Accumulated depreciation	(195,905)	(43,351)	(9,093)	(12,421)	(130,956)	—	(391,726)
Net carrying amount	3,038,403	23,623	1,103	180	87,632	—	3,150,941

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

Certificates of ownership in respect of certain land and buildings of the Target Group with a net carrying amount of approximately RMB375,000, RMB348,000, RMB2,424,667,000 and RMB2,032,873,000 as at 31 December 2013, 2014 and 2015 and 30 June 2016, have not yet been issued by the relevant PRC authorities. The Target Group is in the process of obtaining the relevant certificates.

The Group's land and buildings are held under medium term leases and are situated in Mainland China. Certain of the Group's land and buildings were pledged to secure the Target Group's interest-bearing bank loans, the details are set out in note 26.

17. INVESTMENT PROPERTIES

	As at 31 December 2015	**As at 30 June 2016**
	RMB'000	*RMB'000*
Carrying amount at 1 January	—	278,181
Additions	278,733	—
Depreciation charged for the year/period	(552)	(3,549)
Carrying amount at 31 December/30 June	278,181	274,632
Carrying amount at 31 December/30 June:		
Cost	278,733	278,732
Accumulated depreciation	(552)	(4,100)
Net carrying amount	278,181	274,632

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.

The Target Group's investment properties consist of several commercial properties in Inner Mongolia, 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 30 June 2016, the fair value of the Group's investment properties were approximately RMB431,379,000, which were based on the valuations by Shenzhen Gofiner Certified Public Valuation Co., Ltd., an independent professionally qualified valuer. The Target Group's management decides, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuation of the Target Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Target Group's management has discussions with the valuer on the valuation assumptions and valuation results.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 30(i) to the financial statements.

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 2016				
Commercial properties	—	—	431,379	431,379

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

18. LAND LEASE PREPAYMENTS

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at 1 January	114,917	111,567	108,217	104,867
Amortisation provided during the year/period	(3,350)	(3,350)	(3,350)	(1,675)
Carrying amount at the end of the year/period	111,567	108,217	104,867	103,192
Current portion included in prepayments and other receivables	(3,350)	(3,350)	(3,350)	(3,350)
Non-current portion	108,217	104,867	101,517	99,842

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 26(ii).

19. INVENTORIES

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Merchandise for resale	83,097	83,980	82,047	72,160
	83,097	83,980	82,047	72,160

20. PROPERTIES UNDER DEVELOPMENT

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land in the PRC held under medium term leases, at cost:				
At beginning of year/period	40,673	40,673	40,673	40,673
Additions	—	—	—	4,728
At end of year/period	40,673	40,673	40,673	45,401
Development expenditure, at cost:				
At beginning of year/period	44,828	62,968	78,351	140,725
Additions	18,140	15,383	62,374	9,023
At end of year/period	62,968	78,351	140,725	149,748
	103,641	119,024	181,398	195,149

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

21. 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:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 180 days	—	—	—	2,596
181 to 270 days	—	700	—	—
271 to 360 days	3,448	—	—	—
Over 360 days	—	250	950	250
	3,448	950	950	2,846

None of the above assets is either past due or impaired. The financial assets included in the above balances for which there was no recent history of default.

22. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Prepayments	54,618	49,679	8,803	1,203
Current assets				
Prepayments	47,698	47,649	34,874	32,892
Other receivables	1,006,997	1,041,546	168,972	134,951
Due from related parties	1,033,379	1,143,997	659,140	100,526
	2,088,074	2,233,192	862,986	268,369

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The prepayments represent prepayments for buildings decoration in non-current assets, and prepayments for operating lease rentals and utilities within one year and current portion of land lease prepayments in current assets.

Other receivables represent amounts due from third-parties for non-trade, prepayment for income tax and deductible input value added tax.

The balances with related parties are unsecured, non-interest-bearing and repayable on demand. The details are set out in note 32(b).

23. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	250,008	142,548	205,883	42,477
Time deposits	9,975	88,271	88,621	87,457
	259,983	230,819	294,504	129,934
Less: Pledged time deposits for mortgage	(4,899)	(2,439)	(1,274)	(1,111)
Pledged bank balances for acquiring qualification for selling stored value cards	(5,076)	(5,232)	(5,384)	(5,432)
Pledged bank balances for suppliers' loans	—	—	(963)	(914)
Pledged bank balances for acquiring loans from bank (note 26(iii))	—	(80,600)	(81,000)	(80,000)
Cash and cash equivalents	250,008	142,548	205,883	42,477

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE PAYABLES

An aged analysis of the trade payables as at the end of Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	513,187	705,487	611,015	613,055
91 to 180 days	778	4,523	10,613	10
181 to 360 days	1,714	4,010	909	169
Over 360 days	1,099	1,889	1,782	139
	516,778	715,909	624,319	613,373

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

25. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income	830,403	731,714	781,836	787,412
Deposits received	36,347	64,497	84,269	84,069
Accrued operating lease rental expenses	56,269	45,936	34,653	28,878
Accrued utilities	977	700	1,202	5,216
Accrued liabilities	44,157	43,883	61,522	3,998
Accrued staff costs	7,684	8,256	6,731	6,844
Value-added tax and other tax payables	32,582	38,506	134,872	134,395
Payables for construction	436	4,113	17,696	187
Borrowings from third party	173,173	160,694	127,310	—
Due to related parties	111,178	98,695	1,054,663	1,011,197
Other payables	47,542	61,145	34,970	23,561
	1,340,748	1,258,139	2,339,724	2,085,757

The balances with related parties are unsecured, non-interest-bearing and settled on demand. The details are set out in note 32(b).

26. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	As at 31 December 2013			As at 31 December 2014			As at 31 December 2015			As at 30 June 2016		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current												
Bank loans — secured	5.32-18	2014	360,000	5.32-18	2015	358,502	5.32-18	2016	446,064	4.35-8.1	2016-2017	356,000
Bank loans unsecured	13	2014	30,000	13	2015	47,160	13	2016	30,000	13.2	2016	7,079
Third Parties loans — unsecured	—	—	—	—	—	—	8	2016	78,818	8	2016	49,591
Current portion of long term bank loans — secured	10.6-11.6	2014	403,900	10.6-11.6	2015	785,939	10.6-11.6	2016	1,106,861	6-13.76	2016-2017	662,518
			793,900			1,191,601			1,661,743			1,075,188
Non-Current												
Long term bank loans — secured	6.15-13	2015-2018	1,401,000	6.15-13	2016-2017	947,961	6.15-13	2017-2018	480,940	5.94-13	2017-2018	384,000
			1,401,000			947,961			480,940			384,000
			2,194,900			2,139,562			2,142,683			1,459,188

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	793,900	1,191,601	1,661,743	1,075,188
In the second year	785,939	54,061	354,940	342,000
In the third to fifth year (inclusive)	615,061	893,900	126,000	42,000
	2,194,900	2,139,562	2,142,683	1,459,188

As at 31 December 2013, 2014, 2015 and 30 June 2016, the Target Group's bank loans amounting to RMB2,164,900,000, RMB2,092,402,000, RMB2,033,865,000 and RMB1,402,518,000 respectively, were secured by:

(i) Certain of the Target Group's land and buildings with net book values of RMB960,910,000, RMB939,270,000, RMB1,041,202,000, RMB1,085,312,000, respectively;

(ii) Certain of the Target Group's land lease prepayments with net book values of RMB111,567,000, RMB108,217,000, RMB104,867,000, RMB103,192,000, respectively;

(iii) Certain of the Target Group's pledged deposits with net book values of nil, RMB80,600,000, RMB81,000,000, RMB80,000,000, respectively;

(iv) Certain of the Inner Mongolia Victory Property Co., Limited's account receivable with net book values of nil, RMB257,830,000, RMB257,830,000, RMB257,830,000, respectively;

(v) Certain of the Inner Mongolia Xinyuan Real Estate Development Co., Limited's building with appraised value of RMB353,440,000, RMB353,440,000, RMB353,440,000, nil, respectively;

(vi) Certain of the Hohhot Litian Investment and Property Co., Limited's building with appraised value of RMB266,438,000, RMB270,968,000, RMB263,509,000, RMB348,946,000, respectively;

(vii) Certain of Chifeng Victory Property Co., Limited's land and buildings with appraised value of nil, nil, RMB621,850,000, RMB751,860,000, respectively;

(viii) Victory Investment Holding Co., Limited has guaranteed certain of the Target Group's bank loans up to nil, nil, RMB200,000,000, RMB300,000,000, respectively;

(ix) Xilin Gol League Victory Property Co., Limited has guaranteed certain of the Target Group's bank loans up to nil, nil, RMB247,121,000, RMB228,520,000, respectively;

(x) Mr. Zou zhaobin and Mrs. Chen liping (spouse of Mr. Zou zhaobin), Mr. Chen qiangan and Mrs. Gao chenlian (spouse of Mr. Chen qiangan), Mr. Lin zhijian and Mrs. Ye aiyu (spouse of Mr. Lin zhijian) have guaranteed certain of the Target Group's bank loans up to RMB1,467,900,000, RMB1,413,562,000, RMB1,390,294,000, and RMB978,000, respectively; and

(xi) Zuo Zhaobin and his spouse have guaranteed certain of the Target Group's bank loans up to RMB500,000,000, RMB300,000,000, RMB446,912,000, and RMB228,520,000, respectively.

27. SHARE CAPITAL

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid:				
170,000,000 (2013, 2014: 50,000,000, 2015: 170,000,000) ordinary shares	50,000	50,000	170,000	170,000

A summary of movements in the Target Company's share capital is as follows:

	Number of shares in issue	Share capital	Total
		RMB'000	*RMB'000*
At 1 January 2013	50,000,000	50,000	50,000
At 31 December 2013	50,000,000	50,000	50,000
At 1 January 2014	50,000,000	50,000	50,000
At 31 December 2014	50,000,000	50,000	50,000
At 1 January 2015	50,000,000	50,000	50,000
Issue of shares (i)	23,877,000	23,877	23,877
Capital increased from reserves (ii)	20,568,000	20,568	20,568
Capital increase from retained profits (ii)	75,555,000	75,555	75,555
At 31 December 2015	170,000,000	170,000	170,000
At 1 January 2016	170,000,000	170,000	170,000
At 30 June 2016	170,000,000	170,000	170,000

(i) On 26 August 2015, 1,717,000 ordinary shares were issued at RMB1 each to the existing shareholders of the Target Company, which resulted in proceeds of RMB80,000,000. And 23,877,000 ordinary shares were issued at RMB1 each to the existing shareholders of the Target Company, which resulted in the all shares of Baotou Victory Mall Co., Limited.

(ii) On 25 December 2015, the directors determined RMB20,568,000 and RMB75,555,000 of the statutory surplus reserve and retained profit as at 31 August 2015, respectively, were used for increasing capital. The Target Company changed the Business Registration on 31 December 2015.

28. RESERVES

(a) Target Group

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity on pages 6 to 8 of the financial statements.

(b) Statutory surplus reserve

According to the Company Law of the PRC, the Target Group in the PRC are required to appropriate 10% of their profit after tax as reported in the statutory financial statements to the statutory reserve fund, and the statutory reserve fund may be used for making up losses, if any, and increasing capital.

29. PLEDGE OF ASSETS

Details of the Target Group's bank loans, which are secured by the assets of the Target Group, are included in notes 26, 16 and 18, respectively, to the financial statements.

30. OPERATING LEASE ARRANGEMENTS

(i) As lessor

The Target Group 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
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	3,541	20,688	78,540	124,061
In the second to fifth years, inclusive	5,378	54,125	150,038	194,414
After five years	2,539	13,543	89,028	128,782
	11,458	88,356	317,606	447,257

(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**
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	52,555	62,341	140,849	187,118
In the second to fifth years, inclusive	146,760	175,013	431,325	668,894
After five years	132,657	194,129	891,668	766,922
	331,972	431,483	1,463,842	1,622,934

31. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 30(ii) above, the Target Group had the following capital commitments at the end of the Relevant Periods:

Target Group	**As at 31 December**			**As at 30 June**
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for	4,154	20,383	825,950	718,051
	4,154	20,383	825,950	718,051

32. 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:

		Year ended 31 December			Six months ended 30 June	
		2013	**2014**	**2015**	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Recurring transactions						
Rental expenses:						
Inner Mongolia Jinhui Real Estate Development Co., Limited	(i)	—	3,528	28,773	1,764	—
Inner Mongolia Victory Property Co., Limited	(ii)	1,226	1,226	1,226	613	511
Inner Mongolia Victory Property Co., Limited Baotou Branch	(ii)	—	—	2,996	1,907	—
Hohhot Litian Investment and Property Co., Limited	(i)	—	6,549	6,442	3,221	3,172
Xu Xianhai	(iii)	—	—	4,015	2,007	2,040
Inner Mongolia Zhongchengfeixiang Real Estate Development Co., Limited	(iv)	—	1,000	1,000	500	500
		1,226	12,303	44,452	10,012	6,223
Interest received from:						
Inner Mongolia Victoria Property Co., LTD	(ii)	14,303	7,517	2,556	2,556	—
Chifeng Victoria Property Co., LTD	(v)	4,118	4,456	2,356	2,356	—
Xilingol League Victoria Property Co., LTD	(v)	10,279	11,112	5,900	5,900	—
Chifeng Xinweili Shopping Plaza Co., Limited	(i)	369	—	—	—	—
Inner Mongolia Victory Weishang Advertisement Co., Limited	(ii)	262	884	—	—	—
Inner Mongolia Victoria Mo Er City Business Management Co., LTD	(i)	3,653	772	—	—	—
		32,984	24,741	10,812	10,812	—

		Year ended 31 December			Six months ended 30 June	
		2013	2014	2015	2015	2016
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Purchase of assets from:						
Inner Mongolia Jinhui Real Estate Development Co., Limited	(i)	—	—	1,151,340	—	—
Inner Mongolia Victory Property Co., Limited Baotou Branch	(ii)	—	—	417,435	417,435	—
		—	—	1,568,775	417,435	—
Guarantee from:						
Hohhot Litian Investment and Property Co., Limited	(i)	347,000	400,000	400,000	400,000	400,000
Victory Investment Holding Co., Limited	(i)	—	—	200,000	—	300,000
Chifeng Victory Property Co., Limited	(v)	160,000	120,000	285,000	160,000	250,000
Zou Zhaobin, Chen Qiangan, Lin Zhijian and their spouses	(vi)	1,467,900	1,413,562	1,390,294	1,413,630	978,000
Inner Mongolia Victory Property Co., Limited	(ii)	—	100,000	70,000	70,000	—
Inner Mongolia Xinyuan Real Estate Development Co., Limited	(i)	—	199,900	139,930	169,930	—
Zou Zhaobin and his spouse	(vi)	500,000	300,000	446,912	449,800	228,520
Xilin Gol League Victory Property Co., Limited	(v)	—	—	247,121	250,000	228,520
		2,474,900	2,533,462	3,179,257	2,913,360	2,385,040
Guarantee to:						
Inner Mongolia Jinhui Real Estate Development Co., Limited	(i)	—	—	1,007,837	1,007,837	803,300
Xilin Gol League Victory Commercial Trading Co., Limited	(i)	—	55,000	64,000	64,000	45,000
		—	55,000	1,071,837	1,071,837	848,300

(i) The entity was a fellow subsidiary of the Target Company and transferred to a company controlled or significantly influenced by a director or his family close member of the Target Company since the Reorganisation.

(ii) The entity was the subsidiary of a non-controlled shareholder and no longer related party since the Reorganisation.

(iii) The person was the family close member of a director.

(iv) The entity was a company controlled or significantly influenced by family close member of a director.

(v) The entity was a company controlled by a non-controlled shareholder and transferred to a company controlled or significantly influenced by a director or his family close member of the Target Company since the Reorganisation.

(vi) The person was the director of the Target Company.

(vii) The transaction with the related parties was determined based on the underlying contracts as agreed between the Target Group and the related parties.

(viii) The Guarantee was guaranteed for the bank loans.

(b) The Target Group had the following balances with related parties:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties:				
Due from a company significantly influenced by director	—	7,000	—	30,002
Due from a subsidiary of a non-controlling shareholder	429,840	394,058	14,557	48,768
Due from directors	74,531	46,050	5,000	—
Due from family close members of director	—	80,000	9	2,500
Due from fellow subsidiaries	425,097	485,284	625,000	—
Due from a company significantly influenced by a family close member	103,911	131,605	14,574	19,256
	1,033,379	1,143,997	659,140	100,526

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to related parties:				
Due to a company significantly influenced by director	(1,873)	(11,682)	(4,676)	—
Due to a company significantly influenced by family close members	(17)	(2,503)	(823,164)	(663,164)
Due to a subsidiary of a non-controlling	—	(12,813)	(8,044)	(1,054)
Due to directors	(37,140)	(12,750)	(145,199)	(106,500)
Due to family close members of director	(34,550)	(15,550)	—	(20,479)
Due to fellow subsidiaries	(37,598)	(43,397)	(73,580)	(220,000)
	(111,178)	(98,695)	(1,054,663)	(1,011,197)

(c) Compensation of key management:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and allowances	7,829	6,780	4,774	3,142	2,469
Pension scheme contributions	17	17	13	7	5
	7,846	6,797	4,787	3,149	2,474

33. 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 Years are as follows:

31 December 2013

Financial assets	Loans and receivables	Total
	RMB'000	*RMB'000*
Trade receivables	3,448	3,448
Other receivables	1,487,480	1,487,480
Due from related parties	1,033,379	1,033,379
Cash and cash equivalents	250,008	250,008
Pledged deposits	9,975	9,975
	2,784,290	2,784,290

31 December 2014

Financial assets	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale equity investments	—	10,000	10,000
Trade receivables	950	—	950
Other receivables	1,226,850	—	1,226,850
Due from related parties	1,143,997	—	1,143,997
Cash and cash equivalents	142,548	—	142,548
Pledged deposits	88,271	—	88,271
	2,602,616	10,000	2,612,616

31 December 2015

Financial assets	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale equity investments	—	10,000	10,000
Trade receivables	950	—	950
Other receivables	167,337	—	167,337
Due from related parties	659,140	—	659,140
Cash and cash equivalents	205,883	—	205,883
Pledged deposits	88,621	—	88,621
	1,121,931	10,000	1,131,931

30 June 2016

Financial assets	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale equity investments	—	10,000	10,000
Trade receivables	2,846	—	2,846
Other receivables	134,951	—	134,951
Due from related parties	100,526	—	100,526
Cash and cash equivalents	42,477	—	42,477
Pledged deposits	87,457	—	87,457
	368,257	10,000	378,257

Financial liabilities at amortised cost	As at 31 December 2013	2014	2015	As at 30 June 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	516,778	715,909	624,319	613,373
Financial liabilities included in other payables and accruals	341,921	381,094	467,370	259,717
Due to related parties	111,178	98,695	1,054,663	1,011,197
Interest-bearing bank loans and other borrowings	2,194,900	2,139,562	2,142,683	1,459,188
	3,164,777	3,335,260	4,289,035	3,343,475

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Target Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

31 December 2013

Financial liabilities	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Interest-bearing bank loans and other borrowings	2,194,900	2,194,900
	2,194,900	2,194,900

31 December 2014

Financial assets	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Available-for-sale equity investments	10,000	10,000
	10,000	10,000

Financial liabilities

Interest-bearing bank loans and other borrowings	2,139,562	2,139,562
	2,139,562	2,139,562

31 December 2015

Financial assets	**Carrying amounts**	**Fair values**
	RMB'000	*RMB'000*
Available-for-sale equity investments	10,000	10,000
	10,000	10,000

Financial liabilities		
Interest-bearing bank loans and other borrowings	2,142,683	2,142,683
	2,142,683	2,142,683

30 June 2016

Financial assets	**Carrying amounts**	**Fair values**
	RMB'000	*RMB'000*
Available-for-sale equity investments	10,000	10,000
	10,000	10,000

Financial liabilities		
Interest-bearing bank loans and other borrowings	1,459,188	1,459,188
	1,459,188	1,459,188

Management has assessed that the fair values of trade receivables and other receivables, cash and cash equivalents, pledged deposits, trade payables, and other payables 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 and other borrowings 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.

Fair value hierarchy

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

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments:				
Equity investments	—	—	10,000	10,000
	—	—	10,000	10,000

As at 31 December 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:				
Equity investments	—	—	10,000	10,000
	—	—	10,000	10,000

As at 30 June 2016

	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:				
Equity investments	—	—	10,000	10,000
	—	—	10,000	10,000

The Target Group did not have any financial assets measured at fair value as at 31 December 2013 and financial liabilities measured at fair value as at 31 December 2013, 2014, 2015 and 30 June 2016.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments, comprise interest-bearing bank loans, cash and cash equivalents. 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.

Target Group	**Increase/(decrease) in profit before tax**			
	Year ended 31 December			**Six months ended 30 June**
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Change in basis points				
+50 basis points	(6,758)	(6,216)	(5,508)	(2,784)
-50 basis points	6,758	6,216	5,508	2,784

Credit risk

The credit risk of the Target Group's financial assets, which comprise trade receivables and other receivables, 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 21 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 Relevant Periods is as follows:

	As at 31 December 2013			
	On demand	Within one year	Over one year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	516,778	—	516,778
Financial liabilities included in other payables and accruals	—	341,921	—	341,921
Due to related parties	111,178	—	—	111,178
Interest-bearing bank loans and other borrowing	—	876,290	1,318,610	2,194,900
	111,178	1,734,989	1,318,610	3,164,777

	As at 31 December 2014			
	On demand	Within one year	Over one year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	715,909	—	715,909
Financial liabilities included in other payables and accruals	—	381,094	—	381,094
Due to related parties	98,695	—	—	98,695
Interest-bearing bank loans and other borrowing	—	1,260,063	879,499	2,139,562
	98,695	2,357,066	879,499	3,335,260

	As at 31 December 2015			
	On demand	**Within one year**	**Over one year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	624,319	—	624,319
Financial liabilities included in other payables and accruals	—	467,370	—	467,370
Due to related parties	1,054,663	—	—	1,054,663
Interest-bearing bank loans and other borrowing	—	1,715,350	427,333	2,142,683
	1,054,663	2,807,039	427,333	4,289,035

	As at 30 June 2016			
	On demand	**Within one year**	**Over one year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	613,373	—	613,373
Financial liabilities included in other payables and accruals	—	259,717	—	259,717
Due to related parties	1,011,197	—	—	1,011,197
Interest-bearing bank loans and other borrowing	—	1,092,136	367,052	1,459,188
	1,011,197	1,965,226	367,052	3,343,475

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages 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 capital and net debt. The Target Group's is making effort to improve the gearing ratio to a reasonable level. Net debt includes trade payables, due to related parties, interest-bearing bank loans and other payables and accruals less cash and cash equivalents. The gearing ratios as at the end of the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans and other borrowings (note 26)	2,194,900	2,139,562	2,142,683	1,459,188
Trade payables	516,778	715,909	624,319	613,373
Financial liabilities included in other payables and accruals	341,921	381,094	467,370	259,717
Due to related parties	111,178	98,695	1,054,663	1,011,197
Less: Cash and cash equivalents (note 23)	(250,008)	(142,548)	(205,883)	(42,477)
Net debt	2,914,769	3,192,712	4,083,152	3,300,998
Equity attributable to owners of the parent	(258,878)	(243,861)	(128,637)	19,649
Capital and net debt	2,655,891	2,948,851	3,954,515	3,320,647
Gearing ratio	110%	108%	103%	99%

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Target Company at the end of the Relevant Periods is as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	68,769	69,870	64,104	67,551
Other intangible assets	726	539	492	331
Investments in subsidiaries	400,350	394,350	283,000	223,000
Available-for-sale equity investments	—	10,000	10,000	10,000
Total non-current assets	469,845	474,759	357,596	300,882
CURRENT ASSETS				
Inventories	13,202	11,555	12,469	16,714
Prepayments and other receivables	1,376,494	1,634,203	1,957,015	1,689,219
Cash and cash equivalents	169,426	53,556	108,963	11,885
Total current assets	1,559,122	1,699,314	2,078,447	1,717,818
CURRENT LIABILITIES				
Trade and bills payables	125,709	174,868	143,794	192,251
Deposits received, accruals and other payables	477,303	472,608	496,356	645,371
Interest-bearing bank loans and other borrowings	399,900	696,462	1,122,642	608,255
Income tax payable	(321)	1,082	12,459	6,149
Other current liabilities	—	—	770	—
Total current liabilities	1,002,591	1,345,020	1,776,021	1,452,026
NET CURRENT ASSETS	556,531	354,294	302,426	265,792
TOTAL ASSETS LESS CURRENT LIABILITIES	1,026,376	829,053	660,022	566,674

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Interest-bearing bank loans	907,000	701,940	480,940	384,000
Total non-current liabilities	907,000	701,940	480,940	384,000
Net assets	119,376	127,113	179,082	182,674
EQUITY				
Share capital	50,000	50,000	170,000	170,000
Other reserves	69,376	77,113	9,082	12,674
Total equity	119,376	127,113	179,082	182,674

Note:

A summary of the Target Company's reserves is as follows:

	Capital reserve	Statutory surplus reserve	Retained profits/ (accumulated losses)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	—	23,764	70,197	93,961
Total comprehensive income for the year	—	—	(24,585)	(24,585)
Profit appropriated to reserve	—	2,410	(2,410)	—
At 31 December 2013 and 1 January 2014	—	26,174	43,202	69,376
Total comprehensive income for the year	—	—	7,737	7,737
At 31 December 2014 and 1 January 2015	—	26,174	50,939	77,113
Total comprehensive income for the year	—	—	21,969	21,969
Capital increased from reserves	—	(20,568)	(75,555)	(96,123)
Issue of shares	6,123	—	—	6,123
At 31 December 2015	6,123	5,606	(2,647)	9,082
At 31 December 2015 and 1 January 2016	6,123	5,606	(2,647)	9,082
Total comprehensive income for the period	—	—	3,592	3,592
At 30 June 2016	6,123	5,606	945	12,674

37. 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 2016.

Yours faithfully,

Ernst & Young
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 of the Target Company

The Target Company is a company established in the People's Republic of China with limited liability and is principally engaged in owning and operating department stores, supermarkets and commercial real estate business.

The following sets out the details of the department stores owned by the Target Company:

Name	Location	Total area (square meter)	Self-owned or under management	Operation commencement date	Number of workforce
Victoria Commercial Centre* (維多利商廈)	Inner Mongolia	68,602	Self-owned	May 2003	207
Victoria Shopping Centre* (維多利購物中心)	Inner Mongolia	60,127	Self-owned	September 2006	154
Victoria International Plaza* (維多利國際廣場)	Inner Mongolia	91,435	Self-owned	October 2008	174
Baotou Victoria Commercial Centre* (包頭維多利商廈)	Inner Mongolia	73,684	Self-owned	October 2010	150
Victoria Moore City* (維多利摩爾城)	Inner Mongolia	187,756	Self-owned	December 2013	53
Baotou East River Victoria Plaza* (包頭東河維多利廣場)	Inner Mongolia	93,066	Self-owned	November 2014	170

The following sets out details of the property under development by the Target Company:

Project name	Location	Total ground area (square meter)	Total construction area (square meter)	Units to be developed	Status
Victoria Imperial International Project (檔案館維多利君豪國際項目(賣場)[1]	New Town, Xinhua Street (North), Inner Mongolia 新城區新華大街以北、原檔案館舊址	10461.5	27763.24	3153	Completed

(1) Victoria Imperial International Project is situated at the centre of Hothot. The project commenced in 2012 and completed in 2015. Currently, the project is preliminarily positioned as a medium-end department store. It is expected to offer mainly Korean-style products via collaboration with Korean brands. As of the date of the Circular, 1496 units have been pre-sold, accounting for 47% of all saleable units in the project. The Company plans to officially commence the sale of all remaining units in the project to the market in early 2017.

The following sets out the property developed by the Target Company as at 30 June 2016:

Project name	Total ground area (square meter)	Total construction area (square meter）	Total area of units sold (square meter)	Number of units sold	Number of units unsold
Victoria Imperial Town* (維多利帝豪名都)	11305.8	72581.82	23027.34	210	49554.48

Revenue

For the years ended 31 December 2013, 2014 and 2015, the Target Company recorded revenue of approximately RMB1,203.5 million, RMB1,404.9 million and RMB1,386.2 million, respectively. For the six months ended 30 June 2016, the Target Company recorded revenue of approximately RMB699.4 million representing a decrease of approximately RMB5.8 million as compared with approximately RMB705.2 million for the six months ended 30 June 2015. The decrease was mainly attributable to the declining of macroeconomics and the impact of online shopping.

For the six months ended 2016, the Target Company recorded a net profit after tax of approximately RMB36.3 million, representing an increase of approximately RMB34.7 million as compared with a net profit after tax of approximately RMB1.6 million for the six months ended 2015. Such change was mainly attributable to the decrease of finance cost.

Service fee income

The Target Company's service fee income is predominantly derived from (a) contracts with counter suppliers and tenants, which mainly includes income-linked management fees (which is based on a certain percentage of the suppliers' monthly sales amount and on average, approximately between 15% to 25%); and (b) promotion fees and advertising costs (which is also based on a certain percentage of the suppliers' monthly sales amount and on average, approximately between 1% to 5%).

Property Management income

The following sets out details of the Target Company's property management income:

Property management project name	Nature of project	Target Company's role	Annual management fee receivable (RMB)	Service Period
Victoria Commercial Prestigious Town* (維多利商品名宅)	Residential	Property management, carpark management	781,742	Since May 2008
Victoria Imperial Town* (維多利帝豪名都)	Residential	Property management, carpark management	261,551	Since October 2012
Victoria Moore City* (Blocks B and C, 6th and 7th floors residential and shops) (維多利摩爾城)	Residential and commercial	Property management	963,589	Since March 2013
Victoria Building* (office building) (維多利大廈)	Commercial	Property management	234,178	Since March 2013

Other income

For the years ended 31 December 2013, 2014 and 2015, the Target Company's other income amounted to RMB181.6 million, RMB222.3 million and RMB253.4 million, respectively. For the six months ended 30 June 2016, the Target Company's other income amounted to RMB126.2 million, representing a decrease of 4.1% as compared with RMB131.6 million for the same period in 2015.

Cost of sales

For the years ended 31 December 2013, 2014 and 2015, the Target Company's cost of sales amounted to RMB603.7 million, RMB763.7 million and RMB733.5 million, respectively. For the six months ended 30 June 2016, the Target Company's cost of sales amounted RMB342.5 million, representing a decrease of 13.8% as compared with RMB397.2 million for the same period in 2015. The decrease in cost of sales was mainly attributable to the decrease in sales proceeds from concessionaire sales and direct sales.

Employee expenses

For the years ended 31 December 2013, 2014 and 2015, the Target Company's employee expenses amounted to RMB136.0 million, RMB144.6 million and RMB138.3 million, respectively. For the six months ended 30 June 2015 and 2016, the Target Company's employee expenses amounted to RMB71.6 million and RMB62.3 million, respectively.

Depreciation and amortisation

For the years ended 31 December 2013, 2014 and 2015, the Target Company's depreciation and amortisation amounted to RMB78.5 million, RMB73.1 million and RMB66.5 million, respectively. For the six months ended 30 June 2015 and 2016, the Target Company's depreciation and amortisation amounted to RMB29.4 million and RMB60.3 million, respectively.

Operating lease rental expenses

For the years ended 31 December 2013, 2014 and 2015, the Target Company's operating lease rental expenses amounted to RMB109.1 million, RMB131.2 million and RMB158.2 million, respectively. For the six months ended 30 June 2015 and 2016, the Target Company's operating lease rental expenses amounted to RMB65.6 million and RMB64.8 million, respectively.

Liquidity and Financial Resources

As at 31 December 2013, 2014 and 2015, the Target Company's total assets amounted to approximately RMB3,806.2 million, RMB3,887.3 million and RMB4,999.7 million, respectively.

As at 31 December 2013, 2014 and 2015, the Target Company had cash and cash equivalents of approximately RMB250.0 million, RMB142.5 million and RMB205.9 million, respectively.

Capital structure

As at 31 December 2013, 2014 and 2015, the Target Company have interest-bearing bank loans and other borrowings approximately RMB2,194.9 million, RMB2,139.6 million and RMB2,142.7 million, respectively.

Gearing ratio

As at 31 December 2013, 31 December 2014 and 31 December 2015, the gearing ratio (calculated by total liabilities divided by total assets) amounted to approximately 107%, 106% and 103%, respectively.

Inventory turnover ratio

As at 31 December 2013, 2014 and 2015, the Target Company recorded an inventory turnover ratio of approximately 7.26, 9.14 and 8.84, respectively. For the six months ended 30 June 2016, the Target Company recorded an inventory turnover ratio of approximately 8.88 and no great fluctuation was noted.

Account receivable turnover days

As at 31 December 2013, 2014 and 2015, the Target Company recorded an account receivable turnover days of approximately 1.03, 0.56 and 0.25, respectively. For the six months ended 30 June 2016, the Target Company recorded an account receivable turnover days of approximately 0.98 and no great fluctuation was noted.

Account payable turnover days

As at 31 December 2013, 2014 and 2015, the Target Company recorded an account payable turnover days of approximately 308, 291 and 328, respectively. For the six months ended 30 June 2016, the Target Company recorded an account payable turnover days of approximately 325 and no great fluctuation was noted.

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 minimize its financial risks. Future projects will be financed by cash flows from operations or capital raised by means of equity financing.

Capital commitment

As at 30 June 2016, 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 2013 to 30 June 2016.

Contingent liabilities

As at 30 June 2016, the Target Company did not have any significant contingent liabilities.

Pledge of asset

As at 30 June 2016, the Target Company did not have any pledge of assets.

Employee information

As at 30 June 2016, the Target Company had 2,000 employees (including directors).

Remuneration policy

The Target Company recruits, employs, promotes and remunerates its employees based on their qualification, experience, skills, performance and contribution. Remuneration is also determined with reference to, among others, the market trend. Other benefits include social insurance and allowance. Bonus to the employees of the 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 2013, 2014 and 2015, staff costs of the Target Company were approximately RMB135.9 million, RMB144.6 million and RMB138.3 million, respectively. For the six months ended 30 June 2016, staff costs of the Target Company were approximately RMB60.3 million.

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.

Business prospects

The upgrade of domestic consumption stimulutes the consumption industry. Commerce department statistics shows that in 2015, total retail sales of social consumer goods was approximately RMB30.09 trillion, an increase of 10.68% when compared with 2014. We expect that the total retail sales of consumer goods will continue to maintain a steady growth throughout the rest of 2016. In the long run, China's economic structure transformation is upgrading, which is the fundamental guarantee of good consumption industry.

In the outline of the 13th "Five-Year Plan", the Chinese government set a clear goal to double China's Gross Domestic Product and the income of urban and rural residents by 2020. At the same time it promised to "strengthen spending ability, improve public consumption expectations, develop spending potential of agricultural villages and expand spending by residents". In addition, emphasis is placed on the expansion of consumption of services to lead the structural upgrade on consumption. The government's strategic focus will include expanding domestic demand, stimulating spending and increasing residents' disposable income. Together with the continuous improvement of the social security system, the domestic demand for middle and high-end consumer products will continue to grow. The department store industry contains a large number of opportunities for acquisitions. Development history of the international department store industry suggests that merger, acquisition and reorganisation are the most effective way to foster industrial consolidation and market concentration.

The current top ten department stores in the United States, such as Macy's, Sears, JcPenny, Nordstrom, Dillard, Saks etc., all achieved absolute growth in terms of scale and market share through mergers and acquisitions of other department stores in the region. For example, United Department Store bought Macy's in 1994 and now owns 840 Macy's and Bloomingdale's department stores in 45 states in the United States and also operates Macy's online store, Bloomingdales online store and 9 Bloomingdale's discount stores.

At present, a wave of lateral integration has begun within the domestic department store industry in China. Large department stores frequently purchase individual department stores that have been declining in terms of performance in order to occupy core business circles in first- and second-tier cities as early as possible so to gain potential consumption resources stemming from urban development. If an enterprise can't timely and actively manoeuvre into this wave of merger, acquisition and reorganisation, it will miss good opportunities amid the increase of residents' income and consumption upgrade, and will therefore be placed in disadvantage in the competition within the department store industry categorised by continuous polarisation.

Future plans

1. With the benefit of synergy, the Company's continued profitability will be further enhanced

The Target Company's department stores are located in the core area of Inner Mongolia, which business circle is rich in resources. After completion of the Acquisition, the Group's market share in Inner Mongolia will increase further and its market status and bargaining power are expected to enhance. At the same time, the Company will be more capable in dictating brand planning and layout. On the basis of effective integration, operating cost will be reduced. Consequently, the successful completion of the Acquisition is conducive to further improving the Company's profitability.

2. Through the Acquisition, the overall competitiveness of the company can be further enhanced

The Target Company's main business is retail department store in the high-end market. It is complementary to the business structure of the Company. Through this Acquisition, the Company will be significantly more influential in the northern area of China. The Company's advantages in terms of operating scale, business resources, channel advantages and brand advantages will more significant.

A. UNAUDITED PRO FORMA FINANCIAL INFORAMTION OF THE ENLARGED GROUP

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

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2015 extracted from the 2015 year end report of the Company, and the audited combined statement of financial position of the Target Group as at 30 June 2016 as set out in Appendix II to this Circular after giving effect to the pro forma adjustments described in the accompanying notes and is prepared in accordance with Rule 4.29 of the Listing Rules.

ENLARGED GROUP UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	The Group as at 31 December 2015 (Audited) RMB'000	The Target Group as at 30 June 2016 (Audited) RMB'000	Pro forma adjustments Payment to be made (Unaudited) RMB'000 (note 1)	Pro forma adjustments Recognition of goodwill (Unaudited) RMB'000 (note 2)	Pro forma Enlarged Group (Unaudited) RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	7,143,817	3,150,941	—	399,647	10,694,405
Other Intangible assets	57,405	330	—	—	57,735
Land lease prepayments	4,254,138	99,842	—	1,722,373	6,076,353
Goodwill	283,934	1,381	—	474,290	759,605
Investment properties	942,607	274,632	—	103,075	1,320,314
Investments in associates	2,337,550	—	—	—	2,337,550
Available-for-sale equity investments	1,526,180	10,000	—	(611)	1,535,569
Prepayments	1,121,792	1,203	—	—	1,122,995
Deferred tax assets	489,059	—	—	—	489,059
Total non-current assets	18,156,482	3,538,329	—	2,698,774	24,393,585
CURRENT ASSETS					
Inventories	195,689	72,160	—	—	267,849
Completed properties held for sale	1,294,965	3,929	—	—	1,298,894
Properties under development	7,165,604	195,149	—	23,897	7,384,650
Trade receivables	20,703	2,846	—	—	23,549
Prepayments and other receivables	1,861,797	268,369	—	—	2,130,166
Equity investments at fair value through profit or loss	250,535	—	—	—	250,535
Pledged deposit	59,488	87,457	—	—	146,945
Cash and cash equivalents	1,248,868	42,477	—	—	1,291,345
Loans and receivables	12,219	—	—	—	12,219
Total current assets	12,109,868	672,387	—	23,897	12,806,152

	The Group as at 31 December 2015 (Audited) *RMB'000*	The Target Group as at 30 June 2016 (Audited) *RMB'000*	Pro forma adjustments Payment to be made (Unaudited) *RMB'000* *(note 1)*	Pro forma adjustments Recognition of goodwill (Unaudited) *RMB'000* *(note 2)*	Pro forma Enlarged Group (Unaudited) *RMB'000*
CURRENT LIABILITIES					
Interest-bearing bank loans and other borrowings	7,793,180	1,075,188	—	—	8,868,368
Trade and bills payables	2,027,391	613,373	—	—	2,640,764
Deposits received, accruals and other payables	5,187,172	2,085,757	1,565,300	—	8,838,229
Income tax payable	386,918	—	—	—	386,918
Dividend payable	433	32,749	—	—	33,182
Total current liabilities	15,395,094	3,807,067	1,565,300	—	20,767,461
NET CURRENT (LIABILITIES)/ASSETS	(3,285,226)	(3,134,680)	(1,565,300)	23,897	(7,961,309)
TOTAL ASSETS LESS CURRENT LIABILITIES	14,871,256	403,649	(1,565,300)	2,722,671	16,432,276
NON-CURRENT LIABILITIES					
Interest-bearing bank loans	5,122,863	384,000	—	—	5,506,863
Deferred tax liability	1,223,440	—	—	561,750	1,785,190
Other long-term liability	1,893	—	—	—	1,893
Provision for retirement benefits	8,052	—	—	—	8,052
Total non-current liabilities	6,356,248	384,000	—	561,750	7,301,998
Net assets/(liabilities)	8,515,008	19,649	(1,565,300)	2,160,921	9,130,278

Note 1

For the purpose of preparing the Unaudited Pro Forma Financial Information, it is assumed that the Initial Purchase Price had been settled in its full amount of RMB1,565,300,000. The adjustment comprise adjusts of Deposits received, accruals and other payables about RMB1,565,300,000.

Note 2

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

For the purpose of preparing the Unaudited Pro Forma Financial Information, the Company has estimated the fair value of the identifiable assets and liabilities of the Target Group as at 31 December 2015, based on a valuation report prepared by Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd.(as set out in Appendix V). The fair value adjustments comprise the recognition of (i) property, plant and equipment of RMB399,647,000, (ii) land lease prepayments of RMB1,722,373,000, (iii) goodwill generated from the reorganisation of the Target Group of RMB1,381,000, (iv) investment properties of RMB103,075,000, (v) available-for-sale equity investments of RMB611,000, (vi) properties under development of RMB23,897,000, (vii) related deferred tax liabilities adjustment arising from the fair value adjustment based on the applicable tax rate of RMB561,750,000, (viii) non-controlling interests owned 30% of the Target Company of RMB466,984,000, and (ix) goodwill on acquisition of RMB475,671,000.

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

	RMB'000
Cash consideration	1,565,300
Net liabilities value of the Target Group as at 31 December 2015	(128,637)
Fair value adjustments on property, plant and equipment (note a)	399,647
Fair value adjustments on land lease prepayments (note a)	1,722,373
Fair value adjustments on goodwill (note a)	(1,381)
Fair value adjustments on investment properties (note a)	103,075
Fair value adjustments on available-for-sale equity investments (note a)	(611)
Fair value adjustments on properties under development (note a)	23,897
Deferred tax liabilities arising from fair value adjustments (note b)	(561,750)
Non-controlling interests	(466,984)
Goodwill on acquisition	475,671

Note a: The fair value adjustments of RMB2,247,000,000 represented the difference between the fair value of net liabilities as at 31 December 2015 which is RMB2,118,363,000, with reference to the professional valuation under the asset-based approach (as set out in Appendix V) carried out by Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd., and their carrying amount of RMB128,637,000 as at 31 December 2015, mainly due to the value surplus of the Target Group are property, plant and equipment, land lease prepayments, investment properties and properties under development.

Note b: Deferred tax liabilities of RMB561,750,000 is totally deferred corporate income tax, and is calculated at 25% on the valuation surplus of RMB2,247,000,000.

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

Note 3

Draw the investors to attention, the interim report of the Group, including the Target Group, for the six months ended 30 June 2016 has been announced dated 14 September 2016.

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 independent reporting accountants Ernst & Young.

31 October 2016

The Directors

Maoye International Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Maoye International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), and Inner Mongolia Victoria Commercial (Group) Co., Ltd. (together with the Group hereafter collectively referred to as the "Enlarged Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities of the Enlarged Group (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in notes (1) to (2) to Appendix IV to the circular of the Company dated 31 October 2016 (the "Circular").

The Pro Forma Financial Information has been compiled by the Directors, for illustrative purpose only, to provide information about how the acquisition of the Target Group by the Company might have affected the financial position of the Group as if the transaction had taken place at 31 December 2015. As part of this process, the audited consolidated statement of financial position of the Group as at 31 December 2015 has been extracted by the Directors from the annual results announcement of the Company for the period ended 31 December 2015 dated 14 March 2016 and the audited financial information of the Target Group as at 30 June 2016 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.

Reporting Accountants' responsibilities (continued)

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

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

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

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

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

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

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

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

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

Opinion

In our opinion:

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

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

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

Yours faithfully,

Ernst & Young

Certified Public Accountants
Hong Kong

DISCLAIMER

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

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

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

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

V. We have the practicing qualifications and relevant professional valuation experience required in the valuation business.

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

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

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

IX. We have not considered the impact to the valuation conclusions arising from any limiting factors such as the guarantee and pledge of appraised asset reported herein.

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

XI. Neither discount of minority interest or premium over controlling interest is considered in the equity value during this valuation, nor do we consider the impact of discount of liquidity on the equity value.

Important Notice

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

Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd. (國眾聯資產評估土地房地產估價有限公司) was entrusted by Maoye Commercial Co., Ltd. (茂業商業股份有限公司) to conduct valuation on the market value of entire shareholder's equity interests of Victoria Group in respect of the proposed equity acquisition by Maoye Commercial Co., Ltd. as at 31 December 2015, in accordance with relevant laws and regulations as well as the standards of asset appraisal and by valuation methods of the asset-based approach and the income approach, as well as the necessary valuation procedures.

I. **Entrusting Party and Appraised Entity**

Entrusting Party: Maoye Commercial Co., Ltd. (formerly "Chengshang Group Co., Ltd. (成商集團股份有限公司)")

Appraised Entity: Inner Mongolia Victoria Commercial (Group) Co., Ltd. ("Victoria Group")

II. **Purpose of Valuation**

Maoye Commercial Co., Ltd. proposes to acquire the equity interests of Victoria Group, this valuation provides a value reference basis for the economic behavior of the proposed equity interest acquisition by Maoye Commercial Co., Ltd. The economic behavior has been approved at the 61st meeting of the seventh session of the board of Directors by Chengshang Group Co., Ltd.

III. **Valuation Subject and Scope of Valuation**

The valuation subject is the total shareholders' equity of Victoria Group as at the valuation base date. Companies included by Victoria Group in this equity transfer consist of Victoria Group (parent), Inner Mongolia Victoria Commercial Management Co., Ltd. (內蒙古維多利商業管理有限公司) (a subsidiary, "Victoria Commercial"), Inner Mongolia Victoria Xincheng Commercial Management Co., Ltd. (內蒙古維多利新城商業管理有限公司) (a subsidiary, "Victoria Xincheng"), Baotou Victoria Trade Building Co., Ltd. (包頭市維多利商廈有限公司) (a subsidiary, "Baotou Trade Building"), Inner Mongolia Jinweili Commercial Management Co., Ltd. (內蒙古金維利商業管理有限公司) (a subsidiary, "Jinweili"), Baotou Victoria Commercial Management Co., Ltd. (包頭市維多利商業管理有限公司) (a subsidiary, "Baotou Victoria Commercial"), Inner Mongolia Victoria Hypermarket Chain Co., Ltd. (內蒙古維多利超市連鎖有限公司) (a subsidiary, "Victoria Hypermarket"), Hohhot Victoria Real Estate Development Co., Ltd. (呼和浩特市維多利房地產開發有限公司) (a subsidiary, "Victoria Real Estate"), Inner Mongolia Ludi Real Estate Co., Ltd. (內蒙古魯弟房地產有限公司) (a subsidiary, "Ludi Real Estate"), Inner Mongolia Jiashijie Real Estate Co., Ltd. (內蒙古家世界房地產有限公司) (a subsidiary, "Jiashijie Real Estate"), Baotou Victoria Hypermarket Co., Ltd. (包頭市維多利超市有限公司) (a subsidiary of Victoria Hypermarket, "Baotou Hypermarket"), Hohhot Victoria Property Services Co., Ltd. (呼和浩特市維多利物業服務有限責任公司) (a subsidiary of Jinweili, "Victoria Property") and Baotou Victoria Property Management Co., Ltd. (包頭市維多利物業管理有限公司) (a subsidiary of Baotou Victoria Commercial, "Baotou Property").

The specific scope of valuation includes all assets and liabilities of Victoria Group as at the valuation base date (companies included in the scope of this equity transfer will be consolidated), for which the book value of total assets, total liabilities and shareholders' equity amounted to RMB5,026,928,000, RMB5,040,107,900 and RMB-13,179,800, respectively. The book value prior to the valuation was audited by Peking Certified Public Accountants (Special General Partnership) (中勤萬信會計師事務所(特殊普通合夥)), for which a unqualified audit report, Qin Xin Shen Zi [2016] No. 1614, has been issued.

IV. **Valuation Base Date**

The valuation base date for this asset valuation is 31 December 2015. The valuation base date is determined by the entrusting party for the reason that such date is close to the implementation date of the purpose of the valuation. The valuation standards for this valuation are the pricing standards effective as at the valuation base date.

V. **Implementation Process and Conditions of the Valuation Procedures**

According to the requirements on asset valuation of the relevant authorities of the PRC and the general principles on accounting and auditing, and according to the letter of engagement for asset valuation entered into between our company and Maoye Commercial Co., Ltd., our valuation staff performed validation and examination of the legal documents as well as accounting records and related information provided by the appraised entity, and conducted on-site inspection and verification of the assets. We also obtained relevant title proof documents, conducted necessary market research and comparison of trading prices, as well as other procedures for asset valuation which we consider verification of necessary to implement.

VI. Valuation Approaches

The asset-based approach and income approach are adopted for this valuation.

VII. Value Types

We have adopted market value as the type of value in this valuation.

VIII. Valuation Assumptions

(I) Basic assumptions

1. Open Market Assumption: The Open Market Assumption is an assumption and limitation as to the conditions applicable to assets entering into the market and what influence that will be imposed on such assets under such market conditions. The open market is a fully developed and improved market where voluntary purchasers and sellers compete with each other on an equal basis. In the market, both purchasers and sellers have ample opportunity and time to acquire market information, and their tradings are on a voluntary, rational and not mandatory, or unrestricted basis.

2. Sustainable Use Assumption: Firstly, it is assumed that the appraised assets are being used (including assets being used and reserved assets); secondly, based on relevant information and data, it is assumed that the assets being used will continuously be used. Assumption of sustainable use on one hand explains what market conditions or environment the appraised assets are subject to and on the other hand explains the continued existence of the assets. Specifically, it includes continuing to be used as existing usage; continuing to be used with a change of usage; continuing to be used at a different location or space. Continuing to be used as existing usage refers to the case when the appraised asset will continue to be used in accordance with the existing usage and form after the ownership is changed or asset business occurred. Continuing to be used with a change of usage refers to the case when the appraised asset will continue to be used with a change of usage where the existing usage is replaced by a new usage after the ownership is changed or asset business occurred. Continuing to be used at a different location or space refers to the case when the appraised asset in use will continue to be used with a change of location or space and continue to be used at another location or space after the ownership is changed or asset business occurred. We assume continuing to be used as existing usage is applied for the use of assets during this valuation.

3. Going concern assumption: The appraised entities, based on its existing assets and resources, will continue to operate legally and will not cease to operate in the foreseeable future because of whatever reason.

4. Transactional assumption: Transaction assumption is to assume that all the assets to be valued are already in the process of transaction and the valuer carries out the valuation based on a simulated market which involves the transaction conditions of the assets to be valued. Transaction assumption is the basic assumption for the valuation of assets.

(II) **General assumptions**

1. There expects to be no material changes in the relevant current national laws, regulations and policies applicable to the industry of the appraised entities.

2. There expects to be no material changes in socio-economic environment and economic development, save and except those changes known to the public.

3. The fluctuation in the bank's interest rates and exchange rates will be within a reasonable range.

4. There will be no material changes in the taxation policies that are currently in place, save and except those changes known to the public.

5. There will be no other unpredictable and force majeure factors which would cause material adverse effect.

6. There will be no material changes in the appraised entities' accounting policy and auditing method following the base date of the valuations.

7. The cash flow of the appraised entities is being generated in the middle of every forecast period.

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

9. The future development plan and operational data provided to the valuer by the appraised entities will be materialised in future operation according to the plan.

10. There will be no material changes in the companies' mode of operation.

(III) **Special Assumptions**

1. In terms of the legal description or legal issues of the appraised assets (including their ownership or encumbrance limitations) in the appraisal report, the Company has performed general investigation according to the requirements of standards. Apart from those disclosed in the appraisal report, the ownership of the appraised assets in the course of appraisal is assumed to be in good condition and tradable in the market, while not subject to any lien and easement, be unviolated and bearing no other encumbrance limitations.

2. In terms of the information provided by the principal and other parties upon which all or part of the valuation conclusions set out in the appraisal report relies, the Company has only conducted independent review pursuant to the valuation procedures. The Company makes no assurance as to the authenticity and accuracy of such information.

3. All licenses, permits, letters of consent or other legal or administrative authorisation documents signed and issued by relevant local and national government institutions, private organisations or groups, which are required as basis of value estimation by the users of assets in the appraisal report, have been or could be obtained or updated at any time.

4. The valuations are made based on the purchasing power of local currency on the valuation base date.

5. All improvements on the relevant assets performed by Victoria Group are in line with all the requirements of relevant laws and the regulations related to other laws, plans, or engineering codes set by relevant competent departments at higher levels.

6. Estimations in this Valuation Reports are made based on the assumption that all significant or potential factors which may affect the value analysis have been disclosed to us by the appraised entities.

This valuation result is conditional upon the satisfaction of above assumptions of valuation. The valuation result will be normally invalid if any change occurs to the assumptions of valuation complied in this valuation.

IX. **Valuation Conclusions**

Asset-based approach and income approach were adopted in this valuation, we have arrived at the following evaluation conclusions according to the above valuations:

(I) **Valuation conclusions of asset-based approach**

As at the valuation base date, i.e. 31 December 2015, the book value and the appraised value of total assets were RMB5,026,928,000 and RMB7,297,707,300, respectively, representing an appreciation of RMB2,270,779,300 and an appreciation rate of 45.17%;

The book value and the appraised value of total liabilities were RMB5,040,107,900 and RMB5,040,107,900, respectively, of which there is no difference between the appraised value and the book value;

The book value and the appraised value of net assets were RMB-13,179,800 and RMB2,257,599,500, respectively, representing an appreciation of RMB2,270,779,300 and an appreciation rate of 17,229.24%.

For details of the valuation conclusions, please refer to the summary of result of asset valuation and summary of valuation breakdown.

Summary of Result of Asset Valuation
Valuation basis date: 31 December 2015
Appraised Entity: Inner Mongolia Victoria Commercial (Group) Co., Ltd. Unit: RMB 0'000

No.	**Item**	**Book Value** A	**Appraised Value** B	**Appreciation/ Depreciation** C=B-A	**Appreciation Rate%** D=C/A×100%
1	Current Assets	145,037.27	150,920.89	5,883.62	4.06
2	Non-Current Assets	357,655.54	578,849.84	221,194.30	61.85
3	Of which: Available-for-sale financial assets	1,000.00	938.93	-61.07	-6.11
4	Held-to maturity investments				
5	Long-term receivables				
6	Long-term equity investments				
7	Investment properties				
8	Fixed assets	337,639.55	568,684.84	231,045.29	68.43
9	Construction in progress				
10	Construction materials				
11	Clearance of fixed assets				
12	Productive biological assets				
13	Oil and gas assets				
14	Intangible assets	9,729.15	51.81	-9,677.34	-99.47
15	Development expenses				
16	Goodwill	112.57	0.00	-112.57	-100.00
17	Long-term deferred expenses	9,144.32	9,144.32	0.00	0.00
18	Deferred profit tax assets	29.95	29.95	0.00	0.00
19	Other non-current assets				
20	Total Assets	502,692.80	729,770.73	227,077.93	45.17
21	Current Liabilities	445,916.79	445,916.79	0.00	0.00
22	Non-Current Liabilities	58,094.00	58,094.00	0.00	0.00
23	Total Liabilities	504,010.79	504,010.79	0.00	0.00
24	Net Assets (Shareholders' Equity)	-1,317.98	225,759.95	227,077.93	17,229.24

(II) **Valuation conclusions of income approach**

Based on the income approach, the appraised value of vale of entire shareholders' equity of Victoria Group amounted to RMB1,128,672,100, the appraised value was appreciated by RMB1,141,851,900 or an appreciation rate of 8,663.65% when compared with the book value of net assets.

(III) **Selection of valuation conclusions**

The difference between the valuation conclusions of the income approach and the asset-based approach amounted to RMB1,128,927,400 or a variance of 50.01%, which is mainly attributable to the following reasons:

The asset-based approach is to appraise and estimate the value of all the factor assets of the enterprise with proper method according to the specific situation of such assets on a going concern basis and with the assumption of replacing all the production factors, sum all the values and deduct the appraised value of relevant liabilities to derive the appraised value of the entire shareholders' equity interests under the asset-based approach, representing the replacement value of the enterprise based on existing assets. While the income approach is a method to calculate the appraised value based on the expected income of the enterprise in the future, which considers the impact of whether each asset of the enterprise is fully and reasonably utilized and whether each asset, in combination, can make the necessary contribution, etc., on the value of the entire shareholders' equity interests of the enterprise. Operating assets of Victoria Group are mainly self-owned commercial properties, and operating income of Victoria Group decreased due to fierce market competition and the impact of e-commerce, and its assets have not been in full effect; and Victoria Group has low internal funds and high interest-bearing debts. Therefore, the valuation conclusion of the income approach is lower than that of the asset-based approach.

Investments on the physical assets included in this scope of valuation account for a larger proportion, therefore, the commercial properties from which arising most income of the enterprise adopting the market approach and the income approach are better reflected in the value of individual assets using the asset-based approach.

It is more reasonable for an enterprise with high profitability to adopt the income approach in the event of change of entire property right. But when the profitability of an enterprise is common and the asset is not in full effect, it can reflect its value better to adopt the asset-based approach.

According to the above analysis, the valuation result of asset-based approach was adopted in the valuation conclusions of this evaluation report.

The value of the entire shareholders' equity interests in Victoria Group was RMB2,257,599,500, i.e. RMB **Two Billion Two Hundred and Fifty-Seven Million Five Hundred and Ninety-Nine Thousand and Five Hundred Only.**

When using the valuation conclusion, users of this report should pay attention to the impact of "12. Special Issues" set out in this report on the valuation conclusion and be aware of the valuation assumptions and prerequisites in arriving at the valuation conclusion.

In accordance with the existing regulations on assets assessment, the effective period of this valuation report is one year since the valuation base date, i.e. 31 December 2015. Upon expiration, the assets should be reappraised.

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%

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%

Notes:

(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 Wuxi Maoye Department Store Company Limited through Maoye Holdings Limited, a company wholly-owned by Mr. Huang. The Maoye Wuxi Store is managed by our Group under management agreements entered on 5 May 2014 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, an executive Director, currently holds a 40% equity interest in Shenzhen Friendship Trading Centre Company Limited, which in turn holds a 90% equity interest in Shenzhen Friendship Department Store Company Limited and a 25.01% equity interest in Shenzhen Aeon Friendship Co., Ltd. Mr. Zhong is also the chairman of Shenzhen Friendship Department Store Company Limited and the vice-chairman of Shenzhen Aeon Friendship Co., Ltd., but he does not have control over the board of Shenzhen Aeon Friendship Co., Ltd.

Both Shenzhen Friendship Department Store Company Limited and Shenzhen Aeon Friendship Co., Ltd. are engaged in the department store and retail business. As advised by Mr. Zhong and based on the best knowledge and belief of the other Directors, the department store of Shenzhen Friendship Department Store Company Limited is situated in the central commercial district on Renmin South Road in Shenzhen, and Shenzhen Aeon Friendship Co., Ltd has four department stores in Shenzhen.

The Directors consider that there is competition between our Group and Shenzhen Friendship Department Store Company Limited and Shenzhen Aeon Friendship Co., Ltd. To manage the conflict of interest arising from Mr. Zhong's interests in these companies, Mr. Zhong is required to abstain from participation, deliberation or voting at Board meetings where matters involving these companies are discussed or resolved, and he will not be counted for purpose of determining quorum for such Board meetings.

7. DIRECTORS' AND EXPERT'S INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors and the expert(s) had any direct or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, save as disclosed below, no Director had a significant beneficial interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year:

(a) Maoye Shangsha and Shenzhen City Friendship Trading Center Company Limited ("**Shenzhen Friendship**") which is 40% owned by Mr. Zhong, an executive Director, have entered into the lease agreement dated 30 April 2013 (the "**Lease Agreement**"), pursuant to which Maoye Shangsha has agreed to lease the first four storeys of the Friendship City Building with a gross floor area of approximately 21,000 square metres at 63 Friendship Road, Shenzhen, PRC. The Lease Agreement has a term of three years and is effective from 1 May 2013. Pursuant to the Lease Agreement, the rents payable for the three years ended 30 April 2016 are RMB25,000,000, RMB27,060,000 and RMB27,060,000, respectively.

(b) The Company and Maoye Holdings Limited which is wholly-owned by Mr. Huang, the chairman and an executive Director, have entered into the master leasing agreement dated 29 December 2015 (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 2016. The annual maximum rents and other payments payable by the Company under the Master Leasing Agreement is RMB177,000,000.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within two years immediately preceding the issue of this Circular and are material:

(a) The 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.

(b) The agreement dated 20 April 2015 entered into between Zhongzhao, and Shenyang Maoye Property Company Limited, a company wholly-owned by Mr. Huang, the controlling shareholder of the Company, in respect of the sale of 8,000,000 shares in Maoye Communication, representing 1.29% of the issued share capital of Maoye Communication, for a consideration of RMB87,520,000.

(c) The agreement dated 5 June 2015 entered into among Maoye Shangsha (as vendor), Demao Investment Enterprises (Limited Partnership) ("**Demao**") and Shenzhen Hezhengmao Investment Enterprise (Limited Partnership) ("**Hezhengmao**") (together as purchasers), pursuant to which Demao and Hezhengmao agreed to purchase 16.43% and 6.57% equity interest, respectively, in Shenzhen Maoye Department Store Huaqiangbei Co., Limited ("**Maoye Huaqiangbei**") for a consideration of RMB368,611,815 and RMB147,399,855, respectively.

(d) The agreement dated 28 August 2015 entered into among Maoye Shangsha, Shenzhen Demao and Hezhengmao (together as vendors) and Chengshang, a subsidiary of the Company (as purchaser) in respect of the sale of the entire issued share capital of Shenzhen Maoye Department Store Company Limited, Shenzhen Maoye Department Store Shennan Co., Ltd., Maoye Huaqiangbei, Shenzhen Maoye Oriental Times Department Store Co., Ltd. and Zhuhai City Maoye Department Store Co., Ltd. for a consideration of RMB8,560,571,100 in aggregate.

(e) The agreement dated 29 September 2015 entered into between Maoye Communication and Zhongzhao, pursuant to which Zhongzhao agreed to purchase, and Maoye Communication agreed to sell, the entire registered share capital of Qinhuangdao Maoye Holdings Co., Ltd., for a consideration of RMB1,405,875,700.

(f) The agreement dated 5 April 2016 entered into between, among others, Maoye Commercial, Inner Mongolia Victoria Commercial (Group) Co., Ltd. ("**Inner Mongolia Victoria**") and Victoria Investment Holding Co., Ltd. ("**Victoria Investment**") pursuant to which Maoye Commercial conditionally agreed to purchase and Victoria Investment conditionally agreed to sell 70% of the equity interests in Inner Mongolia Victoria for a consideration of RMB1,565,300.000.

(g) The loan agreement dated 19 April 2016 entered into between Shenzhen Maoye (Group) Co., Ltd ("**Maoye Group**") and Maoye Shangsha pursuant to which Maoye Group has agreed to provide a term loan to Maoye Shangsha in the sum of RMB300 million with an interest rate at 4.79% per annum for a term of one year commencing from 19 April 2016.

(h) The loan agreement dated 31 May 2016 entered into between Maoye Group and Maoye Shangsha pursuant to which Maoye Group has agreed to provide a term loan to Maoye Shangsha in the sum of RMB350 million with an interest rate at 4.79% per annum for a term of one year commencing from 31 May 2016.

(i) The Chongqing Maoye Agreement.

(j) The Qinhuangdao Maoye Agreement.

(k) The Taizhou First Agreement.

(l) The supplemental agreement entered into between the Chongqing Maoye Sellers and Maoye Commercial dated 9 August 2016 in respect of the amendment of the Chongqing Maoye Agreement.

(m) The supplemental agreement entered into between Zhongzhao and Maoye Commercial dated 9 August 2016 in respect of the amendment of the Qinhuangdao Maoye Agreement.

(n) The agreement between Maoye Shangsha and Maoye Commercial dated 9 August 2016 in respect of the termination of the Taizhou First Agreement.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2015, being the date to which the latest published and audited financial statements of the Group were made up.

10. MISCELLANEOUS

(a) The registered office of the Company is located at P.O. Box 31119 Grand Pavilion Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands . The head office in the PRC is at 38/F, World Finance Centre Tower A, 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 2015;

(d) the accountants' report of the Target Company for the three years ended 31 December 2015 and for the six months ended 30 June 2016, 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 Ernest & 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.