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Maoye International Holdings Limited

茂業國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 848)

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF PROPERTY

The Company is pleased to announce that Maoye Department Store, a subsidiary of the Company, is proposing to acquire the Target Property through the acquisition of Zhongzhao. In that regard, Maoye Department Store, Richon and Maoye China have entered into the Equity Transfer Agreement on 10 November 2009 pursuant to which Maoye Department Store agreed to purchase from Richon and Maoye China all of the issued shares of Zhongzhao, which holds the Target Property through its wholly owned subsidiary, Shenzhen Orient Times. The total consideration for the Acquisition is HK\$1,928,000,000, which will be payable by Maoye Department Store by three instalments. At the Third Instalment Date, the Loan in the amount of RMB583,163,213.65 will be repaid by Shenzhen Maoye to Shenzhen Orient Times.

Mr. Huang is ultimately the 100% owner of Richon, Maoye China and Shenzhen Maoye. Mr. Huang is also a controlling shareholder of the Company and holds approximately 82.68% of its issued share capital, therefore, Richon, Maoye China and Shenzhen Maoye are connected persons of the Company.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules. The Acquisition also constitutes a connected transaction for the Company and is subject to Independent Shareholders' approval under Rule 14A.18 of the Listing Rules. An independent board committee comprising all independent non-executive Directors will be formed to advise the Independent Shareholders on the Acquisition. KBC has been appointed as the independent financial adviser to advise the independent board committee and the Independent Shareholders on the Acquisition.

As at the date of this announcement, the Loan in the amount of RMB583,163,213.65 is owed by Shenzhen Maoye, a company within the Controlling Shareholder Group, to Shenzhen Orient Times. The outstanding balance of the Loan will be repayable at the Third Instalment Date.

Upon Completion, Zhongzhao and Shenzhen Orient Times will become indirect wholly-

owned subsidiaries of the Company, while Shenzhen Maoye is a connected person of the Company. The Loan will thus constitute financial assistance provided to a connected person of the Company under the Listing Rules and become a connected transaction of the Company, which is subject to the requirements of reporting, announcement and Independent Shareholders' approval pursuant to Chapter 14A of the Listing Rules. As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Loan exceeds 5% but are less than 25%, the subsistence of the Financial Assistance will constitute a discloseable transaction under Chapter 14 of the Listing Rules.

A circular containing, among other things, (i) further details of the Equity Transfer Agreement, the Acquisition and the Financial Assistance; (ii) the advice and recommendation from the independent board committee of the Company in relation to the Acquisition, the Financial Assistance and the transactions contemplated thereunder; (iii) the letter of advice from the independent financial adviser, KBC, to the independent board committee of the Company in relation to the Acquisition, the Financial Assistance and the transactions contemplated thereunder; (iv) valuation report of the Target Property; and (v) the notice of the EGM, will be despatched by the Company to the Shareholders as soon as practicable.

THE ACQUISITION

Date

10 November 2009

Parties

Vendors: (1) Richon, a connected person;
(2) Maoye China, a connected person

Purchaser: Maoye Department Store, a subsidiary of the Company

Summary

The Company is pleased to announce that Maoye Department Store, a subsidiary of the Company, is proposing to acquire the Target Property through the acquisition of Zhongzhao. In that regard, Maoye Department Store, Richon and Maoye China have entered into the Equity Transfer Agreement. Pursuant to the Equity Transfer Agreement, Maoye Department Store has agreed to purchase from Richon and Maoye China all of the issued share capital of Zhongzhao, which holds the Target Property through its wholly owned subsidiary, Shenzhen Orient Times. Richon holds 9,999 shares in Zhongzhao and Maoye China holds 1 share in Zhongzhao. The consideration payable to Richon and Maoye China is HK\$1,927,807,200 and HK\$192,800 respectively. The total consideration for the Acquisition is HK\$1,928,000,000.

The Target Property is located at Orient Times Square, West of Huaqiang North Road, Futian District, Shenzhen. The Target Property has a total gross floor area of approximately 84,425 square meters, including 10 floors of retail space with a total floor area of approximately 63,820 square meters and 2 floors of underground car park and equipment rooms with a total floor area of approximately 20,605 square meters. The Company currently operates a department store within the Target Property under two leases with Shenzhen Orient Times.

The consideration was arrived at after arm's length negotiation between Richon, Maoye China and Maoye Department Store and with reference to the book value and the estimated market value of the Target Property, as well as the market value of the properties in the surrounding area of the Target Property.

Conditions

Completion of the Acquisition is subject to the satisfaction of the following conditions precedent:

- a) Richon, Maoye China and Maoye Department Store having obtained all necessary consents and approvals in relation to the Equity Transfer Agreement and the transactions contemplated thereunder;
- b) the warranties given by Richon and Maoye China under the Equity Transfer Agreement remaining true and accurate in all material respects as at Completion; and
- c) the Company having obtained the approval by the Independent Shareholders at the EGM for the resolutions in respect of the Equity Transfer Agreement, the Financial Assistance and the transactions contemplated thereunder.

If the conditions specified in the Equity Transfer Agreement have not be fulfilled within 90 days after signing of the Equity Transfer Agreement, the Equity Transfer Agreement will be terminated.

Payment of Consideration

The total consideration of HK\$1,928,000,000 for the Acquisition is to be satisfied in three instalments as follows:

- a) Maoye Department Store shall pay 25% of the total consideration to Richon and Maoye China within seven days following the satisfaction of all the conditions under the Equity Transfer Agreement.
- b) Richon and Maoye China shall then proceed to submit to present to the Stamp Duty Office for the payment of stamp duty on the transfer documents in relation to transferring the shares of Zhongzhao to Maoye Department Store, and Maoye Department Store shall pay 40% of total consideration to Richon and Maoye China within seven days after these documents are duly accepted by the Stamp Duty Office.
- c) Within 2 years from the completion of transferring the shares of Zhongzhao by Richon and Maoye China to Maoye Department Store (including the handing over all corporate seal, information, documents of Zhongzhao) (the "**Third Instalment Date**"), Maoye Department Store shall pay the remainder of the consideration for the Acquisition under the Equity Transfer Agreement (HK\$674,800,00) to Richon and Maoye China (the "**Third Instalment**"). No interest will be charged by Richon and Maoye China on the deferred payment of the consideration.

The Acquisition will be principally funded by bank loans and partly by internal resources of the Company. The consideration for the Acquisition will be paid in full by cash within the period stipulated in the Equity Transfer Agreement.

Completion

Completion shall take place within 60 days following satisfaction of all the conditions precedent under the Equity Transfer Agreement.

Basis of determination of the consideration

The consideration for the Acquisition was determined after arms' length negotiations between the parties with reference to the net assets value of Zhongzhao, taking into account the book value of estimated market value of the Target Property, as well as the market value of the properties in the surrounding area of the Target Property. As at 31 July 2009, the net asset value of Zhongzhao (consolidating Shenzhen Orient Times' accounts) was HK\$53,034,142 and the book value of the Target Property was HK\$394,740,858.54. The Directors (including the independent non-executive Directors) consider the consideration to be fair and reasonable. A valuation report on the market value of the Target Property in compliance with the Listing Rules will be included in the circular to shareholders to be despatched as soon as practicable after the date of the announcement.

FINANCIAL INFORMATION OF THE RELEVANT PARTIES

Zhongzhao was incorporated in Hong Kong in 2002 as a limited liability company with an issued share capital of HK\$10,000. The Target Property was constructed by Shenzhen Orient Times. Zhongzhao holds the Target Property through its wholly-owned subsidiary, Shenzhen Orient Times.

The accounts of Zhongzhao, which is prepared in accordance with HKFRS, shows that the unaudited net profit (before and after taxation and extraordinary items) of Zhongzhao for the two financial years ended 31 December 2007 and 2008 are as follows:

	For the year ended	
	31 December 2007	31 December 2008
	HK\$	HK\$
Net profit before taxation and extraordinary items	654,295.08	1,470,341.56
Net profit after taxation and extraordinary items	654,295.08	1,470,341.56

Shenzhen Orient Times was established on 6 September 2001 with a registered share capital of RMB10,000,000. It was purchased by Mr. Huang in 2003 at a consideration of RMB10,000,000. The Target Property was subsequently constructed, developed and held by Shenzhen Orient Times. Shenzhen Orient Times became a wholly owned subsidiary of Zhongzhao on 20 March 2009 pursuant to an internal restructuring. Accordingly, Shenzhen Orient Time's accounts for the year 2007 and 2008 were not consolidated in Zhongzhao's accounts in those two financial periods. The unaudited net profit (before and after taxation and extraordinary items) of Shenzhen Orient Time for the two financial years ended 31 December 2007 and 2008 are as follows:

	For the year ended	
	31 December 2007	31 December 2008
	RMB	RMB
Net profit before taxation and extraordinary items	170,430,857.56	4,690,937.47
Net profit after taxation and extraordinary items	151,817,046.43	3,846,568.73

REASONS FOR ENTERING INTO THE TRANSACTION

The Target Property is a prestigious commercial property located at the core commercial district of Shenzhen — the Huaqianbei Road Commercial Circle, which is the most prosperous commercial circle in Shenzhen.

The Directors believe that the Acquisition is in-line with the Company's growth and expansion strategy. The Company currently operates a department store within the Target Property under the Leases, and the Acquisition will result in the Target Property being indirectly owned by the Company through its subsidiaries. The Acquisition will eliminate the risk of the Leases being terminated with the consequential need for the Company to locate a replacement property for the department store. The Acquisition will also enhance the operational advantage of Company by enabling the Company to control operational costs of the department store due to rental increases. Lastly, the Company will enjoy potential capital gain from the long-term ownership of the Target Property through the Company's subsidiaries and the potential increase in value of the Target Property. The Directors (including the independent non-executive Directors) believe that the Acquisition is conducted on normal commercial terms and the terms of the Acquisitions are fair and reasonable and in the interests of the shareholders as a whole.

INFORMATION ON THE PARTIES

The Company

The Company is a leading department store chain in the affluent regions of southern and south-western China, operating 22 stores (including 12 Maoye-branded stores and 10 Chengshang-branded stores) across 11 cities and targeting the medium to high-end segment of the retail market.

Richon

Richon is an investment holding company. It is wholly-owned by Mr. Huang, the controlling shareholder of the Company.

Maoye China

Maoye China is an investment holding company. It is a wholly-owned subsidiary of Richon and ultimately owned by Mr. Huang, the controlling shareholder of the Company.

Maoye Department Store

Maoye Department Store is an investment holding company. It is a wholly-owned subsidiary of the Company.

Shenzhen Maoye

Shenzhen Maoye is a joint stock limited company registered in the PRC. It is ultimately 100% owned by Mr. Huang, the controlling shareholder of the Company.

Zhongzhao

Zhongzhao is an investment holding company. It has an issued share capital of HK\$10,000 at HK\$1.00 per share, Richon owns 9,999 shares of it and the remaining 1 share is owned by Maoye China.

Shenzhen Orient Times

Shenzhen Orient Times is a property development and management company incorporated in the PRC. It is a wholly owned subsidiary of Zhongzhao.

REQUIREMENTS OF THE LISTING RULES

Mr. Huang is the ultimate the 100% owner of Richon, Maoye China and Shenzhen Maoye. Mr. Huang is also a controlling shareholder of the Company and holds approximately 82.68% of its issued share capital. Therefore, Richon, Maoye China and Shenzhen Maoye are connected persons of the Company.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules. The Acquisition also constitutes a connected transaction for the Company and is subject to Independent Shareholders' approval under Chapter 14A of the Listing Rules. An independent board committee comprising all independent non-executive Directors will be formed to advise the Independent Shareholders on the Acquisition. KBC has been appointed to advise the independent board committee and the Independent Shareholders on the Acquisition.

As at the date of this announcement, the Loan in the amount of RMB583,163,213.65 is owed by Shenzhen Maoye, a company within the Controlling Shareholder Group, to Shenzhen Orient Times. The Loan is unsecured and, prior to the date of the Equity Transfer Agreement, carried an interest rate which equals to the cost of funding incurred by Shenzhen Orient Times for financing such funds. The Loan shall be repaid on the Third Instalment Date at the same time when payment by Maoye Department Store of the Third Instalment is made. In consideration of Richon and Maoye China, two companies within the Controlling Shareholder Group, agreeing to the deferred payment of the Third Instalment without interest, Maoye Department Store agreed to procure Shenzhen Orient Times not to charge any interest on the Loan up to the Third Instalment Date.

Upon Completion, Zhongzhao and Shenzhen Orient Times will become indirect wholly-owned subsidiaries of the Company, while Shenzhen Maoye is a connected person of the Company. The Loan will thus constitute financial assistance provided to a connected person of the Company under the Listing Rules and become a connected transaction of the Company, which is subject to the requirements of reporting, announcement and Independent Shareholders' approval pursuant to Chapter 14A of the Listing Rules. As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Loan exceeds 5% but are less than 25%, the subsistence of the Financial Assistance will constitute a discloseable transaction under Chapter 14 of the Listing Rules.

As the Controlling Shareholder Group has agreed to defer the payment of the Third Instalment to the Third Instalment Date without interest, the Directors (including the independent non-executive directors) consider the subsistence of the Financial Assistance to be fair and reasonable and on normal commercial terms.

KBC, the independent financial adviser, shall also advise the independent board committee and the Independent Shareholders on the Financial Assistance.

EGM

Pursuant to Rule 14A.18 and Rule 14.40 of the Listing Rules, the Equity Transfer Agreement, the Acquisition, the Financial Assistance and the transactions contemplated thereunder are subject to the approval by Independent Shareholders by way of poll at the EGM. As Mr. Huang and his associates are the owners of Richon and Maoye China, they will be required to abstain from voting in relation to the resolutions to approve, among other things, the Equity Transfer Agreement, the Acquisition and the Financial Assistance at the EGM. Voting of the EGM will be conducted by poll.

GENERAL

A circular containing, among other things, (i) further details of the Equity Transfer Agreement, the Acquisition and the Financial Assistance; (ii) the advice and recommendation from the independent board committee of the Company in relation to the Acquisition, the Financial Assistance and the transactions contemplated thereunder; (iii) the letter of advice from the independent financial adviser to the independent board committee of the Company in relation to the Acquisition, the Financial Assistance and the transactions contemplated thereunder; (iv) valuation report of the Target Property; and (v) the notice of the EGM, will be despatched by the Company to the Shareholders as soon as practicable.

TERMS USED IN THE ANNOUNCEMENT

"Acquisition"	the acquisition by Maoye Department Store of all of the issued share capital in Zhongzhao;
"associates"	has the meaning ascribed to it under the Listing Rules;
"Company"	Maoye International Holdings Limited;
"Completion"	completion of the Acquisition;
"Controlling Shareholder Group"	Mr. Huang and his associates;
"Directors"	the directors of the Company;
"EGM"	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Equity Transfer Agreement, the Acquisition and the Financial Assistance, by the Independent Shareholders;
"Equity Transfer Agreement"	the equity transfer agreement entered into between Richon, Maoye China and Maoye Department Store dated 10 November 2009 in respect of the Acquisition;
"Financial Assistance"	the subsistence of the Loan in the amount of RMB583,163,213.65 as at the date of this announcement payable by Shenzhen Maoye to Shenzhen Orient Times;
" HKFRS "	Hong Kong Financial Reports Standards;
"Independent Shareholder(s)"	Shareholder(s) other than Mr. Huang and his associates;
"KBC"	KBC Bank N.V., acting through its Hong Kong Branch, a licensed bank under the Banking Ordinance and a registered institution registered for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance;
"Leases"	the Leases entered into between Shenzhen Orient Times with the Group in connection with the leasing by our Group of the Target Property;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;

"Loan"	the loan payable by Shenzhen Maoye to Shenzhen Orient Times, the outstanding amount of which, as at the date of this announcement, is RMB583,163,213.65;
"Maoye China"	Mao Ye (China) Investment Limited (茂業(中國)投資有限公司), a company incorporated in Hong Kong and owned by Mr. Huang, the controlling shareholder of the Company;
"Maoye Department Store"	Maoye Department Store Holdings Limited (茂業百貨控股有限公司), a company incorporated in the British Virgin Islands and a subsidiary of the Company;
"Mr. Huang"	Mr. Huang Mao Ru, chairman, executive director, and chief executive officer of the Company, as well as the controlling shareholder of the Company. Mr. Huang currently holds 4,250,000,000 shares in the Company, representing 82.68% of the issued share capital of the Company;
"PRC"	The People's Republic of China;
"Richon"	RICHON Holdings Ltd. (富安控股有限公司), a company incorporated in the British Virgin Islands and owned by Mr. Huang, the controlling shareholder of the Company;
"RMB"	Renminbi, the lawful currency in the PRC;
"Shareholder(s)"	shareholder(s) of the Company;
"Shenzhen Maoye"	Shenzhen Maoye (Group) Company Limited (深圳茂業(集團)股份有限公司), a company established under the laws of PRC and owned by Mr. Huang, the controlling shareholder of the Company;
"Shenzhen Orient Times"	Shenzhen Orient Times Square Property Co., Limited (深圳市東方時代廣場實業有限公司), a company established under the laws of the PRC and is wholly-owned by Zhongzhao;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Property"	Orient Times Square at West of Huaqiang North Road, Futian District, Shenzhen, PRC (深圳市福田区華強北東方時代廣場), has a total gross floor area of approximately 84,425 square meters, including 10 floors of commercial space with an approximately total floor area of 63,820 square meters and 2 floors of underground car park and equipment rooms with an approximately total floor area of 20,605 square meters; and
"Zhongzhao"	Richon Group Holdings Limited (中華兆業(控股)有限公司), a company incorporated in Hong Kong with limited liability.

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

10 November 2009, Hong Kong

As at the date of this announcement, the executive Directors are Mr. HUANG Mao Ru, Mr. WANG Guisheng and Ms. WANG Fuqin. The non-executive Directors are Mr. ZHONG Pengyi and Mrs. HUANG Jingzhang. The independent non-executive Directors are Mr. CHOW Chan Lum, Mr. PAO Ping Wing and Mr. LEUNG Hon Chuen.