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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
UNDER THE EXISTING MASTER MANAGEMENT AGREEMENT**

As the Existing Master Management Agreement has expired on 4 May 2011 and the Company expects to continue the continuing connected transactions thereafter, the Company entered into the New Master Management Agreement with Maoye Holdings Limited on 10 June 2011 to govern the terms upon which the Group will provide store management services to the Controlling Shareholder Group with respect to the Maoye Wuxi Store and/or such other department stores owned by the Controlling Shareholder Group for the next 3 years. The New Master Management Agreement has a term of three years with retrospective effect from 5 May 2011.

Maoye Holdings Limited is a wholly-owned subsidiary of Mr. Huang, the controlling shareholder and a director of the Company and, therefore, a connected person of the Company under the Listing Rules.

Accordingly, the transactions under the New Master Management Agreement constitute 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 amount of the continuing connected transactions under the New Master Management Agreement exceeds 0.1% but are less than 5%. Accordingly, pursuant to Rule 14A.34 of the Listing Rules, the transactions under the New Master Management Agreement are exempted 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

Reference is made to the Prospectus and the announcement dated 19 May 2009 in relation to the continuing connected transactions between the Group and the Controlling Shareholder Group under the Existing Master Management Agreement.

As the Existing Master Management Agreement has expired on 4 May 2011 and the Company expects to continue the continuing connected transactions thereafter, the Company entered into the New Master Management Agreement with Maoye Holdings Limited on 10 June 2011 to govern the terms upon which the Group will provide store management services to the Controlling Shareholder Group with respect to the Store(s) for the next 3 years. The New Master Management Agreement has a term of three years with retrospective effect from 5 May 2011.

Key terms of the New Master Management Agreement

Parties:	The Company Maoye Holdings Limited, a connected person
Subject:	Pursuant to the New Master Management Agreement, the Company agrees to provide store management services to the Controlling Shareholder Group with respect to the Store(s). The management services to be provided by the Group include services in respect of the operation, accounting, administration, advertising and promotion, finance, marketing, human resources, the licence to use the “Maoye Department Store” trademark, computer software, information and technology and other services in relation to the management of department stores as agreed by the parties from time to time.
Term:	Three years commencing from 5 May 2011. Either party may terminate the New Master Management Agreement by giving the other party at least one month’s written notice of termination.
Service Fees:	The service fees receivable by the Company under the New Master Management Agreement are identical to the service fees received under the Existing Master Management Agreement, being 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.

Annual Caps

The maximum aggregate service fee to be payable by the Controlling Shareholder Group to the Group in connection with the Store(s) managed and to be managed by the Group under the New Master Management Agreement and hence the proposed annual caps are as follows:

For the period from the effective date of the New Master Management Agreement (i.e. 5 May 2011) to 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>	For the period from 1 January 2014 to the expiration date of the New Master Management Agreement (i.e. 4 May 2014) <i>(in RMB million)</i>
7.3	11	11	3.8

The historical amount of the service fee paid by the Controlling Shareholder Group to the Group in connection with the Maoye Wuxi Store, Maoye Chongqing Jiefangbei Store and/or other stores owned by the Controlling Shareholder Group managed under the Existing Master Management Agreement is as follows:

For the period from the effective date of the Existing Master Management Agreement (i.e. 5 May 2008) to 31 December 2008 <i>(in RMB million)</i>	For the year ended 31 December 2009 <i>(in RMB million)</i>	For the year ended 31 December 2010 <i>(in RMB million)</i>	For the period from 1 January 2011 to the expiration date of the Existing Master Management Agreement (i.e. 4 May 2011) <i>(in RMB million)</i>
2.0	3.0	3.6	1.4

Reference is made to the announcement dated 19 May 2009. The proposed annual caps for the year ended 31 December 2011 and 2012 in respect of the transactions under the Existing Master Management Agreement were revised on 19 May 2009 which became RMB 11 million for each year. Taking into account, amongst others, the Maoye Chongqing Jiefangbei Store (which was one of the stores managed by the Group under the Existing Master Management Agreement) has ceased operation since February 2011 and the historical growth in the performance of the Maoye Wuxi Store, it is proposed that the annual caps for 2011 and 2012 remain the same per the above.

The terms of the New Master Management Agreement were arrived at after arm' length negotiation and are on normal commercial terms. The service fee and the annual service fee of the New Master Management Agreement and the annual caps were determined by reference to (i) the prevailing and forecasted market and other conditions in the PRC; (ii) the estimated increase of the Store(s)' Total Sales Proceeds, rental income from third party store tenants and the profit before tax of the Store(s); and (iii) the historical service fee paid by the Controlling Shareholder Group to the Group in 2008 to 2011 in connection with the stores managed under the Existing Master Management Agreement.

Reasons for and benefits of the transactions under the New Master Management Agreement

The Store(s) is/are owned by the Controlling Shareholder Group and in order to avoid the conflict of interests between the Group and the Controlling Shareholder Group, the New Master Management Agreement was entered into. The Directors (including the independent non-executive directors) believe that the transactions under the New Master Management 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 of the New Master Management 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.

Maoye Holdings Limited

Maoye Holdings Limited is an investment holding company incorporated in the BVI with limited liability. It is a wholly-owned by Mr. Huang, the controlling shareholder and a director of the Company and is therefore a connected person of the Company under the Listing Rules. It is a member of the Controlling Shareholder Group.

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 amount of the transactions under the New Master Management Agreement exceed 0.1% but are less than 5%. Accordingly, pursuant to Rule 14A.34 of the Listing Rules, the continuing connected transactions under the New Master Management Agreement are exempted 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 New Master Management 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, his associates and companies majority-owned or controlled by Mr. Huang and his associates, but excluding the Group;
“Directors”	the directors of the Company;
“Existing Master Management Agreement”	the master management agreement entered into between the Company and Maoye Holdings Limited dated 13 January 2008;
“Group”	the Company and its subsidiaries from time to time;
“Independent Shareholders”	Shareholders of the Company other than Mr. Huang and his associates;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Maoye Holdings Limited”	Maoye Holdings Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Huang;
“Maoye Chongqing Jiefangbei Store”	a department store owned by Chongqing Jiefangbei Maoye Department Store Co. Ltd. (重慶解放碑茂業百貨有限公司), which is owned by the Controlling Shareholder Group and has ceased operation since February 2011;
“Maoye Wuxi Store”	a department store owned by Wuxi Maoye Department Store Co. Ltd. (無錫茂業百貨有限公司), which is owned by the Controlling Shareholder Group;
“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;
“Prospectus”	the prospectus of the Company dated 21 April 2008;
“New Master Management Agreement”	the master management agreement entered into between the Company and Maoye Holdings Limited on 10 June 2011
“RMB”	Renminbi, the lawful currency in the PRC;
“Shareholder(s)”	holder(s) of the shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Store(s)”	Maoye Wuxi Store and/or such other department stores owned by the Controlling Shareholder Group; and
“Total Sales Proceeds”	the sum of total sales proceeds from concessionaire sales and revenue from direct sales at the relevant Store.

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

13 June 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.