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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)**

### **CONNECTED TRANSACTION ACQUISITION OF LAND AND JOINT DEVELOPMENT**

Chengshang, a subsidiary of the Company, has entered into the Joint Development Agreement with Chengdu Chongde. Pursuant to the Joint Development Agreement, Chengshang will purchase the Target Land from Chengdu Chongde for a consideration of RMB79,630,000. Chengshang and Chengdu Chongde together plan to develop and construct a Department Store and Commercial Complex on the Land. Chengshang will own and operate the Department Store portion of the building.

Pursuant to the Joint Development Agreement, Chengdu Chongde will be responsible for the development and construction of the entire Department Store and Commercial Complex. Chengshang will pay Chengdu Chongde or, if the parties so desire, the relevant third party contractors, for the development and construction of the Department Store in accordance with the provisions of the Joint Development Agreement. It is currently estimated that the cost of development and construction of the Department Store is RMB348,000,000.

Mr. Huang is ultimately the 100% owner of Chengdu Chongde. Mr. Huang is a controlling shareholder of the Company and holds approximately 82.68% of its issued share capital, therefore, Chengdu Chongde is a connected person of the Company and the acquisition of the Target Land from Chengdu Chongde constitutes a connected transaction of the Company. The development and construction services will be provided by Chengdu Chongde in accordance with the terms and conditions of the Master Development Services Agreement. The continuing connected transactions under the Master Development Services Agreement were approved by the independent shareholders of the Company on 26 June 2009.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the acquisition of the Target Land exceeds 0.1% but are less than 2.5%, the Company is only subject to the reporting and announcement requirement and is exempt from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

## ACQUISITION OF THE TARGET LAND AND JOINT DEVELOPMENT OF THE DEPARTMENT STORE AND COMMERCIAL COMPLEX

**Parties:** Vendor: Chengdu Chongde, a connected person

Purchaser: Chengshang, a subsidiary of the Company

**Summary:** Chengdu Chongde is the owner of the Land. The Land is situated at the Second Central Office Area at Southern Chengdu, PRC and has an area of 22,705.33 square meters. The Land is designated for commercial uses and is capable for the development and construction of buildings with a total gross floor area of 338,652 square meters. The exact zoning of the Target Land is still pending government approval. Chengdu Chongde has already submitted the relevant zoning proposal to the relevant government authorities and is waiting for their approval. Currently, the Target Land is vacant.

Pursuant to the Joint Development Agreement, Chengshang has agreed to acquire, and Chengdu Chongde has agreed to sell, the Target Land. The Target Land represents a partial interest in the Land which is capable for the development and construction of the five stories Department Store, with a total gross floor area of 68,300 square meters, and 23,205 square meters of underground car park. Chengshang plans to build and operate the Department Store. The purchase price of the Target Land is RMB79,630,000.

After completion of the acquisition, Chengdu Chongde will continue to own the interest in the remaining portion of the Land which is capable of the development and construction of 247,147 square meters of buildings.

Chengshang and Chengdu Chongde together plan to develop the Department Store and Commercial Complex. Pursuant to the Joint Development Agreement, Chengdu Chongde will be responsible for the development and construction of the entire property. Chengshang will pay Chengdu Chongde or, if the parties so desire, the relevant third party contractors, for the development and construction of the Department Store in accordance with the provisions of the Joint Development Agreement. It is currently estimated that the development and construction cost for the Department Store is about RMB348,000,000. The preliminary estimate of the breakdown of the construction costs is as follows: transfer tax of RMB2,430,000, cost of preliminary works of RMB17,260,000, building and installation cost of RMB286,200,000 and indirect development cost of RMB42,500,000. Construction of the Department Store and Commercial Complex is estimated to complete at the end of October 2011.

The costs of the acquisition and the development will be funded by internal resources of Chengshang and bank borrowings.

**Condition:** The Joint Development Agreement is subject to the approval of the independent shareholders of Chengshang pursuant to the Listing Rules of the Shanghai Stock Exchange.

**Completion:** The consideration for the acquisition is RMB79,630,000. 50 per cent. of the consideration, totalling RMB39,815,000, will be paid within 10 days upon satisfaction of the above mentioned condition and the remainder of the consideration will be paid upon the Land and Resources Department issuing a land use certificate of the Target Land showing Chengshang's legal interest in the Target Land.

## **BASIS OF DETERMINATION OF THE CONSIDERATION**

The Land was acquired by Chengdu Chongde at an auction on 29 November 2006 at a price of RMB218,654,286. Based on the valuation report of Sichuan Huaheng Assets Appraisal Co., Ltd., an independent valuer, as of 31 July 2009, the Land was valued at RMB275,714,000, the Target Land was valued at RMB96,904,700. The consideration for the Target Land represents an approximately 17.8% discount to the appraised value of the Target Land. The average price per square meter of the Target Land is higher than the average price per square meter of the Land because the value per square meter of the Department Store to be built on the Land is higher than that of the other buildings on the Land.

The consideration for the Target Land was determined after arms' length negotiations between the parties. The Directors consider the consideration for the Target Land to be fair and reasonable and in the interests of the shareholders as a whole.

## **REASONS FOR ENTERING INTO THE TRANSACTION**

Chengshang plans to build and operate the Department Store at the Target Land. The purpose of acquiring the Target Land and developing the Department Store is to actively push forward the implementation of the development and strategy plans of the Company and continue to expand new shops and enlarge the operating scale of the Company's core businesses. The Department Store is strategically located at the southern sub-centre of Chengdu. The new city in the southern part of Chengdu is positioned as a new technology and business city focusing on software and service outsourcing industries. It is a leading centre for technology innovation, software research and development, commerce, modern services, culture and leisure and supporting living facilities, being sustained by high technology development zones and convention centres in order to create a technological, commercial, international, modern and habitable district. Currently there are insufficient commercial facilities and supporting living facilities in the area and the supply of commercial properties is still scant. The Department Store will meet the business development trend and requirements in Chengdu. After completion of the project, the Company's store network in Chengdu will be further improved, thereby consolidating and upgrading the Company's position and competitiveness in the general merchandise retail market in Chengdu and enhance the Company's profitability. Chengshang expects the internal rate of return from the operation of the Department Store to be approximately 18%, taking into account the costs of acquiring the Target Land and the construction of the Department Store.

The Directors believe that the acquisition of the Target Land is in-line with the Company's growth and expansion strategy. The Directors (including independent non-executive directors) believe that the acquisition of the Target Land are conducted on normal commercial terms, and the terms 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 southwestern China, operating 19 stores (including ten Maoye-branded stores and nine Chengshang-branded stores) across ten cities. The store chain covers four areas, including southern, eastern, northern and southwestern parts of China.

### **Chengdu Chongde**

Chengdu Chongde is an investment holding company and a property development company. It is a wholly owned subsidiary of Mr. Huang.

### **Chengshang**

Chengshang is a subsidiary of the Company and a joint stock limited company established in the PRC and listed on the Shanghai Stock Exchange (stock code: 600828). The Company currently holds 135,645,819 shares in Chengshang through Maoye Shangsha, representing approximately 66.77% of its issued share capital.

## **REQUIREMENTS OF THE LISTING RULES**

The acquisition of the Target Land constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Mr. Huang is ultimately the 100% owner of Chengdu Chongde. Mr. Huang is a controlling shareholder of the Company and holds approximately 82.68% of its issued share capital, therefore, Chengdu Chongde is a connected person of the Company and the acquisition of the Target Land constitutes a connected transaction of the Company.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the acquisition of the Target Land exceeds 0.1% but are less than 2.5%, the Company is only subject to the reporting and announcement requirement and is exempt from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules.

The development and construction services will be provided by Chengdu Chongde in accordance with the terms and conditions of the Master Development Services Agreement. The continuing connected transactions under the Master Development Services Agreement were approved by the independent shareholders of the Company on 26 June 2009.

## **DEFINITION**

“Chengdu Chongde”	Chengdu Chongde Investment Company Limited, a company incorporated in the PRC;
“Chengshang”	Chengshang Group Co., Ltd (成商集團股份有限公司), a subsidiary of the Company and a joint stock limited company established in the PRC and listed on the Shanghai Stock Exchange (stock code: 600828). The Company currently holds 135,645,819 shares in Chengshang through Maoye Shangsha, representing approximately 66.77% of its issued share capital;

“Company”	Maoye International Holdings Limited;
“Department Store”	the department store located on the Target Land with a gross floor area of 68,300 square meters and 23,205 square meters of underground car park;
“Department Store and Commercial Complex”	the department store and commercial complex to be built on the Land with a gross floor area of 338,652 square meters. It includes a department store, office building, service apartment and other ancillary facilities;
“Directors”	the directors of the Company;
“Joint Development Agreement”	the joint development agreement between Chengshang and Chengdu Chongde dated 3 August 2009;
“Land”	the parcel of land situated at Second Central Office Area, Southern Chengdu, PRC (高新區原永安村7組、仁和村6組), details of which are set out in this announcement;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“Master Development Services Agreement”	the master development services agreement between Maoye Holdings Limited and the Company dated 18 May 2008, the transactions under which were approved by the independent shareholders of the Company on 26 June 2009;
“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;
“RMB”	Renminbi, the lawful currency in the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Target Land”	a partial interest in the Land, representing the land use right for a department store building with a gross floor area of 68,300 and 23,205 square meters of underground car park.

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

5 August 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.*