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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)

ANNOUNCEMENT

UPDATE IN RELATION TO THE DISPUTE BETWEEN CHENGSHANG GROUP AND PACIFIC CHINA

This is an announcement made pursuant to the Inside Information provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571) and Rule 13.09 of the Listing Rules.

Reference is made to the announcements issued by the Company dated 19 June 2013, 25 April 2013, 26 October 2012, 26 April 2012 and 26 April 2011 in relation to the arbitration relating to the dispute over the Cooperation Contract between Chengshang Group and Pacific China (the “**Previous Announcements**”).

On 2 August 2013, Chengshang Group entered into the Settlement Agreement with Pacific China and Chengdu Shangsha Pacific in order to resolve the Dispute. Pursuant to the Settlement Agreement, the rents payable to and the profits distributable to Chengshang Group by Chengdu Shangsha Pacific for the period from 1 January 2011 to 3 November 2013 shall be calculated at a rate of RMB78.5 million per year (save for the period from 15 July 2013 to 2 August 2013 when the department store operated within the Chengdu Commercial Building ceased operation). The Settlement Agreement also provided that, among other things, Chengdu Shangsha Pacific will unconditionally hand over the Chengdu Commercial Building to Chengshang Group on 4 November 2013. We are planning to open our Maoye Chunxi Store on the same day at the Chengdu Commercial Building upon the hand over.

This is an announcement made pursuant to the Inside Information provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571) and Rule 13.09 of the Listing Rules.

1. Background

Reference is made to the announcements issued by the Company dated 19 June 2013, 25 April 2013, 26 October 2012, 26 April 2012 and 26 April 2011 in relation to the arbitration relating to the dispute over the Cooperation Contract between Chengshang Group and Pacific China (the “**Previous Announcements**”).

As disclosed in the Previous Announcements, Chengshang Group, a subsidiary of the Company, was involved in a dispute (the “**Dispute**”) in relation to the Cooperation Contract with Pacific China. Chengshang Group leased the Chengdu Commercial Building to Chengdu Shangsha Pacific for the operation of a department store (the “**Pacific Department Store**”) for 21 years from 1994 to 2014. The Dispute concerns the rental and profit sharing terms under the Cooperation Contract for the period from 1 January 2011 to 31 December 2014. On 20 April 2012, the China International Economic and Trade Arbitration Commission issued an arbitration award ((2012) Zhong Guo Mao Zhong Jing Cai Zi No. 0200) which ordered for, among other things, the termination of the Cooperation Contract with effect from 20 April 2012 and the liquidation of Chengdu Shangsha Pacific by the parties to the contract according to applicable laws. The arbitration award was silent on revenue attributable to Chengshang Group for the period from 1 January 2011 to 20 April 2012, being the date on which the Cooperation Contract was terminated, which the tribunal left to be determined between the two parties. After the arbitration award was issued, Pacific China applied to the Beijing No. 1 Intermediate People’s Court to vacate the arbitration award. On 19 October 2012, the Beijing No. 1 Intermediate People’s Court issued a civil ruling ((2012) Yi Zhong Min Te Zi No. 12008) which dismissed Pacific China’s application and upheld the original arbitration award.

After the arbitration award was made and Pacific China's application to vacate the arbitration award was dismissed, in order to settle the Dispute between Chengshang Group and Pacific China, the Pacific Department Store operated by Chengdu Shangsha Pacific suspended its operation on 15 July 2013.

2. The Settlement Agreement

On 2 August 2013, Chengshang Group entered into the Settlement Agreement with Pacific China and Chengdu Shangsha Pacific in order to resolve the Dispute.

Principal Terms of the Settlement Agreement

- (1) The parties have agreed that Chengdu Shangsha Pacific will be entitled to use the Chengdu Commercial Building for the operation of the Pacific Department Store for a further term of three months. The term of the operation will commence from 3 August 2013 (but not earlier than the date on which Chengshang Group receives the First Instalment from Chengdu Shangsha Pacific as described in paragraph 2 below) to 3 November 2013. Pacific China and Chengdu Shangsha Pacific have undertaken that they will unconditionally hand over the Chengdu Commercial Building to Chengshang Group on 4 November 2013. Chengshang Group will take possession of the premises and equipment (including all decorations and equipment of Pacific China). Pacific China will retain its operating funds and self-operated inventories. Chengshang Group has agreed that Chengdu Shangsha Pacific may proceed with operation on the date on which Chengshang Group receives the First Instalment from Chengdu Shangsha Pacific.
- (2) In connection with the rents payable to and the profits distributable to Chengshang Group by Chengdu Shangsha Pacific from 1 January 2011 to 20 April 2012 and the rents payable to Chengshang Group by Chengdu Shangsha Pacific from 21 April 2012 to 14 July 2013, the parties have agreed as follows:
 - (i) the rents payable to and the profits distributable to Chengshang Group by Chengdu Shangsha Pacific will be calculated based on the rate of RMB78.5 million per year (as opposed to RMB26 million per year set out in the former Cooperation Contract);

- (ii) the rents payable to Chengshang Group by Chengdu Shangsha Pacific from 1 January 2011 to 14 July 2013 amounted to RMB197.26 million. After deducting an amount of RMB60 million which was already paid by Chengdu Shangsha Pacific, the remaining amount payable to Chengshang Group will be RMB137.26 million. Out of the RMB137.26 million payable to Chengshang Group, RMB68.63 million (being 50%) will be paid within three days from the date of the signing of the Settlement Agreement but not later than the date of commencement of operation of the Pacific Department Store by Chengdu Shangsha Pacific (the “**First Instalment**”). The remaining balance of RMB68.63 million (the “**Second Instalment**”) will be paid within three working days from the commencement of operation of the Pacific Department Store by Chengdu Shangsha Pacific. Chengshang Group may immediately and unconditionally repossess the Chengdu Commercial Building in the event of overdue payment of the Second Instalment. Chengdu Shangsha Pacific will pay Chengshang Group as late payment penalty 0.5% per day on any outstanding amount which is overdue ;
- (iii) the amount of profit sharing of RMB2 million for each of 2010 and 2011 will be paid to Chengshang Group by Chengdu Shangsha Pacific within three days upon the passing of the relevant resolution by the management committee of Chengdu Shangsha Pacific.
- (3) Chengdu Shangsha Pacific shall pay property usage fees to Chengshang Group for the use of the premises in the Chengdu Commercial Building from 3 August 2013 to 3 November 2013. Such property usage fees will be calculated on a pro rata basis in accordance with the rate of RMB78.5 million per year and will be paid in two instalments. The first instalment amounting to RMB9.8125 million will be paid within three days from the commencement of operation of the Pacific Department Store by Chengdu Shangsha Pacific (i.e. before 6 August 2013). The second instalment amounting to RMB9.8125 million will be paid before 29 October 2013. In the event of overdue payment, Chengdu Shangsha Pacific will pay Chengshang Group as late payment penalty 0.5% per day on any outstanding amount which is overdue.

- (4) The parties agreed that in the event that Chengdu Shangsha Pacific fails to unconditionally deliver the Chengdu Commercial Building to Chengshang Group on 4 November 2013, Chengdu Shangsha Pacific shall pay Chengshang Group property usage fees and damages at an amount of RMB1 million for each day overdue, while Chengshang Group shall be entitled to suspend water and electricity supply or repossess the said property, with any resulting negative consequence to be borne by Chengdu Shangsha Pacific. Chengshang Group will be responsible for providing the usual property services for the property occupied by Chengdu Shangsha Pacific. Chengshang Group will pay compensation of RMB1 million per day as default liability if Chengshang Group fails to perform its obligations which affects the normal operation of Chengdu Shangsha Pacific.
- (5) Pacific China and Chengdu Shangsha Pacific acknowledged that they will in no event require Chengshang Group to reimburse, compensate or return the profits distributed to and rents received by Chengshang Group regardless of the outcome of the liquidation of Chengdu Shangsha Pacific. Pacific China will be entitled to any gain as a result of the liquidation, while any losses will also be borne by Pacific China. In case Chengdu Shangsha Pacific fails to repay any debt which becomes due and the creditors of Chengdu Shangsha Pacific seek damages or require Chengshang Group to return the amounts received from Chengdu Shangsha Pacific, Pacific China will handle such claims and ensure that Chengshang Group will not bear any loss. If there is any loss borne by Chengshang Group, Pacific China shall indemnify Chengshang Group accordingly.
- (6) The parties agreed that Chengdu Shangsha Pacific will cease operation from 3 November 2013. The parties will establish a committee within ten days after the signing of the Settlement Agreement and commence the preparatory work for the liquidation of Chengdu Shangsha Pacific.
- (7) If Pacific China and Chengdu Shangsha Pacific fail to pay the First Instalment or the Second Instalment in accordance with the terms of the Settlement Agreement, the Settlement Agreement will terminate automatically and will be void. Chengshang Group will not be required to allow Chengdu Shangsha Pacific to use the premises of the Chengdu Commercial Building.

3. Basis for the determination of the payment amount

The abovementioned amount to be payable to Chengshang Group under the Settlement Agreement is determined after negotiation between the parties based on the principle of fairness and impartiality and having regard to the operational conditions of Chengdu Shangsha Pacific. Whilst determining the terms of the settlement, Chengshang Group also considered the market rates for leasing properties situated at where the Chengdu Commercial Building is located.

4. Impact of the Settlement Agreement on Chengshang Group and the Group

The entering of the Settlement Agreement enables the Dispute to be resolved properly. Chengshang Group plans to open the Maoye Chunxi Store, a department store, at the Chengdu Commercial Building upon the handover. The Company believes that the opening of the Maoye Chunxi Store will enhance the operating results and achieve the realisation of the long-term development strategy of Chengshang Group and the Group.

Definitions

Unless the context requires otherwise, the following terms shall have the following meanings in this announcement:

“Board”	the board of directors of the Company;
“Chengdu Commercial Building”	a commercial building situated at 12 Zongfu Street, Jinjiang District, Chengdu, the PRC;
“Chengdu Shangsha Pacific”	Chengdu Shangsha Pacific Department Store Co., Ltd. (成都商厦太平洋百货有限公司), a Chinese-foreign co-operative enterprise set up in partnership with Chengshang Group and Pacific China;

“Chengshang Group”	Chengshang Group Co., Ltd (成商集團股份有限公司), a subsidiary of the Company and a joint stock limited company established according to the laws of the PRC and listed on the Shanghai Stock Exchange (stock code: 600828). As at the date of this announcement, the Company holds 388,161,764 shares in Chengshang Group through Maoye Shangsha, representing approximately 68.05% of its issued share capital;
“Company”	Maoye International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange;
“Cooperation Contract”	the cooperative contract entered into between Chengshang Group and Pacific China;
“Dispute”	has the meaning ascribed to it in this announcement;
“First Instalment”	has the meaning ascribed to it in this announcement;
“Group”	the Company and its subsidiaries;
“Maoye Shangsha”	Shenzhen Maoye Shangsha Company Limited (深圳茂業商廈有限公司), a wholly-owned subsidiary of the Company incorporated in the PRC;
“Pacific China”	Pacific China Holdings Co., Ltd. (太平洋中國控股有限公司), the co-operation partner in relation to Chengdu Shangsha Pacific but otherwise an independent third party of the Company;
“Pacific Department Store”	has the meaning ascribed to it in this announcement;
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Second Instalment”	has the meaning ascribed to it in this announcement;

“Settlement Agreement” the settlement agreement dated 2 August 2012 entered into between Chengshang Group, Pacific China and Chengdu Shangsha Pacific; and

“Stock Exchange” The Stock Exchange of Hong Kong Limited.

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

Hong Kong, 4 August 2013

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Huang Mao Ru, Mr. Zhong Pengyi, Ms. Wang Fuqin and Mr. Wang Bin; and three independent non-executive directors, namely, Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen.