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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.

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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)

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE REORGANISATION**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



富強金融資本

FORTUNE FINANCIAL CAPITAL

Fortune Financial Capital Limited

A letter from the Board is set out on pages 6 to 28 of this Circular. A letter from the Independent Board Committee is set out on pages 29 to 30 of this Circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 78 of this Circular.

31 October 2015

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DEFINITIONS

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

“Acquisition”	the sale of and purchase of the entire issued share capitals of the Target Entities by the Vendors to Chengshang pursuant to the Framework Agreement (as amended by the Formal Agreement);
“Chengshang Consideration Shares”	1,161,542,889 new shares of Chengshang, which number has already taken into account the adjustment required as a result of the Formal Valuation Report, to be issued by Chengshang as part of the consideration under the Framework Agreement (as amended by the Formal Agreement);
“Chengshang”	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). At the date of this Circular, the Company holds 388,226,763 shares in Chengshang Group through Maoye Shangsha, representing approximately 68.06% of its issued share capital;
“Chengshang Group”	Chengshang and its subsidiaries from time to time;
“Circular”	this circular dated 31 October 2015;
“Company”	Maoye International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange;
“Compensation Agreement”	the compensation agreement dated 12 June 2015 between the Vendors and Chengshang, pursuant to which the consideration under the Framework Agreement (as amended by the Formal Agreement) shall be further adjusted based on the projected financial performance of the Target Entities;
“Compensation Shares”	the number of Chengshang shares that each of the Vendors are required to return to Chengshang as compensation in accordance with the terms of the Framework Agreement (as amended by the Formal Agreement) and Compensation Agreement;
“Completion”	completion of the Formal Agreement;
“Controlling Shareholder Group”	Mr. Huang, together with his associates, but excluding the Group;

DEFINITIONS

“CSRC”	China Securities Regulatory Commission;
“Demao”	Shenzhen Demao Investment Enterprises (Limited Partnership) (深圳德茂投資企業(有限合夥)), a company incorporated in the PRC;
“Directors”	the directors of the Company;
“Disposal”	the sale by Maoye Shangsha of 16.43% and 6.57% of Maoye Huaqiangbei to each of Demao and Hezhengmao, respectively, pursuant to the terms and conditions of the Share Transfer Agreement;
”Formal Agreement”	the agreement entered into between Maoye Shangsha, Demao and Hezhengmao (together as vendors) and Chengshang Group (as purchaser) on 28 August 2015 pursuant to the Framework Agreement;
”Formal Valuation”	a valuation of the Target Entities based on income approach;
“Formal Valuation Report”	the formal valuation report dated 21 August 2015 prepared by Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd. (國眾聯資產評估土地房地產估價有限公司) to determine the value of the Target Entities and accordingly, the consideration under the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement);
“Framework Agreement”	the framework agreement entered into between Maoye Shangsha, Demao and Hezhengmao (together as vendors) and Chengshang Group (as purchaser) on 12 June 2015 in relation to the sale and purchase of the entire issued share capitals of the Target Entities for the total consideration of approximately RMB8,560,571,000 (which number has already taken into account the adjustment required as a result of the Formal Valuation Report), which was amended by the Formal Agreement;
“Group”	the Company and its subsidiaries from time to time;
“Hezhengmao”	Shenzhen Hezhengmao Investment Enterprise (Limited Partnership)(深圳合正茂投資企業(有限合夥)), a Company incorporated in the PRC;
“Independent Board Committee”	Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen;

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“Independent Financial Adviser” or “Fortune Financial Capital”	Fortune Financial Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the transactions contemplated under the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement);
“Independent Shareholder(s)”	the Shareholder(s) who is/are not interested or involved in the Share Transfer Agreement and the Formal Agreement and the transactions contemplated thereunder;
“Independent 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);
“Last Payment Date”	the expiry of the two year period under the Share Transfer Agreement, namely, 4 June 2017;
“Latest Practicable Date”	28 October 2015, being the last practicable date prior to the printing of this Circular for ascertaining certain information in this Circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Maoye Huaqiangbei”	Shenzhen Maoye Department Store Huaqiangbei Co., Limited (深圳市茂業百貨華強北有限公司), a company incorporated in the PRC, and a Target Entity;
“Maoye Oriental Times”	Shenzhen Maoye Oriental Times Department Store Co., Ltd. (深圳市茂業東方時代百貨有限公司), a company incorporated in the PRC and a Target Entity;
“Maoye Department Store”	Shenzhen Maoye Department Store Company Limited (深圳茂業百貨有限公司), a company incorporated in the PRC and a Target Entity;
“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;
“Maoye Shennan”	Shenzhen Maoye Department Store Shennan Co., Ltd. (深圳市茂業百貨深南有限公司), a company incorporated in the PRC and a Target Entity;
“Mr. Gao”	Mr. Gao Hong Biao (高宏彪) is the chairman and a director of Chengshang and is the holder of 10% equity interest in Demao;

DEFINITIONS

“Mr. Huang”	Mr. Huang Mao Ru (黃茂如), Chairman, executive Director, Chief Executive Officer and a 81.69% shareholder of the Company and the Company’s ultimate controlling shareholder;
“Mr. Wang Bin”	Mr. Wang Bin (王斌), a 25% of shareholder of Hezhengmao, an executive director of the Company and a director of Chengshang;
“Mr. Wang Wei”	Mr. Wang Wei (王偉) is a director of Chengshang and holds 8% in Demao;
“Mr. Zhong”	Mr. Zhong Pengyi (鐘鵬翼), a 50% of shareholder of Hezhengmao, an executive director and a director of Chengshang;
“Ms. Zheng”	Ms. Zheng Yi (鄭怡) is a director of Chengshang and holds 8% in Demao;
“PRC”	People’s Republic of China;
“Profit Guarantee”	the guarantee for the profit of the Target Entities given by the Vendors to Chengshang for each of the three years during the Relevant Period pursuant to the terms of the Framework Agreement (as amended by the Formal Agreement) and the Compensation Agreement;
“Relevant Period”	the financial year during which Completion occurs and the two subsequent financial years;
“Relevant Profit”	the aggregate sum of each of the Target Entities’ audited net profit less extraordinary items, or the audited net profit including extraordinary items, whichever is lower;
“Reorganisation”	the material asset reorganisation matter of Chengshang and the transactions contemplated under the Share Transfer Agreement (as amended by the Formal Agreement) and the Framework Agreement;
“Reorganisation Measures”	the Measures for Administration of Material Assets Reorganization of Listed Companies《上市公司重大資產重組管理辦法》(Order of the CSRC No.53);
“RMB”	Renminbi, the lawful currency in the PRC;
”RSM”	RSM Hong Kong, formerly known as RSM Nelson Wheeler Certified Public Accountants;

DEFINITIONS

“RSM Report”	RSM’s report to the Directors dated 11 September 2015 in respect of the arithmetical accuracy of the calculations of and whether the discounted future estimated cash flows in connection with the valuation of the Target Entities prepared by the Independent Valuer as set out in the Formal Valuation Report so far as the calculations are concerned, have been properly compiled with certain assumptions;
“Ruihua”	Ruihua Certified Public Accountants LLP;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);
“Shareholders”	the holder of shares in the Company;
“Share Pledge Agreement(s)”	the share pledge agreements dated 30 June 2015 entered into between (i) Demao and Maoye Shangsha; and (ii) Hezhengmao and Maoye Shangsha, under which Demao and Hezhengmao each agreed to pledge all their respective Chengshang Consideration Shares to Maoye Shangsha as security for their respective payment of the consideration under the Share Transfer Agreement;
“Share Transfer Agreement”	the share transfer agreement dated 5 June 2015 between Demao, Hezhengmao and Maoye Shangsha, under which Maoye Shangsha agreed to sell, and Demao and Hezhengmao agreed to purchase, 16.43% and 6.57% of Maoye Huaqiangbei, respectively, for a cash consideration of RMB368,611,815 (which number has already taken into account the adjustment required as a result of the Formal Valuation Report) and RMB147,399,855 (which number has already taken into account the adjustment required as a result of the Formal Valuation Report), respectively;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Entity(ies)”	Maoye Department Store, Maoye Shennan; Maoye Huaqiangbei; Maoye Oriental Times; and Zhuhai Maoye;
“Vendor(s)”	each of Maoye Shangsha, Demao and Hezhengmao;
“Waivers”	the two waivers granted under each of Rule 14A.37 of the Listing Rules and Rule 14A.46(2) of the Listing Rules, respectively, by the Stock Exchange on 17 September 2015 and the waiver granted under Rule 14A.46(2) of the Listing Rules by the Stock Exchange on 14 October 2015; and
“Zhuhai Maoye”	Zhuhai City Maoye Department Store Co., Ltd. (珠海市茂業百貨有限公司), a company incorporated in the PRC and a Target Entity.

LETTER FROM THE BOARD



Maoye International Holdings Limited

茂業國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 848)

Executive Directors:

Mr. Huang Mao Ru (*Chairman*)

Mr. Zhong Pengyi

Ms. Wang Fuqin

Mr. Wang Bin

Registered Office:

Floor 4, Willow House

Cricket Square

P.O. Box 2804

Grand Cayman KY1-1112

Cayman Islands

Independent non-executive Directors:

Mr. Chow Chan Lum

Mr. Pao Ping Wing

Mr. Leung Hon Chuen

Head Office:

38/F, World Finance Centre

4003 Shennan East Road

Shenzhen

PRC

31 October 2015

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE REORGANISATION**

1. INTRODUCTION

Reference is made to the announcements issued by the Company dated 15 April 2015, 14 June 2015, 7 July 2015, 17 September 2015 and 15 October 2015 in relation to the Reorganisation.

On 5 June 2015, Maoye Shangsha, a wholly-owned subsidiary of the Company (as vendor), entered into the Share Transfer Agreement with Demao and Hezhengmao (together as purchasers). Pursuant to the Share Transfer Agreement, Maoye Shangsha agreed to sell, and Demao and Hezhengmao agreed to purchase, 16.43% and 6.57% of Maoye Huaqiangbei (深圳市茂業百貨華強北有限公司), respectively, for a cash consideration of RMB368,611,815 (which number has already taken into account the adjustment required as a result of the Formal Valuation Report) and RMB 147,399,855 (which number has already taken into account the adjustment required as a result of the Formal Valuation Report), respectively.

LETTER FROM THE BOARD

On 28 August 2015, Maoye Shangsha, Demao and Hezhengmao (together as vendors) entered into the Formal Agreement with Chengshang (as purchaser) for the sale and purchase of the entire issued share capitals of the Target Entities for the total consideration of RMB8,560,571,100 (which number has already taken into account the adjustment required as a result of the Formal Valuation Report). The consideration for the Acquisition shall be fully satisfied by the allotment and issue of, in aggregate, 1,161,542,889 Chengshang Consideration Shares (which number has already taken into account the adjustment required as a result of the Formal Valuation Report) by Chengshang Group to Maoye Shangsha, Demao and Hezhengmao, in the respective proportions of 1,093,203,558, 48,818,053 and 19,521,278 Chengshang Consideration Shares (which number has already taken into account the adjustment required as a result of the Formal Valuation Report), at an issue price of RMB7.37 per share, subject to adjustment. The Independent Board Committee comprising Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen, being all of the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Reorganisation. Fortune Financial Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Reorganisation.

The purpose of this Circular, among other things, is:

- (1) to provide you with further details of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement);
- (2) to set out the recommendation of the Independent Board Committee in respect of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement); and
- (3) to set out the letter of advice from Fortune Financial Capital to the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement).

2. SHARE TRANSFER AGREEMENT

Date	5 June 2015
Parties	
Vendor:	Maoye Shangsha
Purchaser:	(1) Demao
	(2) Hezhengmao

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Demao and its ultimate beneficial owners (other than Mr. Gao, Ms. Zheng and Mr. Wang Wei) are not connected persons of the Company. As at the date of this Circular, Mr. Gao, Ms. Zheng and Mr. Wang Wei (each of them being a director of Chengshang) together are interested in 26% of the shareholding in Demao.

Mr. Zhong holds 50% of Hezhengmao, is an executive director and a director of Chengshang. Mr. Wang Bin holds 25% of Hezhengmao, is an executive director of the Company and a director of Chengshang. Accordingly, Mr. Zhong, Mr. Wang Bin and Hezhengmao are each connected persons of the Company.

Assets to be disposed of

Pursuant to the Share Transfer Agreement, Maoye Shangsha agreed to sell, and Demao and Hezhengmao agreed to purchase, approximately 16.43% and 6.57% of Maoye Huaqiangbei, respectively.

The parties agreed that Maoye Shangsha shall use its best endeavours to assist in the registration of the transfer of the shares from Maoye Shangsha to Demao and Hezhengmao, respectively, with the Industry and Commerce Bureau within one month from the date of due execution of the Share Transfer Agreement.

Consideration

The consideration for the sale of the shares of Maoye Huaqiangbei under the Share Transfer Agreement is, in aggregate, approximately RMB516,011,670 (which number has already taken into account the adjustment required as a result of the Formal Valuation Report), which shall be fully satisfied in cash, and payable in the following proportion:

- (1) **Demao** shall pay RMB368,611,815 (which number has already taken into account the adjustment required as a result of the Formal Valuation Report); and
- (2) **Hezhengmao** shall pay approximately RMB147,399,855 (which number has already taken into account the adjustment required as a result of the Formal Valuation Report).

Terms of Payment

Each of Demao and Hezhengmao, respectively, shall pay the consideration for the sale of the shares of Maoye Huaqiangbei under the Share Transfer Agreement within two years after the transfer of the shares from Maoye Shangsha to Demao and Hezhengmao, respectively, is registered with the Industry and Commerce Bureau.

Given that the amount of the consideration payable under the Share Transfer Agreement is relatively significant, being, RMB368,611,815 (payable by Demao) (which number has already taken into account the adjustment required as a result of the Formal Valuation Report) and RMB147,399,855 (payable by Hezhengmao) (which number has already taken into account the adjustment required as

LETTER FROM THE BOARD

a result of the Formal Valuation Report), the Company considers that a period of two years for the settlement of the consideration is reasonable and necessary. The Board also considers that the consideration, being cash and payable within two years, is in line with the relevant companies laws in the PRC and is on normal commercial terms. Further, it is understood by the Company that the relevant senior management individuals of Chengshang and the Company need to finance their respective portions of the consideration by selling certain fixed assets and/or by sourcing other means of funds, which requires a certain considerable amount of time.

Basis of determination of the consideration

The consideration was determined after arm's length negotiations between Maoye Shangsha, Demao and Hezhengmao on normal commercial terms with reference to the Formal Valuation Report prepared by the Independent Valuer.

The Company notes that the consideration payable by Demao and Hezhengmao for their respective interests in Maoye Huaqiangbei under the Share Transfer Agreement is based on the same valuation as the subsequent on-sale of their interests in Maoye Huaqiangbei to Chengshang under the Framework Agreement (as amended by the Formal Agreement) and, similarly, Maoye Shangsha's sale of its interests in the Target Entities to Chengshang under the Framework Agreement (as amended by the Formal Agreement) as mentioned below. As such, no preferential terms have been given to Demao or Hezhengmao in connection with the proposed sale of interests in Maoye Huaqiangbei compared with the sale by Maoye Shangsha of the Target Entities to Chengshang. Accordingly, the Board is of the view that the consideration under the Share Transfer Agreement was determined on a fair and reasonable basis and under normal commercial terms.

In addition, after further internal consideration and negotiation, each of Demao and Hezhengmao separately entered into a share pledge with Maoye Shangsha under which each of Demao and Hezhengmao agreed to pledge all of their respective Chengshang Consideration Shares to Maoye Shangsha as security for their respective payment of the consideration under the Share Transfer Agreement. The pledges shall take effect immediately upon the issuance of the Chengshang Consideration Shares to Demao and Hezhengmao, respectively, and will be fully released upon full payment of the consideration by each respective party on or before the expiry of the Last Payment Date. In the event that either of Demao or Hezhengmao defaults on its respective payment obligation under the Share Transfer Agreement, Maoye Shangsha has the right to enforce the relevant pledge, subject to the three year lock-up period and profit guarantee compensation mechanism under the Framework Agreement (as amended by the Formal Agreement).

The Directors (apart from Mr. Zhong and Mr. Wang Bin) do not have any material interest in the Share Transfer Agreement and none of them (apart from Mr. Zhong and Mr. Wang Bin) have abstained from voting on the board resolution to approve the Share Transfer Agreement.

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Other provision

If Demao and/or Hezhengmao fail to pay their respective portions of the consideration, the defaulting party will be in breach of the terms of the Share Transfer Agreement. In addition to paying the consideration under the Share Transfer Agreement, the defaulting party will also be liable to compensate and indemnify Maoye Shangsha for any loss, damages, costs (including but not limited to reasonable legal costs) and obligations Maoye Shangsha may have incurred as a result of such breach.

3. THE FRAMEWORK AGREEMENT (AS AMENDED BY THE FORMAL AGREEMENT)

The key terms of the Framework Agreement (as amended by the Formal Agreement):

Date	12 June 2015
Parties	
Vendors:	(1) Maoye Shangsha (2) Demao (3) Hezhengmao
Purchaser:	Chengshang

Assets to be disposed of

Pursuant to the Framework Agreement (as amended by the Formal Agreement), each of Maoye Shangsha, Demao and Hezhengmao agreed to sell and Chengshang agreed to purchase, the entire issued share capital of the Target Entities. As at the date of the Formal Agreement, the Target Entities are held as follows:

Name of Target Entity:	Held by:
Maoye Department Store	Maoye Shangsha (100%)
Maoye Shennan	Maoye Shangsha (100%)
Maoye Oriental Times	Maoye Shangsha (100%)
Zhuhai Maoye	Maoye Shangsha (100%)
Maoye Huaqiangbei	Maoye Shangsha (77%) Demao (16.43%) Hezhengmao (6.57%)

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Consideration

The consideration is, in aggregate approximately RMB8,560,571,000, which number has already taken into account the adjustment required as a result of the Formal Valuation Report. The consideration shall be fully satisfied by an allotment and issue of Chengshang Consideration Shares, in the following proportion:

Vendor:	No. of Chengshang Consideration Shares (which number has already taken into account the adjustment required as a result of the Formal Valuation Report):	Total shareholding in Chengshang after the Reorganisation is completed (assuming no other changes to the shareholding structure of Chengshang):
Maoye Shangsha	1,093,203,558	85.53%
Demao	48,818,053	2.82%
Hezhengmao	19,521,278	1.13%

The issue price of the Chengshang Consideration Shares reflects the average trading price of Chengshang's shares for the 60 trading days immediately preceding 16 June 2015 (being the date on which the board of directors of Chengshang passed a resolution to approve the transactions contemplated under the Formal Agreement), which was RMB7.42 per share, and adjusted by the dividend declared by Chengshang for the year ended 31 December 2014 and distributed on 13 May 2015, to RMB7.37 per share. The issue price of the Chengshang Consideration Shares may be adjusted further pursuant to the ex-dividend and ex-right reference share price prior to the date of Completion.

Basis of determination of the consideration

The consideration was determined after arm's length negotiations between the Vendors and Chengshang on normal commercial terms with reference to the trading prices of the shares of Chengshang and the Formal Valuation of the asset value of the Target Entities.

Chengshang as a listed issuer in the PRC, was required to prepare such Formal Valuation under the Reorganisation Measures that was recently implemented on 23 November 2014. Article 17 of the Reorganisation Measures provides that the consideration for the transfer of a material asset pursuant to a reorganisation is required to be based on an asset valuation report. Although the Target Entities are not listed companies in the PRC, for the purpose of completeness, the Independent Valuer had considered the appropriateness of the market approach, which involves comparing the valuation target to listed companies in the PRC. The analysis was that since the PRC a securities market that is not fully developed and is not sufficiently active enough for there to be more than 3 companies comparable to the Target Entities, the pre-conditions of the market approach were not satisfied. Therefore, the market approach was regarded as inappropriate for the purpose of appraising the value of the Target Entities and the Formal Valuation of the Target Entities was conducted based on the income approach. Such approach is based on the discounted future earnings, which uses the investment capital cash flow as a quantitative indicator to project the future earnings of the Target Entities.

LETTER FROM THE BOARD

The Formal Valuation Report of the Target Entities was finalised on 21 August 2015 and the value of the Target Entities, in aggregate, as at 31 March 2015 was determined by the Independent Valuer as RMB8,560,571,100. Accordingly, the consideration under each of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement), including the number of Chengshang Consideration Shares was adjusted as a result of the Formal valuation Report.

The Formal Valuation Report resulted in an upward adjustment to the value of the Target Entities. The minor adjustments to the value of the Target Entities were made because unaudited accounts of the Target Entities were used to compile the preliminary valuation report (from which the figures as stated in the announcements issued by the Company dated 14 June 2015 and 7 July 2015 were extracted), while audited accounts of the Target Entities were used to compile the Formal Valuation Report (from which the figures as stated in this Circular were extracted).

The Formal Valuation Report constitutes a profit forecast under Rule 14.61 of the Listing Rules. The Company had applied for, and the Stock Exchange had granted, a waiver from strict compliance with the timing requirements set out in Rule 14.60A of the Listing Rules on the condition that the Company would publish the required information under Rule 14.60A by 15 October 2015. The Company had published the profit forecast announcement on 17 September 2015.

Principle assumptions in the Formal Valuation Report

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 assets assumption: The appraised assets will be used in consistent with their current function and method upon the completion of the present transactions.
 - (c) Continuing operation assumption: The Target Entity has 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 are no material changes in the relevant current national laws, regulations and policies and national macroeconomic condition applicable to the industry.
 - (b) There are no material changes in the political, economic and social environment in which the parties to this transaction operate.

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- (c) The fluctuation in the bank's interest rates and exchange rates is within a reasonable range.
- (d) There are no material changes in the taxation policies that are currently in place.
- (e) There are no other unpredictable and force majeure which cause material adverse effect.
- (f) The cash flow of the Target Entity is being generated by the end of every forecast period.
- (g) No inflationary factors have been taken into account in determining the various parameters in this valuation; all prices are constant.
- (h) The future development plan and operational data of the Target Entity is being materialized according to the plan.
- (i) There are no material changes in the companies' mode of operation.

3. Special assumptions

- (a) In terms of the legal description or legal issues of the appraised assets (including their ownership or encumbrance limitations) in the Valuation Report, Maoye Huaqiangbei 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, be unviolated 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 relies upon, the Independent Valuer has only conducted independent review pursuant to the valuation procedures. The Independent 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 organizations 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 valuation is made based on the purchasing power of local currency on the valuation base date.
- (e) All improvements on the relevant assets performed by Maoye Huaqiangbei 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.

LETTER FROM THE BOARD

- (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 Independent Valuer by the appraised units.
- (g) The lease agreements under which properties are leased to the Target Entities can be extended after the terms of the leases expire.

Confirmations

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

RSM has reported to the Directors in respect of the arithmetical accuracy of the calculations of and whether the discounted future estimated cash flows in connection with the valuation of the Target Entities prepared by the Independent Valuer as set out in the Formal Valuation Report so far as the calculations are concerned, have been properly compiled, in all material aspects, in accordance with the assumptions contained in the Formal Valuation Report as stated above. Because the Formal Valuation Report is based on discounted future estimated cash flows, no accounting policies of the Company were adopted. The directors of Chengshang are solely responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors of Chengshang. Accordingly, the work performed by RSM did not include reviewing, considering or conducting any work on the reasonableness and the validity of the assumptions.

The Directors have reviewed the bases and assumptions based upon which the valuation of the Target Entities was prepared by the Independent Valuer. The Directors have also considered the RSM Report. After due and careful enquiry and based on the RSM Report, the Directors have confirmed that it is satisfied that the valuation of the Target Entities prepared by the Independent Valuer in the Valuation Report and consider the Formal Valuation of the Target Entities as fair and reasonable.

A letter from RSM dated 11 September 2015 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Directors dated 11 September 2015 in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix I to this Circular.

Conditions Precedent for the Formal Agreement to take effect

The Formal Agreement shall takes effect upon satisfaction of the following conditions:

1. The board of directors of Chengshang has resolved to approve the transactions contemplated under the Formal Agreement.
2. The shareholders of Chengshang have resolved to approve the transactions contemplated under the Formal Agreement, and have resolved to exempt Maoye Shangsha from having to increase its shareholdings in Chengshang by way of a tender offer.

LETTER FROM THE BOARD

3. The transactions contemplated under the Formal Agreement have been approved by the CSRC.

As at the Latest Practicable Date, the conditions precedent stated in 1. and 2. above have been satisfied.

Conditions Precedent for Completion

Completion shall take place upon satisfaction of the following conditions:

1. The transactions under the Formal Agreement have been approved by all the relevant third parties, being CSRC.
2. Non-competition agreements have been entered into between each of the Target Entities and each of the senior management and core employees of the Target Entities.
3. There being no judgment, decision, or order by relevant authorities, or promulgation or amendment of laws that would prohibit or render illegal the Formal Agreement or the transactions thereunder.
4. There being no material adverse changes to the Target Entities' financial conditions and business operation prior to Completion.
5. All representations and warranties remain true, accurate and complete.
6. There being no default or evidence of potential default under the Formal Agreement.

Completion

The Formal Agreement is completed when the transfer of the shares of the Target Entities by the Vendors to Chengshang is registered with the Industry and Commerce Bureau.

The parties agree to complete the transactions contemplated under the Formal Agreement within 12 months from the effective date of this Formal Agreement and Completion is expected to take place within 30 days after the Acquisition has been approved by the CSRC. The Formal Agreement shall automatically terminate if the registration of the transfer of the shares of the Target Entities from the Vendors to Chengshang has not been completed within 11 months after the date of the CSRC approval.

Following Completion, Chengshang shall employ a qualified accountant to carry out an audit of the Target Entities and conduct a capital verification, and thereafter, issue an audit report and capital verification report in respect of the Target Entities accordingly. When the capital verification report is issued, Chengshang shall register the Chengshang Consideration Shares under the names of the Vendors at the share register.

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Other provisions

1. The Chengshang Consideration Shares are proposed to be listed on The Shanghai Stock Exchange. The Chengshang Consideration Shares are subject to a lock-up period of 36 months from the date the Chengshang Consideration Shares are listed.
2. The Vendors have agreed to provide a guarantee for the profit of the Target Entities for the financial year during which Completion occurs and the 2 subsequent financial years based on the Formal Valuation Report. The Vendors shall compensate Chengshang for the shortfall if the profit falls below the guaranteed amount by way of compensation to be agreed between Chengshang and the Vendors under the separate Compensation Agreement.
3. Chengshang shall be entitled to any profit generated by the Target Entities between 31 March 2015 and the Completion date, while the Vendors shall bear any loss incurred. The Vendors shall respectively indemnify Chengshang the relevant loss (if any) in proportion to the number of Chengshang Consideration Shares they receive.

The Directors (including the independent non-executive directors of the Company) consider that the terms of the transactions under the Framework Agreement (as amended by the Formal Agreement) are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

The Directors (apart from Mr. Zhong and Mr. Wang Bin) do not have any material interest in the Framework Agreement (as amended by the Formal Agreement) and none of them (apart from Mr. Zhong and Mr. Wang Bin) have abstained from voting on the board resolution to approve the Framework Agreement (as amended by the Formal Agreement).

4. PROFIT GUARANTEE UNDER THE FRAMEWORK AGREEMENT (AS AMENDED BY THE FORMAL AGREEMENT)

As disclosed above under the section headed “Basis of determination of the consideration” of the Framework Agreement (as amended by the Formal Agreement), the consideration under the Framework Agreement (as amended by the Formal Agreement) was determined with reference to the Formal Valuation of the Target Entities being, in aggregate, approximately RMB8,560,571,100 which number has already taken into account the adjustment required as a result of by the Formal Valuation Report.

Pursuant to the Framework Agreement (as amended by the Formal Agreement), on 12 June 2015, the Vendors and Chengshang entered into the Compensation Agreement to comply with Article 35 of the Reorganisation Measures and the FAQ published by CSRC on 2 August 2010. Pursuant to the Framework Agreement (as amended by the Formal Agreement) and the Compensation Agreement, the consideration under the Framework Agreement (as amended by the Formal Agreement) may be further adjusted based on the financial performance of the Target Entities for each of the next three financial years following Completion with reference to the Profit Guarantee during the Relevant Period. On the

LETTER FROM THE BOARD

10th day following the audit of each of the Target Entities' financial accounts at the end of the financial year during which Completion occurs, the board of Chengshang shall consider the difference between the Profit Guarantee and the actual net profit of the Target Entities (in aggregate) of that financial year.

Pursuant to the Compensation Agreement, the profit targets that the Target Entities have to meet depend on when the Reorganisation is completed:

- (1) If the Reorganisation is completed on or before 31 December 2015, the profit targets are:

Year	Net profit <i>(RMB)</i>
2015	637,551,400
2016	711,011,000
2017	779,222,200

- (2) If the Reorganisation is completed on or before 31 December 2016, the profit targets are:

Year	Net profit <i>(RMB)</i>
2016	711,011,000
2017	779,222,200
2018	839,703,400

The profit targets are determined based on the results of the profit forecast for the Target Entities in the Formal Valuation Report of the Independent Valuer. The profit forecast in the Formal Valuation Report is based upon the Target Entities' business performance from 1 January 2012 to 31 March 2015. The Independent Valuer also took into consideration the relevant policies, national and regional macroeconomic condition, and the Target Entities' business development plans, strengths, weaknesses, opportunities and risks.

The profit forecast for the Target Entities' core businesses is based upon the Target Entities' historical financial information from 1 January 2012 to 31 March 2015, business plans and strategies for the period from 1 April 2015 to 31 December 2020 (the "**Profit Forecast Period**"), and operational measures already in place. The profit forecast also takes into consideration the relevant business trend in the retail industry and regional macroeconomic development trend during the Profit Forecast Period.

Pursuant to the Compensation Agreement, Chengshang shall have the right to appoint a PRC qualified firm of auditors that is approved by the Vendors to audit the financial accounts of the Target Entities at the end of each financial year during the Relevant Periods and the relevant auditor shall adopt the PRC Accounting Standards for Business Enterprises《企業會計準則》. The Company is informed that Chengshang appointed Ruihua to audit the abovementioned financial accounts, a

LETTER FROM THE BOARD

different firm of auditors from that of the Company, Ernst and Young. The Relevant Profit will be the aggregate sum of each of the Target Entities' audited net profit less extraordinary items, or the audited net profit including extraordinary items, whichever the lower.

If the shortfall of the profit of the Target Entities, in aggregate, falls below the Profit Guarantee, the board of Chengshang will determine and approve the number of Compensation Shares in accordance with the terms of the Framework Agreement (as amended by the Formal Agreement) and Compensation Agreement.

The number of Compensation Shares to be returned to Chengshang by each of the Vendors, shall respectively be calculated based on the following formula as set out in the Compensation Agreement:

$$\frac{(\textit{Profit Guarantee} - \textit{Actual net profit})}{\textit{Profit Guarantee}} \times (\textit{No. of Chengshang Consideration Shares issued to Demao, Hezhengmao and Maoye Shangsha, (as the case maybe) minus the no. of shares that were previously compensated by that relevant party (if any)})$$

The same compensation calculation will be made for each of the two financial years following Completion with reference to the Profit Guarantee for the relevant year. The formula shall be adjusted to take into account the number of Compensation Shares compensated in the previous year(s), if any.

If there is a shortfall, Demao, Hezhengmao and Maoye Shangsha will each be required to deposit their respective portion of Compensation Shares to an escrow account set up by Chengshang. The Compensation Shares deposited in the escrow account will be stripped of any voting rights, and will not be entitled to any dividend payments. Chengshang will subsequently be entitled to repurchase the Compensation Shares at a cost of RMB1 per share in accordance with the terms of the Compensation Agreement.

Accordingly, the consideration under the Framework Agreement (as amended by the Formal Agreement) may be adjusted based on the above mechanism if the actual net profit of the Target Entities, in aggregate, does not meet the Profit Guarantee set for each of the three years following Completion, respectively. During the Relevant Period, Demao, Hezhengmao and Maoye Shangsha will not be required to compensate Chengshang for more than the number of Chengshang Considerations Shares initially received by each party respectively under the Framework Agreement (as amended by the Formal Agreement).

As at the Latest Practicable Date, no escrow agent has been appointed. An escrow agent will only be appointed if and when the Vendors are required to return the Compensation Shares to Chengshang pursuant to the terms of the Compensation Agreement.

Taking into account that the said consideration adjustment mechanism is in accordance with the formula required by the CSRC, the Board believes that the adjustment mechanism is fair and reasonable. The Company will also issue an announcement to inform its shareholders regarding the fulfilment of the Profit Guarantee.

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5. 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.

Maoye Shangsha

Maoye Shangsha, a company incorporated in the PRC, is a wholly-owned subsidiary of the Group and is principally engaged in the operation of department stores.

Chengshang

Chengshang is a company incorporated in the PRC, whose shares are listed on The Shanghai Stock Exchange (stock code: 600828). Immediately prior to the entering into the Acquisition, Maoye Shangsha, our wholly-owned subsidiary, was the 68.06% shareholder of Chengshang. Upon completion of the Reorganisation, Maoye Shangsha shall hold 85.53% in Chengshang.

Chengshang is principally engaged in the operation of department stores.

Demao

Demao is principally engaged in equity investment, corporate management consulting and investment planning.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Demao and its ultimate beneficial owners (other than Mr. Gao, Ms. Zheng and Mr. Wang Wei) are not connected persons of the Company. As at the date of this Circular, Mr. Gao, Ms. Zheng and Mr. Wang Wei (each of them being a director of Chengshang) together are interested in 26% of the shareholding in Demao.

Hezhengmao

Hezhengmao is principally engaged in equity investment, corporate management consulting and investment planning, jointly owned by, amongst others, Mr. Zhong and Mr. Wang Bin. Mr. Zhong holds 50% of Hezhengmao and is an executive director and a director of Chengshang. Mr. Wang Bin holds 25% of Hezhengmao and is an executive director of the Company and a director of Chengshang. Accordingly, Mr. Zhong and Mr. Wang Bin and Hezhengmao are each connected persons of the Company.

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Controlling Shareholder Group

The Controlling Shareholder Group consists of Mr. Huang, any of his associates, and those entities that are majority-owned or controlled by Mr. Huang and his associates, including Maoye International, Maoye Holdings Limited and Richon, but other than the Company and its subsidiaries.

Mr. Huang is the Chairman, executive Director and Chief Executive Officer of the Company and the Company's ultimate controlling shareholder.

6. INFORMATION OF THE TARGET ENTITIES

The Target Entities are companies incorporated in the PRC, and immediately prior to the Reorganisation, wholly-owned by Maoye Shangsha. The Target Entities are principally engaged in the operation of 5 department stores of the Group, namely, the Shenzhen Shennan Store, the Shenzhen Huaqiangbei store (both Phases 1 and 2), the Zhuhai Xiangzhou store and the Shenzhen Department Store. For further information relating to the aforementioned department stores, please refer to the Company's 2014 annual report.

(1) Maoye Department Store

Based on the audited accounts of Maoye Department Store prepared based on PRC Generally Accepted Accounting Principles, the audited net profit (before taxation) of Maoye Department Store for each of the financial years ended 31 December 2013 and 2014 are as follows:

	For the year ended 31 December 2013 <i>(audited)</i> <i>RMB</i>	For the year ended 31 December 2014 <i>(audited)</i> <i>RMB</i>
Net profit before taxation	304,688,800	354,945,300
Net profit after taxation	228,496,600	266,216,300

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The audited total asset value of Maoye Department Store as at 31 December 2014 and 31 March 2015 were RMB1,473,942,600 and RMB1,648,315,500 respectively. The major assets and values of Maoye Department Store are as follows:

	As at 31 December 2014 <i>(audited)</i> <i>RMB</i>	As at 31 March 2015 <i>(audited)</i> <i>RMB</i>
Current assets	653,371,400	840,105,500
Non-current assets		
Fixed assets	386,969,000	379,020,300
Construction in progress	3,426,200	3,011,600
Intangible assets	405,428,300	402,126,100
Long-term deferred expenses	23,712,900	22,918,600
Deferred income tax	370,900	499,600
Other non-current assets	664,000	633,800
Total non-current assets	<u>820,571,300</u>	<u>808,210,000</u>
Total assets	<u>1,473,942,600</u>	<u>1,648,315,500</u>

(2) Maoye Shennan

Based on the audited accounts of Maoye Shennan prepared based on PRC Generally Accepted Accounting Principles, the audited net profit (before taxation) of Maoye Shennan for each of the financial years ended 31 December 2013 and 2014 are as follows:

	For the year ended 31 December 2013 <i>(audited)</i> <i>RMB</i>	For the year ended 31 December 2014 <i>(audited)</i> <i>RMB</i>
Net profit before taxation	25,097,900	25,255,000
Net profit after taxation	18,809,600	18,940,200

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The audited total asset value of Maoye Shennan as at 31 December 2014 and 31 March 2015 were RMB253,410,500 and RMB229,331,900 respectively. The major assets and values of Maoye Shennan are as follows:

	As at 31 December 2014 <i>(audited)</i> <i>RMB</i>	As at 31 March 2015 <i>(audited)</i> <i>RMB</i>
Current assets	247,573,900	223,597,800
Non-current assets		
Fixed assets	4,250,800	4,207,600
Intangible assets	1,144,500	1,115,100
Long-term deferred expenses	326,400	293,700
Deferred income tax	114,900	117,700
Total non-current assets	<u>5,836,600</u>	<u>5,734,100</u>
Total assets	<u>253,410,500</u>	<u>229,331,900</u>

(3) Maoye Huaqiangbei

Based on the audited accounts of Maoye Huaqiangbei prepared based on PRC Generally Accepted Accounting Principles, the audited net profit (before taxation) of Maoye Huaqiangbei for each of the financial years ended 31 December 2013 and 2014 are as follows:

	For the year ended 31 December 2013 <i>(audited)</i> <i>RMB</i>	For the year ended 31 December 2014 <i>(audited)</i> <i>RMB</i>
Net profit before taxation	197,025,400	180,083,700
Net profit after taxation	147,735,500	135,039,600

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The audited total asset value of Maoye Huaqiangbei as at 31 December 2014 and 31 March 2015 were RMB1,768,312,500 and RMB1,971,832,000 respectively. The major assets and values of Maoye Huaqiangbei are as follows:

	As at 31 December 2014 <i>(audited)</i> <i>RMB</i>	As at 31 March 2015 <i>(audited)</i> <i>RMB</i>
Current assets	1,730,781,500	1,921,112,300
Non-current assets		
Fixed assets	8,787,600	7,723,600
Construction in progress	17,248,100	/
Intangible assets	2,404,100	7,807,700
Long-term deferred expenses	9,086,000	35,183,200
Deferred income tax	5,100	5,100
Total non-current assets	<u>37,531,000</u>	<u>50,719,700</u>
Total assets	<u>1,768,312,500</u>	<u>1,971,832,000</u>

(4) Maoye Oriental Times

Based on the audited accounts of Maoye Oriental Times prepared based on PRC Generally Accepted Accounting Principles, the audited net profit (before taxation) of Maoye Oriental Times for each of the financial years ended 31 December 2013 and 2014 are as follows:

	For the year ended 31 December 2013 <i>(audited)</i> <i>RMB</i>	For the year ended 31 December 2014 <i>(audited)</i> <i>RMB</i>
Net profit before taxation	195,221,700	196,819,800
Net profit after taxation	146,416,300	147,614,800

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The audited total asset value of Maoye Oriental Times as at 31 December 2014 and 31 March 2015 were RMB1,552,514,800 and RMB1,538,061,300 respectively. The major assets and values of Maoye Oriental Times are as follows:

	As at 31 December 2014 <i>(audited)</i> <i>RMB</i>	As at 31 March 2015 <i>(audited)</i> <i>RMB</i>
Current assets	1,545,212,600	1,531,191,700
Non-current assets		
Fixed assets	1,149,200	957,500
Intangible assets	5,929,800	5,777,700
Long-term deferred expenses	88,900	/
Deferred income tax	134,400	134,400
Total non-current assets	<u>7,302,300</u>	<u>6,869,600</u>
Total assets	<u>1,552,514,800</u>	<u>1,538,061,300</u>

(5) Zhuhai Maoye

Based on the audited accounts of Zhuhai Maoye prepared based on PRC Generally Accepted Accounting Principles, the audited net profit (before taxation) of Zhuhai Maoye for each of the financial years ended 31 December 2013 and 2014 are as follows:

	For the year ended 31 December 2013 <i>(audited)</i> <i>RMB</i>	For the year ended 31 December 2014 <i>(audited)</i> <i>RMB</i>
Net profit before taxation	54,431,300	63,691,600
Net profit after taxation	40,823,560	47,768,700

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The audited total asset value of Zhuhai Maoye as at 31 December 2014 and 31 March 2015 were RMB242,825,100 and RMB212,022,500 respectively. The major assets and values of Zhuhai Maoye are as follows:

	As at 31 December 2014 <i>(audited)</i> RMB	As at 31 March 2015 <i>(audited)</i> RMB
Current assets	191,207,100	162,743,600
Non-current assets		
Fixed assets	35,557,100	34,936,600
Construction in progress	/	73,900
Intangible assets	2,189,700	2,133,600
Long-term deferred expenses	13,868,400	12,131,900
Deferred income tax	2,900	2,900
Total non-current assets	<u>51,618,000</u>	<u>49,278,800</u>
Total assets	<u>242,825,100</u>	<u>212,022,500</u>

The Company confirms that the primary significance of the assets (other than property interests) of each of the Target Entities is not its capital value.

7. REASONS FOR, BENEFITS AND DISADVANTAGE OF THE REORGANISATION

Reasons for and benefits of the Reorganisation

- (1) The Reorganisation is beneficial for the Group to integrate and share the retail business resources among the Southern Region and Southwestern Region in order to reduce the potential competition in the industry. The Group's prominent advantages in its operating scale, business resources, channels and brands will effectively strengthen its bargaining and pricing powers over its suppliers, therefore enabling the Group to engage in brand planning and arrangement when selling goods. The Group's operating capability and profitability will be further enhanced.
- (2) Upon Reorganisation, Chengshang can exert stronger influence in the domestic capital market. Its financing channels can be broadened, and the Group's overall financing capability will improve. Its cost of borrowing will also be lowered for its ongoing development.
- (3) The main financial contributors of Demao and Hezhengmao comprise of senior management individuals of Chengshang and/or the Company. The Board believes that the allotment and issue of Chengshang Consideration Shares to each of Demao and Hezhengmao pursuant to the Framework Agreement (as amended by the Formal Agreement) and by way of the transactions under the Share Transfer Agreement, is an effective means to provide incentives and rewards to the abovementioned senior management individuals and provides the senior management individuals with an opportunity to partake in the

LETTER FROM THE BOARD

growth of Chengshang. Moreover, pursuant to the terms of the Framework Agreement (as amended by the Formal Agreement), those senior management individuals have agreed to a lock up period of 36 months during which they are restricted from selling any of the Chengshang Consideration Shares held by Demao and Hezhengmao, respectively. This reinforces the link between the performance of the abovementioned senior management individuals and Chengshang's long-term goals. The Board believes that the transactions further align the interests of the senior management of Chengshang and the Company with the overall interests of Chengshang as a whole.

Disadvantage of the Reorganisation

Upon completion of the Reorganisation, the Target Entities will be transferred from Maoye Shangsha to Chengshang. Prior to the Reorganisation, the Target Entities were managed by the Company's management, while after the Reorganisation, the Target Entities will be managed by Chengshang's management. Due to this change in management structure in relation to the Target Entities, there may be an adjustment period between the existing personnel of the Target Entities and Chengshang's management, and there is a potential risk that such integration may not be smooth or successful.

8. EFFECT OF THE REORGANISATION AND INTENDED USE OF PROCEEDS

The Company's reporting accountants, Ernst & Young, has conducted an assessment and has confirmed that no gain or loss is expected to accrue to the Company as a result of the Reorganisation, being the transactions contemplated under the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement).

The proceeds from the Share Transfer Agreement are intended to be used for the Company's general working capital purpose.

9. LISTING RULES IMPLICATIONS

Discloseable Transactions

As one or more of the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the transactions under each of (1) the Share Transfer Agreement and (2) the Framework Agreement (as amended by the Formal Agreement), being the Disposal, the sale of Maoye Huaqiangbei to Chengshang and the sale of the Target Entities (excluding Maoye Huaqiangbei) to Chengshang, exceeds 5% but are below 25%, such transactions constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements thereunder.

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Connected Transactions

Mr. Zhong holds 50% of Hezhengmao, is an executive director and a director of Chengshang. Mr. Wang Bin holds 25% of Hezhengmao, is an executive director of the Company and a director of Chengshang. Accordingly, Mr. Zhong and Mr. Wang Bin and Hezhengmao are each connected persons of the Company. Therefore, the transactions under each of (1) the Share Transfer Agreement and (2) the Framework Agreement (as amended by the Formal Agreement) being the Disposal, the sale of Maoye Huaqiangbei to Chengshang and the sale of the Target Entities (excluding Maoye Huaqiangbei) to Chengshang, constitutes connected transactions for the Company. As one or more of the applicable percentage ratios pursuant to Rule 14A.76 in respect of the transactions under each of (1) the Share Transfer Agreement and (2) the Framework Agreement (as amended by the Formal Agreement), exceeds 5% but are below 25%, the Company is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waivers granted by the Stock Exchange

To the best of the knowledge of the Directors, no Shareholders or any of their respective associates have any material interest in the Transaction and none of the Shareholders is required to abstain from voting in favour of the resolution approving the Transaction. Accordingly, we have applied to the Stock Exchange for a waiver under Rule 14A.37 of the Listing Rules and the Stock Exchange has granted the waiver on 17 September 2015. Pursuant to Rule 14A.37 of the Listing Rules, written shareholders' approval of Maoye Department Store Investment Limited, the holder of approximately 81.69% of the total issued share capital of the Company, has been obtained in lieu of holding a general meeting of the Company to approve the Transaction.

Further, pursuant to Rule 14A.46(2) of the Listing Rules, the listed issuer must send a circular to its shareholders, if no general meeting is to be held, within 15 business days after publication of the announcement. It was previously envisaged that an extraordinary shareholders' meeting would be required to approve the Reorganisation. However, as mentioned above, as of 11 September 2015, the Company was qualified to apply to the Stock Exchange for a waiver under Rule 14A.37 of the Listing Rules. As time was required to finalise this Circular, in particular the finalisation of the Valuation Report and associated profit forecast, we have applied to the Stock Exchange for waiver from strict timing requirements under Rule 14A.46(2) of the Listing Rules and the Stock Exchange has granted the waiver on 17 September 2015 for the Company to dispatch this Circular on or before 15 October 2015. As additional time was required to finalise the contents of the Circular, the Company further applied to the Stock Exchange for and on 14 October 2015, the Stock Exchange further agreed to waive the timing requirement under Rule 14A.46(2) if the Company will dispatch the Circular on or before 31 October 2015.

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

10. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the transactions contemplated

LETTER FROM THE BOARD

under the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement). Fortune Financial Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

11. BOARD APPROVAL

The Board has approved the transactions under the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement). None of the Directors (other than Mr. Zhong and Mr. Wang Bin) has any material interests in the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement). Those connected Directors, namely Mr. Zhong, the executive director and the shareholder of the Company, and Mr. Wang Bin, the executive director of the Company, have abstained from voting for approval of such resolution in accordance with the Listing Rules of The Stock Exchange.

12. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 29 to 30 of this Circular which contains its recommendation to the Independent Shareholders on the terms of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement). Your attention is also drawn to the letter of advice received from Fortune Financial Capital, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders as set out on pages 31 to 78 of this Circular which contains, among others, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement), the casting of votes for or against the resolutions approving the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) had the Reorganisation been required to be put forward for consideration and approval at a general meeting of the Company, as well as the principal factors and reasons considered by it in concluding its advice.

The Directors consider that the terms of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) are fair and reasonable and in the interest of the Shareholders and the Company as a whole and had the Reorganisation been required to be put forward for consideration and approval at a general meeting of the Company, the Board and the Independent Board Committee would recommend the Shareholders to approve the Reorganisation.

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



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)

31 October 2015

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE REORGANISATION**

We refer to the Circular issued by the Company to the shareholders dated 31 October 2015 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

Under the Listing Rules, the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) constitute connected transactions of the Company.

We have been appointed as the Independent Board Committee to consider the terms of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) and to advise the Independent Shareholders in connection with the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) as to whether, in our opinion, their terms are fair and reasonable and whether the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) are in the interests of the Company and the shareholders as a whole. Fortune Financial Capital Limited has been appointed as the Independent Financial Adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from Fortune Financial Capital as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of Fortune Financial Capital as set out in its letter of advice, we consider that the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) are on normal commercial terms, and that the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) are in the best interests of the Company and the Shareholders as a whole.

LETTER FROM INDEPENDENT BOARD COMMITTEE

We also consider that the terms of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) are fair and reasonable. Had the Reorganisation been required to be put forward for consideration and approval at a general meeting of the Company, the Independent Board Committee would recommend the Shareholders to approve the Reorganisation.

Yours faithfully,
For and on behalf of the Independent Board Committee

Mr. Chow Chan Lum
Independent non-executive
Director

Mr. Pao Ping Wing
Independent non-executive
Director

Mr. Leung Hon Chuen
Independent non-executive
Director

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.



Fortune Financial Capital Limited

35th Floor

Office Tower Convention Plaza

1 Harbour Road, Wanchai

Hong Kong

31 October 2015

To: The Independent Board Committee and the Independent Shareholders of Maoye International Holdings Limited

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO REORGANISATION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer Agreement between Maoye Shangsha (the vendor) and Demao and Hezhengmao (together as purchasers) for the sale and purchase of shares of Maoye Huaqiangbei, and the Framework Agreement (as amended by the Formal Agreement) between Maoye Shangsha, Demao and Hezhengmao (together as vendors) and Chengshang (as purchaser) for the sale and purchase of the entire issued share capitals of the Target Entities, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 31 October 2015 (the “**Circular**”). Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 15 April 2015, the Company announced the potential restructuring, which might involve certain department stores owned and/or operated by the Group, of Chengshang. Chengshang applied to The Shanghai Stock Exchange for the suspension of trading of its shares with effect from 14 April 2015.

On 5 June 2015, Maoye Shangsha (a wholly owned subsidiary of the Company), as vendor, entered into the Share Transfer Agreement with Demao and Hezhengmao, together as purchasers, pursuant to which Maoye Shangsha agreed to sell and Demao and Hezhengmao agreed to purchase

LETTER FROM INDEPENDENT FINANCIAL ADVISER

16.43% and 6.57% of equity interests of Maoye Huaqiangbei, respectively, for a cash consideration of RMB368,611,815 (which number has already taken into account the adjustment required as a result of the Formal Valuation Report) and RMB147,399,855 (which number has already taken into account the adjustment required as a result of the Formal Valuation Report), respectively.

On 12 June 2015, Maoye Shangsha, Demao and Hezhengmao entered into the Framework Agreement (which was subsequently amended by the Formal Agreement dated 28 August 2015) with Chengshang, pursuant to which Chengshang has conditionally agreed to acquire the entire equity interests of the Target Entities from Maoye Shangsha, Demao and Hezhengmao.

On 28 August 2015, the Vendors entered into the Formal Agreement with Chengshang (as purchaser) for the sales and purchase of the entire issued share capitals of the Target Entities for the total consideration of RMB8,560,571,100 (which number has already taken into account the adjustment required as a result of the Formal Valuation Report). Chengshang will allot and issue 1,093,203,558, 48,818,053 and 19,521,278 of Chengshang Consideration Shares (which number has already taken into account the adjustment required as a result of the Formal Valuation Report) at the issue price of RMB7.37 per share, subject to adjustment, to Maoye Shangsha, Demao and Hezhengmao, respectively, in order to settle the aforementioned consideration.

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions under the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement), in aggregate, exceed 5% but are less than 25%, the transactions contemplated under each of the Share Transfer Agreement and Framework Agreement (as amended by the Formal Agreement) constitute discloseable transactions of the Company for the purpose of Chapter 14 of the Listing Rules. Furthermore, as advised by the Company and as at the Latest Practicable Date, Mr. Zhong, an executive Director, held 50% of equity interests of Hezhengmao; whilst, Mr. Wang Bin, an executive Director, held 25% of equity interests of Hezhengmao. Accordingly, Mr. Zhong and Mr. Wang Bin and Hezhengmao are each a connected person of the Company. Therefore, the transactions contemplated under each of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) also constitute connected transactions of the Company, which is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (apart from Mr. Zhong and Mr. Wang Bin) do not have any material interest in each of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) and none of them (apart from Mr. Zhong and Mr. Wang Bin) has abstained from voting on the board resolutions to approve the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement).

As at the Latest Practicable Date, each of Mr. Zhong and Mr. Wang Bin did not have any interest in the Shares and no Shareholder has any interest in any of the transactions contemplated under each of the Share Transfer Agreement and Framework Agreement (as amended by the Formal Agreement). Thus, pursuant to Rule 14A.36 of the Listing Rules, no Shareholder is required to abstain from voting at the general meeting, if one was to be held, to approve each of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) and the transactions contemplated thereunder. Furthermore, Maoye Department Store Investment Limited, the controlling Shareholder

LETTER FROM INDEPENDENT FINANCIAL ADVISER

which holds approximately 81.69% of the issued share capital of the Company, has passed a written shareholders' resolution with respect to the Reorganisation in lieu of holding a general meeting. Based on the above grounds, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the shareholders' meeting requirement under Rule 14A.37 of the Listing Rules. Please refer to the announcements of the Company dated 18 September 2015 and 15 October 2015 in relation to the grant of waiver under Rules 14A.37 and 14A.46(2) of the Listing Rules for full details of the Waivers.

The Independent Board Committee, comprising Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen (all being the independent non-executive Directors), has been formed to advise the Independent Shareholders as to whether the entering into of each of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) is on normal commercial terms and in the interest of the Company and its Shareholders as a whole, and the terms of each of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) are fair and reasonable so far as the Independent Shareholders are concerned. We, Fortune Financial Capital Limited, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible for are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the date of despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration by the Director and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company nor have we conducted any independent investigation into the business, financial conditions and affairs of the prospect of the Group, the counterparties of the transactions or any of their associates.

The Directors have collectively and individually accepted full responsibility for all information given with regard to the Company including particulars given in compliance with the Listing Rules. The Directors have confirmed, after having made all reasonable enquiries, which to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matter the omission of which would make any statement herein or the Circular misleading.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration in respect of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement). Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration of the following principal factors and reasons. Our conclusions are based on the results of our analyses taken as a whole.

1 Principal business and basic background information of the parties to the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement)

1.1 *The Group*

The Group is principally engaged in the operation and management of department stores and property development in the PRC. Maoye Shangsha, a wholly owned subsidiary of the Company, is principally engaged in the operation of department stores. As at 30 June 2015, the Group operated and managed 41 stores in 17 cities across the PRC.

Set out below is the audited financial information of the Group for the year ended 31 December 2013 and 2014 as extracted from annual report of the Company for the year ended 31 December 2014 (the “**2014 Annual Report**”).

Operating segment information:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
	(audited)	(audited)
Operation of department stores	3,819,284	3,919,064
Property development	575,652	710,457
Others	12,415	14,087
Adjustments and eliminations	<u>(6,891)</u>	<u>(20,015)</u>
Total	<u>4,400,460</u>	<u>4,623,593</u>

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	Year ended 31 December	
	2014	2013
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Total operating revenue	4,400,460	4,623,593
Cost of sales	<u>(1,365,726)</u>	<u>(1,425,243)</u>
Gross Profit	3,034,734	3,198,350
Profit before tax	2,086,477	1,324,433
Income tax expense	<u>(637,274)</u>	<u>(411,319)</u>
Profit for the year	<u>1,449,203</u>	<u>913,114</u>
Profit for the year attributable to:		
owners of the parent	1,364,692	802,041
non-controlling interests	<u>84,511</u>	<u>111,073</u>
	As at 31 December	
	2014	2013
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Non-current assets	14,655,782	12,738,329
Current assets	<u>9,802,873</u>	<u>7,339,798</u>
Total assets	<u>24,458,655</u>	<u>20,078,127</u>
Current liabilities	7,503,760	7,148,584
Non-current liabilities	<u>8,746,269</u>	<u>5,598,679</u>
Total liabilities	<u>16,250,029</u>	<u>12,747,263</u>
Equity attributable to owners of the Company	<u>7,147,178</u>	<u>5,862,147</u>

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1.2 *Chengshang*

Chengshang is principally engaged in the operation of department stores. Its shares are listed on The Shanghai Stock Exchange (stock code: 600828). Immediately prior to the entering into the Acquisition, Maoye Shangsha, a wholly owned subsidiary of the Company, was holding approximately 68.06% of the issued share capital of Chengshang. Upon Completion, shareholdings of Maoye Shangsha in Chengshang shall increase to approximately 85.53%.

1.3 *Demao and Hezhengmao*

Each of Demao and Hezhengmao is principally engaged in equity investment, corporate management consulting and investment planning.

As at the Latest Practicable Date, Mr. Zhong and Mr. Wang Bin, both being executive Directors and directors of Changshang, were interested in 50% and 25% of the total issued share capital of Hezhengmao, respectively.

As at the Latest Practicable Date, Mr. Gao, Ms. Zheng and Mr. Wang Wei (each of them being a director of Chengshang) together were interested in 26% of the shareholding in Demao. As confirmed by the Company, Demao and its ultimate beneficial owners (other than Mr. Gao, Ms Zheng and Mr. Wang Wei) were not connected persons of the Company as at the Latest Practicable Date.

1.4 *Maoye Huaqiangbei*

Maoye Huaqiangbei operates the Maoye Shenzhen Huaqiangbei store.

As provided by the Company, set out below is the financial information extracted from the audited consolidated financial statements of Maoye Huaqiangbei for the two financial years ended 31 December 2014 and for the 3 months ended 31 March 2015.

	Year ended 31 December		For the 3 months ended
	2013	2014	31 March
	RMB'000	RMB'000	2015
	(audited)	(audited)	(audited)
Revenue	1,166,572.1	1,048,932.6	406,609.5
Profit before tax	197,025.4	180,083.7	70,123.4
Net profit	147,735.5	135,039.6	52,580.8

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	As at 31 December		As at
	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	679,249.1	1,768,312.5	1,971,832.0
Total liabilities	542,109.9	1,648,154.5	1,799,093.2
Total equity	137,139.2	120,158.0	172,738.8

The major assets and values of Maoye Huaqiangbei are as follows:

	As at	As at
	31 December	31 March
	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Current assets	1,730,781.5	1,921,112.3
Non-current assets		
Fixed assets	8,787.6	7,723.6
Construction in progress	17,248.1	/
Intangible assets	2,404.1	7,807.7
Long-term deferred expenses	9,086.0	35,183.2
Deferred income tax	5.1	5.1
Total non-current assets	37,531.0	50,719.7
Total assets	1,768,312.5	1,971,832.0

1.5 *Maoye Department Store*

Maoye Department Store operates three department stores in Guangdong province, the PRC, namely Maoye Shenzhen Dongmen store, Maoye Shenzhen Nanshan store and Maoye Shenzhen Outlet store.

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As provided by the Company, set out below is the financial information extracted from the audited consolidated financial statements of Maoye Department Store for the two financial years ended 31 December 2014 and for the 3 months ended 31 March 2015.

	Year ended 31 December		For the 3 months ended 31 March
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	2,014,116.7	2,173,739.1	573,867.8
Profit before tax	304,688.8	354,945.3	99,247.4
Net profit	228,496.6	266,216.3	74,430.0
			As at
	As at 31 December		31 March
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	1,120,167.6	1,473,942.6	1,648,315.5
Total liabilities	975,564.0	1,088,832.2	1,188,775.1
Total equity	144,603.6	385,110.4	459,540.4

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The major assets and values of Maoye Department Store are as follows:

	As at 31 December 2014 RMB'000 (audited)	As at 31 March 2015 RMB'000 (audited)
Current assets	653,371.4	840,105.5
Non-current assets		
Fixed assets	386,969.0	379,020.3
Construction in progress	3,426.2	3,011.6
Intangible assets	405,428.3	402,126.1
Long-term deferred expenses	23,712.9	22,918.6
Deferred income tax	370.9	499.6
Other non-current assets	664.0	633.8
Total non-current assets	820,571.3	808,210.0
Total assets	1,473,942.6	1,648,315.5

1.6 *Maoye Shennan*

Maoye Shennan operates the Maoye Shenzhen Shennan store.

As provided by the Company, set out below is the financial information extracted from the audited consolidated financial statements of Maoye Shennan for the two financial years ended 31 December 2014 and for the 3 months ended 31 March 2015.

	Year ended 31 December		For the 3 months ended 31 March 2015
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	169,482.6	164,080.2	38,693.6
Profit before tax	25,097.9	25,255.0	6,129.6
Net profit	18,809.6	18,940.2	4,594.7

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	As at 31 December		As at
	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	115,338.9	253,410.5	229,331.9
Total liabilities	92,572.8	230,806.7	202,133.3
Total equity	22,766.1	22,603.9	27,198.6

The major assets and values of Maoye Shennan are as follows:

	As at	As at
	31 December	31 March
	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Current assets	247,573.9	223,597.8
Non-current assets		
Fixed assets	4,250.8	4,207.6
Intangible assets	1,144.5	1,115.1
Long-term deferred expenses	326.4	293.7
Deferred income tax	114.9	117.7
Total non-current assets	5,836.6	5,734.1
Total assets	253,410.5	229,331.9

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1.7 *Maoye Oriental Times*

Maoye Oriental Times operates the Maoye Shenzhen Huaqiangbei store.

As provided by the Company, set out below is the financial information extracted from the audited consolidated financial statements of Maoye Oriental Times for the two financial years ended 31 December 2014 and for the 3 months ended 31 March 2015.

	Year ended 31 December		For the 3 months ended 31 March
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	878,135.6	818,180.1	68,149.6
Profit before tax	195,221.7	196,819.8	17,354.2
Net profit	146,416.3	147,614.8	13,015.7
			As at
	As at 31 December		31 March
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	643,399.8	1,552,514.8	1,538,061.3
Total liabilities	498,563.8	1,402,888.3	1,375,419.1
Total equity	144,836.0	149,626.6	162,642.2

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The major assets and values of Maoye Oriental Times are as follows:

	As at 31 December 2014 RMB'000 (audited)	As at 31 March 2015 RMB'000 (audited)
Current assets	1,545,212.6	1,531,191.7
Non-current assets		
Fixed assets	1,149.2	957.5
Intangible assets	5,929.8	5,777.7
Long-term deferred expenses	88.9	/
Deferred income tax	134.4	134.4
Total non-current assets	7,302.3	6,869.6
 Total assets	 1,552,514.8	 1,538,061.3

1.8 Zhuhai Maoye

Zhuhai Maoye operates the Maoye Zhuhai Xiangzhou store.

As provided by the Company, set out below is the financial information extracted from the audited consolidated financial statements of Zhuhai Maoye for the two financial years ended 31 December 2014 and for the 3 months ended 31 March 2015.

	Year ended 31 December		For the 3 months ended 31 March
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	324,271.1	349,878.0	97,749.5
Profit before tax	54,431.3	63,691.6	17,364.9
Net profit	40,823.5	47,768.7	13,023.7

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	As at 31 December		As at
	2013	2014	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	208,613.2	242,825.1	212,022.5
Total liabilities	161,126.7	187,496.4	143,670.0
Total equity	47,486.5	55,328.7	68,352.4

The major assets and values of Zhuhai Maoye are as follows:

	As at	As at
	31 December	31 March
	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Current assets	191,207.1	162,743.6
Non-current assets		
Fixed assets	35,557.1	34,936.6
Construction in progress	/	73.9
Intangible assets	2,189.7	2,133.6
Long-term deferred expenses	13,868.4	12,131.9
Deferred income tax	2.9	2.9
Total non-current assets	51,618.0	49,278.8
Total assets	242,825.1	212,022.5

2 Reasons for and benefits of entering into of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement)

As set out in the announcement of the Company dated 15 April 2015 in relation to the restructuring of Chengshang, the said restructuring may involve certain department stores owned and/or operated by the Group (other than Chengshang). The restructuring is subject to, among other things, the approval of The China Securities Regulatory Commission. As confirmed by the Company, the Disposal and Acquisition form part of the Reorganisation. In a nutshell, upon the Completion, Target Entities, which were indirect subsidiaries of the Company as at the Latest Practicable Date, shall become wholly owned subsidiaries of Chengshang, which is an indirect subsidiary of the Company.

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According to the 2014 Annual Report, the Group is positioned at the medium to high-end department store merchandise and offers a stylish and diversified merchandise mix for well-off urban residents. As set out in the immediate preceding section, the Group, Chengshang and Target Entities are all engaged in the operation and/or management of department stores in the PRC, albeit to different extents. Chengshang opened and started operating its first department store in 1953. By leveraging Chengshang's extensive and rich experience in department store operation, it is expected that Chengshang is able to continue the successful historical operation of Target Entities with ease and provide better return to the Group.

As shown in the annual reports of Chengshang, most of the department stores operated by Chengshang are located in Sichuan province, the PRC, whereas, most of the department stores operated by the Group are located in Northern China and Eastern China. By disposing the interests in the Target Entities, which all of them are located in the Southern China, the Company may effectively utilise its resources and focusing in its store operation in Bohai Rim region and Northern China or its business in the property development segment. As advised by the management of the Company, upon Completion, both the Group and Chengshang are expected to enjoy a greater economic of scale in respective business operation due to the increase in bargaining power, bulk purchase and efficient use of resources in their advertising campaigns. From the perspective of the Company, the disposal of various subsidiaries of the Company to another subsidiary of the Company, which all parties are conducting substantially similar businesses, is going to reduce intra-group competition. It is expected that the arrangements under the Disposal and Acquisition are going to i) strengthen the operating scale, business resources and brand planning of the Group; ii) flourish the department stores operations; and iii) enhance the profitability of the Group as a whole.

As at the Latest Practicable Date, Maoye Shangsha held approximately 68.06% of the equity interests of Chengshang and Target Entities were wholly owned by Maoye Shangsha. Immediately after the Completion, Target Entities shall be wholly owned by Chengshang; and Maoye Shangsha shall hold approximately 85.53% of equity interests of Chengshang. We noted that Target Entities will no longer be wholly owned subsidiaries of the Company upon Completion, nonetheless, the financial results of the Target Entities will be consolidated into the Group, through Company's majority control in Maoye Shangsha and Chengshang.

Despite there are minor dilutions in the absolute shareholding interests of the Company in each of the Target Entities as mentioned in the above, the Company is expected to receive RMB516,011,670 in cash from the Disposal (which number has already taken into account the adjustment required as a result of the Formal Valuation Report and is equal to the 23% of entire equity of Maoye Huaqiangbei as valued by the Independent Valuer) and 1,093,203,558 Chengshang Consideration Shares (which number has already taken into account the adjustment required as a result of the Formal Valuation Report), at an issue price of RMB7.37 per share, from the Acquisition. Please refer to the sub-sections headed "3.1 Analysis on the Disposal Consideration", "4.2 Evaluation of the basis of the Acquisition Consideration" and "4.3 Evaluation of the Issue Price" below for our detailed analyses on the fairness and reasonableness of (i) basis of determining the consideration under the Share Transfer Agreement; (ii) basis of determining the consideration under the Framework Agreement (as amended by the Formal Agreement); and (iii) issue price of the Chengshang Consideration Shares under the Framework Agreement (as amended by the Formal Agreement), respectively. On one hand, the

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Company will maintain its control in all Target Entities; whilst, on the other hand, the financial positions of the Company will be improved given the receipt of the cash consideration under the Share Transfer Agreement and the Company is able to increase its shareholdings in Chengshang and to be benefited from the future growth of Chengshang upon Completion.

As set out in the section headed “Information of the Target Entities” in the Letter from the Board, all Target Entities recorded net profit after taxation for the year ended 31 December 2014, varying from approximately RMB18.94 million to RMB266.22 million. Through the injection of department stores to Chengshang, it is able to lay a solid platform and assist the growth of Chengshang in long term. As a result of the injection, the fixed assets of Chengshang will be improved, which in turn reinforce its negotiating power with creditors in obtaining external financial resources. We are of the view that, ultimately, the Group will be benefited by the advancement in ChengShang’s operating capability.

As disclosed in the Letter from the Board, given the fact that prior to the Reorganisation, the Target Entities were managed by the Company’s management, while after the Reorganisation, the Target Entities will be under the control of Chengshang’s management, the Company is of the view that such changes may lead to the occurrence of an adjustment period between the existing personnel of the Target Entities and Chengshang’s management. Nonetheless, upon our review of the Framework Agreement (as amended by the Formal Agreement), we noticed that certain existing senior management and core members of the Target Entities have to provide non-competition agreements, pursuant to which, among others, the existing senior management and core members of the Target Entities have to remain under employment in the Target Entities for a minimum of three years commencing from the Completion (the “**minimum employment period**”). Taking into consideration (i) the effect of the aforementioned agreements; and (ii) the minimum employment period covers the period of the Profit Guarantee, we are of the view that impact of the aforesaid adjustment period will be minimal.

Having considered all factors discussed in the above, we are of the view that the entering into of each of the Share Transfer Agreement and Framework Agreement (as amended by the Formal Agreement) is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3 Principal terms of the Share Transfer Agreement

Date of the Share Transfer Agreement

5 June 2015

Parties

- (i) Maoye Shangsha, as vendor;
- (ii) Demao, as purchaser;
- (iii) Hezhengmao, as purchaser.

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Asset to be disposed pursuant to the Share Transfer Agreement

- (i) approximately 16.43% of equity interest in Maoye Huaqiangbei to Demao; and
- (ii) approximately 6.57% of equity interest in Maoye Huaqiangbei to Hezhengmao

Consideration

The consideration payable by Demao and Hezhengmao to the Company in respect of the Disposal under the Share Transfer Agreement is, in aggregate, approximately RMB516,011,670 (the “**Disposal Consideration**”) (which number has already taken into account the adjustment required as a result of the Formal Valuation Report), in which, Demao shall pay approximately RMB368,611,815 (as adjusted by the Formal Valuation Report) and Hezhengmao shall pay approximately RMB147,399,855 (as adjusted by the Formal Valuation Report). All consideration shall be satisfied in cash.

As agreed by all parties to the Share Transfer Agreement, the final consideration shall be subject to adjustment based on further negotiation between the parties.

As stated in the Letter from the Board, the proceeds from the Share Transfer Agreement are intended to be used for the Company’s general working capital purpose.

Terms of Payment

As agreed by all parties to the Share Transfer Agreement, each of Demao and Hezhengmao, respectively, shall pay the consideration for the sale of the shares of Maoye Huaqiangbei under the Share Transfer Agreement within two years after the transfer of the shares of Maoye Huaqiangbei from Maoye Shangsha to Demao and Hezhengmao, respectively, is registered with the Industry and Commerce Bureau.

3.1 Analysis on the Disposal Consideration

As advised by the management of the Company, the Disposal Consideration was determined after arm’s length negotiations between Maoye Shangsha, Demao and Hezhengmao on normal commercial terms with reference to the Formal Valuation Report prepared by the Independent Valuer. Furthermore, according to Article 17 of the Reorganisation Measures, the basis in determining the consideration for the transfer of a material asset pursuant to a reorganisation is required to be based on an asset valuation report.

As confirmed by the Directors, they considered that the Disposal Consideration was determined on a fair and reasonable basis and under normal commercial terms.

In assessing the fairness and reasonableness of the Disposal Consideration, we have performed (a) an analysis on the Formal Valuation Report; and (b) comparable companies analysis.

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(a) Assessment on the Formal Valuation Report

According to the Formal Valuation Report and our discussion with the Independent Valuer, we understood that the Independent Valuer has considered three generally accepted approaches, namely the cost approach, market approach and income approach. The Independent Valuer considered that, cost approach and market approach are not appropriate for the valuation of the equity interest of each of the Target Entities since (i) the cost approach cannot reasonably reflect the overall profit generating ability, including the intangible assets, and the potential growth of each of the Target Entities in valuing its entire equity interest and (ii) the market approach is not reliable and accurate enough to draw a conclusion of the total equity value of each of the Target Entities without adequate comparable companies. In this regard, the Independent Valuer considered that the income approach is the most appropriate valuation approach for the valuation of each of the Target Entities after taking into account of key value drivers, various intangible assets, business scale, model, strategies and objectives of the Group and relevant supporting documents provided by the Company (including but not limited to, business plan, assessment on the sales networks and the strengthened management policy adopted by the Group), such that the intrinsic business enterprise value of the each of the Target Entities can be estimated based on forecasts of fundamental conditions in the future rather than on current available data.

Taking into account the characteristic, business nature and the value of intangible asset in department store industry and the operating history of each of the Target Entities and the Group considered by the Independent Valuer as mentioned in the above, we concur with the Independent Valuer that the income approach is the most appropriate valuation approach for valuing the equity interest of each of the Target Entities.

In assessing the fairness and reasonableness of the principal basis and assumptions adopted for the Formal Valuation Report, we noted that the Independent Valuer has made various assumptions regarding, including but not limited to, the market condition, going-concern asset, ownership, information accuracy, legal description or issues, relevant PRC government regulations and policies and licensing requirements for the valuation of the entire equity interest of each of the Target Entities. Principal assumptions adopted in the Formal Valuation Report have been set out in the announcement of the Company dated 17 September 2015 regarding the profit forecast in relation to the discloseable and connected transactions contemplated under the Reorganisation. During our discussion with the Independent Valuer, we have reviewed and have not identified any major factors which cause us to doubt the validity and fairness and reasonableness of the principal basis and assumptions for the valuation and financial projection adopted by the Independent Valuer in the Formal Valuation Report.

Besides, pursuant to note 1(d) to Rule 13.80 of the Listing Rules, we have performed the followings steps regarding the appraisal value of each of the Target Entities prepared by the Independent Valuer:

- (i) interviewed the Independent Valuer and reviewed the company brochure and track records provided by the Independent Valuer and were satisfied with their experience and expertise;

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- (ii) confirmed with the Independent Valuer that it has no current or prior relationship with the Group, Demao and Hezhengmao, or their respective core connected persons, other than the engagement of appraisals in relation to the Reorganisation;
- (iii) reviewed the terms of engagement and the scope of work of the Independent Valuer and considered that the scope of work is appropriate to the opinion required to be given and without any limitations on the scope of work which might adversely impact on the degree of assurance given by the Independent Valuer's report, opinion or statement;
- (iv) upon our interview with the Independent Valuer, save and except those disclosed in the Formal Valuation Report, we were not aware that each of the Group, Demao and Hezhengmao has made any other formal or informal representations to the Independent Valuer, respectively; and
- (v) reviewed and discussed with the Independent Valuer the assumptions used for the valuation and the income approach used by the Independent Valuer and were satisfied with their work performed and satisfied that the assumptions, rationale in applying the financial projection to their valuation and income approach are appropriate and objective in such circumstances.

Given the valuation of the equity interest of each of the Target Entities in the Formal Valuation Report involves the use of discounted cash flows approach, it is regarded as a profit forecast under Rule 14.61 of the Listing Rules. We understood that RSM, the Company's reporting accountants in relation to the Reorganisation, has examined the calculations of the discounted future estimated cash flows in which the Formal Valuation Report was based. So far as the calculations are concerned, the discounted future estimated cash flows have been properly complied in all material respects, in accordance with the assumptions set out in the Formal Valuation Report. Furthermore, the Directors have confirmed that they (i) have reviewed the bases and assumptions based upon which the valuation of the Target Entities was prepared by the Independent Valuer for which valuation the Independent Valuer is solely responsible; and (ii) have considered the RSM Report and are satisfied that the valuation of the Target Entities prepared by Independent Valuer has been made after due and careful enquiry. Letters from the RSM and the Board relating to the Formal Valuation Report are set out in Appendix I to the Circular, respectively.

(b) Comparable companies analysis on Disposal

Under this analysis, we have identified, on best effort basis, an exhaustive list of companies listed on the Stock Exchange for comparison based on criterion that such selected companies (the "**Disposal Comparable Companies**") are principally engaged in the operation and management of department stores, supermarket or hypermarket during their respective latest financial year, regardless of their locations and types of product provided. We consider companies being selected under the adopted criterion are able to provide a meaningful comparison, and are fair and representative samples, as they are engaged in the operation and management of integrated one-stop retail business, which is similar to principal business of the Group.

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Details of the result are summarised in the following table:

	Company	Stock code	Market capitalisation as at the Latest Practicable Date (HK\$' million)	Respective latest net profit/(loss) attributable to the shareholders of the company (excluding non-controlling interest) as disclosed in respective latest published audited financial statement before the Latest Practicable Date (HK\$' million)	Respective latest net asset value (excluding non-controlling interest) as disclosed in respective latest published audited financial statement before the Latest Practicable Date (HK\$' million)	price-to-earnings ratio	price-to-book ratio
1	C.P. Lotus Corporation	121	2,027.5	(70.5)	2,422.2	N/A	0.8
2	Century Ginwa Retail Holdings Ltd.	162	2,711.9	120.1	5,403.7	22.6	0.5
3	The Sincere Co. Ltd.	244	287.2	(122.6)	419.6	N/A	0.7
4	Wing On Company International Ltd.	289	7,086.8	1,274.5	14,534.2	5.6	0.5
5	China Resources Beer (Holdings) Co. Ltd.	291	36,399.7	(161.0)	48,747.0	N/A	0.7
6	Shirble Department Store Holdings (China) Ltd.	312	1,372.3	39.5	1,520.4	34.7	0.9
7	GOME Electrical Appliances Holding Ltd.	493	22,389.3	1,543.5	20,393.3	14.5	1.1
8	Jiahua Stores Holdings Ltd.	602	415.0	70.7	427.7	5.9	1.0
9	Beijing Jingkelong Co. Ltd - H Shares	814	783.2	49.8	1,994.4	15.7	0.4
10	New World Department Store China Ltd.	825	2,242.6	69.7	6,292.6	32.2	0.4
11	Lianhua Supermarket Holdings Co. Ltd. - H Shares	980	4,047.4	37.4	4,103.5	108.1	1.0
12	AEON Stores (Hong Kong) Co., Ltd.	984	1,950.0	257.6	1,922.2	7.6	1.0
13	Wumart Stores, Inc. - H Shares	1025	7,210.2	476.1	4,560.7	15.1	1.6
14	Lifestyle International Holdings Ltd.	1212	17,628.5	2,144.0	11,102.4	8.2	1.6
15	Springland International Holdings Ltd.	1700	4,821.0	764.7	6,011.5	6.3	0.8
16	Intime Retail (Group) Co. Ltd.	1833	18,737.1	1,352.6	12,898.9	13.9	1.5
17	Yi Hua Holdings Ltd.	2213	1,512.8	32.6	192.2	46.4	7.9

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Company	Stock code	Market capitalisation as at the Latest Practicable Date (HK\$' million)	Respective latest net profit/(loss) attributable to the shareholders of the company (excluding non-controlling interest) as disclosed in respective latest published audited financial statement before the Latest Practicable Date (HK\$' million)			Respective latest net asset value (excluding non-controlling interest) as disclosed in respective latest published audited financial statement before the Latest Practicable Date (HK\$' million)		price-to-earnings ratio	price-to-book ratio
			statement before the Latest Practicable Date (HK\$' million)	statement before the Latest Practicable Date (HK\$' million)	statement before the Latest Practicable Date (HK\$' million)	statement before the Latest Practicable Date (HK\$' million)	statement before the Latest Practicable Date (HK\$' million)		
18	Golden Eagle Retail Group Ltd.	3308	17,180.1	1,305.5	6,525.7	13.2	2.6		
19	Parkson Retail Group Ltd	3368	3,194.6	283.5	6,738.2	11.3	0.5		
20	Sun Art Retail Group Ltd.	6808	61,054.1	3,507.2	23,726.9	17.4	2.6		
21	The Company	848	5,244.5	1,645.9	8,620.0	3.2	0.6		
					Mean	21.2	1.4		
					Median	14.2	0.9		
					Max	108.1	7.9		
					Min	3.2	0.4		

Excluding respective extremes cases under each analysis

Mean	10.6	1.0
Median	11.3	0.9
Max	17.4	2.6
Min	3.2	0.4

The Disposal	Appraised value of 100% equity interest in the business enterprise of Maoye Huaqiangbei as at 31 March 2015 (RMB' million)		Net profit after taxation of Maoye Huaqiangbei during the year ended 31 December 2014 (RMB' million)		Net asset value of Maoye Huaqiangbei as at 31 March 2015 (RMB' million)		price-to-earnings ratio	price-to-book ratio
	2,189.8		135.0		172.7		16.2	12.7

Source: The Hong Kong Stock Exchange (<http://www.hkex.com.hk>)

Note: The exchange rate of RMB1.00 to HK\$1.2061 is adopted.

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As shown in the above table, the price-to-earnings ratios (the “**PE ratios**”) of the Disposal Comparable Companies ranged from approximately 3.2 to 108.1 times, with a mean of approximately 21.2 times and a median of approximately 14.2 times. We noticed that (i) there is a considerable difference between the results on the mean and median of the PE ratios of the Disposal Comparable Companies; and (ii) 13 out of 18 Disposal Comparable Companies have a PE ratio under 20 times. We are of the view that, under such circumstance, the calculation of the mean of PE ratios analysis on Disposal is being affected by some extreme values. Among the Disposal Comparable Companies, we are aware that the PE ratios of Century Ginwa Retail Holdings Limited (162.HK), Shirble Department Store Holdings (China) Limited (312.HK), New World Department Store China Limited (825.HK), Lianhua Supermarket Holdings Company Limited - H Shares (980.HK) and Yi Hua Holdings Limited (2213.HK) are over 20 times and much higher than the PE ratios of other Disposal Comparable Companies. In order to present a fair analysis, we are of the view the PE ratios of the aforementioned extreme cases under PE ratios analysis on Disposal (the “**Disposal PE analysis**”) are outliers and decide to take them out from calculating the maximum value, minimum value and mean of our Disposal PE analysis. Thus, the mean of the PE ratios of the remaining Disposal Comparable Companies (the “**Disposal PE analysis without extreme cases**”) is approximate to the median of the Disposal PE analysis and we are of the view that the rearranged samples are fair and representative for the current comparative purpose. As a result, the PE ratios of the Disposal PE analysis without extreme cases varied from approximately 3.2 to 17.4 times, with a mean of approximately 10.6 times. The median of the Disposal PE analysis is approximately 14.2 times.

We noted that the implied PE ratio of the Disposal, calculated as the appraised value of 100% equity interest in the business enterprise of Maoye Huaqiangbei as at 31 March 2015 as appraised by the Independent Valuer divided by the audited net profit after taxation attributable to the shareholders of the Maoye Huaqiangbei during the year ended 31 December 2014, was approximately 16.2 times, which is approximately 1.5 times of the mean, and is within the range of the Disposal PE analysis without extreme cases and is close to the median of the Disposal PE analysis. We are of the opinion that the high PE ratio of the asset disposed under the Disposal is favourable to the Company. Having said the aforesaid, a relative high PE ratio may also represent the purchaser expects a robust growth in the future potential of Maoye Huaqiangbei. There is no right or wrong in taking either view. Nonetheless, given that (i) the Company is guaranteed the receipt of the Disposal Consideration without being subject to market volatility; (ii) the Company will remain as the majority shareholder of Maoye Huaqiangbei in all time; and (iii) the result of the Disposal PE analysis, we consider the Disposal Consideration is acceptable.

We have also conducted price-to-book ratios (the “**PB ratios**”) analysis on the Disposal (the “**Disposal PB analysis**”). The implied PB ratio of the Disposal, calculated as the appraised value of 100% equity interest in the business enterprise of Maoye Huaqiangbei as at 31 March 2015 divided by the net asset value as at 31 March 2015 of Maoye Huaqiangbei, is approximately 12.7 times, which is out of the range of the PB ratios of the Disposal Comparable Companies (regardless of whether the extreme case, Yi Hua Holdings Limited (2213.HK), is included), and is considered as an extreme value under the Disposal PB analysis, details of which are shown in the above table. Based on our review on the Formal Valuation Report and the audited accountants’ report of Maoye Huaqiangbei, we are of the view that the high value of the implied PB ratio of the Disposal is mainly due to the fact that (i) the Independent Valuer has adopted income approach in appraising the value of the 100% equity interest in the business enterprise of Maoye Huaqiangbei as at 31 March 2015, which has placed

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substantial significance on the value of the profit and loss account and the future earning power of Maoye Huaqiangbei (Please refer to the section headed “3.1 Analysis on the Disposal Consideration — (a) Assessment on the Formal Valuation Report” above for our analysis on the Formal Valuation Report); and (ii) Maoye Huaqiangbei recorded total liability of approximately RMB1,799.1 million as at 31 March 2015, of which approximately RMB1,283.9 million was other payables, which has affected the net asset value of Maoye Huaqiangbei. Though we fully understood that, in a disposal transaction, a relative high PB ratio tends to be more advantageous to the vendor, we consider an analysis on PB ratios is not meaningful given the extravagant difference in the results of the Disposal PB analysis. Having said the aforesaid, we consider the comparison amongst the implied PB ratio of the Disposal and the PB ratios of Disposal Comparable Companies as a minor factor in arriving our recommendation and we provide these data for reference and completeness.

Having considered (i) the Disposal Consideration was determined by reference to the Formal Valuation Report prepared by the Independent Valuer; (ii) we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Formal Valuation Report; and (iii) the conclusion of comparable companies analysis on Disposal as mentioned in the above, we concur with the Directors that the Disposal Consideration is determined on a fair and reasonable basis, under normal commercial terms and in the interests of the Shareholders as a whole.

3.2 Evaluation of the settlement period of the Disposal Consideration

Pursuant to the Share Transfer Agreement, Demao and Hezhengmao is allowed to settle the Disposal Consideration in two years from the date of transfer of the shares of Maoye Huaqiangbei from Maoye Shangsha to Demao and Hezhengmao, respectively, is registered with the Industry and Commerce Bureau. We have inspected the document evidencing the registration provided by the Company and as confirmed by the Company upon our enquiry, the aforementioned share transfer has been duly approved by Market and Quality Supervision Commission of Shenzhen Municipality and validly registered on 9 June 2015. As a result, it is expected that the Disposal Consideration will be settled in full on or before 8 June 2017.

As confirmed by the Directors, the Group has not entered into any disposal of equity interest in subsidiary of the Company with independent third parties in the last 36 months prior to the Latest Practicable Date. Hence, we are not able to conduct any comparison on the adopted settlement period arrangement of similar transactions of the Company with independent third parties. Nonetheless, we have identified, after taken reasonable efforts, an exhaustive list of notifiable disposal transactions which involves cash consideration settlement conducted by the Disposal Comparable Companies (excluding the Company) within the 36 months prior to and including the date of the Share Transfer Agreement (the “**Settlement Period Comparables Transactions**”). We are of the view that the

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identified transactions are the best alternatives and representative for the comparison of settlement period hereof. Details of the Settlement Period Comparables Transactions are summarised in the following table:

	Date of announcement	Company	Stock code	Settlement period
1	26-May-2015	Intime Retail (Group) Co. Ltd.	1833	<ul style="list-style-type: none"> • 1st instalment: within 20 business days upon signing of the agreement; • 2nd instalment: within seven months from the announcement date.
2	04-May-2015	China Resources Enterprise, Ltd.	291	<ul style="list-style-type: none"> • within three business days from the date of completion
3	15-Dec-2014	Intime Retail (Group) Co. Ltd.	1833	<ul style="list-style-type: none"> • within 10 business days from the signing date of the first transfer agreement
4	09-Oct-2014	AEON Stores (Hong Kong) Co., Ltd.	984	<ul style="list-style-type: none"> • 1st instalment: on the date of signing of the agreement; • 2nd instalment: within two weeks from the announcement date; • 3rd instalment: within 6.5 months from the announcement date.
5	15-Jun-2014	Wing On Company International Ltd.	289	<ul style="list-style-type: none"> • within 3.5 months from the announcement date
6	02-May-2014	Springland International Holdings Ltd.	1700	<ul style="list-style-type: none"> • within eight months from the announcement date
7	14-Mar-2014	C.P. Lotus Corporation	121	<ul style="list-style-type: none"> • within 60 days upon relevant completion dates
8	04-Nov-2013	Intime Retail (Group) Co. Ltd.	1833	<ul style="list-style-type: none"> • within 15 business days after the relevant agreement becoming effective

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	Date of announcement	Company	Stock code	Settlement period
9	10-Jan-2013	Intime Retail (Group) Co. Ltd.	1833	<ul style="list-style-type: none"> • 1st instalment: within 30 business days after obtaining the shareholders' approval regarding the transaction; • 2nd instalment: within 11 months from the announcement date.
10	04-Jan-2013	Lifestyle International Holdings Ltd.	1212	<ul style="list-style-type: none"> • 1st instalment: on the date of signing of the agreement; • 2nd instalment: within 15 days from the announcement date; • 3rd instalment: on the date of transfer of the equity interest in the target company is duly registered; • 4th instalment: within nine months from the date of transfer of the equity interest in the target company is duly registered.
11	27-Sep-2012	The Sincere Co. Ltd.	244	<ul style="list-style-type: none"> • 1st instalment: within five business days from the signing of the agreement; • 2nd instalment: within 3 business days from the receipt of the approval certificate; • 3rd instalment: within 3 business days from the receipt of the transfer notice.

Source: The Hong Kong Stock Exchange (<http://www.hkex.com.hk>)

As shown in the above table, the settlement period of the Settlement Period Comparables Transactions ranged from the date of signing of respective agreements to 11 months from the announcement date. We noticed that the settlement period of the Disposal Consideration is out of the aforementioned range. However, Shareholders should note that the nature of each of the Settlement Period Comparables Transactions is different from each other. Therefore, in considering the acceptableness of the settlement period of the Disposal Consideration, we are of the view that it may not be fair and reasonable to draw a conclusion solely by referencing to the settlement period of the Settlement Period Comparables Transactions. We have taken into account the information set out in the above comparison table as one of the factors in considering and arriving at our conclusion.

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We have, however, discussed with the Company on the basis in determining the settlement period adopted under the Share Transfer Agreement. As advised by the Company, the transfer of equity interest of a limited company is regarded as an agreement between civil parties and regulated by the Contract Law of the People's Republic of China <<中華人民共和國合同法>>. Pursuant to the Contract Law of the People's Republic of China, (i) parties to the contract have the right to voluntarily enter into a contract (article 4); (ii) the content of the contract, among other things, the consideration, term for the execution of relevant terms of the contract, should be agreed between the parties to the contract (article 12); (iii) once the contract is agreed by both parties, it is indicating both parties agreed to be bound by the terms of the contract (article 14). Based on our review, on best effort basis, we are not aware of any article under the Contract Law of the People's Republic of China has imposed restriction on the settlement period of the consideration.

Furthermore, as advised by the management of the Company, the inclusion of a period of two years for the settlement of the Disposal Consideration was reached after arm's length negotiation between the parties. Each of Demao and Hezhengmao has agreed to pledge all of their respective Chengshang Consideration Shares to Maoye Shangsha, the holding company of Maoye Huaqiangbei, as security for their respective payment of the Disposal Consideration. Under the Framework Agreement (as amended by the Formal Agreement), each of Demao and Hezhengmao will receive 48,818,053 and 19,521,278 Chengshang Consideration Shares, respectively, in disposing their interests in Maoye Huaqiangbei. As the Disposal Consideration is based on the same valuation as the subsequent on-sale of the Vendors' interests in Target Entities to Chengshang under the Framework Agreement (as amended by the Formal Agreement), we are of the view that the share pledge is able to secure the payment of the Disposal Consideration and no preferential terms have been given to Demao and Hezhengmao. In the event that either of Demao and Hezhengmao defaults on its respective payment obligation under the Share Transfer Agreement, Maoye Shangsha has the right to enforce the relevant pledge, which is in the interest of the Shareholders.

We noticed that the issuance of Chengshang Consideration Shares is subject to profit guarantee and consideration adjustment mechanism as required by the Reorganisation Measures, pursuant to which each of the Vendors may be required to return certain number of Chengshang Consideration Shares to Chengshang under certain conditions. Nonetheless, as set out in the Share Transfer Agreement, should any of Demao and Hezhengmao defaults the payment of the Disposal Consideration, it will be regarded as a breach of the Share Transfer Agreement and Demao and Hezhengmao should be responsible and compensate all losses, damages, costs (including but not limited to reasonable legal costs) suffered by Maoye Shangsha by return their respective Chengshang Consideration Shares to Maoye Shangsha. If such compensation is insufficient to cover the loss, Maoye Shangsha can raise a claim against Demao and Hezhengmao at relevant people's court in the PRC.

Taking into consideration of the above, we are of the view that the settlement period of the Disposal Consideration, which is out of the range of the settlement period of the Settlement Period Comparables Transactions, is acceptable.

3.3 Evaluation of other terms of the Share Transfer Agreement

Upon our review of the Share Transfer Agreement, we are not aware of any term in the agreement that is unfavourable to the Group for entering into the agreement and any terms is not fair and reasonable, not on normal commercial terms and not in the interest of the Shareholders.

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4 Principal terms of the Framework Agreement (as amended by the Formal Agreement)

Date of the Framework Agreement

12 June 2015

Parties

- (i) Maoye Shangsha, as vendor;
- (ii) Demao, as vendor;
- (iii) Hezhengmao, as vendor;
- (iv) Chengshang, as purchaser.

Asset to be acquired pursuant to the Framework Agreement (as amended by the Formal Agreement)

Entire issued share capital of the Target Entities

Consideration

The total consideration payable by Chengshang to Maoye Shangsha, Demao and Hezhengmao in respect of the Acquisition is approximately RMB8,560,571,100 (the (“**Acquisition Consideration**”)) (which the number has already taken into account the adjustment required as a result of the Formal Valuation Report). The Acquisition Consideration shall be satisfied in full by Chengshang allotting and issuing the Chengshang Consideration Shares to Maoye Shangsha, Demao and Hezhengmao, in the respective proportions of 1,093,203,558, 48,818,053 and 19,521,278 new shares of Chengshang at an issue price of RMB7.37 per share, subject to adjustment, (the “**Issue Price**”) upon Completion.

Issue Price

RMB7.37 per share (subject to adjustment)

Lock Up Period

All Chengshang Consideration Shares to be received by each of the Vendors are subject to a lock up period of 36 months, starting from the day of listing of the Chengshang Consideration Shares.

Profit Guarantee and Acquisition Consideration adjustment mechanism

Pursuant to the Framework Agreement (as amended by the Formal Agreement) and the Compensation Agreement, the Acquisition Consideration may be further adjusted based on the financial performance of the Target Entities for each of financial years under the Relevant Period with reference to the Profit Guarantee. Should the Relevant Profit falls below the guaranteed amount of the

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aggregated net profit of the Target Entities (the “**Guaranteed Profit**”) at each financial year during the Relevant Period, the board of Chengshang will determine and approve the number of Chengshang Consideration Shares that each of the Vendors are required to return to Chengshang in accordance with the terms of the Framework Agreement (as amended by the Formal Agreement) and Compensation Agreement.

Further details of the principal terms of the Framework Agreement (as amended by the Formal Agreement) are outlined in the Letter from the Board.

As confirmed by the Directors, they considered that the Acquisition Consideration is determined on a fair and reasonable basis, under normal commercial terms and in the interests of the Shareholders as a whole.

4.1 *Evaluation of the payment method*

Pursuant to the Framework Agreement (as amended by the Formal Agreement), the Acquisition Consideration is approximately RMB8,560,571,100 (subject to adjustment) which shall be satisfied in full by Chengshang allotting and issuing Chengshang Consideration Shares to Maoye Shangsha, Demao and Hezhengmao.

We noted from the annual report of Chengshang for the year ended 31 December 2014 that Chengshang’s cash in bank and net current liabilities amounted to approximately RMB90.3 million and RMB420.6 million as at 31 December 2014, respectively. Moreover, as at 31 December 2014, Chengshang had total borrowings of approximately RMB402.8 million and the net debt to equity ratio was approximately 28.1%.

In this connection, given the fact that Chengshang does not have sufficient internal cash resources to settle the Acquisition Consideration solely by cash, we consider the settlement of the Acquisition Consideration by issuing Chengshang Consideration Shares to each of Maoye Shangsha, Demao and Hezhengmao instead of making cash payment to be funded by Chengshang’s cash balance and, as the case maybe, together with capital to be raised from borrowings will (i) minimise immediate cash outflow of Chengshang Group; (ii) avoid increasing the Chengshang Group’s liabilities burden; and (iii) enable the Chengshang Group to maintain readily available and accessible cash resources to cope with its daily operations and future development demands for capital, which all of these are advantageous to the Group as the financial results of the Chengshang Group is consolidated into the Group.

Furthermore, pursuant to the Framework Agreement (as amended by the Formal Agreement), the Chengshang Consideration Shares are subject to a lock up period of 36 months from the date the Chengshang Consideration Shares are listed under personal undertaking given by Mr. Zhong, Mr. Wang Bin, Ms. Zheng, Mr. Gao and Mr. Wang Wei, all of whom are senior management individuals of Chengshang and the Company whilst, at the same time, are substantial shareholders of Demao or Hezhengmao. During the aforementioned lock up period, they are restricted from selling any of the

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Chengshang Consideration Shares held by each of Demao and Hezhengmao, respectively. We are of the view that the lock up arrangement is beneficial to the Company and Shareholders as a whole since it provides a driving force to encourage the senior management individuals of Chengshang and the Company in enhancing the business performance of Chengshang.

Therefore, we consider the payment method adopted under the Acquisition is acceptable and is favourable to the Changshang Group and the Group as a whole since the financial results of the Chengshang Group is consolidated into the Group.

4.2 *Evaluation of the basis of the Acquisition Consideration*

As set out in the Letter from the Board, the Acquisition Consideration was determined after arm's length negotiations between the Vendors and Chengshang on normal commercial terms with reference to the trading prices of shares of Chengshang (the "**Chengshang Shares**") on The Shanghai Stock Exchange and Formal Valuation of the asset value of the Target Entities. The Formal Valuation Report of the Target Entities was finalised on 21 August 2015 and the value of the Target Entities, in aggregate, as at 31 March 2015 was determined by the Independent Valuer as RMB8,560,571,100.

In assessing the fairness and reasonableness of the basis in determining the Acquisition Consideration, we have taken into consideration the result of the following analyses.

(a) Assessment on the Formal Valuation Report

Set out below the result of the appraised value of the 100% equity interest of each of Target Entities performed by the Independent Valuer.

	Appraised value of 100% equity interest as at 31 March 2015 as appraised by the Independent Valuer <i>RMB'000</i>
Maoye Department Store	3,508,685.5
Maoye Huaqiangbei	2,189,829.9
Maoye Shennan	184,120.4
Maoye Oriental Times	2,124,552.1
Zhuhai Maoye	<u>553,383.2</u>
Total	<u><u>8,560,571.1</u></u>

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Given the fact that both Disposal Consideration and Acquisition Consideration are based on the Formal Valuation Report conducted by the Independent Valuer, we have performed the same analysis and work done as set out in the section headed “3.1 Analysis on the Disposal Consideration — (a) Assessment on the Formal Valuation Report”. Please refer to relevant sections in the above for full details of our analysis and work performed.

(b) *Comparable companies analysis on the Acquisition*

Given the fact that all target entities are engaged in the operation and management of department stores in the PRC, we have identified, on best effort basis, an exhaustive list of companies listed on The Shanghai Stock Exchange and The Shenzhen Stock Exchange for comparison based on the criterion that such selected companies (the “**Acquisition Comparable Companies**”) are principally engaged in operation and management of department stores, supermarket and hypermarket under the retail industry segment. We consider companies, which are different to the Disposal Comparable Companies, being selected under the adopted criterion are able to provide a meaningful comparison, and are fair and representative samples, as they are engaged in similar business operation of the Target Entities and after taking into consideration the Acquisition Consideration will be satisfied by the issuance of Changshang Consideration Shares which will be listed on The Shanghai Stock Exchange.

Set out below our findings of the analysis:

Company	Stock code	Market capitalisation as at the Latest Practicable Date (RMB)	Respective latest net profit/(loss) attributable to the shareholders of the company (excluding non-controlling interest) as disclosed in respective latest published audited financial statement before the Latest Practicable Date (RMB)	Respective latest net asset value (excluding non-controlling interest) as disclosed in respective latest published audited financial statement before the Latest Practicable Date (RMB)	price-to-earnings ratio	price-to-book ratio	
<i>The Shanghai Stock Exchange:</i>							
1	Nanjing Central Emporium Stocks Company Limited	600280	15,043,187,190	407,581,326	1,678,678,537	36.91	8.96
2	Shenyang Commercial City Company Limited	600306	2,208,922,600	32,259,705	119,650,167	68.47	18.46
3	Wuxi Commercial Mansion Grand Orient Company Limited	600327	4,664,103,492	147,061,246	1,452,501,934	31.72	3.21

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				Respective latest net profit/(loss) attributable to the shareholders of the company (excluding non-controlling interest) as disclosed in respective latest published audited financial statement before the Latest Practicable Date (RMB)	Respective latest net asset value (excluding non-controlling interest) as disclosed in respective latest published audited financial statement before the Latest Practicable Date (RMB)	price-to- earnings ratio	price-to- book ratio
	Company	Stock code	Market capitalisation as at the Latest Practicable Date (RMB)	statement before the Latest Practicable Date (RMB)	statement before the Latest Practicable Date (RMB)		
4	Hainan Island Construction Company Limited	600515	6,886,990,089	37,367,370	818,580,494	184.30	8.41
5	Shanghai New World Company Limited	600628	9,636,203,316	239,651,166	2,564,504,971	40.21	3.76
6	Nanjing Xinjiekou Department Store Company Limited	600682	30,714,469,434	400,389,498	1,767,472,798	76.71	17.38
7	Fujian Dongbai (Group) Company Limited	600693	3,772,562,640	146,238,408	1,212,843,031	25.80	3.11
8	Dashang Company Limited	600694	10,544,501,330	1,227,808,894	6,097,010,895	8.59	1.73
9	Chang Chun Eurasia Group Company Limited	600697	4,171,289,982	300,613,862	1,590,194,338	13.88	2.62
10	Nanning Department Store Company Limited	600712	4,700,376,102	16,258,210	1,082,066,467	289.11	4.34
11	Beijing Capital Retailing Group Company Limited	600723	6,972,536,484	334,760,060	3,051,147,729	20.83	2.29
12	Chongqing Department Store Company Limited	600729	13,167,458,115	491,663,682	4,561,187,771	26.78	2.89
13	Lanzhou Minbai Shareholding (Group) Company Limited	600738	3,168,572,684	103,916,778	1,096,535,102	30.49	2.89
14	Wuhan Hanshang Group Company Limited	600774	3,179,018,034	19,567,089	559,410,805	162.47	5.68
15	Xinjiang Youhao (Group) Company Limited	600778	3,479,358,938	91,888,447	1,717,823,449	37.87	2.03
16	Yinchuan Xinhua Commercial (Group) Company Limited	600785	6,922,368,284	191,644,114	1,718,930,344	36.12	4.03
17	Hangzhou Jiebai Group Company Limited	600814	6,992,962,104	237,775,919	1,854,875,118	29.41	3.77
18	Tianjin Quan Ye Chang (Group) Company Limited	600821	3,442,538,014	10,465,721	598,593,124	328.93	5.75

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Company	Stock code	Market capitalisation as at the Latest Practicable Date (RMB)	Respective latest net profit/(loss) attributable to the shareholders of the company (excluding non-controlling interest) as disclosed in respective latest published audited financial statement before the Latest Practicable Date (RMB)	Respective latest net asset value (excluding non-controlling interest) as disclosed in respective latest published audited financial statement before the Latest Practicable Date (RMB)	price-to-earnings ratio	price-to-book ratio	
19	Shanghai Yimin Commercial Group Company Limited	600824	9,170,035,770	181,702,369	1,795,312,866	50.47	5.11
20	Shanghai Bailian Group Company Limited	600827	34,312,116,336	1,046,382,072	15,971,674,269	32.79	2.15
21	Shanghai Join Buy Company Limited	600838	6,839,046,920	43,976,303	754,275,138	155.52	9.07
22	Changchun Department Jituan Store Company Limited	600856	13,277,346,696	287,419	130,927,289	46,195.13	101.41
23	Silver Plaza Group Company Limited	600858	4,743,007,392	180,687,170	2,941,274,916	26.25	1.61
24	Beijing Wangfujing Department Store (Group) Company Limited	600859	11,194,360,339	620,811,916	6,884,009,195	18.03	1.63
25	Benjing Urban & Rural Trade Centre Company Limited	600861	4,428,932,502	103,000,641	2,258,266,177	43.00	1.96
26	Baida Group Company Limited	600865	5,846,774,262	155,596,510	1,338,105,851	37.58	4.37
27	Harbin Churin Group Jointstock Company Limited	600891	5,024,567,957	45,189,836	846,304,166	111.19	5.94
28	Sanlian Commercial Company Limited	600898	3,416,647,014	31,854,918	348,941,315	107.26	9.79
29	Wenfeng Great World Chain Development Corporation	601010	14,820,960,000	443,695,030	3,947,720,200	33.40	3.75
30	Beijing Cuiwei Tower Company Limited	603123	5,681,723,128	166,090,202	2,784,458,048	34.21	2.04

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Company	Stock code	Market capitalisation as at the Latest Practicable Date <i>(RMB)</i>	Respective latest net profit/(loss) attributable to the shareholders of the company (excluding non-controlling interest) as disclosed in respective latest published audited financial statement before the Latest Practicable Date <i>(RMB)</i>	Respective latest net asset value (excluding non-controlling interest) as disclosed in respective latest published audited financial statement before the Latest Practicable Date <i>(RMB)</i>	price-to- earnings ratio	price-to- book ratio	
<i>The Shenzhen Stock Exchange:</i>							
31	Hefei Department Store Group Company Limited	000417	7,681,818,000	366,018,399	3,253,839,838	20.99	2.36
32	Changsha Tongcheng Holdings Company Limited	000419	4,207,309,200	143,153,197	1,862,153,396	29.39	2.26
33	Wuhan Department Store Group Company Limited	000501	9,200,245,200	659,694,793	3,555,932,411	13.95	2.59
34	Xi'an International Medical Investment Company Limited	000516	16,052,231,200	350,282,600	1,594,084,608	45.83	10.07
35	Kunming Sinobright (Group) Company Limited	000560	3,817,962,000	71,062,652	1,228,652,064	53.73	3.11
36	Xi'an Minsheng Group Company Limited	000564	9,261,039,000	60,464,306	1,711,608,428	153.17	5.41
37	Sichuan Baoguang Pharmaceutical Technology Company Limited	000593	2,897,379,000	17,169,151	664,895,759	168.75	4.36
38	Dalian Friendship (Group) Company Limited	000679	5,855,652,000	56,456,912	1,468,639,120	103.72	3.99
39	Citic Development - Shenyang Commercial Building (Group) Company Limited	000715	2,993,777,300	85,631,280	1,098,216,247	34.96	2.73
40	Zhongbai Holdings Group Company Limited	000759	5,305,145,800	186,246,522	3,023,185,079	28.48	1.75
41	Wuhan Zhongnan Commercial Group Company Limited	000785	2,703,127,200	26,105,672	845,980,289	103.55	3.20
42	Beijing Hualian Department Store Company Limited	000882	17,541,589,200	78,553,591	5,951,741,589	223.31	2.95

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Company	Stock code	Market capitalisation as at the Latest Practicable Date (RMB)	Respective latest net profit/(loss) attributable to the shareholders of the company (excluding non-controlling interest) as disclosed in respective latest published audited financial statement before the Latest Practicable Date (RMB)	Respective latest net asset value (excluding non-controlling interest) as disclosed in respective latest published audited financial statement before the Latest Practicable Date (RMB)	price-to-earnings ratio	price-to-book ratio	
43	Guangzhou Friendship Company Limited	000987	8,686,832,000	262,687,141	2,173,735,859	33.07	4.00
44	Guangzhou Grandbuy Company Limited	002187	5,208,208,200	238,236,952	2,386,423,344	21.86	2.18
45	Better Life Commercial Chain Share Company Limited	002251	14,380,155,400	345,295,364	3,380,100,917	41.65	4.25
46	New Hua Du Supercenter Company Limited	002264	3,660,540,000	36,693,527	1,073,941,699	99.76	3.41
47	Hunan Friendship&Apollo Commercial Company Limited	002277	8,089,854,800	352,392,098	2,965,761,849	22.96	2.73
48	Renrenle Commercial Group Company Limited	002336	5,060,000,000	(460,520,284)	2,721,049,508	N/A	1.86
49	Rainbow Department Store Company Limited	002419	10,130,532,000	538,417,036	4,569,189,880	18.82	2.22
50	Shanghai Xujiahui Commercial Company Limited	002561	6,103,356,800	258,014,620	1,862,995,921	23.66	3.28
					Mean	1,010.92	6.38
					Median	36.91	3.24
					Max	46,195.13	101.41
					Min	8.59	1.61
Excluding respective extremes cases under each analysis							
					Mean	32.82	3.22
					Median	31.72	3.03
					Max	76.71	5.94
					Min	8.59	1.61

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	Aggregated appraised value of 100% equity interest in the business enterprise of the Target Entities as at 31 March 2015 (RMB)	Aggregated net profit after taxation of Target Entities during the year ended 31 December 2014 (RMB)	Aggregated net asset value of Target Entities as at 31 March 2015 (RMB)	price-to- earnings ratio	price-to- book ratio
The Acquisition	8,560,571,100	615,579,600	890,472,400	13.91	9.61

Source: The Shanghai Stock Exchange (<http://www.sse.com.cn>) and The Shenzhen Stock Exchange (<http://www.szse.cn>)

As confirmed by the Company, there was no inter-company transaction between each of the Target Entities as at the Latest Practicable Date. As a result, we consider it is appropriate to use the aggregated net profit and net asset value of the Target Entities as the denominators in calculating the PE ratio and PB ratio of the Acquisition, respectively.

With reference to the above table, we noted that (i) there is substantial difference between the results on the mean and median of the PE ratios analysis on Acquisition; and (ii) 70% of the Acquisition Comparable Companies (i.e. 35 out of 50) have a PE ratio under 80 times. We are of the view that, under such circumstance, the calculation of the mean of PE ratios analysis on Acquisition is being affected by certain extreme values. We regard the those Acquisition Comparable Companies which have a PE ratio over 80 times are extreme cases and will affect the fairness and reasonableness of our analysis. As a result, we decide to take them out from the calculation of the range and average of the PE ratios analysis on Acquisition (the “**Acquisition PE analysis**”). Consequently, the mean of the PE ratios of the remaining Acquisition Comparable Companies (the “**Acquisition PE analysis without extreme cases**”) is approximate to the median of the Acquisition PE analysis and we are of the view that the rearranged samples are fair and representative for the current comparative purpose. The PE ratios of the Acquisition PE analysis without extreme cases range from approximately 8.59 to 76.71 times, with a mean of approximately 32.82 times. The median of the Acquisition PE analysis is approximately 36.91 times.

We noted that the implied PE ratio of the Acquisition, calculated as the aggregated 100% equity interest in the business enterprise of Target Entities as at 31 March 2015 as appraised by the Independent Valuer divided by the aggregated net profit after taxation of Target Entities during the year ended 31 December 2014, is approximately 13.91 times which is approximately 42.38% of the mean, but within the range, of the Acquisition PE analysis without extreme cases and is considerably lower than the median of the Acquisition PE analysis.

Regarding the PB ratios analysis on Acquisition (the “**Acquisition PB analysis**”), we decide to take out those Acquisition Comparable Companies with a PB ratio of 6 times or above (8 companies in total) from the Acquisition PB analysis (the “**Acquisition PB analysis without extreme cases**”). As such, the PB ratios of Acquisition PB analysis without extreme cases range from approximately 1.61 to 5.94 times, with an average of approximately 3.22 times.

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The implied PB ratio of the Acquisition, calculated as the aggregated 100% equity interest in the business enterprise of Target Entities as at 31 March 2015 as appraised by the Independent Valuer divided by the aggregated net asset value of Target Entities as at 31 March 2015, is 9.61 times, which is approximately 2.98 times of the mean, and out of the range, of the Acquisition PB analysis without extreme cases.

Despite the PE ratio is below the mean of the Acquisition PE analysis without extreme cases, based on factors including (i) unlike the Acquisition Comparable Companies which their shares are trading on The Shanghai Stock Exchange and The Shenzhen Stock Exchange, the Target Entities are private companies and all shares of Target Entities were owned by the Company immediately prior to the Disposal, therefore the PE ratio of Target Entities may be at a lower level since the valuations of equity interest in the business enterprise of the Target Entities do not include any market expectation; (ii) the Company will increase its shareholdings in Changshang from approximately 68.06% to 85.53% after the Completion; (iii) the valuations of the Target Entities is supported by the financial projection as set out in the valuation model prepared by the Independent Valuer; and (iv) other reasons and benefits for entering into of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) as discussed in the above, we consider the Acquisition Consideration to be acceptable.

Having considered (i) the Acquisition Consideration was determined under the same methodology as the Disposal Consideration; (ii) we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Formal Valuation Report; (iii) the fairness and reasonableness in determining the basis of Issue Price as discussed below; (iv) the Acquisition Consideration is subject to the requirement stipulated under the Reorganisation Measures; and (v) the conclusion of comparable companies analysis on Acquisition as mentioned in the above, we concur with the Directors that the Acquisition Consideration is determined on a fair and reasonable basis, under normal commercial terms and in the interests of the Company and Shareholders as a whole.

4.3 *Evaluation of the Issue Price*

Pursuant to the Article 45 of the Reorganisation Measures, in the course of a material assets reorganisation, should a listed issuer in the PRC decide to acquire an asset by issuing its shares, the issue price should not be lower than 90% of the market reference price. The said market reference price should be the average trading price of either of 20, 60 or 120 trading days prior to the date of announcement of relevant board of directors' resolution in acquiring the assets of the listed company's share transactions. The aforementioned average trading price should be calculated as the total trading amount traded during the 20 day, 60 day or 120 day period divided by the total number of shares traded during respective period. The board of directors of the PRC listed issuer is allowed to adjust the issue price in accordance with preset adjustment scheme.

We noted that Chengshang announced the resolution of board of directors in relation to acquiring asset by issuing shares on 16 June 2015, which the trading in Chengshang Shares was suspended. According to the record as shown on The Shanghai Stock Exchange's website, the last trading day of Chengshang Shares immediately before the aforesaid announcement on The Shanghai Stock Exchange was 13 April 2015 (the "**Last Trading Day**").

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We have calculated, and set forth below, the market reference price under respective scenario as allowed under the Reorganisation Measures.

	Market reference price (approximately) <i>(RMB)</i>
Average trading price of Chengshang Shares for the last 20 trading days up to and including the Last Trading Day (the “ 20 trading days ATP ”)	8.03
Average trading price of Chengshang Shares for the last 60 trading days up to and including the Last Trading Day (the “ 60 trading days ATP ”)	7.42
Average trading price of Chengshang Shares for the last 120 trading days up to and including the Last Trading Day (the “ 120 trading days ATP ”)	6.91

As set out in the Letter from the Board, the Company has chosen to adopt 60 trading days ATP, and adjusted by the dividend declared by Chengshang for the year ended 31 December 2014 and distributed on 13 April 2015 to RMB7.37 per share, as the issue price of Chengshang Consideration Shares. The Issue Price may be further adjusted pursuant to the ex-dividend and ex-right reference share price prior to the date of Completion.

For information only, the issue price of RMB7.37 per Chengshang Consideration Share represents:

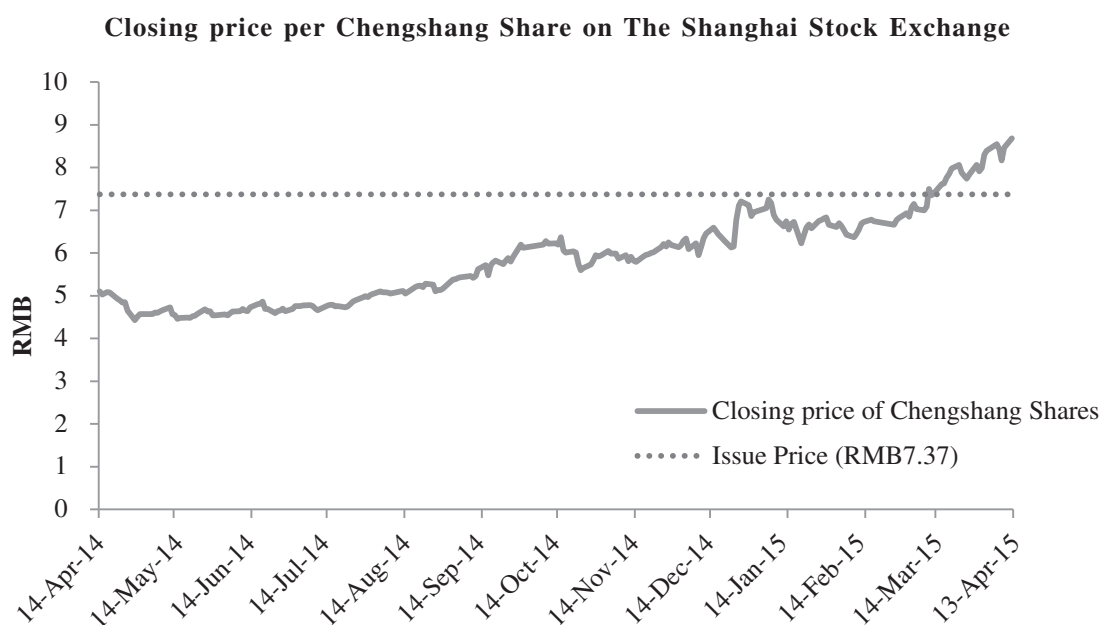
- (a) a discount of approximately 15.09% to the closing price of RMB8.68 per share of Chengshang as quoted on The Shanghai Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 12.86% to the average of the closing prices of share of Chengshang as quoted on The Shanghai Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately RMB8.46;
- (c) a discount of approximately 11.10% to the average of the closing prices of share of Chengshang as quoted on The Shanghai Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day of approximately RMB8.29;
- (d) a discount of approximately 8.2% to the 20 trading days ATP as quoted on The Shanghai Stock Exchange of approximately RMB8.03;
- (e) a discount of approximately 0.7% to the 60 trading days ATP as quoted on The Shanghai Stock Exchange of approximately RMB7.42; and
- (f) a premium of approximately 6.7% over the 120 trading days ATP as quoted on The Shanghai Stock Exchange of approximately RMB6.91.

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In order to assess the fairness and reasonableness of the Issue Price, we set out below analyses:

(a) Issue Price as compared to the historical trading price of the Chengshang Shares

We consider that a 12-month review period to be a reasonable period of time within which the historical trend of closing price of the Chengshang Shares can be illustrated and is in line with normal market practice. Set out below is the chart showing the closing prices of the Chengshang Shares on The Shanghai Stock Exchange for the 12 months ended 13 April 2015 (the “**Review Period**”), being the Last Trading Day, versus the Issue Price.



Source: The Shanghai Stock Exchange (<http://www.sse.com.cn>)

During the Review Period, the closing price of the Chengshang Shares ranged from the lowest of RMB4.43 on 28 April 2014 to the highest of RMB8.68 on 13 April 2015, with a mean of approximately RMB5.85. The Issue Price is within the aforementioned range, which represents a premium of approximately 66.37% over such lowest closing price of the Chengshang Shares, a discount of approximately 15.09% to the highest closing price of the Chengshang Shares and a premium of approximately 25.98% over the average closing price of the Chengshang Shares of RMB5.85 during the Review Period.

Taking into consideration i) the Issue Price represented a discount of approximately 11.10% to 15.09% to the closing price per Chengshang Share on the Last Trading Day (which is also the highest closing price of the Chengshang Shares during the Review Period), the average closing prices of the Chengshang Shares for last five trading days up to and including the Last Trading Day and last ten trading days up to and including the Last Trading Day, respectively; ii) the Issue Price is within the range of the closing price of the Chengshang Shares during the Review Period; and iii) the mandatory requirements under the Reorganisation Measures in determining the Issue Price as mentioned in the above, we are of the opinion that the Issue Price is justifiable, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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(b) Comparable transaction analysis

As part of our analyses in assessing the fairness and reasonableness of the Issue Price, we have also identified, after taken reasonable efforts, an exhaustive list of companies listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange which had announced the issuance of its respective ordinary shares as consideration for an acquisition transaction (the “Comparable Transaction(s)”) during the one month prior to and including the date of the Framework Agreement (as amended by the Formal Agreement), i.e. from 13 May 2015 to 12 June 2015 (the “Comparable Period”). We have identified, during the Comparable Period, 44 listed companies (the “Comparables”) listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange had announced the Comparable Transactions. Given the abundancy of the Comparable Transactions, we are of the view that, even the Comparable Period is limited to one month only, these transactions represent a fair and representative sample population for the present comparison purpose. We considered that the terms of the Comparable Transactions, which all of them are principally related to assets acquisition, are determined under similar market conditions and sentiments as the Framework Agreement (as amended by the Formal Agreement) and we believe the Comparable Transactions may reflect the recent trend of the transaction which involved issue of ordinary shares as consideration in acquiring assets in the PRC stock market. Nevertheless, Shareholders should note that the businesses, operations and prospects of the Group, including Chengshang in particular, are not exactly the same as the Comparables and we have not conducted any in-depth investigation into the businesses, operations and prospects of the Comparables. Details of the Comparable Transactions are summarised in the following table:

	Date of announcement	Company	Stock code	Issue Price (RMB)	Premium/ (Discount) of the issue price over/ (to) the closing price of the last trading day immediately prior to respective date of announcement	Premium/ (Discount) of the issue price over/ (to) the average closing price of the last 5 trading days prior to respective date of announcement	Basis of Issue Price
1	13-May-2015	Harbin Gong Da High-Tech Enterprise Development Co., Ltd	600701 CH	6.50	7.08%	9.06%	20 trading days ATP
2	15-May-2015	Shandong Jincheng Pharmaceutical and Chemical Co., Ltd	300233 CH	31.13	(19.75)%	(19.85)%	120 trading days ATP
3	15-May-2015	Jiangsu Lanfeng Bio-chemical Co., Ltd	002513 CH	10.68	(11.81)%	(13.73)%	20 trading days ATP
4	16-May-2015	Weifang Beida Jadebird Huaguang Technology Co., Ltd	600076 CH	5.90	14.12%	(2.96)%	120 trading days ATP

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	Date of announcement	Company	Stock code	Issue Price of announcement (RMB)	Premium/ (Discount) of the issue price over/ (to) the closing price of the last trading day immediately prior to respective date of announcement	Premium/ (Discount) of the issue price over/ (to) the average closing price of the last 5 trading days prior to respective date of announcement	Basis of Issue Price
5	19-May-2015	Beijing Shenhuaxin Co., Ltd	000010 CH	6.92	(13.82)%	(8.66)%	20 trading days ATP
6	19-May-2015	Tangrenshen Group Co., Ltd	002567 CH	11.70	26.21%	29.00%	20 trading days ATP
7	21-May-2015	Shenzhen Huaqiang Industry Co., Ltd	000062 CH	18.16	(33.50)%	(34.18)%	20 trading days ATP
8	21-May-2015	Henan Huanghe Whirlwind Co., Ltd	600172 CH	6.05	(49.96)%	(48.99)%	120 trading days ATP
9	21-May-2015	Jiangsu Changjiang Electronics Technology Co., Ltd	600584 CH	11.72	(34.49)%	(28.84)%	120 trading days ATP
10	23-May-2015	Zhejiang New Jialian Electronics Co., Ltd	002188 CH	11.86	5.89%	9.07%	20 trading days ATP
11	25-May-2015	Jiuzhitang Co., Ltd	000989 CH	14.22	(6.88)%	(4.45)%	120 trading days ATP
12	25-May-2015	Hemp Industrial Investment Co., Ltd	002036 CH	7.65	(10.94)%	(9.17)%	20 trading days ATP
13	25-May-2015	Jiangsu Zhongtian Technology Co., Ltd	600522 CH	14.69	(19.24)%	(21.86)%	120 trading days ATP
14	25-May-2015	Aerospace Communications Holdings Group Co., Ltd	600677 CH	15.67	(13.04)%	(8.26)%	20 trading days ATP
15	25-May-2015	Nantong Jinghua Pharmaceutical Co., Ltd	002349 CH	26.38	(28.70)%	(30.49)%	60 trading days ATP
16	26-May-2015	Suzhou Hailu Heavy Industry Co., Ltd	002255 CH	12.33	(14.73)%	(11.57)%	20 trading days ATP
17	28-May-2015	Gosuncn Technology Group Co., Ltd	300098 CH	16.32	(52.21)%	(48.11)%	20 trading days ATP
18	28-May-2015	Harbin Jiuzhou Electric Co., Ltd	300040 CH	7.42	(33.63)%	(26.48)%	120 trading days ATP
19	28-May-2015	Huizhou Speed Wireless Technology Co., Ltd	300322 CH	18.68	(8.43)%	(11.01)%	20 trading days ATP

LETTER FROM INDEPENDENT FINANCIAL ADVISER

	Date of announcement	Company	Stock code	Issue Price of announcement (RMB)	Premium/ (Discount) of the issue price over/ (to) the closing price of the last trading day immediately prior to respective date of announcement	Premium/ (Discount) of the issue price over/ (to) the average closing price of the last 5 trading days prior to respective date of announcement	Basis of Issue Price
20	01-June-2015	Sinoma International Engineering Co., Ltd	600970 CH	13.22	(25.60)%	(25.65)%	120 trading days ATP
21	01-June-2015	Insigma Technology Co., Ltd	600797 CH	7.81	(14.18)%	(13.41)%	20 trading days ATP
22	02-June-2015	Huaren Pharmaceutical Co., Ltd	300110 CH	7.47	(2.61)%	(0.49)%	60 trading days ATP
23	02-June-2015	Yantai Xinchao Industry Co., Ltd	600777 CH	9.42	(20.97)%	(19.90)%	120 trading days ATP
24	02-June-2015	Nanfang Pump Industry Co., Ltd	300145 CH	26.36	(20.19)%	(20.57)%	60 trading days ATP
25	02-June-2015	MIG Technology INC	300242 CH	34.91	(18.22)%	(24.45)%	120 trading days ATP
26	02-June-2015	Huawei Technology Co., Ltd	002502 CH	15.28	(22.24)%	(21.87)%	120 trading days ATP
27	02-June-2015	Jiangsu Huahong Technology Stock Co., Ltd	002645 CH	15.21	(15.08)%	(17.27)%	60 trading days ATP
28	02-June-2015	Zhejiang International Group Co., Ltd	000411 CH	14.07	(34.16)%	(26.69)%	120 trading days ATP
29	02-June-2015	Zhongshan Tatwah Smartech Co., Ltd	002512 CH	15.81	(22.46)%	(19.12)%	120 trading days ATP
30	03-June-2015	Sichuan Troy Information Technology Co., Ltd	300366 CH	59.40	(8.25)%	(4.51)%	20 trading days ATP
31	03-June-2015	Hainan RuiZe New Building Material Co., Ltd	002596 CH	10.19	(20.45)%	(21.52)%	120 trading days ATP
32	03-June-2015	Zhejiang Wansheng Co., Ltd	603010 CH	22.91	(13.48)%	(12.92)%	20 trading days ATP
33	03-June-2015	Unilumin Group Co., Ltd	300232 CH	16.96	(16.86)%	(17.41)%	20 trading days ATP
34	04-June-2015	GCL System Integration Technology Co., Ltd	002506 CH	1.26	(34.03)%	(37.87)%	20 trading days ATP

LETTER FROM INDEPENDENT FINANCIAL ADVISER

	Date of announcement	Company	Stock code	Issue Price of announcement (RMB)	Premium/ (Discount) of the issue price over/ (to) the closing price of the last trading day immediately prior to respective date of announcement	Premium/ (Discount) of the issue price over/ (to) the average closing price of the last 5 trading days prior to respective date of announcement	Basis of Issue Price
35	05-June-2015	Tianjin Chase Sun Pharmaceutical Co., Ltd	300026 CH	16.82	(53.12)%	(50.98)%	120 trading days ATP
36	05-June-2015	Beijing Highlander Digital Technology Co., Ltd	300065 CH	19.16	(44.45)%	(40.82)%	120 trading days ATP
37	05-June-2015	Shenzhen Refond Optoelectronics Co., Ltd	300241 CH	11.65	(15.21)%	(12.97)%	20 trading days ATP
38	06-June-2015	Dalian Zhiyun Automation Co., Ltd	300097 CH	27.70	(19.10)%	(15.26)%	20 trading days ATP
39	09-June-2015	Zhejiang Founder Motor Co., Ltd	002196 CH	15.39	(20.38)%	(19.26)%	60 trading days ATP
40	09-June-2015	Sichuan Scimee Sci. & Tech. Co., Ltd	300425 CH	48.51	(21.20)%	(15.38)%	20 trading days ATP
41	10-June-2015	Sichuan Jinlu Group Co., Ltd	000510 CH	5.45	(6.03)%	(5.64)%	20 trading days ATP
42	10-June-2015	Hebei Huijin Electromechanical Co., Ltd	300368 CH	18.49	(62.73)%	(61.58)%	120 trading days ATP
43	10-June-2015	Tianjin Ringpu Bio-Technology Co., Ltd	300119 CH	16.02	(10.90)%	(4.52)%	20 trading days ATP
44	12-June-2015	Zhejiang Transfar Co., Ltd	002010 CH	8.76	(3.42)%	(5.30)%	20 trading days ATP
				Maximum Premium	26.21%	29.00%	
				Maximum Discount	(62.73)%	(61.58)%	
				Mean	(19.16)%	(18.11)%	
				Median	(18.66)%	(17.34)%	
		The Acquisition		7.37	(15.09)%	(12.86)%	

Source: Bloomberg, The Shanghai Stock Exchange (<http://www.sse.com.cn>) and The Shenzhen Stock Exchange (<http://www.szse.cn>)

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As shown in the above table, the issue prices of the Comparable Transactions represented (i) a range of approximately 26.21% premium to a maximum discount of approximately 62.73% (the “**LTD range**”), with an average discount of approximately 19.16% (the “**LTD mean**”) over/to their respective closing price per share on the last trading day whilst the median is a discount of approximately 18.66% (the “**LTD median**”); and (ii) a range of approximately 29.00% premium to a maximum discount of approximately 61.58% to the respective closing price of their shares on the average closing price for the last five trading days prior to and including the Last Trading Day (the “**5 day market range**”), with an average discount of approximately 18.11% (the “**5 day market mean**”) whilst the median is a discount of approximately 17.34% (the “**5 day market median**”).

We noticed that the Issue Price represented a discount of approximately 15.09% and 12.86% to the closing price per Chengshang Shares on the Last Trading Day and average closing price for the last five trading days prior to and including the Last Trading Day, respectively, which lie within the LTD range and 5 day market range and are close to the LTD mean, LTD median, 5 day market mean and 5 day market median, respectively.

As the Issue Price is at discount to the closing price of the Chengshang Shares on the Last Trading Day, it is noted that Chengshang has to issue more shares in order to satisfy the Acquisition Consideration. Nonetheless, in light of (i) Maoye Shangsha will equally receive more Changshang Consideration Shares in proportion to its shareholdings in each of the Target Entities; (ii) only 4 of the 44 Comparables have issued consideration shares at premium over their respective closing prices approximate to their respective last trading day; (iii) the pricing basis of consideration share, in particular the allowance of 10% discount in issue price, as stipulated under the Reorganisation Measures; (iv) the actual amount Acquisition Consideration is determined with reference to the result of the Formal Valuation Report; and (v) the result of our analysis under “4.3 Evaluation of the Issue Price — (a) Issue Price as compared to the historical trading price of the Chengshang Shares” above, we consider that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

4.4 Evaluation of the Lock Up Period

As set out in the Framework Agreement (as amended by the Formal Agreement), all Chengshang Consideration Shares are subject to a lock up period of 36 months from the date the Chengshang Consideration Shares are listed.

Pursuant to Article 46 of the Reorganisation Measures, among other things, if (i) the vendor of an asset acquisition transaction is the controlling shareholder(s) or beneficial owner(s) or their respective connected person of a PRC listed company or (ii) the vendor of an asset acquisition transaction does not maintain beneficial ownership in the asset for more than 12 months prior to the completion of the transaction, all shares of the PRC listed company issue to such vendor pursuant to the asset acquisition transaction shall not be transferable for a period of 36 months from the completion of the issue of the said shares.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Given the fact that (i) Maoye Shangsha is the controlling shareholder of Chengshang and (ii) Demao and Hezhengmao acquired the equity interests of Maoye Huaqiangbei on 5 June 2015, it is unavoidable for Chengshang Consideration Shares to be subject to the abovementioned lock up requirement.

Furthermore, the lock up requirement is going to reinforce the commitment of Demao and Hezhengmao, whom shareholders are mainly senior management individuals of Chengshang and/or the Company, and to limit the chance of speculation of Demao and Hezhengmao. The lock up requirement could also act as the fuel in propelling the business performance of Chengshang forward and to continue to grow as those senior management individuals of Chengshang and/or the Company may only cash out after 36 months.

Though Maoye Shangsha is also subject to the lock up requirement, we are of the view that the lock up arrangement is acceptable and fair and reasonable so far as the Independent Shareholders are concerned after taking into consideration the mandatory requirement under Reorganisation Measures and the effect of locking up the Chengshang Considerations Shares of Demao and Hezhengmao which is favourable to the Shareholders.

4.5 Evaluation of the Profit Guarantee and Acquisition Consideration adjustment mechanism

Pursuant to Article 35 of the Reorganisation Measures, if the consideration of a material asset reorganisation transaction is based on valuation that has applied future income approach, parties to the transaction should establish and enter into feasible compensation agreement to accommodate the shortfall of the actual profit of the relevant asset subject of the acquisition, compared with the relevant asset subject's forecasted profit. An FAQ published by the CSRC on 2 August 2010 confirmed the aforementioned position.

In order to comply with the abovementioned regulatory requirement, Maoye Shangsha, Demao, Hezhengmao and Chengshang have entered into the Compensation Agreement on 28 August 2015, pursuant to which the Acquisition Consideration may be further adjusted based on the financial performance of the Target Entities for each of the three financial years following Completion with reference to the Profit Guarantee. In the event that the aggregated actual net profit of the Target Entities, being the aggregated sum of each of the Target Entities' audited net profit less extraordinary items or the audited net profit including extraordinary items, whichever is lower, falls below the Profit Guarantee, each of Maoye Shangsha, Demao and Hezhengmao is required to return the Compensation Shares to Chengshang as compensation in proportion to the number of Chengshang Consideration Shares held by them. The board of Chengshang shall consider the number of Compensation Shares within 10 days following the audit of each of the Target Entities' financial accounts for each year under the period of each of the three financial years following Completion.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The number of Compensation Shares shall be calculated based on the following formula:

Profit Guarantee - Aggregated actual net profit of Target Entities	X	Number of remaining Chengshang Consideration Shares held by each of Maoye Shangsha, Demao and Hezhengmao as at the date of board meeting of Chengshang in determining the number of Compensation Shares
Profit Guarantee		

Set out below is the Profit Guarantee for the three years ending 31 December 2017 or 31 December 2018 if the Acquisition is completed on or before 31 December 2015 or 31 December 2016, respectively:

	Assuming the Acquisition is completed on or before 31 December 2015	Assuming the Acquisition is completed on or after 1 January 2016 but on or before 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Profit Guarantee		
For the year ending 31 December 2015	637,551.4	N/A
For the year ending 31 December 2016	711,011.0	711,011.0
For the year ending 31 December 2017	779,222.2	779,222.2
For the year ending 31 December 2018	N/A	839,703.4

Should the Profit Guarantee and Acquisition Consideration adjustment mechanism is triggered, the Compensation Shares will be repurchased by Chengshang at the cost of RMB1 yuan per share and all Compensation Shares shall be cancel within 10 days after the said repurchase. Nonetheless, Maoye Shangsha, Demao and Hezhengmao will not be required to compensate Chengshang for more than the number of Chengshang Consideration Shares initially receive by each party respectively under the Framework Agreement (as amended by the Formal Agreement).

As advised by the management of the Company, no escrow agent has been appointed as at the Latest Practicable Date. An escrow agent will only be appointed if and when the Vendors are required to return the Compensation Shares to Chengshang pursuant to the terms of the Compensation Agreement.

Further details of the principal terms of the Compensation Agreement are outlined in the Letter from the Board.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

According to the valuation model prepared the Independent Valuer, the estimated net profit to be generated by the Target Entities for the year ending 31 December 2015, 2016, 2017 and 2018, respectively, are presented below.

	Estimated net profit for the year ending 31 December			
	2015*	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Maoye Department Store	287,203.4	308,233.9	331,422.7	351,759.3
Maoye Huaqiangbei	163,268.1	168,674.0	189,936.8	208,558.3
Maoye Shennan	17,519.9	16,088.2	15,722.6	16,876.7
Maoye Oriental Times	124,038.5	167,862.9	187,763.8	205,257.3
Zhuhai Maoye	<u>45,521.5</u>	<u>50,152.0</u>	<u>54,376.3</u>	<u>57,251.8</u>
Total	<u><u>637,551.4</u></u>	<u><u>711,011.0</u></u>	<u><u>779,222.2</u></u>	<u><u>839,703.4</u></u>

* The estimated net profit of each of the Target Entities for the year ending 31 December 2015 consists of the audited net profit for the three months ending 31 March 2015 and the estimated net profit to be generated during the 9 months commencing from 1 April 2015 and ending on 31 December 2015 as appraised by the Independent Valuer.

As shown in the above tables, the aggregated estimated net profit of the Target Entities for the four years ending 31 December 2018 are equivalent to the Profit Guarantee of respective year. As confirmed by the Independent Valuer, the Profit Guarantees of respective year are determined based on the results of the estimated net profit of the Target Entities as set out in the Formal Valuation Report. The estimation on the estimated net profit of the Target Entities is based upon the Target Entities' business performance from 1 January 2012 to 31 March 2015, business plans and strategies for the period from 1 April 2015 to 31 December 2020 (the "**Profit Forecast Period**"), and operational measures already in place. The Independent Valuer also takes into consideration the relevant business trend in the retail industry, relevant PRC government policies, national and regional macroeconomic development trend and the Target Entities' business development plans, strengths, weaknesses, opportunities and risks during the Profit Forecast Period. In addition, with reference to our analysis and work done as set out in the section headed "3.1 Analysis on the Disposal Consideration — (a) Assessment on the Formal Valuation Report", we are not aware any major factors which cause us to doubt the fairness and reasonableness of the principal basis and assumptions adopted for the Formal Valuation Report and the result of the estimated net profit of Target Entities during the forecast period under the Formal Valuation Report.

Furthermore, according to the management account of the Target Entities as provided by the Company, the unaudited aggregated net profit of the Target Entities was approximately RMB320.78 million as at 30 June 2015, representing approximately 50.31% of the Profit Guarantee for the year ending 31 December 2015.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Having taken into consideration (i) the entering into of the Profit Guarantee and Acquisition Consideration adjustment mechanism is required by the Reorganisation Measures; (ii) the Profit Guarantee and Acquisition Consideration adjustment mechanism is in accordance with the formula required by the CSRC; (iii) Maoye Shangsha, Demao and Hezhengmao will not be required to compensate more than what they initially received, meanwhile, all Target Entities will remain as subsidiaries of the Company even all Chengshang Consideration Shares are being forfeited under the Profit Guarantee and Acquisition Consideration adjustment mechanism; (iv) assuming all Chengshang Consideration Shares are being forfeited, Maoye Shangsha is entitled to receive the Disposal Consideration from Demao and Hezhengmao; (v) our analysis on the Formal Valuation Report, which is also the basis in determining the Profit Guarantee, as set out in section headed “3.1 Analysis on the Disposal Consideration — (a) Assessment on the Formal Valuation Report” above; and (vi) the Target Entities have satisfied approximately 50.31% of the Profit Guarantee for the year ending 31 December 2015 during the first half of the year, we are of the view that the entering into of the Profit Guarantee and Acquisition Consideration adjustment mechanism is on normal commercial terms and is fair and reasonable to the Shareholders.

However, Shareholders should note that Profit Guarantee relate to future events and they do not represent a forecast of net profit to be generated by the Target Entities. Consequently, we express no opinion as to how closely the actual amounts to be generated by the Target Entities correspond with the Profit Guarantee.

4.6 *Evaluation of other terms of the Framework Agreement (as amended by the Formal Agreement)*

Upon our review of the Framework Agreement and Formal Agreement, we noted that the Formal Agreement shall take effect upon, amongst other, the transactions contemplated under the Formal Agreement have been approved by the CSRC. As advised by the management of Company, they are not in a position to reasonably predict when and whether the CSRC will approve the transactions contemplated under the Framework Agreement (as amended by the Formal Agreement). Nonetheless, should CSRC do not approve the Acquisition, the Company confirms that it will not proceed with the Acquisition.

Save as mentioned above, we are not aware of any term in the Framework Agreement and Formal Agreement that is unfavourable to the Group for entering into such agreements.

As at the Latest Practicable Date, the condition precedent 1 and 2 for Completion and condition precedent 1 and 2 for the Formal Agreement to take effect as set out in the subsections headed “Condition Precedent for Completion” and “Condition Precedent for the Formal Agreement to take effect” in the Letter from the Board, respectively, have been satisfied.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

5 Financial effect of the Disposal and Acquisition on the Group

Upon Completion, Target Entities will transform from indirect wholly owned subsidiaries of the Company to indirect non-wholly owned subsidiaries of the Company. Accordingly, financial results of the Target Entities (excluding non-controlling interests) will be consolidated into the financial statements of the Group.

5.1 Working capital

The Disposal Consideration will be settled by cash by Demao and Hezhengmao. As set out in the interim report of the Company for the six months ended 30 June 2015 (the “**2015 Interim Report**”), the Group had cash and cash equivalents of approximately RMB1,012.21 million as at 30 June 2015. As advised by the Company, the net proceeds from the Disposal will be used by the Group for general working capital purpose, it is expected that the Disposal will have a positive effect on the cash flow of the Group.

As the Acquisition Consideration will be satisfied by the issue of Chengshang Consideration Shares, the Acquisition is not expected to have material impact to the working capital of the Group.

5.2 Earnings

Immediately after the Completion, the future earnings of the Group will be affected by the minority interest in Target Entities. However, taking into consideration (i) should a net loss be recorded by any of the Target Entities in the future, the minority interest will bear part of the loss; (ii) Company’s interest in the issued share capital of Chengshang will increase from approximately 68.06% to 85.53% after the Completion; and (iii) other reasons and factors discussed in the section headed “Reasons for and benefits of entering into of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement)” above, the transactions contemplated under the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) would likely to have a positive effect on the future earnings potential of the Group.

5.3 Net asset value

The net asset value of Huaqiangbei as at 31 March 2015 was approximately RMB172.74 million. On one hand, as the considerations of the Disposal and Acquisition are determined on the same basis, no gain or loss is expected to accrue to the Company as a result of the Reorganisation. On the other hand, Maoye Shangsha has already been the majority shareholder before the Acquisition. It is expected that upon the completion of the Acquisition, the financial results of Chengshang will remain to be consolidated into the Group, and there will be an increase to the equity attributable to the owners of the Company, meanwhile, a decrease in the non-controlling interests of the Company. Thus, we expect the net asset value of the Group will remain unchanged under the Acquisition. Taking into accounts of the above, it is expected that there will be no changes to the net asset value of the Group upon Completion.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Based on the foregoing, we are of the view that the Group's financial position will be improved upon Completion. Nonetheless, it should be noted that the above analyses are for illustrative purposes only and does not purport to represent how the actual financial position of the Group will be on the date of Completion.

RECOMMENDATION

By taking into account the factors and reasons as mentioned above, we are of the view that (i) the Disposal and Acquisition are on normal commercial terms and are fair and reasonable; (ii) the entering into of each of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) is on normal commercial terms and in the interest of the Company and its Shareholders as a whole; and (iii) the terms of each of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement) are fair and reasonable so far as the Independent Shareholders are concerned. If a general meeting of the Shareholders is to be held for the purpose of considering and approving the transactions contemplated under each of the Share Transfer Agreement and the Framework Agreement (as amended by the Formal Agreement), we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the proposed resolutions to approve the aforesaid transactions.

Yours faithfully,
For and on behalf of
FORTUNE FINANCIAL CAPITAL LIMITED
Stanley Chung
Managing Director

Mr. Stanley Chung is a licensed person under the SFO to engage in type 6 (advising on corporate finance) regulated activities. He has over 15 years of experience in corporate finance.

The English translation of certain Chinese names, entities and addresses is included for information purpose only and should not be regarded as official English translation of such Chinese names, entities and addresses.

**APPENDIX I LETTERS FROM THE REPORTING ACCOUNTANTS
AND THE BOARD RELATING TO THE PROFIT FORECAST**

As the valuation of the acquisition of the Target is based on the discounted future earnings method, it is deemed to be a profit forecast under the Listing Rules. The following is the text of a letter from the Board on such valuation for the purpose of incorporation in this circular.

2. LETTER FROM THE BOARD

11 September 2015

The Listing Division
The Stock Exchange of Hong Kong Limited
11/F, One International Finance Centre
1 Harbour View Street
Hong Kong

Dear Sirs,

We refer to the final valuation report dated 21 August 2015 prepared by Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd. (國眾聯資產評估土地房地產估價有限公司), the valuer in relation to the valuation of the Target Entities (the “**Valuer**”) which valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Terms defined in the announcements of the Company dated 14 June 2015 and 7 July 2015 shall have the same meanings in this letter unless the context otherwise requires.

We have reviewed the bases and assumptions based upon which the valuation of the Target Entities was prepared by the Valuer, for which valuation the Valuer is solely responsible. We have also considered the report from RSM Nelson Wheeler Certified Public Accountants, the reporting accountants in relation to the Reorganisation, confirming that, so far as the arithmetical accuracy of the calculations of the discounted future cash flows on which the valuation is based and concerned, the discounted future cash flows has been properly compiled, in all material respects, in accordance with the respective bases and assumptions.

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

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

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	81.69%
	Beneficial owner	<u>50,000,000</u>	<u>0.97%</u>
Ms. Wang Fuqin	Beneficial owner	4,250,000,000	82.66%
		<u>792,000</u>	<u>0.015%</u>

Note: These shares were held by Maoye Department Store Investment Limited, a wholly-owned subsidiary of MOY International Holdings Limited, which in turn was wholly owned by Mr. Huang.

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at the Latest Practicable Date.

(ii) *Long position in shares of associated corporations of the Company*(2.1) *Maoye Department Store Investment Limited, the immediate holding company of the Company*

Name of director	Capacity	Number of ordinary shares interested	Percentage of the issued share capital in such associated corporation*
Mr. Huang Mao Ru	Interest of controlled corporations	2 (Note)	100%

Note: These shares were held by MOY International Holdings Limited, which was wholly owned by Mr. Huang.

* The percentage represents the number of ordinary shares divided by the number of Maoye Department Store Investment Limited's issued shares as at the Latest Practicable Date.

(2.2) *MOY International Holdings Limited, the ultimate holding company of the Company*

Name of director	Capacity	Number of ordinary shares interested	Percentage of the issued share capital in such associated corporation*
Mr. Huang Mao Ru	Beneficial owner	100%	100%

* The percentage represents the number of ordinary shares divided by the number of MOY International Holdings Limited's issued shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, no Director or proposed Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

(b) **Substantial shareholders' interests and short positions in shares and underlying shares of the Company**

As at the Latest Practicable Date, the following persons (other than the Directors of the Company, whose interests have been disclosed in the above section headed "Directors' and chief executives' interests and short positions in shares and underlying shares of the Company and its associated corporations") had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long position in the shares of the Company

Name	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital*
Mrs. Huang Jingzhang	Interest of spouse	4,250,000,000 (Note (a))	82.66%
Maoye Department Store Investment Limited	Beneficial owner	4,200,000,000 (Note (b))	81.69%
MOY International Holdings Limited	Interest of controlled corporation	4,200,000,000 (Note (b))	81.69%

Note:

- (a) Mrs. Huang Jingzhang was deemed to be interested in these shares through the interest of her spouse, Mr. Huang.
- (b) Maoye Department Store Investment Limited was a wholly-owned subsidiary of MOY International Holdings Limited. Such interests were also disclosed as the interests of Mr. Huang in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations".

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, no person (other than the directors of the Company, whose interests have been disclosed in the above section headed "Directors' and chief executives' interests and short positions in shares and underlying shares of the Company and its associated corporations") had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

4. EXPERT AND CONSENT

The following sets out the qualification of the expert who has given opinion or advice which are contained in this Circular:

Name	Qualification
Fortune Financial Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd. (國眾聯資產評估土地房地產估價有限公司)	Independent professional valuer
RSM	Certified Public Accountants

As at the Latest Practicable Date, the above expert has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter(s) and references to its names in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any interest in the share capital of any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

5. LITIGATION

As at the Latest Practicable Date, no members of the Group were engaged in any litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

- (a) Mr. Huang owns the Maoye Chongqing Jiefangbei Store and Wuxi Maoye Department Store Company Limited and Wuxi Maoye Baifu Supermarket Company Limited (collectively, the

“**Maoye Wuxi Store**”) through Maoye Holdings Limited, a company wholly-owned by Mr. Huang Mao Ru. The Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store are managed by our Group under management agreements to operate Maoye-branded department stores.

In addition, Mr. Huang owns a 18.93% equity interest in Guiyang Friendship Group Holdings Company Limited (the “**Guiyang Friendship Group**”) as of the Latest Practicable Date. Guiyang Friendship Group primarily operates two department stores in Guiyang, Guizhou Province. The operations of our Group and Guiyang Friendship Group are totally independent. Therefore, we are capable of carrying on our business independently of, and at arm’s length from, Guiyang Friendship Group.

To manage the conflicts of interest between the Group and the Controlling Shareholder Group in respect of these stores, Mr. Huang, Maoye Holdings Limited and Richon Holdings Limited have granted the Group an option to purchase the whole or part of the interest of these companies.

- (b) Mr. Zhong, a non-executive Director, currently holds a 40% equity interest in Shenzhen Friendship Trading Centre Company Limited, which in turn holds a 90% equity interest in Shenzhen Friendship Department Store Company Limited and a 25.01% equity interest in Shenzhen Aeon Friendship Co., Ltd. Mr. Zhong is also the chairman of Shenzhen Friendship Department Store Company Limited and the vice-chairman of Shenzhen Aeon Friendship Co., Ltd., but he does not have control over the board of Shenzhen Aeon Friendship Co., Ltd.

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

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

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

As at the Latest Practicable Date, save as disclosed below, none of the Directors and the expert(s) had any direct or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2014, the date to which the latest published audited financial statements of the Group were made up.

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

- (a) Maoye Shangsha Company Limited (“**Maoye Shangsha**”), a wholly-owned subsidiary of the Company and Shenzhen City Friendship Trading Center Company Limited (“**Shenzhen Friendship**”) which is 40% owned by Mr. Zhong, a director of the Company, have entered into the lease agreement dated 30 April 2013 (the “**Lease Agreement**”), pursuant to which Maoye Shangsha Company Limited has agreed to lease the first four storeys of the Friendship City Building with a gross floor area of approximately 21,000 square metres at 63 Friendship Road, Shenzhen, PRC. The Lease Agreement has a term of three years and is effective from 1 May 2013. Pursuant to the Lease Agreement, the rents payable for the three years ended 30 April 2016 are RMB25,000,000, RMB27,060,000 and RMB27,060,000, respectively.
- (b) The Company and Maoye Holdings Limited which is wholly-owned by Mr. Huang, the chairman and a director of the Company, have entered into the master leasing agreement dated 28 November 2012 (the “**Master Leasing Agreement**”), pursuant to which the Group may lease premises from Mr. Huang, any of his associates and companies majority owned or controlled by Mr. Huang and his associates (but excluding the Group) for a period of three years with effect from 1 January 2013. The supplemental agreement to the Master Leasing Agreement dated 30 April 2013 has been entered into between the Company and Maoye Holdings Limited in relation to a proposed revision of annual caps under the Master Leasing Agreement. Pursuant to the supplemental agreement to the Master Leasing Agreement, the annual maximum rents and other payments payable by the Company is RMB175,000,000.

8. MATERIAL CONTRACTS

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

- (a) The syndicated facility agreement dated 1 November 2013 entered into between the Company as borrower, Deutsche Bank AG, Bank of China Limited Macau Branch and a consortium of other banks (collectively, the “**Lenders**”), pursuant to which the Lenders

have made available to the Company a three year guaranteed and secured loan in the principal sum of USD190,500,000 at an interest rate of LIBOR plus 3.10% per annum, with an option to increase the loan amount by an additional USD 9,500,000 upon mutual agreement between the Company and the Lenders.

- (b) The confirmation agreement dated 4 December 2013 entered into between Maoye Shangsha and Zibo Land Reserve and Exchange Centre, a sub-division of the Zibo Bureau of Land Resources and an independent third party in relation to the acquisition of the land use rights of a parcel of land after a listing-for-sale process at a total consideration of RMB425,746,500. The target land is located at the west of Liuquan Road, north of Lutai Avenue and south of Mingbo Road, Zibo National High-tech Industry Development Zone in the Shandong Province, the PRC, with a total site area of approximately 117,402 square metres.
- (c) The underwriting agreement dated 23 December 2013 entered in to between Maoye Shangsha, Bank of China and China Construction Bank, pursuant to which Maoye Shangsha has engaged Bank of China as the lead underwriter and bookrunner, and China Construction Bank as the joint lead underwriter in respect of the proposed issue of the short-term notes with an aggregate principal amount not exceeding RMB400 million (the “Notes”). On 10 June 2014, Maoye Shangsha has completed the issue of the Notes with a term of 365 days in the PRC. The interest rate is 5.3% per annum.
- (d) The agreement dated 16 February 2014 entered into by Zhongzhao Investment Management Company Limited (“**Zhongzhao Investment Management**”), a wholly-owned subsidiary of the Company, pursuant to which Zhongzhao Investment Management has agreed to purchase from Shenyang Commercial City (Group) Co., Ltd 20,907,940 shares of Shenyang Commercial City Co. Ltd (“**Commercial City**”), representing 11.74% of the issued share capital of Commercial City for an aggregate consideration of RMB206,988,606.
- (e) The underwriting agreement dated 11 April 2014 entered into between Maoye Shangsha, and Bank of China, pursuant to which Maoye Shangsha has engaged Bank of China as the lead underwriter and bookrunner in respect of the proposed issue of the short-term notes with an aggregate principal amount not exceeding RMB1,600 million (the “Notes”). On 8 July 2014, Maoye Shangsha has completed the issue of the first tranche of the Notes with a principal amount of RMB800 million with a term of 365 days in the PRC. The interest rate is 5.0% per annum.
- (f) The land use rights transfer agreement dated 25 April 2014 entered into by Qinhuangdao Maoye Real Estate Development Co., Ltd (“**Qinhuangdao Maoye Real Estate**”), a wholly-owned subsidiary of the Company, pursuant to which Qinhuangdao Maoye Real Estate has agreed to purchase from the Bureau of Land and Resources Qinhuangdao a parcel of land located at the north of Hebei Street and the west of Wenchang Road, in Haigang District of Qinhuangdao City in the PRC, with a total site area of approximately 51,364.06 square meters. The aggregate consideration of the Acquisition is RMB291,233,900.

- (g) The new master management agreement dated 4 May 2014 entered into between the Company and Maoye Holdings Limited to govern the terms upon which the Group will provide store management services to the controlling shareholder group with respect to department stores owned by such persons or entities including a department store owned by Wuxi Maoye Department Store Co. Ltd for the next 3 years. The new master management agreement has a term of three years from 5 May 2014. The service fees receivable by the Company are the sum of (i) 1.8% of the total sales proceeds from concessionaire sales and revenue from direct sales at of the department stores and (ii) 10% of the profit before tax of the department stores.
- (h) The purchase agreement dated 12 May 2014 entered into between, among others, the Company, Citigroup Global Markets Inc., CLSA Limited, Deutsche Bank AG, Singapore Branch and Morgan Stanley & Co. International plc (collectively, the “**Initial Purchasers**”) in connection with the proposed issue of US\$300 million senior guaranteed notes due 2017 with the interest rate of 7.75% per annum (the “**Notes**”), pursuant to which the Company agreed to issue and sell, the Initial Purchasers agreed, severally and not jointly, to purchase from the Company the Notes. On 19 May 2014, the Company has completed the issuance of the Notes, which were listed on the Stock Exchange on 20 May 2014.
- (i) The property service contract dated 15 May 2014 entered into between Chengshang Group, a subsidiary of the Company and Chongde Property Management (Shenzhen) Co., Ltd. Chendu Branch (“**Chongde Property Management**”) for engaging Chongde Property Management to provide property management services for the leased out portions of offices on levels 28-44, common areas and public facilities and utilities of the south area of Maoye Complex project of Chengshang Group. The property service contract has a term of three years with effect from 15 May 2014. The service fees are payable by the tenants of the property at the rate of RMB19.5 per square meter per month based on the gross floor area of the leased out area. Based on the gross floor area of the expected leased out offices, the maximum service fees per year will be approximately RMB7.7 million.
- (j) The sale and purchase agreement dated 26 June 2014 entered into between Maoye Shangsha and Commercial City, pursuant to which Maoye Shangsha has agreed to purchase and Commercial City has agreed to sell its entire equity interest in Liaoning Logistics Company Limited (“**Liaoning Logistics**”), being 99.94% of Liaoning Logistics’ total issued share capital, for a cash consideration of up to RMB295,500,000, which will be confirmed based on the Formal Valuation Report. In addition, Maoye Shangsha undertook to repay any outstanding trade receivables of up to RMB181,215,600 due from Liaoning Logistics and its subsidiaries to Commercial City and its subsidiaries as at the completion date of the Liaoning Agreement.
- (k) The sale and purchase agreement dated 26 June 2014 entered into between Maoye Shangsha and Commercial City, pursuant to which Maoye Shangsha has agreed to purchase and Commercial City has agreed to sell its entire equity interest in Shenyang Anli Real Estate Operations Company Limited (“**Anli Real Estate**”), being 100% of Anli Real Estate’s total issued share capital, for an aggregate consideration of RMB41,400,000, which will be confirmed based on the Formal Valuation Report.

- (l) The agreement dated 24 July 2014 entered into between Maoye Logistics Corporation Ltd. (“**Maoye Logistics**”), a subsidiary of the Company, and Xiaochang Yingxigu Investment Centre (Limited Partnership) and Beijing Bosheng Youshi Technology Development Co., Ltd, pursuant to which Maoye Logistics agreed to purchase from Xiaochang Yingxigu Investment Centre (Limited Partnership) and Beijing Bosheng Youshi Technology Development Co., Ltd 100% equity interest in Beijing TrustMeDu Sci-tech Co., Ltd (北京創世漫道科技有限公司) for a consideration of RMB878 million, which was settled partly by issuing shares and partly by cash.
- (m) The agreement dated 19 September 2014 entered into between Shenyang Maoye and Maoye Property to terminate the Jinlang Management Agreement, pursuant to which no party is required to pay any penalty or compensation to any other party in respect of the early termination of the Jinlang Management Agreement.
- (n) 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.
- (o) The agreement dated 20 April 2015 entered between Zhongzhao Investment Management Co., Ltd., a wholly-owned subsidiary of the Company, and Shenyang Maoye Property Company Limited, a company wholly-owned by Mr. Huang, the controlling shareholder of the Company, in respect of the sale of 8,000,000 shares in Maoye Logistics, representing 1.29% of the issued share capital of Maoye Logistics, for a consideration RMB87,520,000.

9. MATERIAL ADVERSE CHANGE

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

10. MISCELLANEOUS

- (a) The registered office of the Company is located at Floor 4, Willow House, Cricket Square, P.O. Box 2804 Grand Cayman KY1-1112, Cayman Islands. The head office in the PRC is at 38/F, World Finance Centre, 4003 Shennan East Road, Shenzhen, PRC and the principal place of business in Hong Kong is at Room 3301, 33/F, Office Tower Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong.

- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Ms. Soon Yuk Tai (“**Ms. Soon**”). Ms. Soon is a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Soon is a Chartered Secretary and a fellow of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Apart from the Company, Ms. Soon has been providing professional secretarial services to a number of listed companies.
- (d) This Circular has been printed in English and Chinese, in the event of inconsistency, the English version shall prevail.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. 9:30 a.m. to 5:00 p.m., Monday to Friday (public holidays excluded)) at the offices of Herbert Smith Freehills in Hong Kong at 23/F, Gloucester Tower, 15 Queen's Road Central, Hong Kong from the date of this Circular up to and including at least 14 days after the date of this Circular:

- (a) the Share Transfer Agreement;
- (b) the Formal Agreement;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 29 to 30 of this Circular;
- (d) the letter of advice from Fortune Financial Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 31 to 78 in this Circular;
- (e) the Formal Valuation Report prepared by Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd. (國眾聯資產評估土地房地產估價有限公司);
- (f) the letter of consent from Fortune Financial Capital Limited referred to in the above paragraph headed “Experts’ Qualifications and Consents” in this Appendix;
- (g) the letter of consent from Guo Zhong Lian Land and Real Estate Asset Evaluation Co., Ltd. (國眾聯資產評估土地房地產估價有限公司) referred to in the above paragraph headed “Experts’ Qualifications and Consents” in this Appendix;

- (h) the letter of consent from RSM referred to in the above paragraph headed “Experts’ Qualifications and Consents” in this Appendix;
- (i) other material contracts referred to in the above paragraph headed “Material Contracts” in this Appendix; and
- (j) this Circular.