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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 USD DENOMINATED SENIOR GUARANTEED NOTES

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company proposes to conduct an international offering of the Notes 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. Deutsche Bank AG, Singapore Branch, Guotai Junan Securities (Hong Kong) Limited and UBS AG Hong Kong Branch, as joint global coordinators, joint lead managers and joint bookrunners, and China Merchants Securities (HK) Co., Limited, Haitong Bank, S.A., Industrial Bank Co., Ltd. Hong Kong Branch, Orient Securities (Hong Kong) Limited and VTB Capital plc, as joint bookrunners and joint lead managers, are managing the Proposed Notes Issue.

If the Notes are issued, the Company intends to use the net proceeds primarily to supplement its general working capital and repay a portion of its existing indebtedness.

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 proceed. Investors and shareholders of the Company are advised to exercise caution when dealing in the securities of the Company.

Further announcement(s) 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.

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THE PROPOSED NOTES ISSUE

Introduction

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

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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.

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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 shopping centers and property development in the PRC, and is a leading retail chain operator in the affluent regions throughout the PRC. The Company is focused on developing more stores, mainly in the second and third-tier cities and in the most economically developed regions and regions with high economic growth in the PRC.

If the Notes are issued, the Company intends to use the net proceeds primarily to supplement its general working capital and repay a portion of its existing indebtedness.

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

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Company”	Maoye International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“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 United States dollar denominated senior notes expected to be issued by the Company and guaranteed by the Subsidiary Guarantors

“PRC”	the People’s Republic of China and for the purposes of this announcement, excluding Hong Kong, Macau 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
“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, 17 October 2017

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Huang Mao Ru, Mr. Zhong Pengyi and Mr. Liu Bo; one non-executive director, namely 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

OUR STRATEGIES

We plan to become the leading nationwide department store and shopping center chain operator in China, and to continue to enhance our profitability through the following strategies:

Continuing to strengthen our store network in the four core regions and enhance our market share

We plan to continue to expand our store network mainly through self-developed properties, particularly into the second or third tier cities in the core four regions of southern China, southwestern China, northern China and eastern China. These will mainly include cities where we have already developed department stores and/or shopping centers. Currently, we plan to develop five new projects during the next three years including the Jinzhou Shopping Mall, Laiwu Shopping Mall, Baotou Maoye Complex Phase 2, Taizhou Maoye Complex Phase 2 and Qinhuangdao Maoye Complex. We also plan to focus on expanding our business in northern and eastern China, in order to achieve a leading position in regions where we have established a retail presence but are not yet the market leader. For more details, see “— *Our Department Store Network — Expansion Plan.*”.

We plan to widen and further distinguish our leading position in our existing areas of operations by consolidating existing stores in cities where we already operate. In 2016, we acquired two department stores under Chengdu Renhe Chuntian, as well as a number of department stores, shopping centers and supermarkets under the Inner Mongolia Victory Group. The acquisition of these stores significantly enhanced our market share in the southwestern and northern China regions.

We aim to eventually open three to five department stores, with at least one flagship store, in each city where we establish a presence to achieve economies of scale and to enhance the synergies arising from having multiple stores in one area. Our flagship stores, operating together with our other stores located in the same area allow us to negotiate more effectively with concessionaires and vendors to obtain better terms and increase our influence over the local market. We believe we can benefit from in-depth collaboration with concessionaires and other merchandise vendors, and enhance our operational efficiency, as well as achieve higher recognition of our market leadership.

Perfecting our marketing strategy and branding system, and utilize electronic means to improve store performance across our nationwide network

We currently operate department stores and shopping centers by a number of main brands including “Maoye Department Store”, “Maoye Complex”, “People’s Department Store”, “Renhe Chuntian” and “Victory”. We have received extensive consumer recognition and our brands are recognised at the regional level. We aim to tailor our operation and marketing strategies for stores in each region based on locally recognized brands whilst leveraging on the nationwide network to share resources. We have also designed and developed a more advanced enterprise resource planning (“ERP”) system to enhance information sharing among our employees and merchandise vendors to improve efficiency and to provide supplier support to acquired businesses, which in turns helps to facilitate a quick turn around of the businesses. By focusing on the strengths of each of our individual brands and pooling our resources and expertise, we aim to improve operational efficiency and comprehensively enhance store profitability.

Disposing of non-core assets and sales of properties to improve our overall financial performance

We aim to dispose of our non-core assets and non-profitable stores to improve our financial performance and to focus on our core retail business. In January 2017, we disposed of 70,000,000 shares in Maoye Communication held by our wholly-owned subsidiary Zhongzhao. We received a one-time investment gain of approximately RMB460 million (after deducting taxes and transaction costs) from the transaction, which was mainly used for repayment of borrowings and supplementing working capital. The transaction also helped to improve the financial performance of our Group and to allow us to focus on developing our retail business.

We also aim to complete the sale of our ongoing residential, apartment and office real estate projects to more quickly recognize the revenue from these projects and to improve our overall financial performance. For the years ended December 31, 2015 and 2016 and for the six months ended June 30, 2017, we recorded property sales revenue of RMB730.4 million, RMB1,927.6 million, RMB531.5 million, respectively. We aim to facilitate the completion of our residential, apartment, office and store projects, which are still under construction in places such as Taiyuan, Taizhou, Wuxi, Chengdu, Shenyang, Jinzhou, Laiwu, Zibo, Qinhuangdao, Baoding and Baotou. We will continue to launch the aforementioned real estate projects into the market in the future in order to recognise the revenue from the sale of the properties.

Focusing on innovation of goods and services to cater for the demands of consumers

To further enhance our interaction with customers and understand customers' needs, we plan to continue developing market segmentation by adjusting our merchandise mix from time to time to better cater to the preferences of our targeted customers in the high-end and stylish, young and creative, and lifestyle market segments. We plan to develop distinct marketing strategies with respect to different stores, taking into account factors such as consumption patterns and local preferences in our stores' respective locations. Building on our understanding of the market and our sourcing capability, our goal is to present different merchandise mixes for different market segments in order to meet the demands of our targeted customer groups for various brands, styles and prices. We also aim to increase the proportion of our ancillary facilities, such as food and beverage, leisure and entertainment facilities, to satisfy the consumers' demand for experiential consumption in order to enhance customer retention.

In addition, recognizing the challenges presented by internet-based e-commerce, we plan to differentiate ourselves by focusing on enhancing customers' shopping experience at our stores. We believe that the physical shopping experience remains irreplaceable, especially with respect to certain products such as women's apparel, which requires a better fitting experience and other services that cannot be experienced through on-line shopping. We plan to further optimize our store layout, renovate our stores and regularly improve our stores' decor. When designing the product mix and arranging our sales floor area, we plan to place more emphasis on the products for which physical stores have particular strengths relative to on-line retailers, and reduce the product offerings which, in our view, enjoy less of a competitive edge over e-commerce businesses.

On the other hand, we also actively explore innovative ways to better service our customers and satisfy their experiential consumption needs. We will continue to develop and upgrade our online customer service system "Mao Yue Hui" (茂悦荟) and expand the functions of our online shopping platform "Mao Le Hui". These promote the integration of online applications and offline traffic and improve store performance.

We believe that, by providing a wide range of services both online and in our shopping centers to accommodate our customers' needs as well as a better shopping environment, we will be able to provide our customers with a more comprehensive and enjoyable shopping experience, thereby increasing customer flow at our stores and lengthening the duration of their stay to encourage increased spending.

Transforming our core department stores into shopping centers to adapt to evolving market conditions

Our department stores and shopping centers carry a large number of well-known brands from China and overseas and offer an extensive range of merchandise to appeal to our customers' various shopping preferences. To enhance customer flow to our stores and provide customers with a "one-stop" shopping experience, we are in the process of transforming a number of our core department stores into shopping centers in order to provide customers with a diverse combination of shopping, catering, leisure and entertainment experiences.

As of June 30, 2017, we have completed projects for transforming more than 10 of our existing stores into shopping centers, including the Huaqiangbei store and Qinhuangdao Jindu store. We have also focused on transforming certain shopping center projects into a "Maoye Complex" mixed-use commercial complex in order to enhance our branding and positioning in regional markets. We believe that by providing customers with a diverse combination of shopping, catering, leisure and entertainment experiences to cater to their demands, we are well positioned to capture a significant portion of market growth and further develop our business.

Continuing to consolidate acquired stores in order to establish a market leading position in core markets

We believe that our track record in identifying, acquiring and successfully integrating suitable acquisition targets demonstrates our management's vision and execution and integration capabilities. In the past, we have been able to improve the profitability of a number of our acquired stores within a short period of time, including Maoye Commercial, Taizhou FD, Maoye Logistics and Victory.

With our nationwide resources, well-established management experience and information systems, we aim to implement our operational, financial, management and strategic know-how in order to enhance the operational capability and profitability of the acquired stores, such as Victory, Rendong Department Store and Guanghua Department Store. We also aim to promote better cooperation between management at each acquired store and to improve resource sharing between the acquired stores and the rest of our stores in order to capitalise on the synergies between the stores in each region.

Expansion Plan

To select cities for expansion, we focus on cities with strong economic and growth potential, relatively high levels of per capita gross domestic product, total consumer retail spending and per capita disposable income of urban residents, less intense competition, and where we have an opportunity to achieve market leadership. Within the selected cities, we seek to open stores at prime locations within traditional central commercial districts, or within newly developed commercial districts if factors such as local governments' development plans, neighborhood environment and transportation accessibility are favourable. In each of our target cities, we plan to eventually open two to three department stores and/or shopping centers and establish a leadership position.

We plan to continue to build and operate sizeable flagship shopping malls with a total gross floor area of approximately 377,500 sq.m. We consider 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 us, and help enhance our profitability and our corporate image.

Currently, we have five projects under development in Jiangsu, Liaoning, Shandong, Inner Mongolia and Hebei provinces during the next three years. These projects are mixed-use city complexes, which include stores, residences, apartments and offices. The details of the projects under development are set out in the following table:

Store Name	Region	Province	Owned/Leased	GFA (sq.m.)	Store Feature
Jinzhou Shopping Mall	Northern	Liaoning	Owned	49,200	Located in a key business center in Jinzhou on a commercial avenue
Laiwu Shopping Mall	Eastern	Shandong	Owned	60,000	Located in a key district in Laiwu
Baotou Maoye Complex Phase II	Northern	Inner Mongolia	Owned	30,000	Located in the central business district in Baotou
Taizhou Maoye Complex Phase II	Eastern	Jiangsu	Owned	78,300	Located in the Xibakou business center
Qinhuangdao Maoye Complex	Northern	Hebei	Owned	160,000	Located downtown in the secondary business center in Qinhuangdao