This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities or an invitation to enter into an agreement to do such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

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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)

PROPOSED ISSUE OF RENMINBI DENOMINATED SENIOR GUARANTEED NOTES

This is an announcement made pursuant to the Inside Information provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571) and Rule 13.09 of the Listing Rules.

The Company proposes to conduct an international offering of the Notes and will commence a series of roadshow presentations to professional investors only. The Notes are expected to be issued by the Company and guaranteed by the Subsidiary Guarantors.

The completion of the Proposed Notes Issue is subject to market conditions and investors' interest. Citi and Deutsche Bank, as joint lead managers and joint bookrunners, are managing the Proposed Notes Issue. If the Notes are issued, the Company intends to use the net proceeds of the proposed issue of the Notes primarily to refinance existing indebtedness and the remainder for general corporate purposes.

In connection with the Proposed Notes Issue, the Company will provide certain professional investors with certain corporate and financial information regarding the Group, which information may not necessarily have been made public previously. For purposes of equal, effective and timely dissemination of information to shareholders and investment community, an extract of such information is attached to this announcement, and a copy of this announcement will be available on the Company's website at www.maoye.cn.

The Company is in the process of applying to the Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issue to professional investors only, and has received the eligibility letter from the Stock Exchange for the listing of the Notes. Listing of the Notes on the Stock Exchange is not to be taken as an indication of the merits of the Company, the Group or the Notes.

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not materialize. Investors and shareholders of the Company are advised to exercise caution when dealing in the securities of the Company.

Further announcements in respect of the Proposed Notes Issue will be made by the Company should a purchase agreement in respect of the Proposed Notes Issue be signed.

This is an announcement made pursuant to the Inside Information provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571) and Rule 13.09 of the Listing Rules.

THE PROPOSED NOTES ISSUE

Introduction

The Company proposes to conduct an international offering of the Notes and will commence a series of roadshow presentations to professional investors only. The Notes are expected to be issued by the Company and guaranteed by the Subsidiary Guarantors.

The completion of the Proposed Notes Issue is subject to market conditions and investors' interest. Citi and Deutsche Bank, as joint lead managers and joint bookrunners, are managing the Proposed Notes Issue.

The Notes have not been, and will not be, registered under the U.S. Securities Act. The Notes will be offered or sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. None of the Notes will be offered to the public in Hong Kong nor will the Notes be placed to any connected persons of the Company.

In connection with the Proposed Notes Issue, the Company will provide certain professional investors with certain corporate and financial information regarding the Group, which information may not necessarily have been made public previously. For purposes of equal, effective and timely dissemination of information to shareholders and investment community, an extract of such information is attached to this announcement, and a copy of this announcement will be available on the Company's website at www.maoye.cn.

Reasons for the Proposed Notes Issue and proposed use of proceeds

The Company is principally engaged in the operation and management of department stores and property development in PRC, and is a leading department store chain operator in the affluent regions throughout the PRC. Currently, the Company is focused on developing future department stores mainly in the second- and third-tier cities in the most economically developed regions and the regions with high economic growth in PRC.

If the Notes are issued, the Company intends to use the net proceeds of the issue of the Notes primarily to refinance existing indebtedness and the remainder for general corporate purposes.

The Directors (including the independent non-executive Directors) consider that the Proposed Notes Issue represents a good opportunity to raise additional funds for the Company and is in the interest of the Company and shareholders of the Company as a whole.

Proposed listing

The Company is in the process of applying to the Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issue to professional investors only, and has received the eligibility letter from the Stock Exchange for the listing of the Notes. Listing of the Notes on the Stock Exchange is not to be taken as an indication of the merits of the Company, the Group or the Notes.

GENERAL

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not materialize. Investors and shareholders of the Company are advised to exercise caution when dealing in the securities of the Company.

Further announcements in respect of the Proposed Notes Issue will be made by the Company should a purchase agreement in respect of the Proposed Notes Issue is signed.

DEFINITIONS

"Board"	the board of directors of the Company;
"Citi"	Citigroup Global Markets Limited, one of the joint lead managers and joint bookrunners in respect of the offer and sale of the Notes;
"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;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Deutsche Bank"	Deutsche Bank AG, Singapore Branch, one of the joint lead managers and joint bookrunners in respect of the offer and sale of the Notes;
"Group"	the Company and its subsidiaries from time to time;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Notes"	the Renminbi denominated senior notes expected to be issued by the Company and guaranteed by the Subsidiary Guarantors;

"PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Proposed Notes Issue"	the proposed issue of the Notes;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subsidiary Guarantors"	the subsidiaries of the Company incorporated outside of the PRC which are expected to provide a guarantee for the repayment of the Notes;
"United States"	the United States of America, its territories and possessions and all areas subject to its jurisdiction; and
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

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

Hong Kong, 10 March 2014

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Huang Mao Ru, Mr. Zhong Pengyi, Ms. Wang Fuqin and Mr. Wang Bin; and three independent non-executive directors, namely, Mr. Chow Chan Lum, Mr. Pao Ping Wing and Mr. Leung Hon Chuen.

APPENDIX

EXTRACT OF OFFERING MEMORANDUM

As used in this appendix to this announcement, references to "we", "us", "our" and the "Company" are to Maoye International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and its subsidiaries, as the context requires. The term "our Group", refers to Maoye International Holdings Limited and its subsidiaries.

As used in the appendix to this announcement, references to:

- "Controlling Shareholder Group" refers to Mr. Huang Mao Ru, his associates and companies majority owned or controlled by him and his associates, including MOY International Holdings Limited, Maoye Holdings Limited and Richon Holdings Limited, but other than our Group;

- "Hong Kong dollars", "HK dollars", and "HK$" are to the lawful currency of Hong Kong, references herein to "Renminbi" or "RMB" are to the lawful currency of the PRC and references herein to "US dollars", "USD" or "US$" are to the lawful currency of the United States of America. For convenience only, all transactions in this Offering Memorandum from RMB to US$ were made at the rate of RMB6.0537 to US$1, as set forth in the H.10 statistical release of the U.S. Federal Reserve Board as of December 31, 2013;

- "HKSE" and "Hong Kong Stock Exchange" mean the Stock Exchange of Hong Kong Limited, "Listing Rules" means the Hong Kong Stock Exchange Listing Rules;

- "Non-Guarantor subsidiaries " are our existing subsidiaries that are organised under the laws of the PRC;

- "sq.m." are to square meter;

- "the "PRC" and "China" are to the People's Republic of China and, for the purposes of this appendix, except where the context requires, do not include the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau"), or Taiwan. "PRC government" or the "State" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them; and

- "Total Sales Proceeds" refer to the sum of total sales proceeds from concessionaire sales and revenue from direct sales at our department stores, references herein to "Total Department Store Revenue" refer to the sum of commission from concessionaire sales, revenue from direct sales, and rental income from store leases at our department stores, reference herein to "average concession rate" refers to commission from concessionaire sales divided by total sales proceeds from concessionaire sales, references herein to "comprehensive gross margin" refers to the aggregate amount of commission from concessionaire sales, revenue from direct sales, other income from concessionaires and suppliers (including administration and management fee income, promotion income and credit card handling fees) minus cost of inventories, divided by the Total Sales Proceeds.

CAPITALIZATION

The following table sets forth our capitalization and indebtedness as of December 31, 2013 and as adjusted to give effect to the issuance of the Notes offered hereby. You should read this table in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2013, and related notes included elsewhere in this Offering Memorandum.

	As of December 31, 2013			
	Actual		As Adjusted	
	RMB	US$	RMB	US$
				(in millions)
Long-term indebtedness				
Indebtedness — due after one year	5,007.1	827.1	5,007.1	827.1
Notes offered hereby	—	—		
Total	5,007.1	827.1		
Equity				
Equity attributable to owners of the parent				
Issued capital	467.4	77.2	467.4	77.2
Equity component of convertible bonds	56.5	9.3	56.5	9.3
Reserves	5,214.6	861.4	5,214.6	861.4
Proposed final dividend	123.6	20.4	123.6	20.4
Non-controlling interests	1,468.7	242.6	1,468.7	242.6
Total	7,330.8	1,210.9	7,330.8	1,210.9
Total capitalization (1)	12,337.9	2,038.0	12,337.9	2,038.0

Notes:

1. Total capitalization equals long-term indebtedness plus total equity.

Except as disclosed in this Offering Memorandum, there have been no material changes in our capitalization and indebtedness since December 31, 2013.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected consolidated income statement data for the years ended December 31, 2011, 2012 and 2013 and the selected consolidated statement of financial position data as of December 31, 2011, 2012 and 2013 set forth below have been derived from our consolidated financial statements for such years and as of such dates, as audited by Ernst & Young, independent certified public accountants, and included elsewhere in this Offering Memorandum. Our financial statements have been prepared and presented in accordance with IFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions.

The selected financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this Offering Memorandum.

Consolidated Income Statement

	Year ended December 31,			
	2011	**2012**	**2013**	**2013**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(US$'000) (unaudited)**
REVENUE	3,357,024	3,542,719	3,805,452	628,616
Other income	766,308	807,139	818,141	135,147
Total operating revenue	4,123,332	4,349,858	4,623,593	763,763
Cost of sales	(1,335,146)	(1,444,402)	(1,425,243)	(235,433)
Employee expenses	(375,494)	(369,699)	(444,232)	(73,382)
Depreciation and amortization	(326,202)	(343,603)	(353,996)	(58,476)
Operating lease rental expenses	(216,236)	(237,245)	(218,285)	(36,058)
Other operating expenses	(772,064)	(859,531)	(917,926)	(151,631)
Other gains	107,873	274,427	194,751	32,171
Operating profit	1,206,063	1,369,805	1,458,662	240,954
Finance costs	(188,793)	(132,815)	(133,777)	(22,098)
Share of profits and losses of associates	498	(76)	(452)	(75)
PROFIT BEFORE TAX	1,017,768	1,236,914	1,324,433	218,781
Income tax expense	(282,879)	(338,360)	(411,319)	(67,945)
PROFIT FOR THE YEAR	734,889	898,554	913,114	150,836
Attributable to:				
Owners of the parent	640,312	801,820	802,041	132,488
Non-controlling interests	94,577	96,734	111,073	18,348
	734,889	898,554	913,114	150,836

Consolidated Statement of Financial Position

	As of December 31,			
	2011	**2012**	**2013**	**2013**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(US$'000) (unaudited)**
NON-CURRENT ASSETS				
Property, plant and equipment	3,646,710	4,240,296	4,870,979	804,628
Investment properties	428,221	509,298	545,962	90,186
Land lease prepayments	3,963,985	3,717,176	4,408,731	728,270
Goodwill	641,680	641,680	637,348	105,282
Other intangible assets	6,823	5,818	4,571	755
Investments in associates	12,260	12,049	—	—
Available-for-sale equity investments	782,205	960,150	825,469	136,358
Prepayments	1,102,725	709,930	1,191,690	196,853
Other assets	2,458	—	—	—
Loan and receivable	—	107,500	—	—
Deferred tax assets	83,907	140,622	253,579	41,888
Total non-current assets	10,670,974	11,044,519	12,738,329	2,104,220
CURRENT ASSETS				
Inventories	281,977	279,147	227,894	37,645
Completed properties held for sale	524,734	620,549	763,762	126,164
Properties under development	1,791,198	4,069,573	4,676,226	772,458
Equity investments at fair value through profit or loss	8,674	959	887	147
Trade receivables	47,912	36,842	52,562	8,683
Prepayments, deposits and other receivables	587,945	625,117	477,893	78,942
Due from related parties	43,772	96,654	114,933	18,986
Pledged deposits	1,530	40,155	47,194	7,796
Cash and cash equivalents	1,425,837	1,482,500	978,447	161,628
Total current assets	4,713,579	7,251,496	7,339,798	1,212,449
CURRENT LIABILITIES				
Trade and bill payables	1,953,827	2,194,236	2,447,580	404,311
Deposits received, accruals and other payables	1,972,429	1,930,509	2,685,580	443,626
Interest-bearing bank loans and other borrowings	1,485,973	3,081,072	1,751,494	289,326
Convertible bonds	—	869,681	12,023	1,986
Due to related parties	31,486	102,602	84,271	13,921
Income tax payable	111,253	131,802	167,636	27,691
Total current liabilities	5,554,968	8,309,902	7,148,584	1,180,861
NET CURRENT LIABILITIES	(841,389)	(1,058,406)	191,214	31,588
TOTAL ASSETS LESS CURRENT LIABILITIES	9,829,585	9,986,113	12,929,543	2,135,808
NON-CURRENT ASSETS/(LIABILITIES)				
Convertible bonds	844,363	—	—	—
Interest-bearing bank loans and other borrowings	1,642,698	2,370,459	5,007,069	827,109
Deferred tax liabilities	597,406	570,775	591,610	97,727
Total non-current liabilities	3,084,467	2,941,234	5,598,679	924,836
Net assets	6,745,118	7,044,879	7,330,864	1,210,972
EQUITY				
Equity attributable to owners of the parent				
Issued capital	481,988	480,407	467,449	77,217
Equity component of convertible bonds	119,125	119,125	56,546	9,341
Reserves	4,595,558	4,970,984	5,214,581	861,387
Proposed final dividend	256,125	100,143	123,571	20,412
	5,452,796	5,670,659	5,862,147	968,357
Non-controlling interests	1,292,322	1,374,220	1,468,717	242,615
Total equity	6,745,118	7,044,879	7,330,864	1,210,972

Other Financial Data

	As of and for the year ended December 31,			
	2011	2012	2013	2013
	(RMB'000, except ratio and percentage data)			(US$'000, except ratio and percentage data) (unaudited)
EBITDA [1]	1,524,193	1,694,523	1,791,471	295,930
EBITDA margin [2]	45.4%	47.8%	47.1%	—
Total debt [3]	3,973,034	6,321,212	6,770,586	1,118,421
Net debt [4]	2,547,197	4,838,712	5,792,139	956,793
Total debt to EBITDA ratio [5]	2.6	3.7	3.8	—
EBITDA to interest ratio [6]	6.6	5.2	4.5	—

Notes:

1. EBITDA for any period is calculated as operating profit plus depreciation and amortization and less interest income. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe that it is a useful supplement to the cash flow data as a measure of our performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definitions. The EBITDA measures presented in this table are different from the Consolidated EBITDA measures presented under the section entitled "Description of Notes" in this Offering Memorandum.

   The following table sets forth a reconciliation of our profit to our EBITDA for the periods indicated:

	Year ended December 31,			
	2011	2012	2013	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000) (unaudited)
Operating profit	1,206,063	1,369,805	1,458,662	240,954
Adjustments:				
Depreciation and amortization	326,202	343,603	353,996	58,476
Interest income	(8,072)	(18,885)	(21,187)	(3,500)
EBITDA	1,524,193	1,694,523	1,791,471	295,930

2. EBITDA margin is calculated by dividing EBITDA by revenue.

3. Total debt comprises of bank loans, other borrowings and convertible bonds.

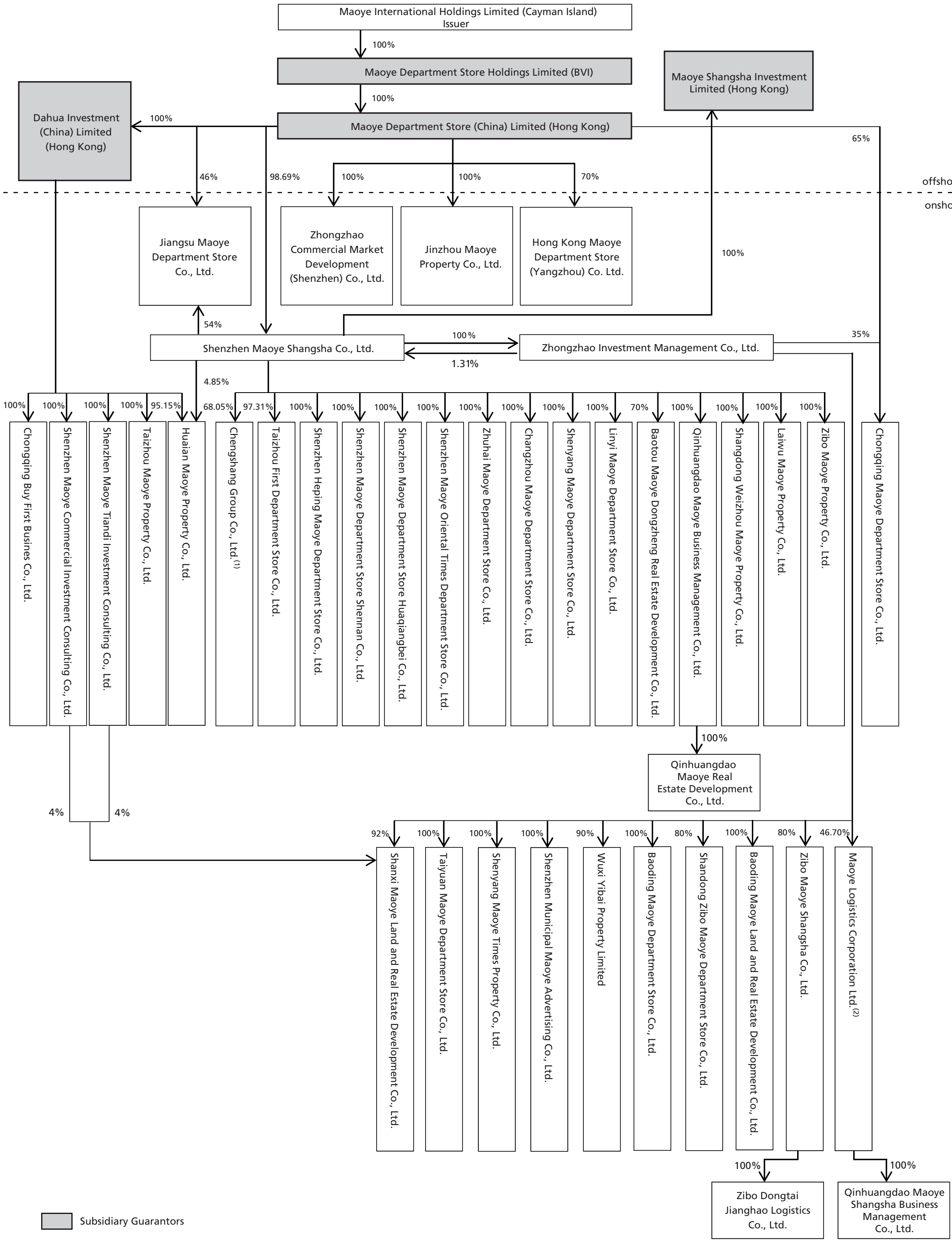
4. Net debt is calculated by subtracting cash and cash equivalents from total debt.

5. Total debt to EBITDA ratio is calculated by dividing total debt by EBITDA.

6. EBITDA to interest ratio is calculated by dividing EBITDA by total interest expense.

CORPORATE STRUCTURE

Our Company was incorporated in the Cayman Islands with limited liability on August 8, 2007. The shares of our Company were listed on the Main Board of the Stock Exchange on May 5, 2008. The following diagram illustrates a summary of our corporate structure, including our major operating subsidiaries as of the date of this Offering Memorandum:



Note:

1. Chengshang Group Co., Ltd. is listed on the Shanghai Stock Exchange (600828).
2. Maoye Logistics Corporation Ltd. is listed on the Shenzhen Stock Exchange (000889).

OVERVIEW

Our department store operations generate revenue predominantly from commissions on concessionaire sales, direct sales and rental income from leasing shop premises. Concessionaire sales refer to arrangements under which we allow suppliers of branded goods (called concessionaires) to occupy designated areas of our stores and sell their merchandise. In return, we receive a commission generally calculated as a percentage of the total sales proceeds of the concessionaires. We believe that selling through concessionary arrangements eliminates our inventory risk and enhances our cashflow, as our concessionaires are responsible for inventory, counter staff and certain other costs, and we collect proceeds before we pay out the concessionaires' portion of the proceeds. We also source and sell merchandise directly and generate rental income from leasing shop premises to operators of other businesses. To enhance customer flow to our stores and provide customers with a "one-stop" shopping experience, we are in the process of introducing more complementary facilities, such as restaurants, coffee shops, hair and beauty salons, kids' playgrounds and cinemas in our department stores. For the years ended December 31, 2011, 2012 and 2013, the revenue generated by our department store operations was RMB3,875.4 million, RMB3,981.4 million and RMB3,919.1 million (US$647.4 million), respectively.

We also engage in property development activities mainly for our owned department store projects to better ensure that the construction, design and facilities of our department stores were carried out at our instructions and tailored to our specific needs and the surroundings and competitive situation at each location. In order to draw customer flow in the locations where we build our stores, we have been increasing the development of commercial complexes which include other developments such as residential buildings and commercial properties. Once the properties are developed and constructed, we sell the residential and office areas and keep the department stores for our own operations. For the years ended December 31, 2011, 2012 and 2013, the revenue generated by our property development operations, after intra-segment eliminations, was RMB231.5 million, RMB353.5 million and RMB690.4 million, respectively.

OUR COMPETITIVE STRENGTHS

A leading department store operator in the PRC with strong brand recognition supported by a large loyal customer base

The high consumer recognition of our brand is also evidenced by the scale of our VIP program. We believe we operate one of the largest VIP programs in terms of the number of VIP members among major PRC department store operators listed in Hong Kong. As of December 31, 2013, we had approximately 3.85 million VIP members. We expect that the continuous growth in the PRC economy, increasing urbanization and increasing domestic consumption will further drive the retail demand in the PRC for mid-to-high end products. With our strong brand recognition in the market, we believe that we are well positioned to capture a significant portion of the growth of the market and further develop our business.

Prime store locations secured by high level of ownership

Our stores are located at prime shopping locations in the main commercial areas of their respective cities, which not only helps attract a high volume and wide range of customers to our stores, but also reinforces our market position and brand recognition in the medium- to high-end retail segment. We own the premises for a majority of our department stores. As of December 31, 2013, we owned the premises of 25 out of 40 of our stores, totalling 857,229 sq.m. in gross floor area and representing approximately 74.6% of the total gross floor area of our department stores (excluding the gross floor area of our three managed stores), which we believe was one of the largest compared to other major PRC department store operators listed in Hong Kong. We believe that this provides us with the certainty that we will always secure and enjoy the benefits of prime locations for these stores. Operating department stores at self-owned properties makes us less vulnerable to the rising rental market in the PRC, allowing us to reduce the risks and costs from the relocation and the resulting interruption of operations, which would arise from a lease termination, and gives us more flexibility in designing, renovating and modelling our stores to tailor them to concessionaire design requirements. Property ownership also provides us with flexibility to lease our store space to third-party service providers if we consider that it helps to enhance the overall service provided at our stores.

Effective and flexible business model with strong concessionaire relationships

We generate the majority of our sales through concessionaire sales. For the years ended December 31, 2011, 2012 and 2013, total sales proceeds from concessionaire sales represented approximately 86.2%, 87.4% and 88.5%, respectively, of the Total Sales Proceeds. Our commissions from concessionaire sales accounted for approximately 45.2%, 45.7% and 42.6% of our revenue for the same periods. We believe that selling through concessionary arrangements eliminates our inventory risk as concessionaires own, and therefore bear the risk of, inventory. By selling through concessionaires, we are able to reduce our costs in establishing and operating department stores and enhance our cashflow as the concessionaires are responsible for various expenses such as counter staff costs and utility expenses and are required to share renovation expenses. Our cashflow is further enhanced under this business model as we collect the gross proceeds from concessionaire counters before we remit to the concessionaires their portion of the proceeds.

OUR STRATEGIES

Continuing to strengthen our store network in the most economically developed regions and the regions with high economic growth in China

We plan to continue to expand our store network mainly through self-developed properties and acquisitions, particularly into the second- or third-tier cities of the most economically developed regions and the regions with high economic growth in China. These mainly include cities where we have already developed department stores. Currently, we plan to develop 14 new projects during the next five years and we plan to focus on expanding our business in eastern, northern and southwestern China, in order to achieve a leadership position in the regions where we have established a presence but are not yet the market leader. In 2012, we acquired three parcels of land located in premium locations in Nanjing, Jiangsu Province, and Laiwu and Weifang in Shandong Province for the development of our new department stores. In 2013, we acquired a piece of land located at a prime location in Zibo National High-tech Industry Development Zone in Shandong Province for the development of an urban commercial complex including department stores.

OUR DEPARTMENT STORE NETWORK

As of December 31, 2013, our total gross floor area amounted to approximately 1,317,287 sq.m., of which 163,613 sq.m were attributable to our three managed stores. Excluding the gross floor area of the managed stores, approximately 74.6% of our store properties by gross floor area were self-owned, approximately 16.5% were leased from connected persons, mainly the Controlling Shareholder Group, and 8.9% were leased from independent third parties.

As of December 31, 2013, we operated 40 stores, and a substantial amount of our revenue was derived from our major stores. In 2013, the aggregate sales proceeds from concessionaire sales for our top ten major stores, Shenzhen Huaqiangbei store, Shenzhen Dongmen store, Taizhou First Department Store, Chengdu Yanshikou Phase I store, Qinhuangdao Xiandai Shopping Plaza, Shenzhen Nanshan store, Chongqing Jiangbei store, Taiyuan Liuxiang store, Qinhuangdao Jindu store and Zhuhai Xiangzhou store, were RMB6,989.7 million (US$1,154.6 million), representing 69.5% of our total sales proceeds from concessionaire sales for the year. Therefore, our business and financial performance would be materially and adversely affected by any circumstances such as fire, water damage, legal restrictions or other causes that adversely affect the operations or business of any of our major stores. Any government development plans around our premises, such as infrastructure construction, may also have an adverse impact on the external traffic flow to our department stores. For example, our Shenzhen Huaqiangbei store experienced slow growth in 2012 and 2013 partly due to ongoing subway construction nearby.

The following table sets out certain operating data of our stores for the years ended December 31, 2011, 2012 and 2013.

	Year ended December 31,			
	2011	**2012**	**2013**	**2013**
	(RMB'000, except %)			**(US$'000)**
				(unaudited)
Total sales proceeds from concessionaire sales	8,992,880	9,672,014	10,060,753	1,661,918
Revenue from direct sales	1,436,983	1,395,226	1,313,610	216,993
Total Sales Proceeds	10,429,863	11,067,240	11,374,363	1,878,911
Percentage of Total Sales Proceeds attributable to total sales proceeds from concessionaire sales (%)	86.2%	87.4%	88.5%	—
Gross margin on merchandise under direct sales arrangement (%)	10.7%	10.0%	9.0%	—
Comprehensive gross margin	22.9%	22.7%	21.9%	—

Expansion Plan

We opened two new stores in Chengdu, Sichuan Province in 2013. We plan to open at least three new stores in 2014. In addition, in December 2013, we acquired a piece of land located at a prime location in Zibo National High-tech Industry Development Zone in Shandong Province at a total consideration of RMB425.75 million. We plan to develop an urban commercial complex which includes department stores on this land.

Currently, we plan to open 14 new stores in Sichuan, Shanxi, Inner Mongolia, Hebei, Jiangsu, Shandong and Liaoning provinces during the next five years. We may consider to develop other new projects when opportunities arise. The projects currently under development include the following:

Province / Region	Stores (City)	Property ownership	Status as of the date of this Offering Memorandum	Approximate gross construction area based on our current plan (sq. m.)	Features
Sichuan	Chengdu South Arcade	Owned	Obtained land use right certificate and building ownership certificate	61,600	Located in the southern economic commercial center
Shanxi	Taiyuan Qinxianjie Project	Owned	Obtained construction planning certificate	69,300	Landmark of Taiyuan
Inner Mongolia	Baotou Project	Owned	Obtained land use right certificate	96,000	Located in the central business district of Baotou

Province / Region	Stores (City)	Property ownership	Status as of the date of this Offering Memorandum	Approximate gross construction area based on our current plan (sq. m.)	Features
Hebei	Baoding Yanzhao Project	Owned	Obtained construction permit	68,300	Located in Baoding first commercial district
Jiangsu	Taizhou East Square Project (first phase)	Owned	Obtained construction permit	84,000	Located in Xiba Kou commercial district
	Wuxi Yibai Project	Owned	Obtained construction permit	85,000	Located in the central location of Wuxi Zhongshan district
	Jiangsu Huai'an Project	Owned	Obtained construction planning certificate	72,000	Located in Yellow River Square commercial district
	Nanjing Fuzi Temple Project	Owned	Obtained construction planning certificate	88,800	Located in the core business district of Fuzi Temple commercial district
	Taizhou East Square Project (second phase)	Owned	Executed land use right grant contract and paid land premium	78,300	Located in Xiba Kou commercial district
Shandong	Laiwu Project	Owned	Executed land use right grant contract	60,000	Located in the core business district of Laiwu City
	Zibo Maoye Time Square (Department Store)	Owned	Obtained the confirmation on obtaining the land use right through listing-for-sale	108,000	Located in Zibo National High-tech Industry Development Zone
	Zibo Maoye Time Square (Shopping Mall)	Owned	Obtained the confirmation on obtaining the land use right through listing-for-sale	150,000	Located in Zibo National High-tech Industry Development Zone

Province / Region	Stores (City)	Property ownership	Status as of the date of this Offering Memorandum	Approximate gross construction area based on our current plan (sq. m.)	Features
	Weifang Project	Owned	Obtained construction planning certificate	78,300	Located in the commercial district of Taihua City
Liaoning	Jinzhou Project	Owned	Obtained construction planning certificate	49,200	Located in the commercial street of the core business district of Jinzhou

In certain cases, we work with the Controlling Shareholder Group in developing property projects for our department stores.

OUR DEPARTMENT STORES OPERATIONS

Concessionaire Sales

For the years ended December 31, 2011, 2012 and 2013, commissions from concessionaire sales accounted for approximately 48.6%, 50.8% and 52.1% of our Total Department Store Revenue, respectively, and total sales proceeds from concessionaire sales represented approximately 86.2%, 87.4% and 88.5%, respectively, of the Total Sales Proceeds.

Direct Sales

Our revenue from direct sales in our department store operations for the years ended December 31, 2011, 2012 and 2013 was RMB1,437.0 million, RMB1,395.2 million and RMB1,313.6 million, respectively. For the years ended December 31, 2011, 2012 and 2013, direct sales accounted for approximately 46.0%, 43.8% and 42.2% of our Total Department Store Revenue and 13.8%, 12.6% and 11.5% of our Total Sales Proceeds, respectively.

Commissions from concessionaire sales accounted for approximately 45.2%, 45.7% and 42.6% of our revenue for the years ended December 31, 2011, 2012 and 2013, respectively. Direct sales accounted for approximately 42.8%, 39.4% and 34.5% of our revenue for the years ended December 31, 2011, 2012 and 2013, respectively.

Store Lease

We lease and sublease designated areas to operators of businesses that we believe are complementary to, and form part of, the shopping experience at our stores. These businesses vary for each store depending on consumer demands and preferences, and include jewelry counters, restaurants, coffee shops, pharmacies, cinemas and beauty and hair salons. These leases usually have terms of one year, although restaurants and beauty and hair salons often have terms ranging from three to five years and cinemas often have terms of over ten years. We generally reserve the right to terminate the leases if the tenants consistently fail to meet predetermined sales targets or under-perform their peers. For the years ended December 31, 2011, 2012 and 2013, rental income accounted for approximately 5.4%, 5.4% and 5.7% of our Total Department Store Revenue, respectively.

OTHER BUSINESSES

We also generate a small amount of revenue from other businesses that our subsidiaries engages in, principally comprising the operation of hotels and the provision of ancillary services, the provision of advertizing services and the construction of television networks. During the years ended December 31, 2011, 2012 and 2013, such operations generated RMB8.1 million, RMB10.9 million and RMB6.9 million of revenue. We plan to gradually dispose of these businesses because we consider them to be noncore businesses.

Our available-for-sale equity investments in listed companies amounted to RMB526.6 million, RMB804.5 million and RMB669.8 million (US$110.6 million) as of December 31, 2011, 2012 and 2013, respectively. In 2013, we generated a gain of RMB101.9 million from the disposal of available-for-sale equity investments,which provided cash in the amount of HK$178.6 million.

EMPLOYEES AND TRAINING

As of December 31, 2013, we had a total of approximately 8,375 employees, of which approximately 12% were mid- to senior-level management and approximately 88% were staff.

PROPERTIES

As of the date of this Offering Memorandum, we have not obtained the building ownership certificates for four of our self owned stores. With respect to our leased stores, the lessors of four of our leased stores have not provided us with all valid title certificates for relevant properties. As a result, the validity of the lease agreements with respect to those properties is uncertain. In addition, we have not completed the registration of lease agreements for 10 of our leased stores. As advised by our PRC legal counsel, however, the failure of registering a lease agreement as required by PRC laws would not affect the validity and enforceability of such lease agreement under the applicable laws and regulations.

LEGAL, COMPLIANCE AND LITIGATION

We may be involved in various legal proceedings and disputes arising from our ordinary course of business from time to time.

Our subsidiary, Chengshang Group, is involved in a dispute over a cooperative operation contract (the "**Cooperation Contract**") with Pacific China. Chengshang Group (including its predecessor) leased the Chengdu Commercial Building to a joint venture company invested by Chengshang Group and Pacific China for the operation of a department store for 21 years from 1994 to 2014. The dispute concerns the rental and profit sharing terms under the Cooperation Contract for the period from January 1, 2011 to December 31, 2014. On April 20, 2012, Chengshang Group received an arbitration award from the China International Economic and Trade Arbitration Commission which, among other things, decided that the Cooperation Contract was terminated on April 20, 2012, and the contract parties should liquidate the joint venture company according to the applicable laws. The arbitral award is silent on profit attributable to Chengshang for the period from January 1, 2011 to the termination of contract, April 20, 2012, which the tribunal left to be determined by mutual agreement between the two parties. The arbitration tribunal also dismissed Chengshang Group's request that Pacific China shall immediately vacate from the Chengdu Commercial Building, and suggested that the vacation shall take place after the liquidation of the joint venture company. After receiving the arbitration award, Pacific China filed with the local court of the PRC to vacate the arbitration award. On October 19, 2012, the court decided that the award was legal and dismissed Pacific China's claim.

On August 2, 2013, Chengshang Group entered into a settlement agreement with Pacific China (the "**Settlement Agreement**") in respect of the dispute. According to the Settlement Agreement, the rental payable to and the profit attributable to Chengshang Group from January 1, 2011 to November 3, 2013 shall be calculated at the rate of RMB78.5 million per year (except for the period from July 14, 2013 to August 2, 2013 during which the relevant department store suspended the operation), and the Chengdu Commercial Building shall be formally returned to Chengshang Group on November 4, 2013. On November 4, 2013, we took back the said building and relevant assets and we opened our Chengdu Chunxi store at the same building on the same day.

In addition, some of our stores have not obtained the Public Gathering Place Fire Safety Inspection Certificate Before Service and Business (《公共聚衆場所投入使用、營業前消防安全檢查合格證》). If we fail to obtain such permits according to applicable PRC laws and regulations and requirements of the authority of fire control, we may be required to terminate the business of the relevant stores, and our business, financial condition and results of operation may be materially and adversely affected. Save as disclosed above, and the proceedings initiated by us regarding the infringement by third parties of our brand name, as of the date of this Offering Memorandum, we were not subject to any material fines, penalties or sanctions by national or local authorities for violations of PRC laws and regulations and were not involved in any material litigation, arbitration or administrative proceedings. So far as the Directors are aware, no such material litigation, arbitration or administrative proceedings are pending or threatened against any member of our Group.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our business operations and working capital requirements, we have borrowed money or incurred indebtedness through the issuance of convertible bonds and short-term and medium-term notes, as well as through bank loans. As of December 31, 2013, our total borrowings amounted to RMB6,770.6 million (US$1,118.4 million). We set forth below a summary of the material terms and conditions of these loans and other indebtedness.

CONVERTIBLE BONDS DUE 2015

On October 13, 2010, we issued a HK$1,165.0 million aggregate principal amount of 3% convertible bonds due 2015 (the "**2015 Convertible Bonds**"). The 2015 Convertible Bonds carry an interest rate of 3% per annum, which is payable semi annually in arrears on April 13 and October 13 of each year.

We have undertaken that, so long as any 2015 Convertible Bonds remain outstanding, we will not, and will procure that none of our subsidiaries will, create or permit to subsist any security interest upon the whole or any part of our present or future undertaking, assets or revenues (including uncalled capital) to secure or guarantee any indebtedness in the form of bond, debenture or other instrument which is listed or traded on any stock exchange or in any securities market indebtedness or guarantee of indebtedness without (a) at the same time or prior thereto securing the 2015 Convertible Bonds equally and ratably to the satisfaction of the trustee or (b) providing such other security for the 2015 Convertible Bonds as the trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the 2015 Convertible Bonds bondholders or as may be approved by an extraordinary resolution of the holders of the 2015 Convertible Bonds.

Pursuant to the trust deed constituting the 2015 Convertible Bonds, the bonds are:

- convertible at the option of the bondholders into ordinary shares on or after November 23, 2010 up to and including October 3, 2015, on the basis of one ordinary share with nominal value of HK$0.1 each at an initial conversion price of HK$4.212, subject to adjustments in certain events;

- redeemable at our option at any time after October 13, 2013 and prior to October 13, 2015 in whole, but not in part, at their principal amount together with interest accrued to the date fixed for redemption, provided that the closing price of our shares for any 20 out of 30 consecutive trading days, the last of which occurs not more than five trading days prior to the date on which notice of such redemption is published, was at least 130% of the prevailing conversion price; and

- redeemable at our option at any time prior to October 13, 2015 in whole, but not in part, at their principal amount together with interest accrued to the date fixed for redemption, provided that prior to the date of notice of such redemption at least 90% in principal amount of the convertible bonds originally issued have already been converted, redeemed or purchased and cancelled.

Unless previously redeemed, converted or purchased or cancelled, any convertible bonds not converted will be redeemed at 100% of their principal amount on October 13, 2015, together with accrued but unpaid interest. As of December 31, 2013, RMB12.0 million in principal amount of the 2015 Convertible Bonds remained outstanding.

SHORT-TERM AND MEDIUM-TERM NOTES

We have issued a series of short-term and medium-term notes in the national inter-bank market in the PRC, after having registered the proposed issues with the National Association of Financial Market Institutional Investors.

On January 9, 2013, Maoye Shangsha completed an offering of three-year notes due January 9, 2016 in a principal amount of RMB800 million. As of December 31, 2013, RMB800 million in principal amount of the notes was outstanding. The notes are not guaranteed. The interest rate is 5.52% per annum.

On March 7, 2013, Chengshang Group completed an offering of one-year notes due March 7, 2014, in a principal amount of RMB150 million. As of December 31, 2013, RMB150 million in principal amount of the notes was outstanding. The notes are not guaranteed. The interest rate is 4.60% per annum.

On March 29, 2013, Maoye Shangsha completed an offering of one-year notes due March 29, 2014, in a principal amount of RMB800 million. As of December 31, 2013, RMB800 million in principal amount of the notes was outstanding. The notes are not guaranteed. The interest rate is 4.59% per annum.

On July 30, 2013, Maoye Shangsha completed an offering of three-year notes due July 30, 2016 in a principal amount of RMB700 million. As of December 31, 2013, RMB700 million in principal amount of the notes was outstanding. The notes are not guaranteed. The interest rate is 6.05% per annum.

On February 24, 2014, Maoye Shangsha completed an offering of three-year notes due February 24, 2017 in a principal amount of RMB700 million. The notes are not guaranteed. The interest rate is 6.70% per annum.

SYNDICATED LOAN

On November 1, 2013, we entered into a syndicated facility agreement pursuant to which a syndicate of lenders made available to us a three-year guaranteed and secured loan in the principal amount of US$195.5 million at an interest rate of LIBOR plus 3.10% per annum. The syndicated loan was jointly arranged by Deutsche Bank AG, Singapore Branch and Bank of China Limited Macau Branch. We are required to repay the loan to the lenders in three instalments with the final repayment date on November 1, 2016. The loan is guaranteed and secured by (i) guarantees provided by our subsidiaries incorporated outside of the PRC (the "**Guarantors**"); (ii) a debenture over the assets of each of us and the Guarantors (except any shares or equity interests held by us or them) and (iii) a legal charge over property outside of the PRC granted by one of our subsidiaries incorporated outside of the PRC. The proceeds of this loan have been applied towards refinancing certain of our existing indebtedness and to meet our working capital requirements.

OTHER PRC BORROWINGS

Certain of our subsidiaries have entered into PRC loan agreements with various banks and financial institutions, including, among others, Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Bank of China, The Bank of East Asia, China Merchants Bank Co., Ltd., China Guangfa Bank Co., Ltd. and China Everbright Bank. These loans are typically for working capital and property development purposes.

Our PRC loans mostly bear interest at floating rates, and the resulting effective rates range from 6.15% to 7.86% per annum. These loans have terms ranging from six months to ten years.

In compliance with the restrictive covenants under some of these loan agreements, our subsidiaries may need to notify the relevant banks of the issuance of the Notes. Other customary covenants included in some of the PRC loan agreements include:

- without the prior consent of the lender, the borrower may not undertake any restructuring or reorganization, transfer any equity, sell, transfer, lend, lease out or otherwise dispose of a material part of its assets, substantially increase its indebtedness, provide guarantees in respect of indebtedness of any third party or grant security interests over its material assets;

- the borrower may not create or permit to exist any security interest over certain assets;
- the lender may require early repayment of the borrower's PRC term loans upon the occurrence of any event that materially and adversely affects the lenders' rights; and
- the lender may demand additional collateral or guarantees if it reasonably believes that the security and guarantees for the PRC term loans in question may be adversely affected.

As of December 31, 2013,

- the Company and its consolidated subsidiaries (including the Non-Guarantor Subsidiaries) had total consolidated indebtedness of approximately RMB6,770.6 million (US$1,118.4 million), of which RMB4,318.9 million (US$713.4 million) was secured; and
- the Non-Guarantor Subsidiaries had total indebtedness of approximately RMB5,599.5 million (US$925.0 million).

In addition, as of December 31, 2013, the Non-Guarantor Subsidiaries had capital commitments and contingent liabilities of approximately RMB2,240.0 million (US$370.0 million) and nil, respectively.