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Maoye International Holdings Limited

茂業國際控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 848)

CONTINUING CONNECTED TRANSACTIONS

JOINT OPERATION AGREEMENT IN RELATION TO THE JINLANG STORE

On 15 July 2011, Shenyang Maoye entered into the Joint Operation Agreement with Maoye Property to govern the terms of joint operation in relation to the Jinlang Store. The Joint Operation Agreement has a term of three years with retrospective effect from 1 January 2011, which may be renewed for another two years upon expiry of the initial term by either party giving written notice to the other party, subject to compliance by the Company of the requirements under the Listing Rules. Pursuant to the Joint Operation Agreement, if Shenyang Maoye suffers a loss during the period from 1 January 2011 to 31 December 2013 in its operation in the Jinlang Store based on audited financial data, Maoye Property will pay to Shenyang Maoye an amount equivalent to 80% of the loss before tax to Shenyang Maoye. If Shenyang Maoye generates profit during such period in its operation in the Jinlang Store based on audited financial data, Maoye Property is entitled to receive an amount equivalent to 20% of such profit before tax.

Maoye Property is an indirect wholly-owned subsidiary of Mr. Huang, the controlling shareholder and a director of the Company. As such, Maoye Property is a connected person of the Company under the Listing Rules.

Accordingly, the arrangement involving the payment by Shenyang Maoye of 20% of the profit and payment received by Shenyang Maoye of 80% of the loss under the Joint Operation Agreement constitutes continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules. The relevant percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules in respect of the annual cap of the percentage of the profit paid by Shenyang Maoye and the annual cap of the percentage of the loss received by Shenyang Maoye under the Joint Operation Agreement exceeds 0.1% but are less than 5%. Accordingly, pursuant to Rule 14A.34 of the Listing Rules, such transactions under the Joint Operation Agreement are exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements and annual review by independent non-executive directors of the Company in accordance with Rule 14A.34 of the Listing Rules.

Background and Key Terms of the Joint Operation Agreement

On 15 July 2011, Shenyang Maoye entered into the Joint Operation Agreement with Maoye Property to govern the terms of joint operation in relation to the Jinlang Store. The Joint Operation Agreement has a term of three years with retrospective effect from 1 January 2011, which may be renewed for another two years upon expiry of the initial term by either party giving written notice to the other party, subject to compliance by the Company of the requirements under the Listing Rules. At present, Shenyang Maoye operates the Jinlang Store within a property situated at the intersection between Youth Street and Wencui Road in Shenhe District in Shenyang city, Liaoning Province, which is owned by the Controlling Shareholder Group, under a lease which was entered into under the Master Leasing Agreement. For details relating to the Master Leasing Agreement, please refer to the Company's announcement dated 19 May 2009.

Pursuant to the Joint Operation Agreement, if Shenyang Maoye suffers a loss during the period from 1 January 2011 to 31 December 2013 in its operation in the Jinlang Store based on audited financial data, Maoye Property will pay to Shenyang Maoye an amount equivalent to 80% of the loss before tax to Shenyang Maoye. If Shenyang Maoye generates profit during such period in its operation in the Jinlang Store based on audited financial data, Maoye Property is entitled to receive an amount equivalent to 20% of such profit before tax.

Annual Caps

The maximum aggregate amount to be payable by Shenyang Maoye to Maoye Property, which is equivalent to 20% of the profit to be received by Maoye Property in the operation of the Jinlang Store, under the Joint Operation Agreement is proposed to be as follows:

For the year ended 31 December 2011 <i>(in RMB million)</i>	For the year ended 31 December 2012 <i>(in RMB million)</i>	For the year ended 31 December 2013 <i>(in RMB million)</i>
10.0	10.0	10.0

The maximum aggregate amount to be payable by Maoye Property to Shenyang Maoye, which is equivalent to 80% of the loss to be incurred by Shenyang Maoye in the operation of the Jinlang Store, under the Joint Operation Agreement is proposed to be as follows:

For the year ended 31 December 2011 <i>(in RMB million)</i>	For the year ended 31 December 2012 <i>(in RMB million)</i>	For the year ended 31 December 2013 <i>(in RMB million)</i>
38.0	38.0	38.0

Please note that the above merely represents the Company's proposed annual caps under the arrangement and does not constitute, and should not be regarded as, a forecast of the future profitability of the Jinlang Store. The Company makes no representations or guarantee of the profitability of the Jinlang Store, or at all.

The terms of the Joint Operation Agreement were arrived at after arm' length negotiation and are on normal commercial terms. The annual caps under the Joint Operation Agreement were determined by reference to the expected operational circumstances of the Jinlang Store during the term of the Joint Development Agreement.

Reasons for and benefits of the transactions under the Joint Operation Agreement

Since Jinlang Store is situated in a commercial circle which is newly developed in Shenyang city, there is uncertainty in the operation condition to operate a department store in this area. In order to jointly cultivate the commercial circle, based on the cooperation principle of joint sharing risks and benefits between the parties, Shenyang Maoye and Maoye Property entered into the Joint Operation Agreement to jointly operate the Jinlang Store.

The Directors (including the independent non-executive directors) believe that the transactions under the Joint Operation Agreement has been entered into in the ordinary and usual course of business of the Company, are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole. The Directors (including the independent non-executive directors) also believe that the annual caps under Joint Operation Agreement are fair and reasonable. The Directors (apart from Mr. Huang) do not have any material interest in the transaction and none of them (apart from Mr. Huang) has abstained from voting on the board resolution to approve the transaction.

Information on the parties

The Company

The Company is principally engaged in the operation and management of department stores in PRC, and is a leading domestic operator of department store in the affluent and regions of the PRC with high economic growth. Currently, the Company is strategically expanding into four regions: Guangdong Province which is economically developed, Sichuan Province which is one of the most densely populated regions, Jiangsu Province and Shandong Province which rank among the top three regions in terms of GDP, and the Bohai Rim region. The Company currently operates 38 stores across 18 cities.

Shenyang Maoye

Shenyang Maoye is a company incorporated in the PRC and a wholly-owned subsidiary of the Group. It is principally engaged in the operation of department stores.

Maoye Property

Maoye property is a company incorporated in the PRC and is indirectly and wholly-owned by Maoye Holdings Limited, which is in turn wholly-owned by Mr. Huang. It is principally engaged in property development.

Implications under the Listing Rules

The relevant percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules in respect of the annual cap of the percentage of the profit paid by Shenyang Maoye and the annual cap of the percentage of the loss received by Shenyang Maoye under the Joint Operation Agreement exceeds 0.1% but are less than 5%. Accordingly, pursuant to Rule 14A.34 of the Listing Rules, such transactions

under the Joint Operation Agreement are exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements and annual review by independent non-executive directors of the Company in accordance with Rule 14A.34 of the Listing Rules.

Details of the Joint Operation Agreement will be included in the annual report and accounts of the Company in accordance with Rule 14A.46 of the Listing Rules.

Definition

The following expressions shall have the meaning ascribed next to it:

“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;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries from time to time;
“Jinlang Store”	a department store operated within a property owned by the Controlling Shareholder Group, and is situated at the intersection between Youth Street and Wencui Road in Shenhe District in Shenyang city, Liaoning Province;
“Joint Operation Agreement”	the joint operation agreement entered into between Shenyang Maoye and Maoye Property dated 15 July 2011;
“Maoye Property”	Shenyang Maoye Property Company Limited (瀋陽茂業置業有限公司), a company incorporated in the PRC. Maoye Property is indirectly and wholly-owned by Maoye Holdings Limited, which is in turn wholly-owned by Mr. Huang;
“Master Leasing Agreement”	the master leasing agreement between the Company and Maoye Holdings Limited dated 18 May 2009;
“Mr. Huang”	Mr. Huang Mao Ru, chairman, executive Director and chief executive officer of the Company and the Company's controlling shareholder;

“PRC”	The People’s Republic of China;
“RMB”	Renminbi, the lawful currency in the PRC;
“Shareholder(s)”	holder(s) of the shares of the Company;
“Shenyang Maoye”	Shenyang Maoye Department Store Limited (瀋陽茂業百貨有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Group; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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

15 July 2011, Hong Kong

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.