THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Maoye International Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 848)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE NEW LEASING FRAMEWORK AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

ALTUS CAPITAL LIMITED

A notice convening an extraordinary general meeting of Maoye International Holdings Limited to be held at Shenzhen Conference Room, 36/F, Tower A, World Finance Centre, 4003 Shennan East Road, Shenzhen, PRC on 12 September 2019 at 10:00 a.m. is set out on pages 56 to 57 of this circular. A form of proxy for use at the Extraordinary General Meeting is enclosed with this circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.maoye.cn) respectively.

Whether or not you are able to attend the Extraordinary General Meeting, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting (i.e. not later than 10:00 a.m. on 10 September 2019 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if they so wish.

23 August 2019

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

"Articles of Association"	the articles of association of the Company currently in force;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Company"	Maoye International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Controlling Shareholder Group"	Mr. Huang, any of his associates and companies majority-owned or controlled by Mr. Huang and his associates, which includes Maoye Holdings Limited but excludes the Group;
"Director(s)"	the director(s) of the Company;
"Extraordinary General Meeting"	an extraordinary general meeting of the Company to be held at Shenzhen Conference Room, 36/F, Tower A, World Finance Centre, 4003 Shennan East Road, Shenzhen, PRC on 12 September 2019 at 10:00 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 56 to 57 of this circular, or any adjournment thereof;
"Group"	the Company and its subsidiaries from time to time;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"IFRSs"	the International Financial Reporting Standards issued by the International Accounting Standards Board;
"IFRS 16"	the International Financial Reporting Standard 16 Leases issued by the International Accounting Standards Board;

"Independent Board Committee"	the independent committee of the Board, comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders in respect of the New Leasing Framework Agreement;
"Independent Financial Adviser"	Altus Capital Limited, a company licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and Independent Shareholders with regard to the terms of the New Leasing Framework Agreement and the transactions contemplated thereunder;
"Independent Shareholders"	Shareholders other than Mr. Huang and his associates;
"Latest Practicable Date"	20 August 2019, being the latest 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 Holdings Limited"	Maoye Holdings Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Huang;
"Mr. Huang"	Mr. Huang Mao Ru, Chairman, executive Director and Chief Executive Officer of the Company and the Company's ultimate controlling Shareholder;
"New Leasing Framework Agreement"	the leasing framework agreement entered into between the Company and Maoye Holdings Limited dated 28 December 2018 as amended by the Supplemental Agreement and the Second Supplemental Agreement;
"PRC"	the People's Republic of China;
"Premises"	the premises owned or occupied by the Controlling Shareholder Group from time to time, the details of which are set out in the section headed "The Premises" in "Letter from the Board" of this circular;

"Previous Master Leasing Agreement"	the master leasing agreement entered into between the Company and Maoye Holdings Limited dated 28 November 2012, and revised on 30 April 2013 and renewed on 29 December 2015;
"RMB"	Renminbi, the lawful currency of the PRC;
"Second Supplemental Agreement"	the supplemental agreement dated 29 May 2019 entered into between the Company and Maoye Holdings Limited to amend and supplement the New Leasing Framework Agreement;
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
"Share(s)"	ordinary share(s) of HK$0.1 each in the capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
"Shareholder(s)"	holder(s) of Share(s);
"sq.m."	square metre(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Sub-Agreement(s)"	the underlying tenancy agreements with respect to specific Premises entered or to be entered into between the Group and the Controlling Shareholder Group pursuant to the New Leasing Framework Agreement;
"Supplemental Agreement"	the supplemental agreement dated 14 March 2019 entered into between the Company and Maoye Holdings Limited to amend and supplement the New Leasing Framework Agreement;
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs approved by the Securities and Futures Commission in Hong Kong as amended from time to time;
"Valuer"	Cushman & Wakefield Limited, an independent property valuer; and
"%"	per cent.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 848)

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

Non-executive Director:
Mr. Wang Bin

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

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

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

23 August 2019

To the Shareholders

Dear Sir/Madam

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE NEW LEASING FRAMEWORK AGREEMENT AND NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

The purpose of this circular is to provide the Shareholders with information in respect of the resolutions to be proposed at the Extraordinary General Meeting for the New Leasing Framework Agreement and the transactions contemplated thereunder.

Reference is made to the announcements of the Company dated 28 December 2018, 14 March 2019 and 29 May 2019 in relation to the New Leasing Framework Agreement.

On 28 December 2018, the Company entered into the New Leasing Framework Agreement with Maoye Holdings Limited to govern the terms upon which the Group will lease the Premises for office use and operational use from the Controlling Shareholder Group. On 14 March 2019, the Company entered into the Supplemental Agreement with Maoye Holdings Limited to amend the duration with respect to the lease of the Premises, and the cap for the aggregate rent and miscellaneous expenses (but excluding utilities payable by the Group to the Controlling Shareholder Group) during the term of the New Leasing Framework Agreement. On 29 May 2019, the Company entered into the Second Supplemental Agreement with Maoye Holdings Limited to extend the duration with respect to the Premises for an additional three months, and to amend the cap for the aggregate rent and miscellaneous expenses (but excluding utilities) as a transitional arrangement.

Pursuant to IFRS 16, entering into of a leasing agreement with a term of more than 12 months as a lessee will require the Group to recognise its right to use the Premises as the right-of-use assets, thus the entering into of the New Leasing Framework Agreement and the transactions contemplated thereunder will be regarded as an acquisition of assets by the Group in accordance with the Listing Rules. As the lessor is a connected person to the Company, the recognition of such right-of-use assets pursuant to the terms of the New Leasing Framework Agreement will constitute a one-off connected acquisition transaction of the Company.

2. THE NEW LEASING FRAMEWORK AGREEMENT

Key terms of the New Leasing Framework Agreement (as amended by the Supplemental Agreement)

Parties: the Company

Maoye Holdings Limited

Subject matter: Pursuant to the New Leasing Framework Agreement, Maoye Holdings Limited has agreed to lease to the Group, and the Company has agreed to lease from the Controlling Shareholder Group, the Premises. The Sub-Agreements are subject to the terms of the New Leasing Framework Agreement. Separate agreements will be entered into by the relevant Group company and the Controlling Shareholder Group in respect of the leasing of the Premises in accordance with the terms of the New Leasing Framework Agreement.

Term:

(i) 6 years commencing from 1 January 2019 with respect to the lease of the Premises for office use; and

(ii) 15 years commencing from 1 January 2019 with respect to the lease of the Premises for operational use,

provided that either party may terminate the New Leasing Framework Agreement by giving the other party at least one month's written notice of termination.

There is no penalty for terminating the New Leasing Framework Agreement and the respective Sub-Agreements.

Rent and miscellaneous expenses:

The rent payable under the New Leasing Framework Agreement shall be determined by the parties in writing and shall be:

(i) based on market rent, being rent which would be payable by an independent third party for the leasing of the Premises; and

(ii) where there is no available comparison, on terms no less favorable to an independent third party.

The rental under each of the Sub-Agreements will be fixed for the first three years and subject to periodic adjustments every three years after such period. The adjusted rental will be reached by mutual agreement after arm's length negotiation between the parties based on the factors set out above and in the section headed "Basis of determination of the rent and miscellaneous expenses" below, including but not limited to any price guidance prescribed by local government, location of the Premises, inflation, stability of leasing relationship and any discount due to bulk leasing and rental prepayment. There is no fixed percentage of rental increase after each three-year period under the New Framework Leasing Agreement or the Sub-Agreements.

The Group shall be responsible for the payment to the Controlling Shareholder Group of miscellaneous expenses relating to the Premises, such as property management fees, air-conditioning fees, car park rental fees and any other reasonable expenses (including repairing and maintenance expenses and sanitation fee).

Based on information currently available, the Company expects the annual rental and miscellaneous expenses under the New Leasing Framework Agreement to amount to RMB177 million, subject to the factors set out in the section headed "Basis of determination of the rent and miscellaneous expenses" below, and the total rental and miscellaneous expenses under the New Leasing Framework Agreement to amount to RMB2,655 million.

Terms of payment:

The rent and miscellaneous expenses payable under the New Leasing Framework Agreement shall be paid by bank transfer. According to the actual lease contract, the leasee will pay rent to the lessor for the following year on the 30th day of October of each year.

Summary of the key terms of the Sub-Agreements

The term of the Sub-Agreements range from three years (for office use) to 15 years (for operational use). The monthly rental of the Sub-Agreements range from approximately RMB300,000 to RMB3.3 million. Based on the existing Sub-Agreements entered into as at the date of this circular, the total rental under the Sub-Agreements is RMB2,350 million. The leased gross floor area range from approximately 3,710 sq.m. to 68,261 sq.m. The Sub-Agreements stipulate that the leasee will pay rental to the lessor for the following year on the 30th day of October of each year. Miscellaneous expenses are not specified in Sub-Agreements, and normally include property management fee, air-conditioning fees, car park rental fees, sanitation fee and repairing and maintenance expenses. The determination of the rental is subject to negotiation on normal commercial terms, and the monthly rent per sq.m. for each Premises is lower than comparables in the vicinity.

Notwithstanding that after the first three years, the rental under each of the Sub-Agreements will be subject to periodic adjustments every three years after such period and will be reached by mutual agreement after arm's length negotiation between the parties based on the factors set out above and in the section headed "Basis of determination of the rent and miscellaneous expenses" below, the maximum aggregate rent and miscellaneous expenses to be payable by the Group to Maoye Holdings Limited in connection with the leases under the New Leasing Framework Agreement annually will be RMB177 million.

Utilities

The utilities for the Premises in Zhuhai and Chongqing will be paid by the Company directly to the bank accounts of the relevant Water and Electricity Supply Bureau in the PRC.

In respect of the utilities for the Premises in other cities, the Controlling Shareholder Group receives bills from the relevant water and Electricity Supply Bureau from time to time and will provide the same to the Group to arrange for payment. The Group will pay such amounts according to the bills (without any mark-up) to the bank accounts of the Controlling Shareholder Group by the end of the next month, who will in turn pay the exact amounts to the relevant Water and Electricity Supply Bureau to settle the bills on 25th each month. The billed amount of utilities is determined by the relevant bureau according to the consumption volumes measured by the electricity and water meters in the relevant Premises at standard rate.

Basis of determination of the rent and miscellaneous expenses

In respect of the Premises for operational use

Neither Maoye Holdings Limited nor Mr. Huang has entered into any leasing agreement with independent third parties in the cities where the Premises are located at. The Company has taken into account the prevailing level of rent and miscellaneous expenses payable for similar premises in the vicinity and the market conditions to ensure the rent and miscellaneous expenses payable by the Group to the Controlling Shareholder Group are no less favourable to an independent third party. In particular, the Company has taken into account the aggregate (i) monthly rent and (ii) monthly rent and miscellaneous expanses per sq.m. for the Premises for operational use of the Group of RMB12.9 million and RMB65, respectively, and the levels of monthly rent per sq.m. of Premises in the variety of the Premises as set out in "The Premises" below, which range from RMB40 to RMB120.

In respect of the Premises for office use

Maoye Holdings Limited have entered into certain leasing agreements with independent third parties. The aggregate monthly rent and miscellaneous expenses per sq.m. for the Premises for office use of the Group is RMB114.0. The Company has referred to the level of monthly rent and miscellaneous expenses per sq.m. for similar premises with similar floor areas leased by independent third parties in the same building from the Controlling Shareholder Group, which range from RMB140.0 to RMB150.0, to ensure the rental and miscellaneous expenses payable by the Group to the Controlling Shareholder Group are no less favourable to an independent third party.

Miscellaneous expenses

In particular, the miscellaneous expenses of the Premises include property management fees, air-conditioning fees, car park rental fees and other reasonable expenses (including repairing and maintenance expenses and sanitation fee) which are charged on a pay-per-use basis. The property management fees, air-conditioning fees and carpark rental fees are determined with reference to the price guidance (being price range reference) prescribed by local government depending on the location of the Premises, as well as prevailing market rate of such fees for similar premises in the vicinity, and are no less favourable to those offered to an independent third party. The other reasonable expenses are determined with reference to prevailing market rate and are no less favourable to those offered to an independent third party. The miscellaneous expenses accounted for 1.5%, 0.9% and 0.9% of the aggregate rental and miscellaneous expenses for the Premises for the three years ended 31 December 2018 respectively.

The Company does not expect significant increase in such miscellaneous expenses during the term of the New Leasing Framework Agreement.

The Premises

The leased Premises will mainly be used for operation of department stores by the Company. The following table summarises the properties to be leased by the Group from the Controlling Shareholder Group under the New Leasing Framework Agreement:

Operational use Premises

Location	Details of occupancy
Shop Unit at Level 1 to Level 5, No. 3009 Heping Road, Luohu District, Shenzhen, PRC	Maoye Shenzhen Outlet Store

Location	**Details of occupancy**
Level 1 to Level 5, No. 1018 Central Shennan Road, Futian District, Shenzhen, PRC	Maoye Shenzhen Shennan Store
Nos. 2005-2006, North Huaqiang Road, Futian District, Shenzhen, PRC	The first phase of Maoye Shenzhen Huaqiangbei Store
Nos. 2005-2006, North Huaqiang Road, Futian District, Shenzhen, PRC	The second phase of Maoye Shenzhen Huaqiangbei Store
Level 1 to Level 6 No. 301, Zijing Road, Xiangzhou District, Zhuhai PRC	Maoye Zhuhai Store
Level 5 to Level 7, Wangjiao Shopping Center, Dongmen Road, Luohu District, Shenzhen, PRC	A portion of Maoye Shenzhen Dongmen Store
Basement 1 to Level 9 No. 16 North Jian Xin Road, Chongqing, PRC	Maoye Chongqing Jiangbei Store
Office use Premises	
Office Unit of the whole of 36/F, 37/F and 39/F, a portion of 7/F, World Finance Centre, Shennan Road, Luohu District, Shenzhen, PRC	Office Unit

The terms of the New Leasing Framework Agreement (including the rent) were determined after arm's length negotiations between the parties, with reference to the prevailing market rent. Details of the prevailing market rent in region where the relevant Premises are located at are set out as follows:

Premises	Location	Monthly rent per sq.m. *(RMB)*	Comparable Premises	Location	Monthly rent per sq.m. *(RMB)*
Maoye Shenzhen Outlet Store	No. 3009 Heping Road, Luohu District, Shenzhen	56	Gangyi Haoting (港逸豪庭)	Heping Road, Luohu	75
			Baihuo Plaza (百貨廣場)	Middle Dongmen Road, Luohu District, Shenzhen	80
Maoye Shenzhen Huaqiangbei Store	North Huaqiang Road, Futian District, Shenzhen	100	Saige Apartment (賽格公寓)	Huafa Road, Futian, Shenzhen	100
			Nanguang Jiejia Building (南光捷佳大廈)	No. 3037, Middle Shennan Road,	120
Maoye Zhuhai Store	No. 301, Zijing Road, Xiangzhou District, Zuhai	54	Ercheng Commercial Plaza, Zhidi New Zone (置地新天地二城商業廣場)	South Mingzhu Road, Xiangzhou, Zhuhai	95
			Milan Department Store (米蘭百貨商場)	South Yingbin Road, Xiangzhou	70
Maoye Shenzhen Dongmen Store	Wangjiao Shopping Center, Dongmen Road, Luohu District, Shenzhen	80	Shops beside Jiulongcheng (中威商業商場)	Middle Dongmen Road, Luohu, Shenzhen	90
			Wangjiao Shopping Plaza (旺角購物廣場)	Middle Dongmen Road, Luohu, Shenzhen	100
			Xihuagong (西華宮)	Dongmen, Luohu, Shenzhen	100

Premises	Location	Monthly rent per sq.m. *(RMB)*	Comparable Premises	Location	Monthly rent per sq.m. *(RMB)*
Maoye Chongqing Jiangbei Store	No. 16 North Jian Xin Road, Chongqing	40	A chain store (一連鎖門面)	North Jian Xin Road, Jiangbei District, Chongqing	49
			A department store (一百貨公司)	North Jian Xin Road, Jiangbei District, Chongqing	43
			A digital mall (一數碼商場)	North Jian Xin Road, Jiangbei District, Chongqing	76
Maoye Shenzhen Shennan Store	No. 1018 Central Shennan Road, Futian District, Shenzhen	60	Shijihui Plaza (世紀匯)	No.3018, Shenzhen Nan Road, Futian District, Shenzhen	110
			Yutingyuan (禦庭園)	Crossing of Fuqiang Road and Jintian Road, Shenzhen	100
Office units	7F, 36F, 37F, 39F, Block A, World Finance Centre, East Shennan Road, Luohu, Shenzhen	114	Office units	18F, Block A, World Finance Centre, East Shennan Road, Luohu, Shenzhen	150
			Office units	19F, Block A, World Finance Centre, East Shennan Road, Luohu, Shenzhen	145
			Office units	43F, Block A, World Finance Centre, East Shennan Road, Luohu, Shenzhen	145

Bases of the Rents

The terms of the New Leasing Framework Agreement (including the rents) were arrived at after arm's length negotiation and are on normal commercial terms. The rents were determined with reference to (i) the historical rents and expenses paid by the Group to the Controlling Shareholder Group in 2016 to 2018 and the 5-month period ended 31 May 2019 in connection with the leases under the Previous Master Leasing Agreement; and (ii) the prevailing market rent in region where the relevant Premises are located as set out in the section headed "The Premises" above.

The historical amount of the rents and miscellaneous expenses paid by the Group to the Controlling Shareholder Group in connection with the leases under the Previous Master Leasing Agreement are as follows:

For the period/year ended	Historical amount of rent and miscellaneous expenses paid by the Group to the Controlling Shareholder Group *(in RMB million)*
31 December 2016	159.7
31 December 2017	161.9
31 December 2018	163.1
31 May 2019 (subject to auditing)	67.96

Accounting treatment in relation to the New Leasing Framework Agreement under IFRS 16

The IFRSs applicable to the Group include IFRS 16 which came into effect on 1 January 2019. Pursuant to IFRS 16, entering into of the underlying sub-agreements concerning the Premises covered by the New Leasing Framework Agreement as a lessee will require the Group to recognise its right of use of the Premise as the right-of-use assets of approximately RMB1,466.9 million which were initially measured at the present value of the remaining lease payments of approximately RMB1,310.7 million and adjusted by the amount of prepayment relating to the lease recognised in the statement of financial position immediately before the commencement date of approximately RMB156.2 million, thus the entering into the New Leasing Framework Agreement and the transactions contemplated thereunder will be regarded as an acquisition of a capital asset by the Group. The amount of the right-of-use asset (RMB1,466.9 million) equals to the sum of present value of the remaining lease payments (RMB1,310.7 million) and the leases of prepayment (RMB156.2 million). Based on 1 January 2019 (the date of the initial application of IFRS 16), the Group divided the Sub-Agreements into different types based on their respective duration. According to the yearly rentals under Sub-Agreements, the present value of the remaining lease payments (RMB1,310.7

million) is derived by discounting the yearly rentals by incremental borrowing rate. Different discount rates are applied to the Sub-Agreements with respective duration. In addition, the Group took no consideration for miscellaneous expenses and periodic adjustments of rental during the process of discounting the rentals. The amount of prepayment relating to the leases of RMB156.2 million is determined by the sum of accrued rentals in 2019 of the Sub-Agreements which were in effect on 1 January 2019. In consideration of the rental cap of RMB177 million, the maximum amount of the right-of-use asset would be RMB1,768.3 million, which equals to the sum of the present value of the remaining lease payments (RMB1,612.1 million) and the leases of prepayment (RMB156.2 million).

Duration of the leasing terms of the Premises

In respect of the Premises for operational use

In determining the leasing term of the operational use Premises and the reasons for such term to be longer than three years, the Company has considered the following factors:

(i) Substantial amount of capital investment may be required for the operation of department stores on an ongoing basis, including but not limited to, extensive designs, refurbishments, renovations, staff recruitment and ongoing training. A short-term tenancy agreement may expose the Group to uncertainty of relocation of the department stores and the associated costs, and limit the Group's efforts on, among other things, the renovation, refurbishments and brand building in the current premises, thus maybe commercially disadvantageous to the Group as compared to a tenancy agreement of longer duration.

(ii) The Group has been operating departments stores at the Controlling Shareholder Group's Premises for more than ten years. As at the 31 December 2018, the Group was operating 6 department stores in the premises leased from the Controlling Shareholder Group, representing 10.5% of the total number of department stores operated by the Group. A tenancy agreement of longer duration will allow the Group to enjoy a reliable supply of spaces for department stores to maintain its existing operation of department stores in core commercial districts, and to maintain its customer bases and reputation in the surrounding area.

(iii) Customer loyalty and reputation on a department store at a particular location require time to build up. If a department store continuously relocates its location within a short period of time, consumers would lose confidence in shopping at that particular department store. In addition, 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. Once reputation has been built up, customers will likely to revisit and therefore establishing its customer loyalty.

(iv) A long-term lease allows the Company to build long-term relationships with third party merchandise vendors and tenants of the department stores. Similar to customer loyalty and reputation, a sound business relationship with third parties require time to build up. In addition, tenants of the department stores would be reluctant to continuously relocate and incur unnecessary expenses.

In respect of the Premises for office use

In determining the leasing term of the office use Premises and the reasons for such term to be longer than three years, the Company has considered the following factors:

(i) The term of the New Leasing Framework Agreement for office use is set at six years while the term of the Sub-Agreements is set at three years and the Group is granted a right of renewal pursuant to the Sub-Agreements under the same terms and rental which may be offered to an independent third party by the Controlling Shareholder Group upon expiry. The longer duration of the New Leasing Framework Agreement (a) allows the Group to enjoy the right of renewal upon the end of three-year lease term pursuant to the existing Sub-Agreements; and (b) continue to lease the relevant Premises as the Group's office to avoid disruption of the Group's business due to relocation of office.

(ii) The Premises for office use involves multiple adjacent floors in the same commercial building and has total gross floor area of approximately 6,000 sq.m. in the core commercial district in Shenzhen, the replacement of which is not easy to identify given the lack of new office buildings and low vacancy rate in the existing buildings in the adjacent area. In particular, the vacancy rate in the existing buildings in the adjacent area is approximately 7.2%. The long-term duration may in turn allow the Group to secure stable office premises.

(iii) The Group has established its principal office in the PRC in the building where the Premises for office use are located at since the Company's listing on the Stock Exchange in May 2008. Relocation of the principal office may convey a disadvantageous image to the public which may result in potential damage in the reputation of the Group.

Reasons for and benefits of the transactions under the New Leasing Framework Agreement

In respect of the Premises for operational use

The Controlling Shareholder Group owns several commercial complexes in the PRC, all of which are situated at the core commercial district of the cities. The Group has been operating several department stores at the Controlling Shareholder Group's Premises since January 2007. The New Leasing Framework Agreement allows the Company to take advantage of the Controlling Shareholder Group's resources to maintain the operation of its department stores at core commercial districts. Furthermore, the Group has been operating several department stores at the Controlling Shareholder Group's Premises for a long time. The cost to be incurred and the adverse impact on the operation of the Group's stores in the event of their relocation will be substantial.

In respect of the Premises for office use

As disclosed above, the Company has established its principal office in the PRC in the building where the Premises for office use are located at since the Company's listing on the Stock Exchange in 2008. The New Leasing Framework Agreement allows the Group to secure stable office premises with multiple adjacent floors in the same commercial building and total gross floor area of approximately 6,000 sq.m. in the core commercial district in Shenzhen City, the replacement of which is not easy to identify given the lack of new office buildings and low vacancy rate in the existing buildings in the adjacent area. The long-term nature of the New Leasing Framework Agreement may also secure stable and reliable supply of spaces for the Company's office and avoid conveying of disadvantageous public image due to relocation.

The Directors (excluding (i) the independent non-executive Directors (whose views are set out in the section headed "2. The New Leasing Framework Agreement – Reasons for and benefits of the transactions under the New Leasing Framework Agreement – Views of the Independent Financial Adviser and the Independent Board Committee" below and the Letter from the Independent Board Committee in this circular and (ii) Mr. Huang, who is considered to have a material interest in the transactions contemplated under the New Leasing Framework Agreement as set out in the section headed "2. The New Leasing Framework Agreement – Implication under the Listing Rules" below") believe that the transactions under the New Leasing Framework Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) have been entered into in the ordinary and usual course of business of the Company, are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Views of the Independent Financial Adviser and the Independent Board Committee

A letter from the Independent Financial Adviser confirming that (i) the entering into of the New Leasing Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the New Leasing Framework Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned, is included in this circular.

Based on the above, the Independent Board Committee considers that the entering into of the New Leasing Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the New Leasing Framework Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned.

Contingency plans if Maoye Holdings Limited terminates the New Leasing Framework Agreement

Under the New Leasing Framework Agreement and the Sub-Agreements, either party may terminate the New Leasing Framework Agreement by giving the other party at least one month's written notice of termination. In the event that Maoye Holdings Limited terminates the New Leasing Framework Agreement with one month's written notice, the Company may face uncertainty with respect to relocation of the department stores and office as well as the associated costs. The Company may need to put additional effort and incur further expenses on, among other things, renovation, refurbishments and establishing brand names with respect to the relocated premises.

The Company will liaise with the Controlling Shareholder Group regularly to evaluate the possibility of renewal of the Sub-Agreements by the Controlling Shareholder Group every three years and to assess any risk of early termination of the New Leasing Framework Agreement and/or any Sub-Agreements by the Controlling Shareholder Group. The Group has also been liaising with certain real estate agencies with the specialty in retailing industry on a regular basis, seeking to identify similar premises in the vicinity to rent for operational and office use (if any) and understand their levels of rent for contingency planning. When considering alternative premises, the Company will also take into account the expenses for renovation, refurbishments and brand re-building which may be required as a result of termination.

In the event of termination of the New Leasing Framework Agreement and/or any Sub-Agreements, the Group will contact such real estate agencies to seek to relocate the relevant department store businesses to similar premises in the vicinity. The Company will also seek to negotiate with the Controlling Shareholder Group to prepare for, to the extent possible, a phased and orderly evacuation of the Premises, and allow sufficient time for the relocation. In the event that similar premises are not immediately available, the Group will seek to identify smaller premises in the vicinity in order to settle down its businesses as a temporary measure. In addition, the Company will negotiate with the affected suppliers and tenants of the department stores in the Premises on the rearrangement, and if applicable, compensation packages.

As at the Latest Practicable Date, the Company did not have any intention, and was not aware of any intention from Maoye Holdings Limited to exercise the aforesaid right of early termination.

Internal control and risk management of the Group

The Company has established various internal control measures in order to ensure that the transactions under the New Leasing Framework Agreement are in accordance with the pricing policies and the terms of the New Leasing Framework Agreement are on normal commercial terms or on terms no less favourable than those terms offered by the Controlling Shareholder Group to independent third parties in its ordinary and usual course of business. Such internal control measures will be taken by personnel of the Group who are independent from the Controlling Shareholder Group, which mainly include the following:

- The operation department will prepare the Sub-Agreements within the New Leasing Framework Agreement upon review of the legal department and approval of CEO and will provide the finance department with such Sub-Agreements for rental payments and for their review on the consistency of the terms between the Sub-Agreements and the New Leasing Framework Agreement.

- The cost control officer of the finance department of the Company will obtain the prevailing market level for rental and miscellaneous expenses from the operation department for comparison from time to time to ensure the terms (including payment terms) of the Sub-Agreements are on normal commercial terms and on terms no less favourable to independent third parties.

- For the rental of the Premises, the finance department of the Company will raise an application of payment via online system and process the annual pre-payments in accordance with the payment terms of the Sub-Agreements and accrue the rental expenses, which will be paid on a monthly basis upon receipts of invoices provided by the Controlling Shareholder Group. Any discrepancies between the payment terms and actual payments will be notified by the finance department through the monthly payments to make sure the payments are conducted within the New Leasing Framework Agreements.

- For the miscellaneous expense, the finance department of the Company will obtain the bills with detailed calculation by the Controlling Shareholders Group on a monthly basis, and observe the aggregated amounts of rental and miscellaneous expenses, and that the terms (including payment terms) of the Sub-Agreements are consistent with the terms of the New Leasing Framework Agreement.

- The finance department and the audit committee of the Company will review the pricing policies under the New Leasing Framework Agreement monthly and semi-annually, respectively, in order to ensure that the rent are charged on the same bases and the same rates to an independent third party for the leasing of the Premises.

- The independent non-executive Directors will conduct an annual review with respect to the connected transactions of the Company throughout the preceding financial year and confirm on the transactional amounts and terms of the connected transactions in the annual report of the Company pursuant to the requirements under the Listing Rules, and to ensure that the transactions are entered into in the ordinary and usual course of business and on normal commercial terms or better, are fair and reasonable, and are carried out pursuant to the terms of the relevant agreements governing the connected transactions and in the interest of the Shareholders as a whole.

Information on the parties to the New Leasing Framework Agreement

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. The Company is focused on developing more department stores, mainly in the second and third-tier cities and in the most economically developed regions and regions with high economic growth in the PRC.

Maoye Holdings Limited

Maoye Holdings Limited is an investment holding company incorporated in the British Virgin Islands with limited liability. It is wholly-owned by Mr. Huang, the controlling shareholder and a Director of the Company, and is therefore a connected person of the Company under the Listing Rules. It is a member of the Controlling Shareholder Group.

Implications under the Listing Rules

Pursuant to IFRS 16, entering into of the underlying Sub-Agreements concerning the Premises covered by the New Leasing Framework Agreement as a lessee will require the Group to recognise its right of use of the Premise as the right-of-use assets of approximately RMB1,466.9 million which were initially measured at the present value of the remaining lease payments of approximately RMB1,310.7 million and adjusted by the amount of prepayment relating to the lease recognised in the statement of financial position immediately before the commencement date of approximately RMB156.2 million, thus the entering into the New Leasing Framework Agreement and the transactions contemplated thereunder will be regarded as an acquisition of a capital asset by the Group. The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset is measured at the amount of the lease liabilities (i.e. approximately RMB1,310.7 million) adjusted by the amount of accrued lease payments (i.e. approximately RMB156.2 million) relating to the lease recognised in the statement of financial position immediately before the date of initial application. In consideration of the rental cap of RMB177 million, the maximum amount of the right-of-use asset would be RMB1,768.3 million, which equals to the sum of the present value of the remaining lease payments (RMB1,612.1 million) and the leases of prepayment (RMB156.2 million). As certain applicable size test ratios in respect of the right-of-use assets of the lease covering the Premises under the New Leasing Framework Agreement exceed 25% and are less than 100%, the New Leasing Framework Agreement and the transactions contemplated thereunder constitute a major transaction for the Company and are subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the miscellaneous expenses under the New Leasing Framework Agreement would be recognised as expenses rather than assets, the transactions with Maoye Holdings Limited relating to miscellaneous expenses would constitute continuing connected transactions. Since the miscellaneous expenses accounted for approximately 1.5%, 0.9% and 0.9% of the aggregate rental and miscellaneous expenses for the Premises for the three years ended 31 December 2018, respectively, the Company expects the miscellaneous expenses to account for approximately 1.1% of the aggregate rental and miscellaneous expenses going forward. As all applicable size test ratios in respect of the miscellaneous expenses under the New Leasing Framework Agreement are less than 0.1%, the miscellaneous expenses under the New Leasing Framework Agreement constitute de minimis transactions under Chapter 14A of the Listing Rules and no annual cap is set in this regard.

Maoye Holdings Limited is wholly-owned by Mr. Huang, the controlling shareholder and a Director of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the New Leasing Framework Agreement constitute connected transactions for the Company under Rule 14A.31 of the Listing Rules. As the relevant percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules in respect of the right-of-use assets of the leases covering the Premises under the New Leasing Framework Agreement exceed 5%, the New Leasing Framework Agreement, the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules.

Mr. Huang has abstained from voting on the relevant board resolution for approving the New Leasing Framework Agreement. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, other than Mr. Huang, none of the Directors has a material interest in the transactions contemplated under the New Leasing Framework Agreement and none of them is required to abstain from voting on the relevant board resolution.

Possible financial effects as a result of entering into the New Leasing Framework Agreement

(1) Assets and liabilities

According to the Management, pursuant to IFRS 16 which came into effect on 1 January 2019, the entering into of the underlying Sub-Agreements concerning the Premises covered by the New Leasing Framework Agreement as a lessee will require the Group to recognise its right of use of the Premise as the right-of-use assets of approximately RMB1,466.9 million which were initially measured at the present value of the remaining lease payments of approximately RMB1,310.7 million and adjusted by the amount of prepayment relating to the lease recognised in the statement of financial position immediately before the commencement date of approximately RMB156.2 million. The present value of the remaining lease payments of approximately RMB1,310.7 million will be recognised as lease liabilities. Accordingly, the entering into of the New Leasing Framework Agreement will enlarge the size of the assets and liabilities of the Group.

(2) Profit or loss

During the term of the New Leasing Framework Agreement, depreciation expenses of the right-of-use assets and finance cost accrual on the lease liabilities will be charged to the statements of profit or loss of the Group.

Immediate effects

As advised by the Management, assuming no change in rents as set out on all Sub-Agreements, the total depreciation expense and finance cost to be recognised by the Group for the year ending 31 December 2019 will be approximately RMB198.7 million. For illustrative purpose, without taking into consideration the accounting treatment as required by IFRS 16, only the lease payment of approximately RMB153.4 million pursuant to the Sub-Agreements will be charged on the statement of profit or loss of the Group for the year ending 31 December 2019. In addition, the miscellaneous expenses payable by the Group pursuant to the New Leasing Framework Agreement will not be affected by the introduction of IFRS 16. As such, net effects on the profit or loss of the Group will be approximately RMB45.3 million for the year ending 31 December 2019. We noted that the Group's profit for each of the past two financial years were over RMB1 billion, given such business scale, we are of the view that the negative effect of approximately RMB45.3 million is not significant.

Effects during the term of the New Leasing Framework Agreement

The lease payment made by the Group will reduce the carrying amount of the lease liabilities and therefore the finance cost accrual on the lease liabilities in the in the coming years during the term of the New Leasing Framework Agreement.

Considering that (i) the effects on the profit or loss of the Group may diminish over time as lease payment will be made by the Group during the terms of the New Leasing Framework Agreement; (ii) the immediate effects is not significant given the business scale of the Group, we are of the view that the effects on the profit or loss of the Group arising from the entering into the New Leasing Framework Agreement is acceptable.

3. EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Extraordinary General Meeting is set out on pages 56 to 57 of this circular. At the Extraordinary General Meeting, resolutions will be proposed to approve, inter alia, the New Leasing Framework Agreement, and the transactions contemplated thereunder.

Pursuant to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, all the proposed resolutions will be put to vote by way of poll at the Extraordinary General Meeting. An announcement on the poll vote results will be published by the Company after the Extraordinary General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

As at the Latest Practicable Date, Mr. Huang and his associates collectively held 4,250,000,000 Shares, representing approximately 82.68% of the issued share capital of the Company. As Mr. Huang has a material interest in the New Leasing Framework Agreement, Mr. Huang and his associates will abstain from voting on the resolutions in relation to the New Leasing Framework Agreement and the transactions contemplated thereunder. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as Mr. Huang and its associates, no Shareholder has a material interest in the resolutions in respect of the New Leasing Framework Agreement or should be required to abstain from voting on the resolutions to be proposed at the Extraordinary General Meeting.

A form of proxy for use at the Extraordinary General Meeting is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.maoye.cn). Whether or not you are able to attend the Extraordinary General Meeting, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority, to the Company's Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre,183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Extraordinary General Meeting (i.e. not later than 10:00 a.m. on 10 September 2019 (Hong Kong time)) or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting if you so wish and in such event, the proxy form shall be deemed to be revoked.

4. RECOMMENDATION

The Directors (including the independent non-executive directors) after taking into account the advice of the Independent Financial Adviser consider that the New Leasing Framework Agreement and the transactions contemplated thereunder are in the interests of the Company, the Group and the Shareholders. Accordingly, the Directors recommend Shareholders to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting.

5. GENERAL INFORMATION

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

Yours faithfully,
By order of the Board
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)

23 August 2019

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE NEW LEASING FRAMEWORK AGREEMENT

We refer to the circular issued by Maoye International Holdings Limited (the "**Company**") to the shareholders dated 23 August 2019 (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 New Leasing Framework Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) constitutes connected transactions of the Company. We have been appointed as the Independent Board Committee to consider the terms of the New Leasing Framework Agreement and to advise the Independent Shareholders in connection with the New Leasing Framework Agreement as to whether, in our opinion, their terms are fair and reasonable and whether the New Leasing Framework Agreement are in the interests of the Company and the shareholders as a whole. Altus 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 Altus Capital Limited as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of Altus Capital Limited as set out in its letter of advice, we consider that the entering into the New Leasing Framework Agreement is in the ordinary and usual course of business of the Group, the New Leasing Framework Agreement is on normal commercial terms and is fair and reasonable so far as Independent Shareholders are concerned, and that the New Leasing Framework Agreement is in the best interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the New Leasing Framework Agreement and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of the Independent Board Committee

Mr. Chow Chan Lum	**Mr. Pao Ping Wing**	**Mr. Leung Hon Chuen**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the major and connected transaction with regard to the New Leasing Framework Agreement, which has been prepared for the purpose of incorporation in this circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

23 August 2019

To the Independent Board Committee and the Independent Shareholders
Maoye International Holdings Limited
36th Floor World Financial Centre
4003 Shennan East Road
Shenzhen
The People's Republic of China

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE NEW LEASING FRAMEWORK AGREEMENT

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 major and connected transaction in relation to the New Leasing Framework Agreement. Details are set out in the "Letter from the Board" of the circular dated 23 August 2019 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

Reference is made to the announcements of the Company dated 28 December 2018, 14 March 2019 and 29 May 2019 in relation to the New Leasing Framework Agreement. On 28 December 2018, the Company entered into the New Leasing Framework Agreement with Maoye Holdings to govern the terms upon which the Group will lease the Premises for office use and operational use from the Controlling Shareholder Group.

On 14 March 2019, the Company entered into the Supplemental Agreement with Maoye Holdings Limited to amend the duration with respect to the lease of the Premises and the cap for the aggregate rent and miscellaneous expenses payable by the Group to the Controlling Shareholder Group during the term of the New Leasing Framework Agreement. Pursuant to the Supplemental Agreement, the duration of the New Leasing Framework Agreement is amended to six years commencing from 1 January 2019 with respect to the lease of the Premises for office use and 15 years commencing from 1 January 2019 with respect to the lease of the Premises for operational use.

On 29 May 2019, the Company entered into the Second Supplemental Agreement with Maoye Holdings Limited to extend the duration with respect to the lease of the Premises to 31 August 2019, and to amend the cap for the aggregate rent and miscellaneous expenses (but excluding utilities) as a transitional arrangement.

LISTING RULES IMPLICATION

Pursuant to IFRS 16, entering into of the underlying Sub-Agreements (as defined in the paragraphs headed "2. The terms of the New Leasing Framework Agreement and the Supplemental Agreement" below) concerning the Premises covered by the New Leasing Framework Agreement as a lessee will require the Group to recognise its right to use the Premises as the right-of-use assets, thus the entering into the New Leasing Framework Agreement and the transactions contemplated thereunder will be regarded as an acquisition of a capital asset by the Group. As certain applicable ratios in respect of the right-of-use assets of the lease covering the Premises under the New Leasing Framework Agreement exceed 25% and are less than 100%, the New Leasing Framework Agreement and the transactions contemplated thereunder constitute a major transaction for the Company and are subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Maoye Holdings Limited is wholly-owned by Mr. Huang, the controlling shareholder and a Director, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New Leasing Framework Agreement constitute connected transactions for the Company under Rule 14A of the Listing Rules.

As relevant percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules in respect of the right-of-use assets of the leases covering the Premises under the New Leasing Framework Agreement exceed 25%, the New Leasing Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Huang, being the controlling shareholder of the Company and a Connected Person, who has material interest in the transactions contemplated under the New Leasing Framework Agreement, and his associates will abstain from voting on the resolution in respect of the New Leasing Framework Agreement and the transactions contemplated thereunder at the Extraordinary General Meeting (the "**EGM**") of the Company.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, consisting of Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen, being all the independent non-executive Directors, has been established to advise the Independent Shareholders on (i) whether the entering into of the New Leasing Framework Agreement is in the ordinary and usual course of business of the Group, and is in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the New Leasing Framework Agreement are on normal commercial terms, and are fair and reasonable as far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the EGM to approve the New Leasing Framework Agreement and the transactions contemplated thereunder, taking into account the recommendation of the Independent Financial Adviser.

INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the entering into of the New Leasing Framework Agreement is in the ordinary and usual course of business of the Group, and is in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the New Leasing Framework Agreement are on normal commercial terms, and are fair and reasonable as far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the EGM to approve the New Leasing Framework Agreement and the transactions contemplated thereunder.

We have not acted as an independent financial adviser or financial adviser for other transactions of the Group in the last two years from the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the New Leasing Framework Agreement and the transactions contemplated thereunder is at market level and not conditional upon successful passing of the resolution to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling Shareholder(s) or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst others, (i) the New Leasing Framework Agreement; (ii) the Supplemental Agreement and the Second Supplemental Agreement; (iii) the annual reports of the Company for the years ended 31 December 2016, 2017 and 2018 ("**2016 Annual Report**", "**2017 Annual Report**" and "**2018 Annual Report**"); and (iv) other information as set out in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that 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 facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1 Information of the Parties

1.1 Information of the Group

The Group is principally engaged in the operation and management of department stores and property development in the PRC and, according to the "Letter from the Board" of this Circular, is a leading department store chain operator in the affluent regions throughout the PRC. The Group operated 57 department stores as at 31 December 2018.

1.2 Information of Maoye Holdings Limited

Maoye Holdings Limited is an investment holding company incorporated in the British Virgin Islands with limited liability. It is wholly-owned by Mr. Huang, the controlling shareholder and a Director. Maoye Holdings Limited has been leasing commercial properties to the Group for the operation of department stores for more than ten years since January 2007.

1.3 Historical financial information of the Group

Set out below is a summary of the audited consolidated financial results of the Group for the three years ended 31 December 2018 as extracted from the 2017 Annual Report and the 2018 Annual Report:

Consolidated statement of profit or loss

	For the year ended 31 December		
	2018	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	6,117,247	5,756,639	5,841,339
– Revenue from operation of department stores segment	4,820,945	4,632,329	3,735,080
– Revenue from property development segment	1,115,408	936,685	2,056,549
Profit for the year	1,127,221	1,268,409	112,061

Consolidated statement of financial position

	As at 31 December		
	2018	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	36,780,264	35,802,563	34,794,781
– Property, plant and equipment	9,918,778	10,937,682	12,566,816
– Investment properties	16,334,049	12,890,379	9,730,242

As shown in the table above, for the three years ended 31 December 2018, the segment revenue from operation of department stores contributed a major portion of the Group's total revenue. According to the 2017 Annual Report, five department stores located in the Premises were in the list of 21 major stores of the Group which each contributed an annual sales proceeds of over RMB200 million. The overall sales proceeds generated from the five department stores located in the Premises contributed over RMB3,625 million revenue for the year ended 31 December 2017, representing approximately 78.3% of the Group's revenue from operation of department stores for the same period.

Considering that (i) the Group is principally engaged in the operation and management of department stores and property development in the PRC; (ii) revenue from the operation of department stores contributed the major portion of the Group's total revenue during the three years ended 31 December 2018; (iii) a significant portion of the department stores in the Group's retail network are leased properties rather than self-owned properties which are leased from, among others, the Controlling Shareholder Group; and (iv) the Group has been leasing department stores from the Controlling Shareholder Group for more than ten years, we are of the view that the entering into of the New Leasing Framework Agreement is in the ordinary and usual course of business of the Group.

2 The terms of the New Leasing Framework Agreement and the Supplemental Agreement

The Group has been leasing the Premises from the Controlling Shareholder Group under separate tenancy agreements with respect to specified Premises (the "**Sub-Agreements**"). Pursuant to the New Leasing Framework Agreement, the Sub-Agreements that have not expired on 1 January 2019 will remain effective, subject to all terms of the New Leasing Framework Agreement.

The purpose of the Supplemental Agreement is to amend the duration with respect to the lease of the Premises under the New Leasing Framework Agreement. Key terms of the Supplemental Agreement are summarised as follows:

Duration: The duration of the New Leasing Framework Agreement is amended from a term of five months commencing from 1 January 2019 to:

(i) 6 years commencing from 1 January 2019 with respect to the lease of the Premises for office use; and

(ii) 15 years commencing from 1 January 2019 with respect to the lease of the Premises for operational use.

provided that either party may terminate the New Leasing Framework Agreement by giving the other party at least one month's written notice of termination.

Premises: The properties to be leased by the Group from the Controlling Shareholder Group under the New Leasing Framework Agreement as amended by the Supplemental Agreement and the use of such properties remain unchanged from those as stated in the announcement of the Company dated 28 December 2018.

Pursuant to the New Leasing Framework Agreement, the Group will enter into Sub-Agreements to lease properties from the respective owners in the Controlling Shareholder Group from time to time. The following table summarised the key terms of the New Leasing Framework Agreement, which are not subject to amendments pursuant to the Supplemental Agreement:

Parties:	The Company Maoye Holdings Limited
Rent and miscellaneous expenses:	The rent payable under the New Leasing Framework Agreement shall be determined by the parties in writing and shall be: (i) based on market rent, being rent which would be payable by an independent third party for the leasing of the Premises; and (ii) where there is no available comparison, on terms no less favourable to an independent third party. The rental under each of the Sub-Agreements will be fixed for the first three years and subject to periodic adjustments every three years after such period. The adjusted rental will be reached by mutual agreement after arm's length negotiation between the parties based on the factors set out above and in the section headed "Basis of determination of the rent and miscellaneous expenses" as set out in the "Letter from the Board" of this circular, including but not limited to any price guidance prescribed by local government, location of the Premises, inflation, stability of leasing relationship and any discount due to bulk leasing and rental prepayment. There is no fixed percentage of rental increases after each three-year period under the New Framework Leasing Agreement or the Sub-Agreements. The Group shall be responsible for the payment to the Controlling Shareholder Group of miscellaneous expenses relating to the Premises, such as property management fees, air-conditioning fees and car park rental fees, and any other reasonable expenses (including preparing and maintenance expenses and sanitation fee).

Based on information currently available, the Company expects the annual rental and miscellaneous expenses under the New Leasing Framework Agreement to amount to RMB177 million, subject to the factors set out in the section headed "Basis of determination of the rent and miscellaneous expenses" as set out in the "Letter from the board" of this circular, and the total rental and miscellaneous expenses under the New Leasing Framework Agreement to amount to RMB2,655 million.

According to the Management, the terms of the New Leasing Framework Agreement were determined after arm's length negotiations between the Group and Maoye Holdings Limited. To assess the fairness and reasonableness, we have considered the following terms of the New Leasing Framework Agreement:

2.1 Rents

According to the Management, to ensure the rents of the Premises are based on market rent, the Group obtained comparable tenancies that are similar to the Premises in terms of location and size. We have reviewed the comparable tenancies provided by the Company and is of the view that the rents of the Premises are determined by reference to the market rent.

To further assess the rents of the Premises, we have reviewed the letter in relation to the review of the terms of the tenancy of the Premises (the "**Fair Rent Letter**") prepared by Cushman & Wakefield Limited (the "**Valuer**"), a professional valuer, which confirmed it is independent from the Group. According to the Fair Rent Letter, the rental of the lease of the Premises represents the market rental of comparable properties in similar locations prevailing at the commencement of the lease terms, and the terms (including the rental fee and the duration) of the lease of the Premises are fair, reasonable and on normal commercial terms.

We have interviewed the Valuer regarding the methodology and the assumptions which it has adopted for such valuation. The Valuer has applied a market comparison approach to arrive at the market rental, which was defined as the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The Valuer has assumed that the owner has enforceable title to the property. The Valuer confirmed that they have been provided with extracts of documents in relation to the titles of the Premises. Despite no inspection of the original copy of title documents, the extracts of documents provided to the Valuer shows the name of title owner same as that of the lessor in the tenancy agreements. As such, we are of the view that the basis and assumptions adopted by the Valuer are fair and reasonable.

In assessing the market rental, we have obtained from the Valuer details of the comparable tenancies (the "**Comparable Properties**") that in the opinion of the Valuer are most relevant to the Premises. We noted that the Valuer has identified for each Premise five to ten comparable tenancies based on internal database and publicly available information such as online advertising platforms for properties for lease including 58.com and Fang.com, which the Valuer confirms and we concur are common, reliable and representative sources of comparables for the valuation of tenancies in the PRC.

We have reviewed the list of Comparable Properties and noted that they are similar to the Premises in terms of, among others, location, use and size. In particular: (i) the Comparable Properties are commercial properties located in the area close to the Premises; and (ii) the rent of each Premises pursuant to the Sub-Agreements is lower than or close to the low end of the range of rent of the Comparable Properties. As discussed with the Valuer, adjustments on the rental of the comparable tenancies are made to arrive at the market rental of the Premises taking into account the location, use and size. According to the Valuer, the number of comparables adopted in forming their opinion depends on the relevance of the comparable they collected to the subject properties in terms of property type, location, size, levels, etc. The Valuer confirmed that the number of Comparable Properties identified is sufficient to form their opinion on the Fair Rent Letter. Taking into account the above, we are of the view that (i) the number of comparable tenancies chosen for comparison is adequate; and (ii) the nature and particulars of those transactions are appropriate and relevant for providing a fair and reasonable and representative basis for the Valuer's opinion. In addition, we concur with the Valuer's view that the valuation methodology adopted by the Valuer is a common approach for determining the market rental of the Premises given the availability of the comparable tenancies and that the steps to arrive at the market rental is fair and reasonable.

According to the Valuer, the Fair Rent Letter has been prepared in compliance with the requirements of the HKIS Valuation Standards 2017 Edition published by the Hong Kong Institute of Surveyors. We also noted that the professional responsible for signing off the Fair Rent Letter has over 30 years' experience in valuation of properties in the PRC and Hong Kong. Having reviewed the scope of work details in the engagement letters of the Valuer, we are satisfied that the scope of work is sufficient and appropriate for assessing the rents payable under the New Leasing Framework Agreement.

Considering (i) the terms of engagement of the Valuer with the Company; (ii) the qualification and experience of the professional responsible for signing off the Fair Rent Letter; (iii) details of the comparable premises adopted in the Fair Rent Letter and their selection criteria; and (iv) the valuation methodology adopted by the Valuer is a common approach for assessing the market rental for properties similar to the Premises in the PRC, we are of the view that the bases and assumptions of the Fair Rent Letter are fair and reasonable.

Notwithstanding that after the first three years, the rental under each of the Sub-Agreements will be subject to periodic adjustments every three years and will be reached by mutual agreement after arm's length negotiation between the Company and Maoye Holdings Limited, we noted that the maximum annual aggregate rent and miscellaneous expenses to be payable by the Group to Maoye Holdings Limited in connection with the lease of Premises will be RMB177 million pursuant to the New Leasing Framework Agreement. In addition, we have reviewed the comparable tenancies provided by the Company and noted that the Company has the practice to closely monitor the market rent of comparable tenancies and update their internal database. Hence, the Company will have the market data to support their negotiation on the adjustment of the rental under the Sub-Agreements on arm's length basis based on then prevailing market conditions. Based on the above, we are of the view that the adjusted rents, which will be determined after the first three years, will be fair and reasonable.

2.2 Duration

Pursuant to the Supplemental Agreement, the duration of the New Leasing Framework Agreement is amended to six years and 15 years commencing from 1 January 2019 with respect to the lease of the Premises for office use and operational use, respectively.

2.2.1 Duration of the lease of the Premises for operational use

In assessing the reasonableness of the duration of the lease of Premises for operational use, we have considered the following factors:

(i) substantial amount of capital investment on setting up the department store may be required for the operation of department stores on an ongoing basis. We are of the view that a short-term tenancy agreement may (i) expose the Group to uncertainty of relocation of the department stores and the associated costs; and (ii) limit the Group's effort on, among others, the renovation, refurbishments and building of brand name in the current premises and thus may not be commercially advantageous to the Group as compared to a tenancy agreement with longer duration;

(ii) the Group has been operating department stores at the Controlling Shareholder Group's Premises for more than ten years. As at 31 December 2018, the Group was operating 6 department stores in the premises leased from the Controlling Shareholder Group among a total of 57 department stores operated by the Group. We are of the view that a tenancy agreement with a duration of over three years will allow the Group to enjoy a reliable supply of spaces for department stores to maintain its existing operation of its department stores at core commercial districts, its customer bases and reputation in the surrounding area;

(iii) as the Company has not entered into any tenancy agreements with independent third parties with respect to department stores in the cities where the Premises are located at, we have conducted research on other listed companies' transactions of entering into or renewing tenancy agreements which are selected based on the following criteria: (i) one of the parties to such transaction is listed on the Stock Exchange and is engaged in operating of department stores in the PRC; (ii) such transaction was connected transaction which was commenced or renewed in the past five years from the date of the announcement of the Company dated 14 March 2019 and remains effective at the Latest Practicable Date; and (iii) the use of the property under the lease was for operating department stores (the "**Comparable Department Store Tenancies**") excluding those properties for supermarket use. Based on our research, we noted that it is a normal business practice for entering into tenancy agreements with respect to department stores with lease term of more than three years. The following table sets out the Comparable Department Store Tenancies based on our selection criteria, which as far as we are concerned is exhaustive:

Company name	Stock code	Date of the announcement	Date of the tenancy agreement	Leased period *(years)*	Nature of the leased properties
Yi Hua Department Store Holdings Limited	2213	2018/11/21	2019/1/1	3	Department store
		2015/4/13	2015/4/13	13	Department store
			2015/4/13	13	Department store
Jiahua Stores Holdings Limited	0602	2016/08/25	2016/8/25	15	Department store
Golden Eagle Retail Group Limited	3308	2017/12/29	2018/12/19	20	Department store
			2014/4/26	20	Department store
			2014/9/6	20	Department store
			2015/1/1	20	Department store
			2015/7/3	20	Department store
			2015/8/29	20	Department store
			2017/11/18	20	Department store
Aeon Stores (Hong Kong) Co., Limited	0984	2015/11/23	2015/11/23	20	Department store

Source: the website of the Stock Exchange

As showed on the above table, the length of the lease term of the Comparable Department Store Tenancies ranged from 3 to 20 years and the majority of them are 20 years. As such, we are of the view that it is not uncommon for companies to enter into tenancy agreements for operating department stores with duration longer than three years; and

(iv) according to the Fair Rent Letter, the Valuer is of the view that the duration of the lease of Premises for operational use is fair, reasonable and on normal commercial terms.

Having considered the above, we are of the opinion that (i) the duration of the New Leasing Framework Agreement with respect to the lease of Premises for operational use is fair and reasonable; and (ii) such duration is in the interests of the Company and the Shareholders as a whole.

2.2.2 Duration of the lease of the Premises for office use

In assessing the reasonableness of the duration of the lease of Premises for office use, we have considered the following factors:

(i) while the duration of the lease of the Premises for office use is six years under the New Leasing Framework Agreement, the term of lease is set at three years under the Sub-Agreements with respect to the Premises for office use. The Group is granted a right of renewal under the same terms and rental which may be offered by an independent third party to the Controlling Shareholder Group upon expiry. We are of the view that the longer duration of the New Leasing Framework Agreement (i) allows the Group to enjoy the right of renewal upon the end of three-year lease term pursuant to the existing Sub-Agreements; and (ii) continue to lease the Premises as the Group's office to avoid disruption of the Group's business due to relocation of office;

(ii) the Premises for office use involves multiple adjacent floors in the same commercial building and has total gross floor area of approximately 6,000 sq.m. in the core commercial district in Shenzhen City. According to the Valuer, it is not easy to identify another office premises as replacement given the lack of new office buildings and low vacancy rate (approximately 7.2% for the office buildings in the same district of the City where the Premise for office use locates) in the existing buildings in the adjacent area of the Premise for office use. Hence, we are of the view that a lease with duration longer than three years will provide stability to the Group and allow the Group to secure stable office premises in core commercial district in Shenzhen City with such large floor area;

(iii) the Group has established its principal office in the PRC in the building where the Premises for office use are located at since the Company's listing on the Stock Exchange on 5 May 2008. The Management is of the view and we concur that relocation of the principal office to a less core commercial district in Shenzhen City may not be commercially advantageous to the Group and may result in potential damage to the reputation of the Group;

(iv) as the Premise for office use is located in Shenzhen and the Group mainly operates in the PRC, we conducted searches for comparable cases from companies listed on the Stock Exchange, the Shanghai Stock Exchange and Shenzhen Stock Exchange. The comparable transactions are selected based on the following criteria: (i) one of the parties to such transaction is listed on the Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange due to insufficiency in number of transactions of companies listed on the Stock Exchange; (ii) the lease term of such transaction commenced within the past one year from the date of the announcement of the Company dated 14 March 2019 and remains effective as the Latest Practicable Date; (iii) such transaction was connected transaction related to the lease of property for office use in the PRC (the "**Comparable Office Tenancies**"). The following table sets out the Comparable Office Tenancies based on our selection criteria, which to the best of our knowledge is exhaustive:

Company name	Stock code	Date of the announcement	Date of the tenancy agreement	Leased period	Nature of the leased properties	Gross floor area
				(years)		*(sq.m.)*
Xilinmen Furniture Co., Ltd	603008	2018/8/28	2018/8/25	1	Office	1,051
Yuhuan CNC Machine Tool Co., Ltd	002903	2018/11/15	2018/12/1	1	Office	379
Hunan Jiudian Pharmaceutical Co., Ltd	300705	2018/3/29	2018/5/1	1	Office	562
Shandong Swan Cotton Industrial Machinery Stock Co., Ltd	603029	2018/7/13	2018/7/15	2	Office	12,593
Shede Spirits Co., Ltd.	600702	2018/4/21	2018/4/1	2	Office	6,923
Shengda Mining Co. Ltd.	000603	2018/11/19	2018/10/1	2	Office	2,411
		2018/4/4	2019/3/1	2	Office	1,206
China Power International Development Limited	2380	2018/8/30	2018/9/1	3	Office	10,200
Xinchengyue Holdings Limited	1755	2018/12/14	2018/12/17	3	Office	1,039
Orange Sky Golden Harvest Entertainment (Holdings) Limited	1132	2019/1/29	2019/1/29	3	Office	1,171
			2019/1/29	3	Office	1,961

Company name	Stock code	Date of the announcement	Date of the tenancy agreement	Leased period *(years)*	Nature of the leased properties	Gross floor area *(sq.m.)*
Profit Cultural and Creative Group Co., Ltd	300640	2018/12/26	2019/1/1	3	Office	1,343
Shanghai Film Co., Ltd	601595	2018/7/6	2018/1/1	3	Office	4,302
Hithink Royal Flush Information Network Co., Ltd	300033	2019/2/26	2019/7/6	3	Office	781
Guangdong Chaohua Technology Co., Ltd	002288	2018/12/27	2019/1/1	3	Office	508
Guangdong Highsun Group Co., Ltd	000861	2018/12/25	2018/12/25	3	Office	8,049
Guangdong Guangzhou Daily Media Co., Ltd	002181	2018/11/20	2019/4/1	3	Office	4,529
Suzhou China Create Special Material Co., Ltd	002290	2018/7/30	2018/8/1	3	Office	325
Guangdong Great River Smarter Logistics Co., Ltd	002930	2018/4/19	2018/4/19	3	Office	723
China Great Wall Securities Co., Ltd	002939	2018/11/16	2018/12/1	5	Office	17,971
Shahe Industrial Co., Ltd	000014	2019/1/23	2019/2/5	5	Office	6,887
Shenzhen Kondarl (Group) Co. Ltd	000048	2018/9/29	2018/10/1	5	Office	2,779
China Reform Culture Holdings Co., Ltd	600636	2019/1/29	2019/2/1	5	Office	1,346
		2018/10/30	2019/2/1	10	Office	1,529
Shangying Global Co., Ltd	600146	2018/10/18	2018/11/1	10	Office	3,102
Hylink Digital Solution Co., Ltd	603825	2018/4/26	2018/7/16	10	Office	9,386
Pci-Suntek Technology Co., Ltd	600728	2018/4/9	2018/4/1	10	Office	16,973
Shunya International Brand Consulting (Beijing) Co., Ltd	300612	2018/11/22	2019/1/1	10	Office	5,048
Gansu Shangfeng Cement Co., Ltd	000672	2018/11/2	2018/11/1	10	Office	4,019

Source: the websites of the Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

As shown in the above table, we have identified 29 Comparable Office Tenancies, the length of the lease term of the Comparable Office Tenancies ranged from one to ten years, 9 of which have lease term over three years. We noted that the average leasing area is approximately 3,200 sq.m. for the Comparable Office Tenancies with a duration equals to or less than three years. While the average leasing area is approximately 6,900 sq.m. for the Comparable Office Tenancies with a duration over three years. Considering the size and location of the lease of Premises for office use (i.e. approximately 6,000 sq.m.), we are of the view that it is not uncommon for listed companies to enter into tenancy agreements for office use having a duration over three years; and

(v) we have discussed with the Valuer and concurred with the Valuer's opinion that the duration and the right of renewal of the lease of Premises for office use under the Sub-Agreements is fair and reasonable.

Having considered the above, we are of the opinion that (i) the terms of the New Leasing Framework Agreement with respect to the lease of Premises for office use is fair and reasonable; and (ii) such duration is in the interests of the Company and the Shareholders as a whole.

2.3 Termination clause

Pursuant to the New Leasing Framework Agreement, either the Group or Maoye Holdings Limited may terminate the New Leasing Framework Agreement by giving the other party at least one month's written notice of termination (the "**Termination Clause**").

In assessing the reasonableness of the Termination Clause, we have considered the following factors:

(i) the Group has been leasing the Premises from the Controlling Shareholder Group for over ten years since the Group's listing on the Stock Exchange on 5 May 2008. Since then, neither the Group nor the Controlling Shareholder Group has terminated any lease agreement or framework agreement in relation to lease of the Premises;

(ii) the Group has a long term exclusive relationship with the Controlling Shareholder Group in terms of leasing properties for operational use. Since the Group's listing on the Stock Exchange, the Controlling Shareholder Group only lease premises for operation of department stores to the Group and the Group only lease premises for operation of department stores from the Controlling Shareholder Group. The relationship between the Controlling Shareholder Group and the Group is mutually beneficial. As confirmed by the Management, both Controlling Shareholder Group and the Group have no intention to terminate the New Leasing Framework Agreement prior to its expiry date;

(iii) the Premises are large department stores and spacious offices in adjacent floors in core commercial areas in various cities in the PRC. Given the substantial gross floor area of the Premises, it may not be practical for the Controlling Shareholder Group within a short period of time (in our case, one month) to find a suitable tenant to replace the Group.

Having considered the above, we are of the view that the Termination Clause is acceptable and reasonable.

Having considered the above, we are of the opinion that the terms of the New Leasing Framework Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

3 The Second Supplemental Agreement

Pursuant to the announcement of the Company dated 29 May 2019, as (i) the Company requires additional time to prepare the Circular, and (ii) the duration of the lease of the Premises under the New Leasing Framework Agreement (without amendments pursuant to the Supplemental Agreement) will expire on 31 May 2019, the Company entered into the Second Supplemental Agreement with Maoye Holdings Limited on 29 May 2019. Key terms of the Second Supplemental Agreement are summarized as follows:

Duration:	Three months from 1 June 2019 to 31 August 2019 (the "**Transitional Arrangement Period**") for all Premises. All Sub-Agreements that have not expired on 1 June 2019 will remain effective, subject to all terms of the New Leasing Framework Agreement
Rent and miscellaneous expenses:	The cap for aggregate rent and miscellaneous expenses (but excluding utilities) during the Transitional Arrangement Period should not be higher than RMB40.8 million

As (i) the purpose of the Second Supplemental Agreement is to provide additional time for the Company to prepare the Circular; and (ii) the terms of Second Supplemental Agreement is only valid for the Transitional Arrangement Period, we suggest the Independent Shareholders to focus on terms of the New Leasing Framework Agreement and the Supplemental Agreement in the consideration of how to vote in respect of the resolution to be proposed at the EGM.

4 Key terms of the Sub-Agreements

Pursuant to the New Leasing Framework Agreement, the terms of the Sub-Agreements are subject to the terms of the New Leasing Framework Agreement. The term of the Sub-Agreements ranges from three years (for office use) to 15 years (for operational use). The monthly rental of the Sub-Agreements is fixed for the first three years and will be subject to periodic adjustments every three years. Based on the existing Sub-Agreements entered into as at the date of this circular, the total rental under the Sub-Agreements is RMB2,350 million.

As disclosed in the paragraphs headed "2.1 Rents" above, the rent of each Premises pursuant to the Sub-Agreements is lower than or close to the low end of the range of rent of the Comparable Properties. The maximum annual aggregate rent and miscellaneous expenses to be payable by the Group to Maoye Holdings Limited in connection with the lease of Premises will be RMB177 million pursuant to the New Leasing Framework Agreement, which is a voluntary restriction in favour of the Company.

Considering that (i) the periodic adjustment in rents of the Sub-Agreements is subject to the terms of the New Leasing Framework Agreement; (ii) the New Leasing Framework Agreement provides a voluntary restriction on the maximum annual aggregate rent and miscellaneous expenses payable by the Group which safeguards the interests of the Company and the Shareholders; and (iii) the Company has the practice to closely monitor the market rent of comparable tenancies and update their internal database as discussed under the paragraph headed "2.1 Rents" above, we are of the view that the periodic adjustment in rents of the Sub-Agreements is fair and reasonable.

Considering that (i) the terms of the Sub-Agreements are subject to the terms of the New Leasing Framework Agreement; and (ii) according to the Valuer, terms of the Sub-Agreements are fair, reasonable and on normal commercial terms, we are of the view that the Sub-Agreements are fair and reasonable.

5 Possible financial effects as a result of entering into the New Leasing Framework Agreement

As the term of the New Leasing Framework Agreement is over 12 months, IFRS 16 is applicable. Possible financial impacts pursuant to IFRS 16 are set out below:

5.1 Assets and liabilities

According to the Management, pursuant to IFRS 16 which came into effect on 1 January 2019, the entering into of the underlying Sub-Agreements concerning the Premises covered by the New Leasing Framework Agreement as a lessee will require the Group to recognise its right of use of the Premise as the right-of-use assets of approximately RMB1,466.9 million which were initially measured at the present value of the remaining lease payments of approximately RMB1,310.7 million and adjusted by the amount of prepayment relating to the lease recognised in the statement of financial position immediately before the commencement date of approximately RMB156.2 million. The present value of the remaining lease payments of approximately RMB1,310.7 million will be recognised as lease liabilities. Accordingly, the entering into of the New Leasing Framework Agreement will enlarge the size of the assets and liabilities of the Group.

5.2 Profit or loss

During the term of the New Leasing Framework Agreement, depreciation expenses of the right-of-use assets and finance cost accrual on the lease liabilities will be charged to the statements of profit or loss of the Group.

Immediate effects

As advised by the Management, assuming no change in rents as set out on all Sub-Agreements, the total depreciation expense and finance cost to be recognised by the Group for the year ending 31 December 2019 will be approximately RMB198.7 million. For illustration purpose, without taking into consideration the accounting treatment as required by IFRS 16, only the lease payment of approximately RMB153.4 million pursuant to the Sub-Agreements will be charged on the statement of profit or loss of the Group for the year ending 31 December 2019. As such, net effects on the profit or loss of the Group will be approximately RMB45.3 million for the year ending 31 December 2019. We noted that the Group's profit for each of the past two financial years were over RMB1 billion, given such business scale, we are of the view that the negative effect of approximately RMB45.3 million is not significant. The miscellaneous expenses payable by the Group pursuant to the New Leasing Framework Agreement will not be affected by the introduction of IFRS 16.

Effects during the term of the New Leasing Framework Agreement

The lease payment made by the Group will reduce the carrying amount of the lease liabilities and therefore the finance cost accrual on the lease liabilities in the coming years will diminish during the term of the New Leasing Framework Agreement.

Considering that (i) the effects on the profit or loss of the Group may diminish over time as lease payment will be made by the Group during the terms of the New Leasing Framework Agreement; (ii) the immediate effects is not significant given the business scale of the Group, we are of the view that the effects on the profit or loss of the Group arising from the entering into the New Leasing Framework Agreement is acceptable.

5.3 Cash flow

Rents of the lease of the Premises will be paid in accordance with the Sub-Agreements concerning the Premises covered by the New Leasing Framework Agreement. Therefore, the entering into of the New Leasing Framework Agreement has no immediate cashflow impact to the Group.

6 Reasons for and benefit of entering into the New Leasing Framework Agreement

The Group is principally engaged in the operation and management of department stores and property development in the PRC. According to the Management, a significant portion of the department stores in the Group's retail network are leased properties rather than self-owned properties which are leased from, among others, the Controlling Shareholder Group. All Premises for operational and office use are currently operated by the Company. The New Leasing Framework Agreement allows the Company to take advantage of the Controlling Shareholder Group's resources to maintain the operation of its department stores at core commercial districts of the cities.

The Group has been operating department stores in the Premises and has been using the office in the Premises for a long time. Given the size and location of the Premises, the Group may incur substantial cost and its operation of the Group's department stores and office may suffer adverse impact in the event that the Group ceases to lease the Premises and relocate the department stores and office currently under operation. Significant resources may be required and additional costs associated with seeking alternative and renovation may also be incurred in the event of relocation of the department stores and office in the Premises. The long-term nature of the New Leasing Framework Agreement will enable the Group to secure a stable and reliable supply of spaces for operational use and office use. As such, we concur with the Management that the entering into of the New Leasing Framework Agreement is in the interests of the Company and the Shareholders as a whole.

7 Internal control

Prior to IFRS 16 applicable to the Group which came into effect on 1 January 2019, the leases of premises for operational use and for office uses under the Previous Master Leasing Agreement were constituted as continuing connected transactions under Rules 14A.55 and 14A.56 of the Listing Rules, which were subject to annual review by the independent non-executive Directors and annual report by auditors. We noted that the independent non-executive Directors had provided confirmation regarding the continuing connected transactions of the Company under the Previous Master Leasing Agreement in 2016 Annual Report, 2017 Annual Report and 2018 Annual Report. We have reviewed the reports on continuing connected transactions issued by external auditors of the Company for the three years ended 31 December 2018. Based on the above documents, we are of the view that the Company has implemented internal control measures regarding the then continuing connected transactions under the Previous Master Leasing Agreement which complied with the requirements under Rules 14A.55 and 14A.56 of the Listing Rules.

As set out in the "Letter from the Board" of this Circular, in addition to the internal control procedures above, further internal control procedures are adopted by the finance department of the Company to ensure that the rent payable to the Controlling Shareholder Group are charged on the same bases and the same rates to an independent third party for the leasing of the Premises. We have reviewed the comparable tenancies provided by the Company that are similar to the Premises for operational use and for office use in terms of location and size and are of the view that such comparable tenancies are relevant to assess the rent payable by an independent third party. The finance department of the Company monitor on monthly basis the actual rents paid to the Controlling Shareholder Group to ensure the rents are charged pursuant to the terms as set out in the Sub-Agreements and the New Leasing Framework Agreement. We have reviewed the payment vouchers and the reports issued by the finance department of the Company. We are of the view that such internal control procedure is reasonable.

Taking into account the above internal control measures and the terms of the New Leasing Framework Agreement, we are of the view that the existing internal control procedures and arrangements regarding connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors, we are of the view that:

(i) the entering into of the New Leasing Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and Shareholders as a whole; and

(ii) the terms of the New Leasing Framework Agreement are on the normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the New Leasing Framework Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Jeanny Leung
Executive Director

*Ms. Jeanny Leung ("**Ms. Leung**") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has about 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

1. SUMMARY OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2018, 2017 and 2016 are disclosed in the following documents, which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.maoye.cn):

- annual report of the Company for the year ended 31 December 2018, on pages 72 to 234: https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0403/ltn201904031432.pdf
- annual report of the Company for the year ended 31 December 2017, on pages 59 to 175: https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0409/ltn20180409740.pdf
- annual report of the Company for the year ended 31 December 2016, on pages 58 to 179: https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0413/ltn20170413419.pdf

2. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources available to the Group including internally generated funds, the Group will have sufficient working capital for its requirements for at least the 12 months from the date of publication of this circular.

3. STATEMENT OF INDEBTEDNESS

As at 30 June 2019, the Group had total outstanding interest-bearing bank loans and other borrowings of approximately RMB17,559 million, comprising secured current bank loans of approximately RMB3,656 million, secured current portion of long-term bank loans of approximately RMB4,065 million, secured non-current bank loans of approximately RMB8,302 million, unsecured other long-term loans of approximately RMB1,536 million.

As at 30 June 2019, the Group's bank loans were secured by certain land and buildings, land lease prepayments, investment properties and properties under development of the Group of approximately RMB2,613 million, RMB388 million, RMB7,972 million and RMB863 million, respectively.

As at 30 June 2019, Shenzhen Maoye Shangsha Co., Ltd., Shenzhen Maoye Investment Holdings Co., Ltd., Shanxi Maoye Land and Real Estate Development Co.,Ltd., Chengshang Group Holdings Co., Ltd., Maoye Commercial Co., Ltd., Chengdu Qingyang District Rene Chuntian Department Store Co., Ltd., Chengdu Renhe Spring Department Co., Ltd., Shenzhen Demao Investment Enterprise (Limited Partnership), Shenzhen Hezhengmao Investment Enterprise (Limited Partnership), Mr. Huang Mao Ru and Mrs. Huang Jingzhang (spouse of Mr. Huang Mao Ru), Mr. Zou Zhaobin and Mrs. Chen Liping (spouse of Mr. Zou Zhaobin), Shenzhen Maoye (Group) Co., Ltd., Baoding Maoye Department Co., Ltd., Baoding Maoye

Land and Real Estate Development Co., Ltd., Anhui Guorun Investment Development Co., Ltd., Mr. Chen Zheyuan, Mr. Liu Jianguo, Shenzhen Xinghua Industrial Co., Ltd., Zhongzhao Investment Management Co., Ltd., have guaranteed certain of the Group's bank loans of RMB10,489 million in which some bank loans are guaranteed by one party while some bank loans are jointly guaranteed by several parties.

As at 30 June 2019, Group's bank loans of RMB3,789 million were secured by pledging shares of Maoye Commercial Co. Ltd., shares of Zhongjiabochuang Technology Co. Ltd., equity investments designated at fair value through other comprehensive income with carrying amount of approximately RMB5,746 million, RMB1,646 million and RMB732 million, respectively.

As at 30 June 2019, pursuant to International Accounting Standard 17 Leases (IAS 17), the Group had total future minimum lease payments under non-cancellable operating leases which arrived at RMB4,437 million.

Save as aforesaid, as at the close of business on 30 June 2019, the Group did not have any outstanding mortgages, pledge, debentures, loan capital, bank loans and overdrafts or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities or acceptance credits, any guarantees or other material contingent liabilities.

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

As at 31 December 2018, the Group operated and managed 57 stores in 19 cities across 9 provinces and the total gross floor area of stores in operation amounted to 2.89 million sq.m. Operating revenue increased steadily by 9.4% between the year ended 31 December 2017 and the year ended 31 December 2018. In addition, revenue structure was adjusted appropriately, and the effects of transforming into shopping malls showed an increase to rental income by 31.1% and direct sales by 2% between the year ended 31 December 2017 and the year ended 31 December 2018.

In 2019, the Group will uphold its strategies to grow moderately and healthily.

Firstly, it will continuously implement the strategy of transforming department stores into shopping malls actively, focusing on exploring the growth potential of stores and consolidating the leading position in the strategic regions.

Secondly, it will proactively capture new trends in consumption, keep innovation, focus on the development of high-margin, high-growth operations and categories and capitalize on the ability to attract investment and resources, thereby enhancing the efficiency of store operations continually.

Thirdly, it will make full use of the Group's rich commercial real estate resources and management experience while accelerating the pace of achieving comprehensive data-driven and refined operations, therefore promoting the upgrade of the Group new retail model.

Fourthly, the Group will increase its efforts in the disposal of inefficient and non-core assets based on market conditions, which will in turn achieve the goal of revitalizing its assets. Meanwhile, it will continue to explore the adoption of a light asset model to supplement the main business of the Group.

Fifthly, it will continue to explore capital markets in the PRC and overseas proactively, explore innovative financial instruments and strive to build the multi-level, diversified and complementary financing channel to control financing costs and further optimize debt structure.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long positions in the shares of the Company

Name of director	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital
Mr. Huang Mao Ru	Interest of controlled corporations	4,200,000,000 *(Note)*	81.71%
	Beneficial owner	50,000,000	0.97%
		4,250,000,000	82.68%

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.

(ii) Long position in shares of associated corporations of the Company

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.

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%

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))*	82.68%
Maoye Department Store Investment Limited	Beneficial owner	4,200,000,000 *(Note (b))*	81.71%
MOY International Holdings Limited	Interest of controlled corporation	4,200,000,000 *(Note (b))*	81.71%

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".

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 had 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 experts who have given opinion or advice which are contained in this Circular:

Name	**Qualification**
Altus Capital Limited	A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Cushman & Wakefield Limited	Independent property valuer

As at the Latest Practicable Date, each of the above experts had given and had not withdrawn its written consent to the issue of this Circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts 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.

In addition, each of the above experts did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2018 (the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. COMPETING INTERESTS

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

(a) Mr. Huang owns the Wuxi Maoye Department Store Company Limited through Maoye Holdings Limited, a company wholly-owned by Mr. Huang Mao Ru. The Maoye Wuxi Store is managed by the Group under management agreements dated 5 May 2014 to operate Maoye-branded department stores.

In addition, Mr. Huang owned 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.

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

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

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

As at the Latest Practicable Date, save as the New Leasing Framework Agreement, none of the Directors 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 2018, the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, save as the New Leasing Framework Agreement, 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.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2018, being the date to which the latest published and audited financial statements of the Group were made up.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

9. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

(a) The loan agreement dated 29 December 2017 entered into between Shenzhen Maoye Department Store Company Limited (深圳茂業百貨有限公司), as lender, and Mr. Zou Zhaobin (鄒招斌), as borrower, in relation to a term loan in the principal amount of RMB399,933,400;

(b) The sale and purchase agreement dated 9 January 2018 entered into between the Chengdu Maoye Estate Co., Ltd. (成都茂業地產有限公司), as vendor, and Maoye Holdings (China) Limited (茂業集團(中國)有限公司), as purchaser, in relation to the purchase of the entire equity interest in Qinhuangdao Maoye Land and Real Estate Development Co., Ltd. (秦皇島茂業置業房地產開發有限公司) and the payment of a loan in the principal amount of RMB60,000,000 with an interest of 4.35% per annum;

(c) The underwriting agreement dated 16 April 2018 entered into between Shenzhen Maoye Shangsha Co., Ltd. (深圳茂業商廈有限公司) and Huarong Securities Co., Ltd. in relation to the underwriting of exchangeable bonds of not more than RMB1,100,000,000, which had expired at the date of this Circular with no exchangeable bonds issued;

(d) 15 sale and purchase agreements dated 18 June 2018 entered into between 15 existing shareholders of Shenzhen Ugo E-commerce Co., Ltd. (深圳優依購電子商務股份有限公司), as vendors, and Maoye Commercial Co., Ltd. (茂業商業股份有限公司), as purchaser, in relation to the sale of an aggregate of 38.24% equity interests in Ugo E-commerce Co., Ltd. (深圳優依購電子商務股份有限公司), for an aggregate cash consideration of RMB218,279,300;

(e) The supplemental loan agreement dated 28 December 2018 entered into between Shenzhen Maoye Department Store Company Limited (深圳茂業百貨有限公司), as lender, and Mr. Zou Zhaobin (鄒招斌), as borrower, in relation to the extension of the loan agreement dated 29 December 2017 in the principal amount of RMB399,933,400; and

(f) The agreement dated 12 July 2019 entered into among Maoye Commercial Co., Ltd. (茂業商業股份有限公司), Zhongzhao Investment Management Co.,Ltd. (中兆投資管理有限公司), Mr. Xu Kai (徐凱), Shenzhen Dingju Investment Limited (深圳市頂聚投資有限公司), Shenzhen Ruihe Shengshi Investment Management Enterprises (Limited Partnership) (深圳市瑞合盛世投資管理企業(有限合夥)) and Ping An Securities Co., Ltd. (平安證券股份有限公司), as vendors, and Shenyang Commercial City Co., Ltd. (瀋陽商業城股份有限公司), as purchaser, in relation to the disposal of entire equity interest in Shenzhen Ugo E-commerce Co., Ltd. (深圳優依購電子商務股份有限公司), and the acquisition of consideration shares in Shenyang Commercial City Co., Ltd. (瀋陽商業城股份有限公司), the consideration of which shall be further agreed between the aforementioned parties based on the valuation of Shenzhen Ugo E-commerce Co., Ltd. (深圳優依購電子商務股份有限公司), as assessed by a qualified accountant and valuer.

10. MISCELLANEOUS

(a) The registered office of the Company is located at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. The head office in the PRC is at 38/F, World Finance Centre, 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 54, Hopewell Centre 183 Queen's Road East, Hong Kong.

(c) This Circular has been printed in English and Chinese, in the event of inconsistency, the English version shall prevail.

(d) The company secretary of the Company is Ms. So Ka Man. Ms. So is a senior manager of Corporate Services Division of Tricor Services Limited. She is a Chartered Secretary and an associate of both the Institute of Chartered Secretaries & Administrators in the United Kingdom and the Hong Kong Institute of Chartered Secretaries.

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 memorandum and articles of association of the Company;

(b) the New Leasing Framework Agreement;

(c) the Supplemental Agreement;

(d) the Second Supplemental Agreement;

(e) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this Circular;

(f) the letter of advice from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 25 to 44 in this Circular;

(g) the letter of consent from Altus Capital Limited referred to in the above paragraph headed "4. Expert and Consent" in this Appendix;

(h) the Fair Rent Letter (as defined in the letter from the Independent Financial Adviser) from the Valuer;

(i) the letter of consent from the Valuer referred to in the above paragraph headed "4. Expert and Consent" in this Appendix;

(j) the material contracts referred to in the paragraph headed "9. Material Contracts" in this Appendix; and

(k) this Circular.

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)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Maoye International Holdings Limited (the "**Company**") will be held at Shenzhen Conference Room, 36/F, Tower A, World Finance Centre, 4003 Shennan East Road, Shenzhen, The People's Republic of China on 12 September 2019 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

(a) the leasing framework agreement between the Company and Maoye Holdings Limited dated 28 December 2018 as amended by the supplemental agreement dated 14 March 2019 and the second supplemental agreement dated 29 May 2019 (collectively, the "**New Leasing Framework Agreement**") and the terms thereof and the transactions contemplated thereunder, a copy of which marked "A" has been produced at the meeting and signed by the chairman of the meeting for identification purpose, be and are hereby approved, confirmed and ratified; and

(b) the Board be and is hereby authorised to take all steps necessary or expedient in its opinion to implement and/or give effect to the New Leasing Framework Agreement, including approving and executing the Sub-Agreements pursuant to the New Leasing Framework Agreement".

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

Hong Kong, 23 August 2019

Notes:

(a) Any member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(b) In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting (i.e. not later than 10:00 a.m. on 10 September 2019 (Hong Kong time)) or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the form of proxy shall be deemed to be revoked.

(c) For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from 9 September 2019 to 12 September 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited, at the above address for registration no later than 4:30 p.m. on 6 September 2019.

This Circular, in both English and Chinese versions, is available on the Company's website at www.maoye.cn.

*Shareholders may at any time change their choice of language(s) (either English only or Chinese only or both languages) of the corporate communications of the Company (the "**Corporate Communications**").*

Shareholders may send their request to change their choice of language(s) of Corporate Communications by notice in writing to the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders who have chosen to receive the Corporate Communications in either English or Chinese version will receive both English and Chinese versions of this Circular since both languages are bound together into one booklet.