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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)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **REVISED CAP FOR THE TRANSACTIONS UNDER THE EXISTING MASTER LEASING AGREEMENT FOR 2009**

Reference is made to the transactions between the Group and the Controlling Shareholder Group under the Existing Master Leasing Agreement as set out in the Prospectus.

In preparation for the listing of the Company, the Company has applied for and the Stock Exchange has granted a waiver to the Company from strict compliance with the requirements under Rule 14A.47 and 14A.48 of the Listing Rules in respect of the transactions under the Existing Master Leasing Agreement. The value of the transactions under the Existing Master Leasing Agreement is subject to annual caps as stated in the Prospectus and the applicable annual cap for the year ending 31 December 2009 is RMB110 million. Under Rule 14A.36 of the Listing Rules, the approval of Independent Shareholders will be required for the revision of the annual cap.

In order to capture the business opportunities created by the PRC government's policy effort to boost internal demand, the Company intends to expand its department store network by operating new stores in different parts of the PRC. As the Controlling Shareholder Group owns properties which may be suitable for the operation of such new stores, the Group may lease some or all of such properties from the Controlling Shareholder Group. The Directors estimate that the existing annual cap in respect of the Existing Master Leasing Agreement for the year ending 31 December 2009 will be insufficient for the Group's requirement for the whole year. The Directors therefore propose that the existing cap in respect of the Existing Master Leasing Agreement for the year ending 31 December 2009 should be revised to RMB130 million in order to cater for the Group's expansion plan for the year ending 31 December 2009.

#### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR THE YEARS 2010 TO 2012**

Reference is made to the continuing connected transactions between the Group and the Controlling Shareholder Group. The continuing connected transactions include transactions under the Existing Master Leasing Agreement and the Master Management Agreement, respectively.

In preparation for the listing, the Company has applied for and the Stock Exchange has agreed to grant (i) a waiver from strict compliance with the announcement requirement under Rule 14A.47 of the Listing Rules in respect of the transactions under the Master Management Agreement; and (ii) a waiver from strict compliance with announcement requirement under Rule 14A.47 of the Listing Rules and the independent shareholders' approval requirement under Rule 14A.48 of Listing Rules in respect of transactions under the Existing Master Leasing Agreement.

The waivers granted by the Stock Exchange will expire on 31 December 2009. The Company expects to continue the continuing connected transactions after 31 December 2009 and therefore will, in accordance with the Listing Rules, re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the continuing connected transactions for the next three years commencing 1 January 2010 and ending 31 December 2012. On 18 May 2009, the Company and Maoye Holdings Limited entered into the New Master Leasing Agreement to replace the Existing Master Leasing Agreement with effect from 1 January 2010. The Master Management Agreement will continue to have effect and will govern the relevant transactions entered into for the period 1 January 2010 to 31 December 2012.

The relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the annual amount of the transactions under the Master Management Agreement are less than 2.5%. Accordingly, the transactions under the Master Management Agreement are exempted from the Independent Shareholders' approval requirement but are subject to the reporting and announcement requirements in accordance with Rule 14A.34 of the Listing Rules.

The relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the annual amount of the transactions under the New Master Leasing Agreement exceed 2.5%. Accordingly, the transactions under the New Master Leasing Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements in accordance with Rule 14A.17 of the Listing Rules.

## **PROVISION OF DEVELOPMENT SERVICES BY THE CONTROLLING SHAREHOLDER GROUP**

One of the keys of the Company's success is the ability to secure prime location for the operation of the Group's department stores. As part of the Company's strategies, the Group from time to time constructs and develops properties for the operation of its department stores. The Company believes that in appropriate situations and locations, the Properties could form part of a composite development involving the construction of hotels or other commercial, retail or residential buildings to be developed by the Controlling Shareholder Group. The Company believes this will enhance customer flow and provide synergy for the department store business. As the principal business of the Controlling Shareholder Group is the development of properties, the Company intends to engage the Controlling Shareholder Group to provide construction and development services for the Properties.

On 18 May 2009, the Company and Maoye Holdings Limited entered into the Master Development Services Agreement pursuant to which the Controlling Shareholder Group agrees to provide property construction and development services to the Group in accordance with the terms and conditions therein. The relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the annual amount of the transactions under the Master Development Services Agreement exceed 2.5%. Accordingly, the transactions under the Master Development Services Agreement and the relevant Development Fees Caps are subject to the reporting, announcement and Independent Shareholders' approval requirements in accordance with Rule 14A.45 to Rule 14A.48 of the Listing Rules.

## **APPROVAL BY INDEPENDENT SHAREHOLDERS**

The Company will seek Independent Shareholders' approval in respect of the Revised Cap and transactions under the New Master Leasing Agreement (including the relevant Proposed Caps) and the transactions under the Master Development Services Agreement (including the relevant Development Fees Caps).

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Revised Cap, the transactions under the New Master Leasing Agreement and the transactions under the Master Development Services Agreement. KPMG has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

A circular containing, amongst other things, further information on the Revised Cap, the terms of the Supplemental Agreement, the transactions under the New Master Leasing Agreement, a letter from the Independent Board Committee, an opinion of KPMG, the Independent Financial Adviser, together with a notice to convene the EGM to consider and, if thought fit, approve: (a) the Revised Cap, (b) the transactions contemplated under the New Master Leasing Agreement (including the relevant Proposed Caps) and (c) the transaction under the Master Development Services Agreement (including the relevant Development Fees Caps), is expected to be despatched to the Shareholders as soon as practicable.

## **1. REVISED CAP FOR THE EXISTING MASTER LEASING AGREEMENT**

### **1.1 Background**

Reference is made to the transactions between the Company and the Controlling Shareholder Group under the Existing Master Leasing Agreement dated 13 January 2008 details of which are set out in the Prospectus. Pursuant to Existing Master Leasing Agreement, the Company leases certain premises from the Controlling Shareholder Group for operation of department stores and self-use by the Group.

In preparation for the listing of the Company, the Company has applied for and the Stock Exchange has granted a waiver to the Company from strict compliance with the requirements under Rule 14A.47 and 14A.48 of the Listing Rules in respect of the transactions under the Existing Master Leasing Agreement. The annual cap for transactions under the Existing Master Leasing Agreement in 2009 is RMB110 million. Under rule 14A.36 of the Listing Rules, amongst others, the approval of Independent Shareholders will be required for the revision of the annual cap.

### **1.2 The Existing Master Leasing Agreement and Supplemental Agreement**

The Existing Master Leasing Agreement governs the rights and obligations of the Group and the Controlling Shareholder Group in relation to the leasing of properties by the Group from the Controlling Shareholder Group. As of the date of this announcement, the Group leases ten properties from the Controlling Shareholder Group for operation of department stores by the Group.

Under the Existing Master Leasing Agreement, it is provided that the annual rent payable for leases of properties for the year 2009 is RMB110 million.

The following table summarizes the properties currently leased by the Group from the Controlling Shareholder Group as of the date of this announcement.

## Existing Leases

| Location   | Details of Occupancy                                 |
|--|--|
| Shop Unit at Level 1 to Level 5, No. 3009 Heping Road, Luohu District, Shenzhen, PRC                         | Maoye Shenzhen Heping Store                          |
| 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 |
| No. 301, Zijing Road, Xiangzhou District, Zuhai, PRC   | Maoye Zhuhai Store                                   |
| Level 5 to Level 7, Wangjiao Shopping Center, Dongmen Road, Luohu District, Shenzhen, PRC                    | Maoye Shenzhen Dongmen Store                         |
| Office Unit of the whole of 37/F, World Finance Centre, Shennan Road, Luohu District, Shenzhen, PRC          | Office Unit  |
| B1, Yongcui Huafu, Taibai Road, Luohu District, Shenzhen, PRC  | Warehouse  |
| Shop Unit on the whole of Level 1 to Level 7 and part of Level 8, No. 16 North Jian Xin Road, Chongqing, PRC | Maoye Chongqing Jiangbei Store                       |
| Shop Unit on part of Ground level, No. 16 North Jian Xin Road, Chongqing, PRC                                | Chongqing Baifule Store                              |

The Group made payment for all the existing leases' full year rental to the Controlling Shareholder Group at the beginning of the year, amounting to RMB109,600,000. The Directors estimate that the existing annual cap in respect of the Existing Master Leasing Agreement for the year ending 31 December 2009 will be insufficient for the Group's requirement for the whole year. The Directors therefore propose that the existing cap in respect of the Existing Master Leasing Agreement for the year ending 31 December 2009 should be revised to RMB130 million in order to cater for the Group's expansion plan for the year ending 31 December 2009.

In order to give effect to the proposed revision of the cap for the year ending 31 December 2009, it is necessary to amend the terms of the Existing Master Leasing Agreement. Accordingly, the Company and Maoye Holdings Limited entered into the Supplemental Agreement. A summary of the terms of the Supplemental Agreement is set out below:

Date: 18 May 2009

Parties: The Company and Maoye Holdings Limited

## Terms of the Supplemental Agreement

- (a) The Supplement Agreement is conditional upon the approval of Independent Shareholders.
- (b) The annual total rent and miscellaneous expenses payable by the Group to the Controlling Shareholder Group for leases which are governed by the Existing Master Leasing Agreement shall be revised to RMB130 million.
- (c) The Group shall be responsible for the payment of certain miscellaneous expenses relating to the properties, such as management fees, air-conditioning fees and car park rental fees to the Controlling Shareholder Group.

### 1.3 Historical amounts, existing cap and Revised Cap

Set out below are the historical amounts paid under the Existing Master Leasing Agreement for the three years ended 31 December 2008, the existing cap for the year ending 31 December 2009 and the Revised Cap proposed by the Directors for the year ending 31 December 2009:

| Historical amount<br>(in RMB million) |      |      | Existing 2009<br>annual cap<br>(in RMB million) | Revised Cap in<br>respect of 2009<br>(in RMB million) | Basis of determination<br>of the Revised Cap   |
|---------------------------------------|------|------|---|---|--|
| Year ended December 31                |      |      |   |   |  |
| 2006                                  | 2007 | 2008 |   |   |  |
| 88                                    | 110  | 110  | 110   | 130   | The Revised Cap is determined with reference to previous transactions conducted, the estimated increase in floor area that the Group intends to lease from the Controlling Shareholder Group and the amount of miscellaneous expenses payable. |

### 1.4 Reasons for and benefits of revising the annual cap in respect of the transactions under the Existing Master Leasing Agreement

In order to capture the business opportunities created by the PRC government's policy effort to boost internal demand, the Company intends to expand its department store network by operating new stores in different parts of the PRC. As the Controlling Shareholder Group owns properties which may be suitable for the operation of such new stores, the Company may lease some or all of such properties from the Controlling Shareholder Group.

Prior to listing, the Group and Controlling Shareholder Group belonged to the same group of companies under the control of Mr. Huang and, as a result, the Controlling Shareholder Group had been providing property management service to the Group in relation to the properties leased under the Existing Master Leasing Agreement without any charges, and paying miscellaneous expenses such as certain air-conditioning fees for the Group. The Company and the Controlling Shareholder Group have decided to improve the relationship by amending the Existing Master Leasing Agreement. The Supplemental Agreement shall govern the payment of the property management fees and miscellaneous expenses from the Group to the Controlling Shareholder Group in respect of the properties leased under the Existing Master Leasing Agreement. The Revised Cap of RMB130,000,000 is inclusive of the rental payable as well as miscellaneous expenses provided for in the Supplemental Agreement from the Group to the Controlling Shareholder Group.



The Directors (excluding the independent non-executive Directors, whose views will be set out in the circular to be dispatched to the shareholders) believe that the Revised Cap and the terms of the Supplemental Agreement are based on normal commercial terms and are fair and reasonable and in the interests of the shareholders as a whole.

## **1.5 Implications under the Listing Rules**

Pursuant to Rule 14A.36 of the Listing Rules, Independent Shareholders' approval is required for the Supplemental Agreement and the Revised Cap. The Company will convene an EGM for the Independent Shareholders to consider the approval of the Revised Cap and the Supplemental Agreement.

The independent non-executive Directors constituting the Independent Board Committee will give their view after considering the advice from the Independent Financial Adviser, and their view will be included in the circular to be despatched to the Shareholders.

## **2. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2010 TO 2012**

### **2.1 Background**

The Company has certain continuing connected transactions with the Controlling Shareholder Group. The continuing connected transactions include transactions under the Existing Master Leasing Agreement and the Master Management Agreement.

The transactions under the Master Management Agreement constitute continuing connected transactions for the Company under Rule 14A.34 of the Listing Rules and are subject to the reporting and announcement requirements set out in Rules 14A.46 and 14A.47 of the Listing Rules.

The transactions under the Existing Master Leasing Agreement constitute continuing connected transactions for the Company under Rules 14A.35 of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements set out in Rules 14A.47 and 14A.48 of the Listing Rules.

In preparation for the listing, the Company has applied for and the Stock Exchange has agreed to grant (i) a waiver from strict compliance with the announcement requirement under Rule 14A.47 of the Listing Rules in respect of the continuing connected transactions under the Master Management Agreement; and (ii) a waiver from strict compliance with announcement requirement under Rule 14A.47 of the Listing Rules and the independent shareholders' approval requirement under Rule 14A.48 of Listing Rules in respect of the continuing connected transactions under the Existing Master Leasing Agreement.

The waivers granted by the Stock Exchange will expire on 31 December 2009. The Company expects to continue the continuing connected transactions after 31 December 2009 and therefore will, in accordance with the Listing Rules, re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the continuing connected transactions for the three years commencing 1 January 2010 and ending 31 December 2012.

## 2.2 Master Management Agreement

Pursuant to the Master Management Agreement, the Company agrees to provide store management services to the Controlling Shareholder Group with respect to the Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store (the “Stores”). The management services to be provided by the Group include services in respect of operation, accounting, administration, advertising and promotion, finance, marketing, human resources, licence to use the “Maoye Department Store” trademark, computer software, information technology and any other services in relation to the management of department stores as agreed by the parties from time to time. The term of the Master Management Agreement is three years and extendable for another three years at the Company’s option.

Under the Master Management Agreement, the Company will receive an annual fee at rates no less favourable to the Group than those charged to independent third parties for managing the Stores, which includes a license fee for permitting the Stores to use the “Maoye Department Store” trademark. The management fee for each Store is equal to the sum of (i) 1.8% of the total sales proceeds of the relevant Store and (ii) 10% of the profit before tax of the relevant Store.

## 2.3 Proposed caps and rationale

The Company expects to continue to provide store management service under the Master Management Agreement. Accordingly, the Directors have considered and proposed the following caps in respect of the transactions under the Master Management Agreement for the period from 1 January 2010 to 31 December 2012:

| Historical amount<br>(in RMB million) |      |      | Existing<br>2009<br>annual<br>cap (in<br>RMB<br>million) | 2010 to 2012 proposed<br>caps<br>(in RMB million) |      |      | Basis of determination of<br>the proposed caps   |
|---------------------------------------|------|------|--|---|------|------|--|
| Year ended December 31                |      |      |  | Year ending December 31                           |      |      |  |
| 2006                                  | 2007 | 2008 |  | 2010  | 2011 | 2012 |  |
| N/A                                   | 1    | 4.8  | 11   | 11  | 11   | 11   | The proposed caps are determined with reference to previous transaction conducted, the expected total sales proceeds, rental income from third party store tenants and profit before tax of the stores under management. |

## 2.4 Reasons for and benefits of the transactions under the Master Management Agreement

The Controlling Shareholder Group has granted an option to the Company under the Deed of Non-Competition and Call Option to acquire the whole or part of their interest in the Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store.

The Directors believe that the Master Management Agreement will serve to protect the interests of the Group and to facilitate possible acquisition by the Group of the Maoye Chongqing Jiefangbei Store and the Maoye Wuxi Store at a future date. The Directors (including the independent non-executive directors) believe that the transactions under the Master Management Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## 2.5 New Master Leasing Agreement

On 18 May 2009, the Company and Maoye Holdings Limited entered into the New Master Leasing Agreement to replace the Existing Master Leasing Agreement from 1 January 2010. The New Master Leasing Agreement will be effective upon Independent Shareholders approving the transactions thereunder at the EGM.

Under the New Master Leasing Agreement, the Company leases premises from the Controlling Shareholder Group. The leased premise will mainly be used for operation of department stores by the Company.

The transactions under the New Master Leasing Agreement will be entered into in the ordinary and usual course of business of the Company. The term of the New Master Leasing Agreement is for three years and will be automatically renewed for the same duration unless it is terminated by either party.

The rent payable under the New Master Leasing Agreement is based on factors including the area of the premise involved and their location. The rent payable 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 Group shall be responsible for the payment to the Controlling Shareholder Group of certain miscellaneous expenses relating to the properties, such as property management fees, air-conditioning fees and car park rental fees. The Group will make payment to the Controlling Shareholder Group for the full year's rental at the beginning of the year.

## 2.6 Proposed Caps and rationale

The Directors have considered and proposed the following Proposed Caps for the period from 1 January 2010 to 31 December 2012:

| Historical amount<br>(in RMB million) |      |      | Existing<br>2009<br>annual<br>cap (in<br>RMB<br>million) | 2010 to 2012 Proposed Caps<br>(in RMB million) |      |      | Basis of determination of<br>the Proposed Caps  |
|---------------------------------------|------|------|--|--|------|------|---|
| Year ended December 31<br>2006        | 2007 | 2008 |  | Year ending December 31                        |      |      |   |
|                                       |      |      |  | 2010   | 2011 | 2012 |   |
| 88                                    | 110  | 110  | 110  | 210  | 230  | 240  | The Proposed Caps are determined with reference to previous transactions conducted, the Group's business expansion plan and the estimated increase in leased floor area and rental value. |



## **2.7 Reasons for and benefits of the transactions under the New Master Leasing Agreement**

The Controlling Shareholder Group owns and is developing several commercial complex in the PRC, all of which are situated at the core commercial district of the cities. The New Master Leasing Agreement allows the Company to take advantage of Controlling Shareholder Group's resources and expand its department store network at several cities in the PRC and establish department store at core commercial districts.

Furthermore, the Group has been operating several department stores at the Controlling Shareholder Group's properties 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.

The PRC government's has implemented an aggressive fiscal stimulus program aiming to boost domestic demand and create employment opportunities. Despite the global economic crisis, the Company believes that, aided by the PRC government's aggressive fiscal and monetary policies, domestic demand in PRC will remain strong and continue its growth. Accordingly, at present, the Group is planning to capture the business opportunities and expand its business and lease approximately an additional 105,000 square meter of floor area from the Controlling Shareholder Group for the establishment of new department stores in 2010, with incremental addition in 2011 and 2012. Therefore, the annual caps for the transactions under New Master Leasing Agreement from 2010 to 2012 have been revised upward.

The Directors (excluding the independent non-executive Directors) believe that the New Master Leasing Agreement will ensure the Group's stability in using the relevant premises, as well as enhancing the Group's competitiveness. The Directors (excluding the independent non-executive Directors) believe that the transactions under the New Master Leasing Agreement, including the payment of the full year's rental at the beginning of the year, are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The independent non-executive Directors constituting the Independent Board Committee will give their views after considering the advice from the Independent Financial Adviser, and their view will be included in the circular to be despatched to the Shareholders.

## **2.8 Implications under the Listing Rules**

The relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the annual amount of the transactions under the Master Management Agreement are less than 2.5%. Accordingly, pursuant to Rule 14A.34 of the Listing Rules, the transactions under the Master Management Agreement are exempted from the Independent Shareholders' approval requirement but are subject to the reporting and announcement requirements in accordance with Rule 14A.34 of the Listing Rules.

The relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the annual amount of the transactions under the New Master Leasing Agreement exceed 2.5%. Accordingly, the transactions under the New Master Leasing Agreement and the relevant Proposed Caps are subject to the reporting, announcement and Independent Shareholders' approval requirements in accordance with Rule 14A.45 to Rule 14A.48 of the Listing Rules. The Company will seek the Independent Shareholders' approval at the EGM for the transactions under the New Master Leasing Agreement and the relevant Proposed Caps for the years 2010 to 2012.

### **3. PROVISION OF DEVELOPMENT SERVICES BY THE CONTROLLING SHAREHOLDER GROUP**

#### **3.1 Background**

One of the keys of the Company's success is the ability to secure prime location for the operation of the Group's department stores. As part of the Company's strategies, the Group from time to time constructs and develops properties for the operation of its department stores. The Company believes that this will allow the Group to secure the long-term occupation of the properties, minimise the impact of any increase in rental, termination of leases, and more importantly obviate the Group's difficulties in finding suitable properties for the operation of department stores. In addition, to enhance customer flow and commercial value, the Company believes that in appropriate situations and locations, the Properties could form part of a composite development involving the construction of hotels or other commercial, retail or residential buildings to be developed by the Controlling Shareholder Group. The Company believes this will enhance customer flow and provide synergy for the department store business. As the principal business of the Controlling Shareholder Group is the development of properties, the Company intends to engage the Controlling Shareholder Group to provide construction and development services for the Properties.

#### **3.2 Master Development Services Agreement**

On 18 May 2009, the Company and Maoye Holdings Limited entered into the Master Development Services Agreement to regulate the Group's engagement of the Controlling Shareholder Group concerning the construction and development of the Properties. The Master Development Services Agreement is conditional upon the approval of the transactions thereunder (including the Development Fees Caps) by Independent Shareholders.

The key terms of the Master Development Services Agreement are as follows:

- all engagement of the Controlling Shareholder Group to provide development services shall be subject to the terms and conditions of the Master Development Services Agreement;
- in consideration of the Development Fees payable by the Group, the Controlling Shareholder Group will be responsible for the construction and development of the Properties (or part thereof as agreed by the parties);
- the Controlling Shareholder Group shall use reasonable standard and care whilst providing the development services and shall comply with applicable industry standards;
- the Development Fees payable by the Group shall consists of reasonable cost actually incurred by the Controlling Shareholder Group in providing the development services and the actual costs of construction and development of the Properties. If the Properties forms part of a composite development, the Development Fees shall consist only of the actual costs of construction and development of the Properties, and not of the other parts of the composite buildings. The parties agree to apportion in good faith the actual costs of construction and development of the Properties and the remainder of the composite building based on, amongst others, their respective floor area and building materials used. In the case where the parties are unable to agree or a mutually acceptable apportionment, the parties shall jointly appoint an independent expert for a determination which shall be binding and conclusive on the parties;

- prior to the commencement of any material construction, the parties shall agree upon a best estimate of the Development Fees for the construction and development of the Properties using standards and procedures adopted in the industry; and
- the parties shall enter into separate agreements for each engagement which shall, amongst others, set out the estimated Development Fees and construction period. The agreements shall be entered into in accordance with normal commercial terms.

The transactions under the Master Development Services Agreement will be entered into in the ordinary and usual course of business of the Company. The term of the Master Development Services Agreement is for three years and will be automatically renewed for the same duration unless it is terminated by either party or its subsequent renewal is not approved by the Independent Shareholders in accordance with the Listing Rules. The Group and the Controlling Shareholder Group have not entered into any agreement similar to the Master Development Services Agreement prior to the date of this announcement.

### 3.3 Proposed Caps and rationale

The Directors propose that, for each of the year ending 31 December 2009, 2010 and 2011, the Development Fees in respect of development commenced during such year shall be subject to the following Caps:

| <b>2009 to 2011<br/>Development Fees Caps<br/>(in RMB million)</b> |             |             | <b>Basis of determination of the Development Fees Caps</b>   |
|--|-------------|-------------|--|
| <b>Year ended December 31<br/>2009</b>                             | <b>2010</b> | <b>2011</b> | The Development Fees Caps are determined with reference to the Group's business expansion plan, the total floor area of the Properties to be built and the estimated construction costs. |
| 510  | 510         | 510         |  |

### 3.4 Reasons for and benefits of the transactions under the Master Development Services Agreement

The Controlling Shareholder Group has been involved in property development in the PRC for many years and has accumulated significant experience in property construction and development in the PRC. It is a trusted property developer in the PRC and the properties it developed are considered as having the highest quality in the industry. By engaging the Controlling Shareholder Group to provide construction and development services, the Company can leverage on the Controlling Shareholder Group's expertise in real estate construction and maintain a competitive edge over its competitors. The arrangement will also give the Group better control over the timing and costs over the development of the Properties.

The Directors (excluding the independent non-executive Directors) believe that the transactions under the Master Development Services Agreement will provide cost saving and synergies by leveraging on the Controlling Shareholder Group's expertise in construction. The Directors (excluding the independent non-executive Directors) consider that the Development Fees payable under the Master Development Services Agreement is more comparable to the fees charged for such services provided by independent third parties in the market. The Directors (excluding the independent non-executive Directors) believe that the transactions under the Master Development Services Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The independent non-executive Directors constituting the Independent Board Committee will give their views after considering the advice from the Independent Financial Adviser, and their view will be included in the circular to be despatched to the Shareholders.

### **3.5 Implications under the Listing Rules**

The relevant percentage ratios under Rule 14.07 of the Listing Rules in respect of the annual amount of the transactions under the Master Development Services Agreement exceed 2.5%. Accordingly, the transactions under the Master Development Services Agreement and the relevant Development Fees Caps are subject to the reporting, announcement and Independent Shareholders' approval requirements in accordance with Rule 14A.45 to Rule 14A.48 of the Listing Rules. The Company will seek the Independent Shareholders' approval at the EGM for the transactions under the Master Development Services Agreement and the relevant Development Fees Caps for the years 2009 to 2011.

## **4. INDEPENDENT SHAREHOLDERS' APPROVAL**

Mr. Huang indirectly owns approximately 82.68% of the issued share capital of the Company. Mr. Huang is therefore a connected person of the Company and the transactions between Mr. Huang and/or its Associate and the Group constitute connected transactions of the Company for the purposes of the Listing Rules.

In view of the Controlling Shareholder Group's interests in the Company, the Controlling Shareholder Group (including Mr. Huang) will abstain from voting in relation to the resolutions approving the Revised Cap, the transactions under the New Master Leasing Agreement (including the relevant Proposed Caps) and the transactions under the Master Development Services Agreement (including the relevant Development Fees Caps).

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Revised Cap, the transactions under the New Master Leasing Agreement (including the relevant Proposed Caps) and the transactions under the Master Development Services Agreement (including the relevant Development Fees Caps). KPMG has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

## **5. GENERAL INFORMATION**

The Group is a leading department store chain in the affluent regions of southern and southwestern China, operating 19 stores (including 10 Maoye-branded stores and 9 Chengshang-branded stores) across ten cities and targeting the medium to high-end segment of the retail market.

The Controlling Shareholder Group primarily engages in commercial property development and investment.

A circular containing, amongst other things, further information on the Revised Cap, the transactions under the New Master Leasing Agreement, the transactions under the Master Development Services Agreement, a letter from the Independent Board Committee, an opinion from KPMG, the Independent Financial Adviser, together with a notice to convene the EGM to approve: a) the Revised Cap for the Existing Master Leasing Agreement, b) the transactions of the New Master Leasing Agreement (including the relevant Proposed Cap), and c) the transactions under the Master Development Services Agreement (including the relevant Development Fees Cap) is expected to be despatched to the Shareholders as soon as practicable.

## 6. DEFINITIONS

|   |   |
|---|---|
| “Associate(s)”                            | has the meaning ascribed thereto under the Listing Rules  |
| “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  |
| “Controlling Shareholder Group”           | Mr. Huang, any of his Associates and companies majority owned or controlled by Mr. Huang and his Associates, but excluding the Group  |
| “Deed of Non-Competition and Call Option” | the deed of non-competition and call option dated 17 April 2008 entered into between the Company and Maoye Holdings Limited, Mr. Huang Mao Ru and Richon Holdings Limited   |
| “Development Fees”                        | the aggregate fees payable under the Master Development Services Agreement for the construction and development for the entire Property in concern  |
| “Development Fees Caps”                   | the proposed aggregate maximum amount of the Development Fees for each of the year ending 31 December 2009, 2010 and 2011   |
| “Directors”                               | the directors of the Company  |
| “EGM”                                     | the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Revised Cap, the transactions under the New Master Leasing Agreement for the years 2010 to 2012 and the transactions under the Master Development Services Agreement |
| “Existing Master Leasing Agreement”       | the master leasing agreement entered into between Maoye Holdings Limited and the Company dated 13 January 2008  |
| “Group”                                   | the Company and its subsidiaries from time to time  |
| “Independent Board Committee”             | an independent committee of the independent non-executive Directors comprising of Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen  |
| “Independent Financial Adviser” or “KPMG” | KPMG Corporate Finance Limited is the independent financial adviser to the Independent Shareholders and Independent Board Committee   |
| “Independent Shareholders”                | Shareholders of the Company other than the Controlling Shareholder Group  |
| “Listing Rules”                           | the Rules Governing the Listing of Securities on the Stock Exchange   |

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| “Master Development Services Agreement” | the Master Development Services Agreement entered into between the Company and Maoye Holdings Limited dated 18 May 2009  |
| “Master Management Agreement”           | the master management agreement entered into between Maoye Group Limited and the Company on 13 January 2008  |
| “Maoye Holdings Limited”                | an investment holding company incorporated in the BVI with limited liability, which is wholly-owned by Mr. Huang   |
| “Maoye Chongqing Jiefangbei Store”      | Chongqing Jiefangbei Maoye Department Store Company Limited, a company incorporated in PRC with limited liability  |
| “Maoye Wuxi Store”                      | Wuxi Maoye Department Store Company Limited and Wuxi Maoye Baifu Supermarket Company Limited, both being company incorporated in PRC with limited liabilities  |
| “Mr. Huang”                             | Mr. Huang Mao Ru, chairman, executive Director and chief executive officer of the Company and the Company’s controlling shareholder  |
| “New Master Leasing Agreement”          | the master leasing agreement between the Company and Maoye Holdings Limited dated 18 May 2009  |
| “PRC”                                   | The People’s Republic of China   |
| “Properties”                            | properties to be developed for the Group for the operation of, amongst others, department stores. The ownership of the properties after completion of construction will vest with the relevant member of the Group |
| “Prospectus”                            | the prospectus of the Company dated 21 April 2008  |
| “Proposed Caps”                         | the proposed maximum annual aggregate value for the transactions under the New Master Leasing Agreement for the three years ending 31 December 2012  |
| “Revised Cap”                           | the proposed maximum annual aggregate value for the transactions under the Existing Master Leasing Agreement for the year ending 31 December 2009  |
| “RMB”                                   | Renminbi, the lawful currency in the PRC   |
| “Shareholder(s)”                        | holder(s) of shares of the Company   |



“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Supplemental Agreement”

the supplemental agreement to the Existing Master Leasing Agreement entered into between the Company and Maoye Holdings Limited dated 18 May 2009

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

19 May 2009, Hong Kong

*As at the date of this announcement, the executive Directors are Mr. HUANG Mao Ru, Mr. ZOU Minggui, 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.*