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If you have sold all your shares in Maoye International Holdings Limited you should at once pass this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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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 TRANSACTION

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



KPMG Corporate Finance Limited

A notice convening an extraordinary general meeting of Maoye International Holdings Limited to be held at Ballroom C, 5/F, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 26 June 2009 at 10:00 a.m. is set out in page 39 of this circular. Whether or not you intend to attend and vote at the extraordinary general meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding of such meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting should you so wish.

9 June 2009

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“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
“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

DEFINITIONS

“Independent Financial Adviser” or “KPMG Corporate Finance”	KPMG Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and Independent Shareholders in connection with the Revised Cap, the transactions contemplated under the New Master Leasing Agreement (including the Proposed Caps) and the transactions contemplated under the Master Development Services Agreement (including the Development Fees Caps)
“Latest Practicable Date”	8 June 2009
“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
“Maoye Chongqing Jiefangbei Store”	Chongqing Jiefangbei Maoye Department Store Company Limited, a company incorporated in PRC with limited liability
“Maoye Holdings Limited”	an investment holding company incorporated in the BVI with limited liability, which is wholly-owned by Mr. Huang
“Maoye Wuxi Store”	Wuxi Maoye Department Store Company Limited and Wuxi Maoye Baifu Supermarket Company Limited, both being companies incorporated in PRC with limited liabilities
“Master Development Services Agreement”	the Master Development Services Agreement entered into between the Company and Maoye Holdings Limited dated 18 May 2009
“Master Leasing Agreement”	the master leasing agreement entered into between Maoye Holdings Limited and the Company dated 13 January 2008
“Master Management Agreement”	the master management agreement entered into between Maoye Group Limited and the Company on 13 January 2008

DEFINITIONS

“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
“Property(ies)”	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 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 Master Leasing Agreement entered into between the Company and Maoye Holdings Limited dated 18 May 2009

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Huang Mao Ru, Chairman
Mr. Zou Minggui
Mr. Wang Guisheng
Ms. Wang Fuqin

Registered office:

Scotia Centre, 4th Floor, P.O. Box 2804,
George Town, Grand Cayman
KY1-1112
Cayman Islands

Non-executive Directors:

Mr. Zhong Pengyi
Mrs. Huang Jingzhang

Head office:

39/F, World Finance Centre,
4003 Shennan East Road,
Shenzhen PRC

Independent Non-executive Directors:

Mr. Chow Chan Lum
Mr. Pao Ping Wing
Mr. Leung Hon Chuen

9 June 2009

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

1. INTRODUCTION

Reference is made to the announcement of the Company dated 19 May 2009 in relation to the continuing connected transactions between the Group and the Controlling Shareholder Group. The purpose of this circular is to provide you with further information in relation to the Revised Cap for the Master Leasing Agreement, the transaction under the New Master Leasing Agreement (including the Proposed Caps), the transactions under the Master Development Services Agreement (including the Development Fees Caps) and the proposed caps for the Master Management Agreement for the years 2010 to 2012. This circular also contains the recommendation from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee.

LETTER FROM THE BOARD

2. REVISED CAP FOR THE MASTER LEASING AGREEMENT

2.1 Background

Reference is made to the transactions between the Company and the Controlling Shareholder Group under the Master Leasing Agreement dated 13 January 2008 details of which are set out in the Prospectus. Pursuant to the 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 Master Leasing Agreement. The annual cap for transactions under the 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.

2.2 The Master Leasing Agreement and Supplemental Agreement

The 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 circular, the Group leases ten properties from the Controlling Shareholder Group for operation of department stores by the Group.

Under the Master Leasing Agreement, it is provided that the annual rent payable for leases of properties for the year 2009 is not more than RMB110 million.

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

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

LETTER FROM THE BOARD

Location	Details of Occupancy
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 pre-payment for all the existing leases' full year rental to the Controlling Shareholder Group in accordance with the terms of the leases, amounting to approximately RMB109,600,000. The Directors estimate that the existing annual cap in respect of the 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 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.

LETTER FROM THE BOARD

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 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 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.
- (c) The annual total rent and miscellaneous expenses payable by the Group to the Controlling Shareholder Group for leases which are governed by the Master Leasing Agreement shall be revised to not more than RMB130 million.

2.3 Historical amounts, existing cap and Revised Cap

Set out below are the historical amounts paid under the 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 (in RMB million)			Existing 2009 annual cap (in RMB million)	Revised Cap in respect of 2009 (in RMB million)	Basis of determination 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.

LETTER FROM THE BOARD

2.4 Reasons for and benefits of revising the annual cap in respect of the transactions under the 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 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 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 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 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.

2.5 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.

3. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FOR 2010 TO 2012

3.1 Background

The Company has certain continuing connected transactions with the Controlling Shareholder Group. The continuing connected transactions include transactions under the 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.

LETTER FROM THE BOARD

The transactions under the 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 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.

3.2 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 (together, 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.

LETTER FROM THE BOARD

3.3 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 (in RMB million)			Existing 2009 annual cap (in RMB million)	2010 to 2012 proposed caps (in RMB million)			Basis of determination of the proposed caps
Year ended December 31			2009	Year ending December 31			
2006	2007	2008		2009	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.

3.4 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 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.

3.5 New Master Leasing Agreement

On 18 May 2009, the Company and Maoye Holdings Limited entered into the New Master Leasing Agreement to replace the 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 leases for the premises are subject to the terms of the New Master Leasing Agreement. None of the leases have a term of more than 12

LETTER FROM THE BOARD

years and they will be terminated in the event the transactions under the New Master Leasing Agreement or their subsequent renewal are not approved by the Independent Shareholders.

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 or its subsequent renewal is not approved by the Independent Shareholders.

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 pre-payment of full year's rent to the Controlling Shareholder Group in accordance with the term of the leases.

3.6 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 (in RMB million)			Existing 2009 annual cap (in RMB million)	2010 to 2012			Basis of determination of the Proposed Caps
				Proposed Caps (in RMB million)			
Year ended December 31			Year ending December 31	Year ending December 31			
2006	2007	2008		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.

LETTER FROM THE BOARD

3.7 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 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 advance payment of the full year's rental at the beginning of the year is a market practice in the PRC for large commercial property lease, and it provides stability and certainty for the Group's operation at the leased premise. Accordingly, the 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.

3.8 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

LETTER FROM THE BOARD

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.

4. PROVISION OF DEVELOPMENT SERVICES BY THE CONTROLLING SHAREHOLDER GROUP

4.1 Background

One of the keys to 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 development services for the Properties.

4.2 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 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 development of the Properties (or part thereof as agreed by the parties);

LETTER FROM THE BOARD

- 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 form 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 circular.

LETTER FROM THE BOARD

4.3 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:

2009 to 2011 Development Fees Caps (in RMB million)			Basis of determination of the Development Fees Caps
Year ended December 31			
2009	2010	2011	
510	510	510	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.

4.4 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 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 development services, the Company can leverage on the Controlling Shareholder Group's expertise in real estate development 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 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 development. The Directors consider that the Development Fees payable under the Master Development Services Agreement is comparable to the fees charged for such services provided by independent third parties in the market. The 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.

4.5 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

LETTER FROM THE BOARD

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.

5. COMPLIANCE WITH THE LISTING RULES

Details of the continuing connected transactions under the Master Leasing Agreement, the Master Management Agreement, the New Master Leasing Agreement and the Master Development Agreement shall be disclosed in each annual report of the Company during the continuance of the continuing connected transactions. The independent non-executive Directors shall review annually the continuing connected transactions and confirm in each annual report that the continuing connected transactions is being conducted in the manner and within the financial limits noted above. Each year the auditors will provide a letter to the Company confirming that the continuing connected transactions have received the approval of the Company's board of Directors, have been entered into in accordance with the relevant agreements and have not exceeded the monetary cap noted above

6. 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).

7. EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting of the Company to be held at Ballroom C, 5/F, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 26 June 2009 at 10:00 a.m. is set out on page 39 of this circular for the purpose of considering and, if thought fit, passing the resolutions in relation to the Revised Cap for the Master Leasing Agreement, the transaction under the New Master Leasing Agreement (including the relevant Proposed Caps) and the transactions under the Master Development Services Agreement (including the relevant Fees Caps).

You will find enclosed a form of proxy for use at the extraordinary general meeting. Whether or not you intend to attend such meeting, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting or any adjourned meeting if they so wish.

LETTER FROM THE BOARD

8. RECOMMENDATION

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Revised Cap, the transactions contemplated under the New Master Leasing Agreement (including the Proposed Caps) and the transactions contemplated under the Master Development Services Agreement (including the Development Fees Caps) (the “Continuing Connected Transactions”). KPMG Corporate Finance has been appointed to advise the Independent Board Committee in this respect.

The Independent Board Committee, having taken into account the advice of KPMG Corporate Finance, is of opinion that the terms of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the resolutions regarding the approval of the Continuing Connected Transactions set out in the notice of extraordinary general meeting of the Company at the end of this circular.

The letter from KPMG Corporate Finance containing its advice and recommendation to the Independent Board Committee is set out on page 19. The letter from the Independent Board Committee to the Independent Shareholders containing their recommendation is set out on page 18.

9. 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.

10. OTHER INFORMATION

Your attention is drawn to the information set out in the appendix to this circular.

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



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)

9 June 2009

To the Independent Shareholders

Dear Sir or Madam,

We have been appointed as the Independent Board Committee to advise you in connection with the Revised Cap, the transactions under New Master Leasing Agreement (including the relevant Proposed Caps) and the transactions under the Master Development Services Agreement (including the relevant Development Fees Caps), details of which are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 9 June 2009 (the “Circular”), of which this letter forms part. We wish to draw your attention to the letter from KPMG Corporate Finance as set out on pages 19 to 33 of the Circular. Terms defined in the Circular shall have the same meanings when used herein, unless the context otherwise requires.

Having considered the information set out in the letter from the Board, the Revised Cap, the transactions under New Master Leasing Agreement (including the relevant Proposed Caps), the transactions under the Master Development Services Agreement (including the relevant Development Fees Caps) and the advice of KPMG Corporate Finance in relation thereto as set out on pages 19 to 33 of the Circular, we are of the view that the Revised Cap, terms of the transactions under New Master Leasing Agreement (including the relevant Proposed Caps) and the transactions under the Master Development Services Agreement (including the relevant Development Fees Caps) are in the interests of the Company and its Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to **vote in favour** of the ordinary resolutions to be proposed at the EGM to approve the Revised Cap, the transactions under New Master Leasing Agreement (including the relevant Proposed Caps) and the transactions under the Master Development Services Agreement (including the relevant Development Fees Caps).

Yours faithfully,

For and on behalf of the
Independent Board Committee

Mr. Pao Ping Wing
*Independent
Non-executive Director*

Mr. Chow Chan Lum
*Chairman of the Independent
Board Committee, Independent
Non-executive Director*

Mr. Leung Hon Chuen
*Independent
Non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from KPMG Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement, the New Master Leasing Agreement and the Master Development Services Agreement, and is prepared for inclusion in this circular.



KPMG Corporate Finance Limited

27th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

9 June 2009

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions (the “Transactions”) contemplated under the Master Leasing Agreement as amended by the Supplemental Agreement, the New Master Leasing Agreement and the Master Development Services Agreement, details of which, among other things, are contained in the Company’s circular dated 9 June 2009 (the “Circular”) of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Company was listed on the Stock Exchange on 5 May 2008 and at the time of listing, the Company has applied for and the Stock Exchange has granted a waiver to the Company from strict compliance with the announcement and independent shareholders’ requirements under Rules 14A.47 and 14A.48 of the Listing Rules in respect of the transactions under the Master Leasing Agreement, the value of the transactions under which is subject to an annual cap amount of RMB110 million for the year ending 31 December 2009. Since the Directors estimate that the existing annual cap in respect of the Master Leasing Agreement for the year ending 31 December 2009 will be insufficient for the Group’s requirement, the Company and Maoye Holdings Limited entered into the Supplemental Agreement on 18 May 2009, under which the Revised Cap of RMB130 million is proposed. In addition, the management of the Company expects to continue the continuing connected transactions under the Master Leasing Agreement after 31 December 2009. As such, the Company and Maoye Holdings Limited entered into the New Master Leasing Agreement on 18 May 2009 to replace the Master Leasing Agreement with effect from 1 January 2010, under which the Proposed Caps are proposed.

On 18 May 2009, the Company also entered in the Master Development Services Agreement with the Maoye Holdings Limited, pursuant to which, the Controlling Shareholder Group agrees to provide property development services to the Group in accordance with the terms and conditions therein.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Controlling Shareholder Group comprises Mr. Huang and his associates, including Maoye Holdings Limited. Given that Mr. Huang indirectly owns approximately 82.68% of the issued share capital of the Company, members of the Controlling Shareholder Group are regarded as connected persons of the Company and the Transactions constitute continuing connected transactions under Chapter 14A of the Listing Rules. Since the Revised Cap, the highest of the Proposed Caps and the highest of the Development Fee Caps exceed 2.5% of the relevant percentage ratios (as defined under the Listing Rules), the transactions contemplated under the Master Leasing Agreement as amended by the Supplemental Agreement (including the Revised Cap), the New Master Leasing Agreement (including the Proposed Caps) and the Master Development Services Agreement (including the Development Fee Caps) are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen, has been established to advise and make a recommendation to the Independent Shareholders on whether (i) the Transactions are in the ordinary and usual course of the Company's business; (ii) the terms of the Supplemental Agreement, the New Master Leasing Agreement and the Master Development Services are on normal commercial terms and are fair and reasonable; and (iii) the Revised Cap, the Proposed Caps and the Development Fees Caps (collectively, the "Caps") are fair and reasonable in so far as the Independent Shareholders are concerned. Our role as the Independent Financial Adviser is to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things, (i) the Circular; (ii) the Master Leasing Agreement; (iii) the Supplemental Agreement; (iv) the New Master Leasing Agreement; (v) the Master Development Services Agreement; (vi) the Prospectus; (vii) the Company's annual report (the "Annual Report") for the year ended 31 December 2008 ("FY2008"); and (viii) the rental assessment (the "Rental Assessment") prepared by DTZ Debenham Tie Leung Limited, a property surveyor independent to the Company and the Controlling Shareholder Group (the "Independent Surveyor"), dated 19 May 2009. We have assumed that all information and facts supplied to us by the Company are true, complete and accurate in all material respects at the time they were made and up to the date of despatch of the Circular. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us.

In respect of the Caps, please note that our opinion only relates to the basis on which they are prepared. Our opinion does not extend to the merits of the information supplied to us by the management of the Company including the fairness of the relevant plans and strategies considered by the Company in determining the Caps and we accept no responsibilities in the event that the Caps would need to be further revised as a result of any change in any of the Group's plans and strategies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have (i) taken reasonable steps as required under Rule 13.80 of the Listing Rules in obtaining all necessary information from the Company and (ii) reviewed sufficient information to enable us to reach an informed view and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company; nor have we conducted any independent in-depth investigation into the businesses, affairs and future prospects of the Company and its respective associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors:

1. Background

1.1 The Group

The Group is principally engaged in the operation and management of department stores in the PRC. It is a leading department store chain in the affluent regions of the southern and southwestern part of the PRC. According to the Prospectus, it is one of the Group's strategies to increase the pace of opening new stores and expand to other economically developed cities. It is also the Directors' intention to apply 65% to 75% of the net proceeds from the initial public offering of the Company for (i) potential acquisitions of department stores and/or premises at prime locations for existing and new department stores and (ii) expansion of the Group's retail network, including setting up of new store in existing and new cities of operation. Set out below is a summary of the retail network of the Group.

Region	Number of stores		Operating floor area (square meters, "sq.m.")	
	2007	2008	2007	2008
South	5	5	122,757	122,757
Southwest (Note 1)	8	11	146,025	200,813
North	–	2	–	55,711
East (Note 2)	1	1	52,000	52,000
Total	14	19	320,782	431,281

Source: The Annual Report

Note 1: One of the stores in Chongqing is a management store.

Note 2: The store in Wuxi is a management store.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated above, the Group opened five new stores in 2008, which amounted to an increase of 34.4% in total operating floor area from 320,782 sq.m. in 2007 to 431,281 sq.m. in 2008. Whilst the Group's operation is predominantly based in the south and southwest, during the year, the Group set up two new stores in the northern region. It is also stated in the Annual Report that the Group would open three new stores in 2009.

1.2 The Controlling Shareholder Group

The Controlling Shareholder Group is principally engaged in the development and investment of commercial properties such as department stores, shopping malls, office premises and hotels. According to the management of the Company, the Controlling Shareholder Group possesses over 10 years of experience in property development and currently manages nearly 1,000,000 sq.m. of properties. The Controlling Shareholder Group is entitled to property development license in the PRC. An example of the Controlling Shareholder Group's developments is the World Finance Centre located in the central business district of Shenzhen (i.e. 4003 Shennan Road East, Shenzhen).

As informed by the management of the Company, the Group currently leases properties with an aggregate gross floor area of approximately 178,000 sq.m. from the Controlling Shareholder Group, among which, approximately 144,000 sq.m. are developed by the Controlling Shareholder Group. We understand from the management of the Company that the quality of the properties developed by the Controlling Shareholder Group are able to meet the Group's operation requirements.

2. The Supplemental Agreement and the New Master Leasing Agreement

2.1 Background to and reasons for the entering into the Supplemental Agreement and the New Leasing Agreement

The premises occupied by the Group for operation of its department stores are either (i) under leasing arrangement or (ii) owned by the Group.

As discussed in the "Letter from the Board" in the Circular (the "Letter from the Board"), the Company intends to continue to expand its department store network by operating new stores in different parts of the PRC. We understand from the management of the Company that given the Controlling Shareholder Group currently owns and may in the future develop properties which may be suitable for the operation of new stores of the Group, the Company may consider entering into additional leasing arrangements with the Controlling Shareholder Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the management of the Company, under certain leasing arrangement between the Group and the Controlling Shareholder Group, they would collectively select new store sites, after which the Controlling Shareholder Group purchased the land and constructed the structures and fixtures for the stores of the Group according to the Group's specifications, together with structures for complementary facilities such as hotels, office buildings, specialty stores and restaurants. Once the construction was completed, the premises were either sold to the Group or leased to the Group under long-term leases, upon which the Group would open and operate department store. The management of the Company are of the view that such arrangement would enable the Group to (i) take advantage of the Controlling Shareholders Group's resources and experience in property development in order to expand the Group's department store network; and (ii) mitigate the adverse impact on the operation of the Group's stores in the event of relocation.

2.2 Principal terms

(i) The Master Leasing Agreement and the Supplemental Agreement

The 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. Under the Master Leasing Agreement, it is provided that the annual rental payable for leases of properties for the year ending 31 December 2009 should not be more than RMB110 million for the leasing of ten properties from the Controlling Shareholder Group.

Under the Supplemental Agreement, which is conditional upon the approval of the Independent Shareholders, the Group shall be responsible for the payment of certain miscellaneous expenses relating to the properties, such as management fees, air-conditional fees and car park rental fees to the Controlling Shareholder Group. The annual total rent and miscellaneous expenses payable by the Group to the Controlling Shareholder Group for leases of properties for the year ending 31 December 2009 will be revised to not more than RMB130 million.

(ii) The New Master Leasing Agreement

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

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 or its subsequent renewal is not approved by the Independent Shareholders in accordance with the Listing Rules (if required).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The rent payable under the New Master Leasing Agreement is based on factors including the area of the underlying premises and their respective 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.

With regard to (ii) above, we understand from the management of the Company that it means that the rent payable by the Group to the Controlling Shareholder Group would be no less favourable to the Group as compared with those payable by independent third party.

Under the New Master Leasing Agreement, the Group shall also be responsible for the payment to the Controlling Shareholder Group certain miscellaneous expenses relating to the properties, such as management fees, air-conditioning fees, car park rental fees and any other reasonable expenses. We understand from the management of the Company that payment of such miscellaneous expenses relating to the properties would be on terms no less favourable to the Group as compared with those payable by independent third party.

The Group will make pre-payment of full year's rent to the Controlling Shareholder Group in accordance with the term of the leases.

In assessing whether the terms of the Supplemental Agreement and the New Master Leasing Agreement are fair and reasonable, we have reviewed sufficient samples of other leasing agreements entered into between the Group and other independent third parties for the leasing of various properties located in the PRC and are still effective. Based on our review, we note that the terms of the Supplemental Agreement and the New Master Leasing Agreement, including the payments of miscellaneous expenses relating to properties, in general are comparable to, and consistent with, those of the agreements entered into with independent third parties. We also note that the rent payable under the New Master Leasing Agreement are either based on market rent or on terms no less favourable as compared with those payable by independent third party.

We have discussed with the management of the Company with respect to the arrangement that the Group will make pre-payment of full year's rental to the Controlling Shareholder Group in accordance with the term of the lease and understand from them that this is not an uncommon practice in the market for benefits such as increasing the tenant's power in negotiating for lower rent. We also note that the Group has made prepayment of full year's rent to certain independent third parties based on our review of the other leasing agreements entered into between the Group and other independent third parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Apart from the above, we have also reviewed the Rental Assessment which is provided to us by the management of the Company. According to the Rental Assessment, the Independent Surveyor is of the opinion that the rentals payable for leases under the Master Leasing Agreement, and the terms of the leases under the Master Leasing Agreement are fair and reasonable. The Independent Surveyor is also of the opinion that the rentals payable for leases contemplated under the Supplemental Agreement and the New Master Leasing Agreement, and the terms of the leases under the Supplemental Agreement and the New Master Leasing Agreement are fair and reasonable. We have discussed with the Independent Surveyor on their basis of preparing the Rental Assessment and are given to understand that they had made reference to the prevailing market rental of properties similar to the properties under the Master Leasing Agreement, as well as those contemplated under the Supplemental Agreement and the New Master Leasing Agreement, in terms of location and usage in arriving at the opinion as set out in the Rental Assessment. We are also advised by the Independent Surveyor that their assessment is consistent with the market practice.

2.3 Basis of the Revised Cap and the Proposed Caps

As advised by the management of the Company, the Revised Cap is determined with reference to (i) the existing rent and miscellaneous expenses payable under the Master Leasing Agreement for the properties currently leased by the Group from the Controlling Shareholder Group; and (ii) management's estimation on the rent and miscellaneous expenses payable under the Master Leasing Agreement as amended by the Supplemental Agreement for additional properties to be leased by the Group from the Controlling Shareholder Group in 2009 based on the underlying area and location of the premises.

Similarly, the Proposed Caps are determined with reference to (i) the existing rent and miscellaneous expenses payable under the Master Leasing Agreement for the properties currently leased by the Group from the Controlling Shareholder Group; (ii) management's estimation on the rent and miscellaneous expenses payable under the Supplemental Agreement for additional properties to be leased by the Group from the Controlling Shareholder Group in 2009 based on the underlying area and location of the premises; (iii) management's estimation on the rent and miscellaneous expenses payable for additional properties considered to be leased by the Group from the Controlling Shareholder Group for the three years ending 31 December 2012 based on the underlying area and location of the premises; (iv) management's expectation on the increase in rental in the prevailing market; and (v) a small buffer to accommodate any uncertainties which may arise.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the historical amounts paid under the Master Leasing Agreement, the Revised Cap and the Proposed Caps.

	Historical amounts			Existing Revised		Proposed Caps			
				Cap	Cap				
	Year ended 31 December			Payment made as at the Latest Practicable Date	Year ending 31 December	Year ending 31 December			
	2006	2007	2008	2009	2009	2009	2010	2011	2012
RMB million	88	110	110	109.6	110	130	210	230	240
% increase in cap amount		25.0	nil		nil	18.2	61.5	9.5	4.3

Source: The Company

Based on the above, we note that:

- (i) the existing cap of RMB110 million has been substantially utilised and would be exceeded immediately if the Group would like to lease additional properties from the Controlling Shareholder Group for any amount greater than RMB0.4 million;
- (ii) from 2006 to 2008, the historical amounts grew at an average rate of approximately 12.5% annually from approximately RMB88 million to RMB110 million;
- (iii) the Revised Cap is approximately 18.2% higher than the historical amount for the year ended 31 December 2008;
- (iv) the Proposed Cap in 2010 is approximately 61.5% higher than the Revised Cap; and
- (v) from 2010 to 2012, the Proposed Caps would grow at a rate of approximately 7.1% annually.

The rentals payable for leases under the Master Leasing Agreement and are used for retail purposes range from approximately RMB30 to RMB80 per sq.m.. The rentals payable for leases contemplated under the Master Leasing Agreement as amended by the Supplemental Agreement and the New Master Leasing Agreement range from approximately RMB30 to RMB40 per sq.m..

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In determining the Revised Cap and the Proposed Caps, the management of the Company made reference to the value of the historical transactions. As discussed earlier on in this letter, the Independent Surveyor is of the opinion that the rentals payable for leases under the Master Leasing Agreement, and the terms of the leases under the Master Leasing Agreement are fair and reasonable. The Independent Surveyor is also of the opinion that the leases contemplated under the Master Leasing Agreement as amended by the Supplemental Agreement and the New Master Leasing Agreement, and the terms of the leases under the Master Leasing Agreement as amended by the Supplemental Agreement and the New Master Leasing Agreement are fair and reasonable.

We have discussed with the management of the Company and understand that the growth represented by the Revised Cap is primarily due to the Group's intention to capture the business opportunities created by the PRC government's policy effort to boost internal demand in the 2009. As illustrated above, the Proposed Caps amount for the year ending 2010 would be approximately 61.5% higher than the Revised Cap. We are advised by the management of the Company that such increase is primarily due to the Company's intention to implement its expansion strategy as stipulated under the Prospectus. According to the Prospectus, the Group would focus on building and operating sizeable department stores with gross floor areas between 40,000 sq.m. and 80,000 sq.m. given the Director's view that large-scale department stores help attract a wider range of merchandise and more customer flow, lengthen customer stay and ultimately increase their overall spending with the Group.

The Group intends to commence leasing from the Controlling Shareholder Group most of these additional properties in late 2009 to mid 2010. The aggregate gross floor area represented by the leases contemplated under the Master Leasing Agreement as amended by the Supplemental Agreement is approximately 298,400 sq.m., which is an increase of approximately 65.0% as compared with the approximately 180,900 sq.m. gross floor area represented by the leases under the Master Leasing Agreement; the aggregate gross floor area represented by the leases contemplated under the New Master Leasing Agreement is approximately 363,300 sq.m., which is an increase of approximately 21.7% as compared with the gross floor area represented by the leases contemplated under the Master Leasing Agreement as amended by the Supplemental Agreement.

We have reviewed the calculation of the Revised Cap and the Proposed Cap prepared by the management of the Company and in general we consider that the underlying assumptions, in particular on the expected rate of increase in rental and the buffer adopted, are justifiable. For instance, the Company assumed an increase in rental of 5% annually, which is consistent with the nationwide inflation rate of 5.9% in 2008 as published by the National Bureau of Statistics of the PRC.

Based on the above analysis, we are of the view that the basis for the Revised Cap and the Proposed Caps are fair and reasonable.

3. The Master Development Services Agreement

3.1 Background to and reasons for the entering into the Master Development Services Agreement

Apart from entering into long term leasing arrangement, the Group from time to time acquires properties for its own occupancy in order to secure premises for operation of its department stores. Nevertheless, according to the management of the Company, the Group may sometime encounters difficulties in identifying existing properties to lease or acquire taking into account of various factors including location at which the Group would like to set up new stores.

The management of the Company considers that 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 Group's strategies presented to us by the management of the Company, the Group from time to time develops properties for the operation of its department stores. For example, the Group had acquired a land site located in Taiyuan, the PRC under a bid in October 2008 for development of composite commercial property including retail space. The management of the Company believes that such arrangement would allow the Group to secure long-term occupation of properties and more importantly obviate the Group's difficulties in finding suitable properties for the operation of department stores.

In addition to the above benefits identified by the management of the Company, given the Properties could form part of a composite development including hotels or other commercial, retail and/or residential buildings, the management of the Company considers that such arrangement can enhance the customer flow and provide synergy for the business of the department stores to be developed.

As mentioned in the section headed "The Controlling Shareholder Group" in this letter, the Controlling Shareholder Group is principally engaged in the development and investment of commercial properties. In fact, the majority of the properties currently leased by the Group from the Controlling Shareholder Group were actually developed by the Controlling Shareholder Group. Taking this into consideration, the Company intends to engage the Controlling Shareholder Group to provide development services for the Properties. The Directors believe that cost saving and synergies could arise by leveraging on the Controlling Shareholder Group's expertise in development of properties and understanding on the Group's requirements as well as increasing negotiation power with independent contractors. They are also of the view that the arrangement will give the Group better control over the timing and costs over the development of the Properties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.2 *Principal terms*

The Master Development Services Agreement regulates the Group's engagement of the Controlling Shareholder Group concerning the development of the Properties. 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 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 consist 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 form 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 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 (if required).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have discussed with the management of the Company and understand that under the arrangement of the Master Development Services Agreement, the Controlling Shareholder Group shall procure independent contractors to develop the Properties in accordance with the specifications of the Group. According to the management of the Company, the Development Fees to be agreed by the Group and the Controlling Shareholder Group shall be based on the costs of procuring such independent contractors which in turn shall be procured based on a competitive tendering process in accordance with The Tendering and Bidding Law of the PRC (中華人民共和國招標投標法), after which, the Controlling Shareholder Group should ensure the independent contractor procured would comply with The Construction Law of the PRC (中華人民共和國建築法) as well as the relevant local regulations. The management of the Company also advises us that the Development Fees shall only be paid upon receipt of the relevant invoices or receipts and the Group shall entitle to the right to verify whether the costs presented therein are reasonable.

3.3 Basis of the Development Fees Caps

As advised by the management of the Company, the Development Fees Caps are determined with reference to (i) the Group's expansion strategies; (ii) the total floor area of the Properties to be built; and (iii) the estimated construction costs.

The Development Fees Caps are RMB510 million for each of the three years ending 31 December 2011 respectively. The Development Fees Caps are exclusive of the costs of acquiring any land sites and we understand from the management of the Company that the Company will comply with the provisions of the Listing Rules in the event of making such acquisitions.

In order to arrive at the Development Fees Caps, the management of the Company estimated the maximum total construction area (in sq.m) (i.e. consist of two projects of 60,000 sq.m. each) to be developed each year based on the Group's expansion strategies, after which the total estimated construction costs for each year is arrived at by multiplying it by the total construction costs per sq.m.

The total construction costs per sq.m. estimation is the sum of all costs for implementing the construction procedures identified by the management of the Company based on their recent experience. We have obtained from the Company the breakdown of actual costs paid by the Company to an independent third party for receipt of similar construction services for a project located in Shenzhen with a total construction area of approximately 60,000 sq.m.. Based on which, we note the total construction costs per sq.m. estimation by the management of the Company in general is in line with the actual costs incurred by the Company recently on a per sq.m. basis. We have also conducted research on the market rate of construction costs and compared management's estimation of the total construction costs per sq.m. to the market rate. We noted that the management's estimation is slightly lower than the figures as set out in a report published by an international property and construction consultant firm in March 2009 in which set out the cost per sq.m. of construction area at the 4th quarter of 2008 by type of building and in selected cities in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the management of the Company, the Group intends to fund the Development Fees by internal resources and may also consider debt financing. Based on the Annual Report, the Group had cash and cash equivalents amounted to approximately RMB867.9 million as at 31 December 2008. For the two years ended 31 December 2007 and 2008, the Group recorded a net cash inflow from operating activities of approximately RMB583.3 million and RMB841.7 million respectively.

Based on the above analysis, we are of the view that the basis for the Development Fees Caps is fair and reasonable in so far as the Independent Shareholders are concerned.

4. Annual review requirements

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Transactions are subject to, among other things, the following annual review requirements:

- (i) each year the independent non-executive Directors must review the Transactions and confirm in the annual report and accounts that the Transactions have been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) either on normal commercial terms, or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than those available to independent third parties; and
 - (c) in accordance with the Master Leasing Agreement as amended by the Supplemental Agreement, the New Master Leasing Agreement and the Master Development Services Agreement and on terms that are fair and reasonable and in the interest of the Shareholders;
- (ii) each year the auditors of the Company must provide a letter to the Board confirming that the Transactions:
 - (a) have received the approval of the Board;
 - (b) are in accordance with the pricing policies of the Group (if applicable);
 - (c) have been entered into in accordance with the Master Leasing Agreement as amended by the Supplemental Agreement, the New Master Leasing Agreement and the Master Development Services Agreement; and
 - (d) have not exceeded the Revised Cap, the Proposed Caps and the Development Fees Caps;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the Company shall allow, and shall procure the relevant counterparties to the Master Leasing Agreement as amended by the Supplemental Agreement, the New Master Leasing Agreement and the Master Development Services Agreement to allow, the Company's auditor sufficient access to their records for the purpose of the reporting requirements on the Transactions as set out in item (ii) above;
- (iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Director and/or auditors of the Company will not be able to confirm the matters set out in items (i) and/or (ii) respectively; and
- (v) the Company will comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total value of the Transactions under the Master Leasing Agreement as amended by the Supplemental Agreement and/or the New Master Leasing Agreement and/or the Master Development Services Agreement will exceed the Revised Cap and/or the Proposed Caps and/or the Development Fees Caps respectively and if there is any material amendment to the terms of the Master Leasing Agreement as amended by the Supplemental Agreement and/or the New Master Leasing Agreement and/or the Master Development Services Agreement.

CONCLUSION AND RECOMMENDATION

Based on the factors and reason considered above, in particular, the fact that:

- (i) the entering into the Supplemental Agreement, the New Master Leasing Agreement and the Master Development Services Agreement form part of the Group's expansion strategy;
- (ii) the Controlling Shareholder Group has been engaged in property development for more than 10 years and the quality of the properties developed by them are able to meet the Group's operation requirements given the fact that among the approximately 178,000 sq.m. of aggregate gross floor area currently leased by the Group from the Controlling Shareholder Group, approximately 144,000 sq.m. are actually developed by the Controlling Shareholder Group themselves;
- (iii) the entering into the Supplemental Agreement and the New Master Leasing Agreement would enable the Group to secure long term leases thereby mitigating the risk of relocation;
- (iv) the terms of the leases under the Master Leasing Agreement are fair and reasonable based on the Rental Assessment;
- (v) the terms of the leases contemplated under the Supplemental Agreement and the New Master Leasing Agreement are fair and reasonable based on the Rental Assessment;

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- (vi) the Group has entered into arrangement similar to those contemplated under the Master Development Services Agreement with independent third parties previously;
- (vii) the arrangement under the Master Development Services Agreement shall be on a cost-basis with reference to costs to be incurred in procuring of an independent contractor for rendering such services based on competitive tendering process and the Development Fees shall only be paid upon receipt of the relevant invoices or receipts and the Group shall entitle to the right to verify whether the costs presented therein are reasonable;
- (viii) the basis for determining the Caps are fair and reasonable. Please note that our opinion only relates to the basis on which the Caps are prepared with reference to the relevant calculation furnished to us by the management of the Company. Our opinion does not extend to the fairness of any plans and strategies considered by the Company and we accept no responsibilities in the event that either the Caps would need to be further revised as a result of any change in any of the Group's plans and strategies;
- (ix) the Transactions will comply with the annual review requirements by the independent non-executive Directors and the auditors of the Company under the Listing Rules.

We consider that (i) the entering into the Transactions are in the ordinary course of the business and in the interest of the Company and the Shareholders as a whole; and (ii) the terms contemplated under the Supplemental Agreement, the New Master Leasing Agreement and the Master Development Services Agreement are on normal commercial terms, and fair and reasonable in so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM.

Yours faithfully,
for and on behalf of
KPMG Corporate Finance Limited
Paul Chau
Director

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken on were deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (together, "Discloseable Interests") were as follows:

Beneficial Interests in the Shares

Director	Number of Shares held (long position)			Total	Percentage of Shares held in the entire share capital
	Personal Interests	Corporate Interests	Family Interests		
Huang Mao Ru	-	4,250,000,000 (Note A)	-	4,250,000,000	82.68%
Huang Jing Zhang	-	-	4,250,000,000 (Note B)	4,250,000,000	82.68%

Notes:

- (A) The corporate interest of 4,250,000,000 is in respect of shares held by MOY International Holdings Limited, whose entire interest is held by Mr. Huang.
- (B) Huang Jing Zhang is deemed to be interested in the Shares by virtue of the fact that she is the wife of Huang Mao Ru, the chairman and executive director of the Company.

Save as disclosed above, none of the Directors had any Discloseable Interests as at the Latest Practicable Date.

3. NON-DIRECTORS' INTERESTS IN SECURITIES

Name of substantial shareholder	Capacity	Number of shares held (long position)	Percentage of Shares held in the entire share capital
MOY International Holdings Limited	Interest of a controlled corporation (<i>Note A</i>)	4,250,000,000	82.68%
Maoye Department Store Investment Limited	Beneficial owner	4,250,000,000	82.68%

Notes:

- (A) MOY International Holdings Limited directly holds the entire interest in Maoye Department Store Investment Limited and is accordingly deemed to have an interest in the shares of the Company interested by Maoye Department Store Investment Limited.

Save as disclosed above, the Directors are not aware of any person (not being a Director or chief executive of the Company) who as at the Latest Practicable Date had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

4. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, none of the Directors has a service contract with any member of the Group which is not determinable within one year without payment of compensation (other than statutory compensation).
- (b) Mr. Zhong Pengyi, a non-executive Director, currently holds a 40% equity interest in Shenzhen Friendship Trading Centre Company Limited (深圳市友誼貿易中心有限公司), which in turn holds a 90% equity interest in Shenzhen Friendship Department Store Company Limited (深圳市友誼城百貨有限公司). Mr. Zhong is also the chairman of Shenzhen Friendship Department Store Company Limited.

The Shenzhen Friendship Department Store Company Limited is engaged in the department store and retail business.

Other than Mr. Zhong Pengyi's interest in the above mentioned competing business, no Director has any interest, and as far as each Director is aware none of his associates have any interests, in any business which competes or is likely to compete, either directly or indirectly, with the existing business of the Group.

- (c) No Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant to the business of the Group taken as a whole.

- (d) Since 31 December 2008, being the date of the latest published audited consolidated accounts of the Company, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

5. NO MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Group were made up. However, in light of the turmoil in global financial markets and the impact this will have on PRC's retail market, the Group's revenue and profit might be adversely affected, similar to that experience by other operators in the retail industry.

6. GENERAL

- (a) The Secretary of the Company is Ms. Soon Yuk Tai who is a Chartered Secretary and an Associate of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
- (b) The qualified accountant of the Company is Mr. Wang Guisheng who is qualified as Certified Public Accountant with the Chinese Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants of England.
- (c) The registered office is situated at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112 Cayman Islands. The head office is situated at 39/F, World Finance Centre, 4003 Shennan East Road, Shenzhen PRC. The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, which is situated at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) As at the date of this circular, the executive directors of the Company are Mr. Huang Mao Ru, Mr. Zou Mingguai, Mr. Wang Guisheng and Ms. Wang Fuqin. The non-executive directors of the Company are Mr. Zhong Pengyi and Mrs. Huang Jingzhang. The independent non-executive directors of the Company are Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen.
- (e) The English language text of this document shall prevail over the Chinese language text.

7. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinion and advice, which is contained in this Circular:

Name	Qualification
KPMG Corporate Finance	A licensed corporation under the SFO to carry out Type 6 regulated activity (advising on corporate finance).

KPMG Corporate Finance has given and has not withdrawn its written consent to the issue of this Circular with the inclusions of its letter and references to its name in the form and context in which they appear.

8. EXPERT'S INTEREST IN ASSETS

As at the Latest Practicable Date, KPMG Corporate Finance:

- (a) were not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up;
- (b) did not have any shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) the letter from KPMG Corporate Finance is given on 9 June 2009 for incorporation herein.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the place of business of the Company in Hong Kong at Room 1801, 18/F, Hutchison House, 10 Harcourt House, Central, Hong Kong during normal business hours on any weekday other than public holidays, up to and including 30 June 2009:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Master Leasing Agreement entered into between Maoye Holdings Limited and the Company dated 13 January 2008;
- (c) the Master Development Services Agreement entered into between the Company and Maoye Holdings Limited dated 18 May 2009;

- (d) the Master Management Agreement entered into between Maoye Group Limited and the Company on 13 January 2008;
- (e) the Master Leasing Agreement between the Company and Maoye Holdings Limited dated 18 May 2009;
- (f) the Supplemental Agreement to the Master Leasing Agreement entered into between the Company and Maoye Holdings Limited dated 18 May 2009;
- (g) 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;
- (h) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 18 of this circular;
- (i) the letter issued by KPMG Corporate Finance, the text of which is set out on page 19 to page 33 of this circular; and
- (j) the written consent of KPMG Corporate Finance referred to in paragraph 7 of this appendix.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Maoye International Holdings Limited (the “Company”) will be held at Ballroom C, 5/F, Island Shangri-La Hotel, Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 26 June 2009 at 10:00 a.m. for transacting the following ordinary business:

ORDINARY RESOLUTIONS

1. **“THAT** the Revised Cap for the transactions under the Master Leasing Agreement for 2009, as amended by the Supplemental Agreement, be and is hereby approved, ratified and confirmed;”
2. **“THAT** the transactions under the New Master Leasing Agreement for the years 2010 to 2012, together with the relevant Proposed Caps, be and are hereby approved, ratified and confirmed;”
3. **“THAT** the transactions under the Master Development Service Agreement for the year 2009 to 2011, together with the relevant Development Fees Caps, be and are hereby approved, ratified and confirmed.”

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

Hong Kong, 9 June 2009

Notes:

- (a) Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (b) To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company’s Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the form of proxy shall be deemed to be revoked.