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L'ORÉAL

L'Oréal S.A.

(Incorporated in France as a société anonyme)



MAGIC HOLDINGS INTERNATIONAL LIMITED

美即控股國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1633)

JOINT ANNOUNCEMENT

**(1) PRE-CONDITIONAL PROPOSAL FOR ALL THE ISSUED SHARES OF
MAGIC HOLDINGS INTERNATIONAL LIMITED
BY L'ORÉAL S.A.**

**BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW)
(2012 REVISION) OF THE CAYMAN ISLANDS)**

and

(2) RULE 25 TRANSACTION UNDER THE TAKEOVERS CODE

and

**(3) DIRECTOR'S SERVICE AGREEMENT SUBJECT TO INDEPENDENT
SHAREHOLDERS' APPROVAL UNDER RULE 13.68 OF THE LISTING RULES**

and

**(4) PROPOSED WITHDRAWAL OF LISTING OF
MAGIC HOLDINGS INTERNATIONAL LIMITED**

and

(5) RESUMPTION OF TRADING IN SHARES

Financial Adviser to L'Oréal S.A.



BNP PARIBAS

CORPORATE & INVESTMENT BANKING

THE PROPOSAL

The respective directors of the Offeror and the Company jointly announce that on 12 August 2013, the Offeror requested that the Board put forward the Proposal to the Scheme Shareholders for a proposed acquisition of all of the issued shares of the Company by way of a scheme of arrangement under Section 86 of the Companies Law.

The Scheme will provide that the Shares will be cancelled for HK\$6.30 in cash for each Share and new Shares representing the same number of Shares cancelled will be allotted and issued to the Offeror.

THE PRE-CONDITIONS

The making of the Proposal is, and the implementation of the Scheme will be, conditional upon the satisfaction or waiver of the Pre-Conditions as described below in the section headed “Pre-Conditions of the Proposal and the Scheme” on or before the Pre-Conditions Long Stop Date, failing which the Proposal will not be made.

THE SCHEME

Under the Scheme, the total consideration payable for cancellation of the Shares will be payable by the Offeror.

The Cancellation Price represents a premium of approximately:

- 24.8% over the closing price of HK\$5.05 per Share as quoted on the Stock Exchange on the Last Trading Day;
- 25.7% over the average closing price of approximately HK\$5.01 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day; and
- 29.9% over the average closing price of approximately HK\$4.85 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day.

Mr. She, an executive director of the Company, will serve as chief executive officer of the Magic Group and director of Magic Holdings Group Limited, a wholly-owned subsidiary of the Company, in order to continue to contribute to the growth and development of the business of the Company and work with the Offeror to further build the Magic brand upon the Scheme becoming effective. As Mr. She is interested in the Service Agreement and the completion of the Scheme is conditional upon the passing of an ordinary resolution by the Independent Shareholders at an extraordinary general meeting of the Company to approve the terms of the Remuneration Package, Mr. She has and will abstain from voting at meetings of the Board on matters in relation to the Service Agreement, the Remuneration Package and the Scheme to avoid a conflict of interest, and Mr. She, his spouse, the Share Award Plan Trustee and his associates (who collectively held 142,581,918 Shares as at the Latest Practicable Date, representing approximately 13.74% of the issued share capital of the Company) will abstain from voting on the Scheme at the Court Meeting and on the Service Agreement and the Remuneration Package at the Company’s extraordinary general meeting.

SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$200,000,000 divided into 2,000,000,000 shares, and the issued share capital of the Company was HK\$103,789,273.6 divided into 1,037,892,736 Shares. As at the Latest Practicable Date, the Shares represented the entire issued share capital of the Company.

OTHER SECURITIES

As at the Latest Practicable Date, there were 21,121,989 Shares held by the Share Award Plan Trustee under the Share Award Plan, of which 17,037,960 Awarded Shares were awarded to the grantees under the Share Award Plan but have not been vested in the grantees of such Awarded Shares in accordance with the terms of their grant. The remaining 4,084,029 Shares were held by the Share Award Plan Trustee in accordance with the terms of the Share Award Plan, for the purpose of, among others, satisfying future share awards made by the Company pursuant to the Share Award Plan. The Company intends to procure that any consideration payable by the Offeror to the Share Award Plan Trustee as a Scheme Shareholder pursuant to the Scheme shall be held on trust for the grantees of the Awarded Share(s). Such amounts shall be paid by the Share Award Plan Trustee to the grantees of the Awarded Share(s) by reference to the number of Awarded Share(s) attributable to such grantees on the Record Date as soon as possible within seven business days following the date on which the Share Award Plan Trustee receives such amounts from the Offeror under the Scheme. Further, as at the Latest Practicable Date, there were no outstanding Options to subscribe for Shares, and there were no warrants or other securities convertible into Shares. In the event if there is any outstanding Option as at the Record Date, the Offeror will make (or procure to be made on its behalf) an appropriate offer to the Optionholders in accordance with Rule 13 of the Takeovers Code.

FINANCIAL RESOURCES

The amount of cash required for the Proposal and the Scheme is HK\$6,538.7 million (not taking into account any further issue or repurchase of Shares or grant of Options before the Record Date).

The Offeror intends to finance the cash required for the Proposal and the Scheme from the internal financial resources of the Offeror Group. BNP Paribas SA (the parent company of BNP Paribas group) has also granted the Offeror a credit facility in the amount of EUR650 million (equivalent to approximately HK\$6,741.4 million), which may be used by the Offeror to finance the Proposal and the Scheme, if necessary. BNP Paribas, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for the full implementation of the Proposal and the Scheme.

IRREVOCABLE UNDERTAKINGS

The Founders, Baring, Greenwoods and Atlantis on behalf of each Atlantis Investor have each given an irrevocable undertaking to the Offeror. Further information on the irrevocable undertakings is set below out in the section headed “Irrevocable Undertakings”.

INDEPENDENT BOARD COMMITTEES

The Independent Board Committee, which comprises all the non-executive directors of the Company, namely Mr. Sun Yan, Mr. Chen Dar Cin, Mr. Yan Kam Tong, Professor Dong Yin Mao and Professor Yang Rude, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the Proposal, the Scheme and the Remuneration Package are, or are not, fair and reasonable and as to voting.

In addition, pursuant to Rule 13.68 of the Listing Rules, the Listing Rules Independent Board Committee, which comprises all the independent non-executive directors of the Company, namely Mr. Yan Kam Tong, Professor Dong Yin Mao and Professor Yang Rude, has been established by the Board to form a view in respect of the Service Agreement and to make a recommendation to the Independent Shareholders as to whether the terms of the Service Agreement are, or are not, fair and reasonable and in the interests of the Company and its shareholders as a whole and on how to vote.

INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEES

The executive directors of the Company believe that the terms of the Proposal, the Scheme, the Remuneration Package and the Service Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

An independent financial adviser will be appointed (with the approval of the Independent Board Committees) to advise the Independent Board Committees in connection with the Proposal, the Scheme, the Remuneration Package and the Service Agreement. An announcement will be made by the Company as soon as possible after the appointment of such independent financial adviser.

DESPATCH OF SCHEME DOCUMENT

Subject to and after the satisfaction, or waiver, as applicable, of the Pre-Conditions, the Scheme Document containing, among other things, further details of the Proposal, the Scheme, the expected timetable of principal events, an explanatory memorandum as required under the Companies Law and the Grand Court Rules of the Cayman Islands 1995 (revised), information regarding the Company, recommendations from the Independent Board Committees with respect to the Proposal, the Scheme, the Remuneration Package and the Service Agreement, the letter of advice from the independent financial adviser to the Independent Board Committees, a notice of the Court Meeting and a notice of an extraordinary general meeting of the Company, together with voting instructions for use by custodians and forms of proxy in relation to such meetings, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Listing Rules, the Companies Law, the Grand Court and other applicable regulations.

The Offeror has applied to the Executive for its consent pursuant to Note 2 to Rule 8.2 of the Takeovers Code to the despatch of the Scheme Document within seven days after the Pre-Conditions are satisfied, or waived, as applicable (or such later date to which the Executive, at the request of the Offeror, may consent).

WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, it is anticipated that listing of the Shares on the Stock Exchange will be withdrawn and terminated.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The listing of the Shares on the Stock Exchange will not be withdrawn if the Pre-Conditions are not satisfied, or waived, as applicable, the Scheme does not become effective or the Proposal otherwise lapses.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 12 August 2013 (Hong Kong time), pending the issuance of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 16 August 2013 (Hong Kong time).

Shareholders and potential investors should be aware that the making of the Proposal and the implementation of the Scheme is subject to the satisfaction, or waiver, as applicable, respectively, of the Pre-Conditions and the Conditions and thus the Proposal may or may not be made and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the Shares and any rights in respect of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

INTRODUCTION

On 12 August 2013, the Offeror requested that the Board put forward the Proposal to the Scheme Shareholders for the proposed acquisition of all of the issued shares of the Company by way of a scheme of arrangement under Section 86 of the Companies Law, subject to the satisfaction, or waiver, as applicable, of the Pre-Conditions and the Conditions.

TERMS OF THE PROPOSAL

The Scheme

Subject to the Scheme becoming effective, the Shares will be cancelled and, in exchange, each Scheme Shareholder will be entitled to receive:

for every Share HK\$6.30 in cash

Under the Scheme, the total consideration payable for cancellation of the Shares will be payable by the Offeror.

The Cancellation Price of HK\$6.30 per Share represents a premium of approximately:

- 24.8% over the closing price of HK\$5.05 per Share as quoted on the Stock Exchange on the Last Trading Day;
- 26.8% over the average closing price of approximately HK\$4.97 per Share based on the daily closing prices as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- 25.5% over the average closing price of approximately HK\$5.02 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- 25.7% over the average closing price of approximately HK\$5.01 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- 29.9% over the average closing price of approximately HK\$4.85 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day; and
- 66.7% over the average closing price of approximately HK\$3.78 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day.

Awarded Shares

As the terms of the Share Award Plan do not give grantees of Awarded Shares any legal or beneficial rights to Awarded Share(s) prior to their vesting, the Offeror will not be making an offer to the grantees of Awarded Shares under the Share Award Plan. The Company intends to procure that any consideration payable by the Offeror to the Share Award Plan Trustee as a Scheme Shareholder pursuant to the Scheme shall be held on trust for the grantees of the Awarded Share(s). Such amounts shall be paid by the Share Award Plan Trustee to the grantees of the Awarded Share(s) by reference to the number of Awarded Share(s) attributable to such grantees on the Record Date as soon as possible within seven business days following the date on which the Share Award Plan Trustee receives such amounts from the Offeror under the Scheme. Further information on these arrangements will be announced by the Offeror and the Company at an appropriate time and set out in the Scheme Document.

Total consideration

On the basis of the Cancellation Price of HK\$6.30 per Share and 1,037,892,736 Shares, (which include the Awarded Shares) in issue as at the Latest Practicable Date, the Shares are in aggregate valued at approximately HK\$6,538.7 million. As at the Latest Practicable Date, there are no outstanding options, warrants, derivatives or other securities issued by the Company that carry a right to subscribe for or which are convertible into Shares.

The total amount of cash required to effect the Proposal and the Scheme is HK\$6,538.7 million.

The Offeror intends to finance the cash required for the Proposal and the Scheme from the internal financial resources of the Offeror Group. BNP Paribas SA (the parent company of BNP Paribas group) has also granted the Offeror a credit facility in the amount of EUR650 million (equivalent to approximately HK\$6,741.4 million), which may be used by the Offeror to finance the Proposal and the Scheme, if necessary. BNP Paribas, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror for the implementation of the Proposal and the Scheme.

Under the Scheme, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Shares, and forthwith upon such reduction, the share capital of the Company will be increased to its former amount by the issuance at par to the Offeror credited as fully paid of the same number of Shares as is equal to the number of Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror.

PRE-CONDITIONS OF THE PROPOSAL AND THE SCHEME

The making of the Proposal is, and the implementation of the Scheme will be, subject to the following pre-conditions:

- (a) a filing having been submitted to and accepted by MOFCOM under the Anti Monopoly Law of the PRC and the Proposal having been cleared or, through the expiration of the relevant statutory time periods for review by MOFCOM, having been deemed to have been cleared by MOFCOM under the Anti Monopoly Law of the PRC, with or without conditions, on terms reasonably satisfactory to the Offeror;
- (b) if required by law, any consent or approval of any other PRC governmental or regulatory body in relation to the Scheme or the completion thereof having been obtained on terms satisfactory to the Offeror;
- (c) each of Mr. Xiaoyu Gou, Mr. Kejiao Zhou, Mr. Kejiao Zhou and Mr. Guohan Wu, each as a nominee shareholder holding shares in various Magic Group companies for the benefit of the Magic Group, and Magic Cosmetics Company Limited, Guangzhou Shengfengyuan Asset Management Co., Ltd., Chongqing Langhe Cosmetics Co., Ltd. and Guangzhou Magic Cosmetics Co., Ltd., each as the beneficial shareholder of the shares in the relevant Magic Group companies being currently held by the above nominees, respectively, having executed a termination agreement to terminate the nominee arrangements affecting Guangzhou Shengfengyuan Asset Management Co., Ltd., Guangzhou Zhonghe Cosmetics Co., Ltd., Guangzhou Magic Cosmetics Co., Ltd. and Nanjing Qianda Cosmetics Co., Ltd., respectively; and
- (d) up to and including the date that all other Pre-Conditions having been satisfied, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a Material Adverse Effect on the Magic Group.

The Offeror reserves the right to waive Pre-Conditions (c) and (d), either in whole or in part, either generally or in respect of any particular matter. The Pre-Conditions set out in paragraphs (a) and (b) cannot be waived in any event. It is envisaged that filing to MOFCOM under the Anti Monopoly Law of the PRC will be made shortly after the Announcement Date. Upon receipt of such a filing, MOFCOM will assess the filing for completeness and may issue requests for clarification and/or additional information. MOFCOM will accept the filing and commence the first phase of investigation when it considers the filing, together with any responses to its requests, satisfactory. There is no time limit prescribed under the Anti Monopoly Law on the duration of this process. Once the filing is accepted, MOFCOM must decide within 30 calendar days whether or not to clear the proposed transaction or whether to conduct further investigation. During any further investigation, MOFCOM must, within 150 calendar days, decide whether to clear the transaction, clear the transaction subject to conditions/remedies or to prohibit it. All references to the Proposal and the Scheme in this announcement are references to the possible Proposal and Scheme which will be implemented if and only if the Pre-Conditions are satisfied, or waived, as applicable.

The Offeror and the Company will issue a Further Announcement as soon as practicable after the Pre-Conditions have been satisfied, or waived, as applicable, or if the Pre-Conditions have not been satisfied, or waived, as applicable, by the Pre-Conditions Long Stop Date and the Proposal will not be made.

If the Pre-Conditions are not satisfied, or waived, as applicable, by the Pre-Conditions Long Stop Date, the Proposal will not be made and the Scheme will not be implemented (unless the Offeror extends the Pre-Conditions Long Stop Date with the consent of the Company), and Shareholders will be notified by a Further Announcement as soon as practicable thereafter.

CONDITIONS OF THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the satisfaction, or waiver, as applicable, of the following conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting, provided that:
 - (i) the Scheme is approved (by way of poll) by Independent Shareholders holding at least 75% of the votes attaching to the Shares held by Independent Shareholders that are voted either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of poll) by Independent Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Shares held by all the Independent Shareholders;

- (b) (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at an extraordinary general meeting of the Company to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Shares, and (ii) the passing of an ordinary resolution by the Shareholders at an extraordinary general meeting of the Company to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Shares and apply the reserve created as a result of the aforesaid cancellation of the Shares to pay up in full at par such number of new Shares as is equal to the number of Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Offeror;
- (c) (i) the receipt of an opinion from the independent financial adviser to the Independent Board Committee confirming that the terms of the Remuneration Package are fair and reasonable, and (ii) the passing of an ordinary resolution by the Independent Shareholders at an extraordinary general meeting of the Company to approve the terms of the Remuneration Package;
- (d) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;
- (e) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Law in relation to the reduction of the issued share capital of the Company;
- (f) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal having been obtained from, given by or made with (as the case may be) the Relevant Authorities, in the Cayman Islands, Hong Kong, the PRC, France and any other relevant jurisdictions;
- (g) all necessary authorisations, registrations, filings, rulings, consents, opinions, permissions and approvals in connection with the Proposal remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (h) all necessary consents which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the Company being obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a Material Adverse Effect on the Magic Group;

- (i) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme; and
- (j) since the Announcement Date there having been no Material Adverse Effect on the Magic Group.

The Offeror reserves the right to waive Conditions (f), (g), (h), (i) and (j) either in whole or in part, either generally or in respect of any particular matter. Conditions (a), (b), (c), (d) and (e) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal. All of the above Conditions will have to be satisfied, or waived, as applicable, on or before the Conditions Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Executive may consent to and the Grand Court may direct), failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the Conditions.

Warnings:

Shareholders and potential investors should be aware that the making of the Proposal and the implementation of the Scheme is subject to the satisfaction, or waiver, as applicable, respectively, of the Pre-Conditions and the Conditions, and thus the Proposal may or may not be made and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the Shares and any rights in respect of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$200,000,000 divided into 2,000,000,000 shares, and the issued share capital of the Company was HK\$103,789,273.6 divided into 1,037,892,736 Shares. As at the Latest Practicable Date, the Shares represent the entire issued share capital of the Company.

On the assumption that no Awarded Shares are vested in the grantees of the Awarded Shares before the Record Date, and the assumption that there is no other change in shareholdings, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Upon completion of the Proposal	
	Number of Shares	%	Number of Shares	%
Offeror	—	—	1,037,892,736	100
Relevant members of BNP Paribas group	<u>132,000</u>	<u>0.01</u>	<u>—</u>	<u>—</u>
Aggregate number of Shares of the Offeror and the Offeror Concert Parties	132,000	0.01	1,037,892,736	100
Mr. She ^{1, 8}	121,459,929	11.70	—	—
Share Award Plan Trustee ^{2, 8}	<u>21,121,989</u>	<u>2.04</u>	<u>—</u>	<u>—</u>
Aggregate number of Shares not voting on the Scheme	<u>142,713,918</u>	<u>13.75</u>	<u>—</u>	<u>—</u>
Mr. Tang Siu Kun Stephen ³	93,282,091	8.99	—	—
Mr. Luo Yao Wen ⁴	38,097,345	3.67	—	—
Mr. Sun Yan ⁵	360,000	0.03	—	—
Mr. Yan Kam Tong ⁵	360,000	0.03	—	—
Professor Yang Rude ⁵	130,000	0.01	—	—
Baring ⁶	217,295,000	20.94	—	—
Greenwoods Asset Management Limited	99,228,824	9.56	—	—
Atlantis Capital Holdings Limited ⁷	90,856,579	8.75	—	—
Other public Shareholders	355,568,979	34.27	—	—
Total number of Independent Shareholders	<u>895,178,818</u>	<u>86.25</u>	<u>—</u>	<u>—</u>
Total	<u>1,037,892,736</u>	<u>100.00</u>	<u>1,037,892,736</u>	<u>100.00</u>
Total number of Shares	1,037,892,736	100.00		

Notes:

- As at the Latest Practicable Date, SPVCo, a company wholly-owned by Mr. She, is the beneficial owner of 120,955,754 Shares. Wu Xiao Qing, the spouse of Mr. She, is the beneficial owner of 504,175 Shares. Mr. She is therefore deemed to be interested in the Shares which SPVCo and Wu Xiao Qing are interested in under the SFO.

2. As at the Latest Practicable Date, the Share Award Plan Trustee held 21,121,989 Shares, of which 17,037,960 were Awarded Shares, and 2,407,028 Awarded Shares were granted to Mr. Tang Siu Kun Stephen, 3,114,977 Awarded Shares were granted to Mr. She, and 959,665 Awarded Shares were granted to Mr. Luo Yao Wen, each an executive director of the Company, 503,430 Awarded Shares were granted to the spouse of Mr. She and 78,660 Awarded Shares were granted to a sister of Mr. She. The remaining 9,974,200 Awarded Shares held by the Share Award Plan Trustee were granted to other members of senior management and employees of the Magic Group.
3. As at the Latest Practicable Date, Mr. Tang Siu Kun Stephen directly and beneficially owns 2,888,020 Shares. Mr. Tang Siu Kun Stephen wholly owns MG Company Limited and Charm Magna Limited, which are the beneficial owners of 63,301,170 Shares and 27,092,901 Shares, respectively. Mr. Tang Siu Kun Stephen is therefore deemed to be interested in the Shares which MG Company Limited and Charm Magna Limited are interested in under the SFO.
4. As at the Latest Practicable Date, Mr. Luo Yao Wen wholly owns Multiple Gains Investments Limited, which is the beneficial owner of 37,327,899 Shares. Wen Yan Juan, the spouse of Mr. Luo Yao Wen, is the beneficial owner of 769,446 Shares. Mr. Luo Yao Wen is therefore deemed to be interested in the Shares which Multiple Gains Investments Limited and Wen Yan Juan are interested in under the SFO.
5. Mr. Sun Yan is a non-executive director of the Company. Each of Mr. Yan Kam Tong and Professor Yang Rude is an independent non-executive director of the Company.
6. Baring Private Equity Asia GP V Limited is the general partner of a limited partnership (Baring Private Equity Asia GP V LP), which is the general partner of another limited partnership (The Baring Asia Private Equity Fund V LP), which is one of the limited liability partnerships comprising The Baring Asia Private Equity Fund V and which controls more than one-third of the issued shares in Baring. Jean Eric Salata is the sole shareholder of Baring Private Equity Asia GP V Limited. Each of Baring Private Equity Asia GP V Limited and Jean Eric Salata is therefore deemed to be interested in 217,295,000 Shares held by Baring. Jean Eric Salata disclaims beneficial ownership of such Shares, other than to the extent of his economic interest in such entities.
7. Among the 90,856,579 Shares, (i) 42,260,318 Shares are held by various portfolios managed by Atlantis, and (ii) 48,596,261 Shares are owned by a fund to which Riverwood Asset Management (Cayman) Limited is the investment manager and Atlantis is the sub-investment manager. Atlantis is a wholly-owned subsidiary of Atlantis Capital Holdings Limited, an entity controlled by Yang Liu.
8. As Mr. She is interested in the Service Agreement, and the completion of the Scheme is conditional upon the passing of an ordinary resolution by the Independent Shareholders at an extraordinary general meeting of the Company to approve the terms of the Remuneration Package, to avoid a conflict of interest, Mr. She, his spouse, the Share Award Plan Trustee and his associates will abstain from voting on the Scheme at the Court Meeting and on the Service Agreement and the Remuneration Package at the Company's extraordinary general meeting.

Following the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange, the Offeror will hold all of the issued share capital of the Company.

As at the Latest Practicable Date, the Offeror did not hold any Shares, and the Offeror Concert Parties held in aggregate 132,000 Shares, representing approximately 0.01% of the issued share capital of the Company. Save for the above, the Offeror and the Offeror Concert Parties do not control or direct the control of any other Shares.

As at the Latest Practicable Date, there were no outstanding Options to subscribe for Shares, and there were no warrants or other securities convertible into Shares. In the event if there is any outstanding Option as at the Record Date, the Offeror will make (or procure to be made on its behalf) an appropriate offer to the Optionholders in accordance with Rule 13 of the Takeovers Code.

As at the Latest Practicable Date, there were 21,121,989 Shares held by the Share Award Plan Trustee under the Share Award Plan, of which 17,037,960 were Awarded Shares and 2,407,028 Awarded Shares were granted to Mr. Tang Siu Kun Stephen, 3,114,977 Awarded Shares were granted to Mr. She, 959,665 Awarded Shares were granted to Mr. Luo Yao Wen, each an executive director of the Company, 503,430 Awarded Shares were granted to the spouse of Mr. She and 78,660 Awarded Shares were granted to a sister of Mr. She. The remaining 9,974,200 Awarded Shares were granted to other members of senior management and employees of the Magic Group. The remaining 4,084,029 Shares were held by the Share Award Plan Trustee in accordance with the terms of the Share Award Plan, for the purpose of, among others, satisfying future share awards made by the Company pursuant to the Share Award Plan. As the terms of the Share Award Plan do not give grantees of Awarded Shares any legal or beneficial rights to Awarded Share(s) prior to their vesting, the Offeror will not be making an offer to the grantees of the Share Award Plan. The Company intends to procure that any consideration payable by the Offeror to the Share Award Plan Trustee as a Scheme Shareholder pursuant to the Scheme shall be held on trust for the grantees of the Awarded Share(s). Such amounts shall be paid by the Share Award Plan Trustee to the grantees of the Awarded Share(s) by reference to the number of Awarded Share(s) attributable to such grantees on the Record Date as soon as possible within seven business days following the date on which the Share Award Plan Trustee receives such amounts from the Offeror under the Scheme. Further information on these arrangements will be announced by the Offeror and the Company at an appropriate time and set out in the Scheme Document.

As at the Latest Practicable Date, there were no options, warrants or convertible securities in respect of the Shares held, controlled or directed by the Offeror or the Offeror Concert Parties or outstanding derivatives in respect of the Shares entered into by the Offeror or the Offeror Concert Parties and the Company did not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into Shares as at the Latest Practicable Date.

INDEPENDENT BOARD COMMITTEES

The Independent Board Committee, which comprises all the non-executive directors of the Company, namely Mr. Sun Yan, Mr. Chen Dar Cin, Mr. Yam Kam Tong, Professor Dong Yin Mao and Professor Yang Rude, has been established by the Board to make a recommendation to the Independent Shareholders as to whether the Proposal, the Scheme and the Remuneration Package are, or are not, fair and reasonable and as to voting.

In addition, pursuant to Rule 13.68 of the Listing Rules, the Listing Rules Independent Board Committee, which comprises all the independent non-executive directors of the Company, namely Mr. Yan Kam Tong, Professor Dong Yin Mao and Professor Yang Rude, has been established by the Board to form a view in respect of the Service Agreement and to make a recommendation to the Independent Shareholders as to whether the terms of the Service Agreement are, or are not, fair and reasonable and in the interests of the Company and its shareholders as a whole and on how to vote.

INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEES

The executive directors of the Company believe that the terms of the Proposal, the Scheme, the Remuneration Package and the Service Agreement are fair and reasonable and in the interests of the Shareholders as a whole. However, an independent financial adviser will be appointed (with the approval of the Independent Board Committees) to advise the Independent Board Committees in connection with the Proposal, the Scheme, the Remuneration Package and the Service Agreement.

IRREVOCABLE UNDERTAKINGS

The Founders, Baring, Greenwoods and Atlantis on behalf of each Atlantis Investor have each given an irrevocable undertaking to the Offeror.

The Founders

Under the irrevocable undertakings given by each of the Founders, each of them has undertaken, to the extent permitted under applicable laws, rules and regulations, to exercise, or as the case may be, to procure the exercise of the voting rights in respect of all the Shares owned by him directly or indirectly which are the subject of their undertakings, in the manner directed by the Offeror in respect of any resolutions which are necessary to implement the Proposal and the Scheme proposed at a general or class meeting of the Company.

The irrevocable undertakings given by the Founders also provide that the Founders shall not sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares nor will they accept any other offer in respect of all or any of such Shares.

Under the terms of the irrevocable undertakings given by the Founders, the undertakings will lapse if (a) this announcement has not been released by 15 August 2013 (or such later date as the Offeror and the Company may agree), (b) if the Pre-Conditions are not satisfied by 30 April 2014 (or such later date as the Offeror and the relevant Founder may agree), or (c) if the Scheme does not become effective, lapses or is withdrawn in accordance with its terms.

Institutional Shareholders

Baring Irrevocable Undertaking

Under the irrevocable undertaking given by Baring, it has undertaken, to the extent permitted under applicable laws, rules and regulations, to exercise, or as the case may be, to procure the exercise of the voting rights in respect of all the Shares owned by it directly or indirectly which are the subject of its undertaking, in favour of all resolutions which are necessary to implement the Proposal and the Scheme proposed at a general or class meeting of the Company.

The irrevocable undertaking given by Baring also provides that it shall not sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares nor will it accept any other offer in respect of all or any of such Shares.

The irrevocable undertaking given by Baring will lapse if (a) this announcement has not been released by 15 August 2013 and the filing to MOFCOM in connection with the MOFCOM Pre-Condition has not been submitted by 6:00 p.m. (Hong Kong time) on the business day after the release of this announcement (or such later dates as the Offeror, the Company and Baring may agree), (b) the Nominee Pre-Condition is not satisfied or waived prior to the satisfaction of the MOFCOM Pre-Condition, (c) the Scheme, or the Offer, as applicable, is amended without Baring's consent (save for Baring Permitted Amendments which do not require Baring's consent) or does not become effective, lapses or is withdrawn, (d) the Scheme is not approved by the Shareholders by 5:30 p.m. on the day falling three months after the despatch of the Scheme Document or where the acquisition of the Company is implemented by way of an Offer, the acceptance period relating to such Offer has not ended by 5:30 p.m. on the day falling three months after the despatch of the circular relating to the Offer, or (e) the Scheme is not effective on or before a date falling three months from the date of the satisfaction or waiver (as applicable) of all the Pre-Conditions.

Greenwoods Irrevocable Undertaking

As at the Latest Practicable Date, Greenwoods directly or indirectly held 99,228,824 Shares. Under the irrevocable undertaking given by Greenwoods, it has undertaken, to the extent permitted under applicable laws, rules and regulations, to exercise, or as the case may be, to procure the exercise of the voting rights in respect of 96,304,043 Shares owned by it directly or indirectly which are the subject of its undertaking, in favour of all resolutions which are necessary to implement the Proposal and the Scheme proposed at a general or class meeting of the Company. The Offeror has not received any irrevocable commitment to vote for, or against, the Scheme in respect of the remaining 2,924,781 Shares owned directly or indirectly by Greenwoods.

The irrevocable undertaking given by Greenwoods also provides that it shall not sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares nor, subject to any duty owed by it to act in the best interests of its investors, shall it vote in favour of any resolution to approve any scheme of arrangement of the Company which is proposed in competition with the Scheme.

The irrevocable undertaking given by Greenwoods will lapse if (a) this announcement has not been released by 15 August 2013 (or such later date as Greenwoods may agree), (b) the Pre-Conditions are not satisfied or waived (as applicable) by 30 April 2014 (or such later date as Greenwoods may agree), (c) an undertaking in the form substantially similar to the undertaking given by Greenwoods representing at least 10 per cent. of the Shares as of 10 August 2013 terminates upon the Offeror's written consent at the time of termination, (d) the Scheme does not become effective within four calendar months after the date the Pre-Conditions are satisfied or waived, lapses or is withdrawn in accordance with its terms, or (e) Independent Shareholders holding no less than 10 per cent. of the Shares in aggregate vote against the Scheme.

Atlantis Investors Irrevocable Undertakings

As at the Latest Practicable Date, Atlantis was deemed to be interested in 90,856,579 Shares under the SFO. Under the irrevocable undertakings given by Atlantis, as principal and also on behalf of each Atlantis Investor, each Atlantis Investor has undertaken, to the extent permitted under applicable laws, rules and regulations, to exercise, or as the case may be, to

procure the exercise of the voting rights in respect of the Shares held by each Atlantis Investor in portfolios managed by Atlantis on its behalf that in aggregate total 79,894,579 Shares which are the subject of their undertaking, in favour of all resolutions which are necessary to implement the Proposal and the Scheme proposed at a general or class meeting of the Company. The Offeror has not received any irrevocable commitment to vote for, or against, the Scheme in respect of the remaining 10,962,000 Shares which Atlantis is deemed to be interested in under the SFO.

The irrevocable undertakings given by each Atlantis Investor also provide that each of them shall not (whether through Atlantis or otherwise) sell, transfer, charge, encumber, grant any option over or otherwise dispose of any interest in any of the Shares managed by Atlantis on its behalf that are the subject of its undertaking. Further, Atlantis, as principal, shall not, on behalf of any Atlantis Investor, accept any other offer in respect of all or any of such Shares.

The irrevocable undertakings given by Atlantis, as principal, and also by each Atlantis Investor will lapse if (a) this announcement has not been released by 15 August 2013 (or such later date as the Offeror, the Atlantis Investors and the Company may agree) but in any case not later than 1 September 2013, (b) the Pre-Conditions are not satisfied by 30 April 2014 (or such later date as the Offeror, the Atlantis Investors and the Company may agree), or (c) the Scheme does not become effective, lapses or is withdrawn in accordance with its terms.

MANAGEMENT INCENTIVE ARRANGEMENTS

Upon the Scheme becoming effective, Mr. She, an executive director, will serve as chief executive officer of the Magic Group and director of Magic Holdings Group Limited, a wholly-owned subsidiary of the Company, in order to continue to contribute to the growth and development of the Company and work with the Offeror to further build the Magic brand. Accordingly, the Employer and Mr. She have entered into a Service Agreement setting out the terms of employment of Mr. She, which will be subject to the approval of the Board and will take effect on the Effective Date. L'Oréal China has executed a guarantee in favour of Mr. She to guarantee the due performance by the Employer of its obligations under the Service Agreement. The terms of the Service Agreement are set out below.

Service Agreement

Base Salary and Regular Bonus

Under the Service Agreement, Mr. She will be entitled to a gross base salary of RMB3,000,000 per annum, payable monthly, and a Regular Bonus of RMB900,000 per annum, payable annually for three years from the Effective Date. The Regular Bonus will be subject to Mr. She meeting the performance targets set out in the annual budget of the Magic Group, which is subject to the Company's approval, for consolidated net sales, earnings before interest and tax and market share of the Magic Group and in accordance with the policies in place from time to time of L'Oréal China which are of general application to employees of a similar level of seniority as Mr. She.

Retention Bonus

As appreciation of Mr. She's commitment to serve as the chief executive officer of the Magic Group, Mr. She will be entitled to a one-off Retention Bonus equivalent to a gross amount of HK\$9,000,000. The Retention Bonus is payable by the Employer in RMB in three equal instalments on the first, second and third anniversary of the Effective Date, respectively. The Employer shall deposit each instalment into an escrow account at the Guangzhou branch of the Escrow Bank, as escrow agent, notwithstanding any termination of the Service Agreement, save for any such termination by Mr. She as a result of his resignation as the chief executive officer of the Magic Group without the Employer's consent before the third anniversary of the Effective Date. The Retention Bonus shall bear interest as set out in the Retention Bonus Escrow Agreement.

The Retention Bonus, together with interest earned on it, shall be released automatically from escrow to Mr. She on the third anniversary of the Effective Date, unless:

(i) Mr. She ceases to be employed by the Employer before the third anniversary of the Effective Date due to an inability by him to discharge his duties as chief executive officer of the Magic Group due to (a) death or, (b) in the reasonable opinion of an independent medical practitioner reasonably acceptable to him and the Employer, a long-term illness or permanent disability, in which case, upon the occurrence of such event:

(a) the Retention Bonus, together with interest earned on it; and

(b) a pro-rata amount of the instalment for the year which the relevant event occurred, calculated by dividing an amount equal to an instalment by 365 days and multiplying such number by the aggregate number of days from the day after the preceding deposit date of an instalment, to the date of release of the relevant amounts from escrow,

will each be released and paid promptly to Mr. She (or his legal representative); or

(ii) Mr. She resigns as chief executive officer of the Magic Group before the third anniversary of the Effective Date without the Employer's written consent, in which case the Retention Bonus, together with interest earned on it, will be released immediately from escrow to the Employer and Mr. She shall no longer be entitled to any further instalments which have not been deposited by the Employer into escrow.

The Employer, SPVCo and the Escrow Bank will enter into the Retention Bonus Escrow Agreement to implement the Retention Bonus arrangement described above.

Performance Bonuses

As incentive for Mr. She to continue to contribute to the growth and development of the Magic Group upon implementation of the Scheme, an Annual Bonus based on the annual financial performance of the Magic Group and a one-off Additional Bonus based on the financial performance of the Group over a three-year period will form part of his remuneration. Further details on the Annual Bonus and the Additional Bonus are set out below.

Annual Bonus

The Annual Bonus will be a cash amount payable by the Employer equal to two and a half per cent. of the annual increase in the Turnover for each Annual Bonus Year, provided that:

- (i) Mr. She has been the chief executive officer of the Magic Group throughout the relevant Annual Bonus Year and remains so on 31 December of the relevant Annual Bonus Year;
- (ii) the Original Magic Group attains the Minimum Ratio for the relevant Annual Bonus Year; and
- (iii) the Baili EBIT is positive for the relevant Annual Bonus Year. Otherwise, the Annual Bonus for that Annual Bonus Year shall be reduced by 20 per cent., save that any amount equal to such reduction shall be payable to Mr. She if the aggregate three-year Baili EBIT accumulated over the three Annual Bonus Years is positive.

In the event that the employment of Mr. She is terminated by mutual agreement between the two parties prior to 31 December of an Annual Bonus Year, Mr. She shall be entitled to two and a half per cent. of the increase in the Turnover for the period during which Mr. She is employed by the Employer as compared to the same period of the preceding calendar year provided that:

- (i) the Original Magic Group attains the Minimum Ratio for that relevant period; and
- (ii) the Baili EBIT is not zero or negative for that relevant period.

Additional Bonus

The Additional Bonus will be a cash amount payable by the Employer equal to two and a half per cent. of the aggregate increase in the Turnover over the Additional Bonus Years, provided that:

- (i) Mr. She has been the chief executive officer of the Magic Group throughout the Additional Bonus Years and remains so on 31 December 2016;
- (ii) the Original Magic Group attains the Minimum Ratio for all Additional Bonus Years. Otherwise, the Additional Bonus will be reduced by one-third for each Additional Bonus Year that the Magic Group is not able to attain the Minimum Ratio; and
- (iii) the Baili EBIT accumulated over the Additional Bonus Years is positive. Otherwise the Additional Bonus will be reduced by 20 per cent.

The reference years applicable to the determination of the Annual Bonus and the Additional Bonus assume that the Scheme will become effective on or before 30 June 2014. Where the Scheme becomes effective after 30 June 2014, the reference dates will be adjusted accordingly.

Term of the Service Agreement

The initial term of the Service Agreement will be a period commencing on the Effective Date, continuing for a term of at least three full calendar years, and shall end on the end of the third full calendar year, unless terminated in accordance with the terms of the Service Agreement.

Approval of the Remuneration Package and the Service Agreement

As Mr. She is a Shareholder and the Remuneration Package is applicable only to Mr. She and is not being offered to all Shareholders, the Remuneration Package constitutes a special deal under Rule 25 of the Takeovers Code and requires the consent of the Executive under Note 3 to Rule 25 of the Takeovers Code. The Offeror has therefore made an application to the Executive for its consent to the Remuneration Package as a special deal under Rule 25 of the Code, conditional on the independent financial adviser to the Independent Board Committee confirming that the terms of the Remuneration Package are fair and reasonable, and the passing of an ordinary resolution by the Independent Shareholders at an extraordinary general meeting of the Company to approve the terms of the Remuneration Package.

Accordingly, as set out in Condition (c), the Proposal and the Scheme are subject to (i) the receipt of an opinion from the independent financial adviser to the Independent Board Committee confirming that the terms of the Remuneration Package are fair and reasonable, and (ii) the passing of an ordinary resolution by the Independent Shareholders at an extraordinary general meeting of the Company to approve the terms of the Remuneration Package.

Further, as the initial term of the Service Agreement is for a duration exceeding three years, pursuant to Rule 13.68 of the Listing Rules, the Service Agreement will be subject to Independent Shareholders' approval, and the Listing Rules Independent Board Committee shall form a view in respect of the Service Agreement and advise the Independent Shareholders as to (i) whether the terms of the Service Agreement are fair and reasonable, (ii) whether the Service Agreement is in the interests of the Company and the Shareholders as a whole and (iii) how to vote.

Retention Arrangement

As an indication of Mr. She's commitment to remain the chief executive officer of the Magic Group after completion of the Proposal, Mr. She will permit 20 per cent. of the consideration payable to him or SPVCo, as applicable, for the Shares held by him or SPVCo, as applicable, pursuant to the Scheme, to be placed into a HK\$ denominated escrow account at the Escrow Bank for the Retention Term. The Retention Amount will bear interest as set out in the Retention Arrangement Escrow Agreement.

The Retention Amount, together with interest earned on it, will be released from escrow to Mr. She upon completion of the Retention Term unless (i) he ceases to be employed by the Magic Group prior to the third anniversary of the Effective Date due to an inability by him to discharge his duties as chief executive officer of the Magic Group due to death or, in the reasonable opinion of an independent medical practitioner reasonably acceptable to him and the Offeror, long-term illness or permanent disability, in which case the Retention Amount,

together with interest earned on it, will be released promptly from escrow to Mr. She or SPVCo (or his legal representative) upon the occurrence of such an event; or (ii) he resigns as chief executive officer of the Magic Group prior to the third anniversary of the Effective Date without the Employer's written consent, in which case the Retention Amount, together with interest earned on it, will be released promptly from escrow to the Offeror.

The Offeror, Mr. She and the Escrow Bank will enter into the Retention Arrangement Escrow Agreement to implement the Retention Arrangement described above.

IMPLEMENTATION AGREEMENT

The Offeror, the Company and Mr. She have entered into the Implementation Agreement, which sets out certain mutual commitments in relation to the implementation of the Proposal and the Scheme, and certain matters relating to the conduct of the business of the Company and the Magic Group from the date of the Implementation Agreement until the earlier of the date the Scheme becomes effective and the termination of the Implementation Agreement in accordance with its terms.

Under the Implementation Agreement, each of the Offeror and the Company has undertaken to take all such steps as are reasonably necessary or desirable and within its power to ensure the satisfaction of the Pre-Conditions and the Conditions as soon as is reasonably practicable, and to keep the other informed of developments in respect of the satisfaction of the MOFCOM Pre-Condition on or about the 1st and 15th of each calendar month, and if and to the extent there are other material or potentially material developments in respect of the satisfaction of any Pre-Condition, as soon as is reasonably practicable. The Company shall notify its board of directors after it has been informed of such developments as soon as is reasonably practicable.

In addition, the Company has undertaken not to, and the Company will procure that no member of the Magic Group will, without the prior written consent of the Offeror (not to be unreasonably withheld) and save for certain exceptions in relation to the Baili Acquisition:

- (a) carry on business other than in the ordinary course and in all material respects consistent with past practice;
- (b) alter the nature or scope of its business in any material way;
- (c) amend any term of the Baili Acquisition;
- (d) other than in the ordinary course of business, enter into, amend, supplement or terminate any material agreement of the Magic Group which involves an amount exceeding RMB5,000,000 for each agreement, save for the various contracts in connection with the construction, renovation, repair and maintenance and air-conditioning installation of the premises situated in Pingyiqiao Avenue, Shibi, Panyu District, Guangzhou City;
- (e) take any action which would materially delay or prejudice, or increase the cost of the Proposal or the Scheme;

- (f) commence any negotiations or enter into any binding commitments in connection with any material acquisitions or disposals involving a net asset value or consideration amount exceeding RMB5,000,000;
- (g) pay any dividend or make any distribution of profits or capital, save for (i) the interim dividend of approximately HK\$0.012 per Share for the six months ended 31 December 2012 as set out in the Company's announcement dated 25 February 2013; (ii) a final dividend for each of the financial years ending 30 June 2013 and 2014, respectively, provided the total dividends paid for each year shall not exceed 22.5 per cent. of the profits of the relevant year available for distribution of the Company (as shown in the Company's audited consolidated accounts); and (iii) an interim dividend for each of the six months ending 31 December 2013 and 2014, respectively, provided that the amount of dividend for each period shall not exceed 15 per cent. of the profits of the relevant period available for distribution of the Company (as shown in the Company's published consolidated accounts);
- (h) grant any options under the Share Option Scheme or make any share awards under the Share Award Plan or adopt or amend the Share Option Scheme or the Share Award Plan;
- (i) materially alter existing indebtedness between members of the Magic Group, save for any alteration which: (i) is in the ordinary course of business and in accordance with past practice of the Magic Group; and (ii) does not move any existing indebtedness between members of the Magic Group outside the PRC; and (iii) does not require the opening of bank accounts with banks that the Magic Group does not currently hold bank accounts with other than for the purposes of collection of amounts due from customers of the Magic Group;
- (j) sell, assign, transfer or dispose of material, or potentially material Intellectual Property or enter into any agreement with respect to the same;
- (k) enter into any new capital expenditure commitments which amounts in total to more than RMB40,000,000, which shall include any capital expenditure commitments in relation to the development of the site located at the north of Kaiyuan Road, the northwest side of the Yonghe tunnel, Guangzhou, to be used by the Employer for the construction of a new manufacturing plant;
- (l) dispose of any interest in, or grant any encumbrance over, or sublet, any real estate asset;
- (m) agree to pay fees of more than HK\$25,000,000 in total to its advisers in connection with the Proposal;
- (n) adopt or implement any new incentive or bonus arrangements generally available to employees or directors of the Company in their capacity as such (but shall not affect existing incentive or bonus arrangements of the Company, subject to paragraph (h) above); or

agree to do any of the foregoing.

The Company has further undertaken to take all such steps as are reasonably necessary or desirable to ensure the implementation of the Proposal, or as may be reasonably requested by the Offeror in connection with the Proposal.

Under the terms of the Implementation Agreement, the Offeror may elect, subject to the consent of the Executive and the Company, to implement the Proposal by way of a general offer prior to the Scheme becoming effective, provided that (a) the Offer is made in accordance with the terms and conditions set out in this announcement (with Conditions (a), (b), (d) and (e) being replaced with the Acceptance Condition); (b) the Offer is made on financial terms at least as favourable as those of the Scheme of the shares to which such Offer relates; and (c) the financial terms of the Service Agreement and the Retention Arrangement Escrow Agreement are at least as favourable to Mr. She as they are in the case of implementation by way of the Scheme.

Until the earlier of the Effective Date and the termination of the Implementation Agreement in accordance with its terms, the Company has agreed not to, and shall procure that no member of the Magic Group shall, directly or indirectly solicit an offer or approach from any third party to acquire all or a substantial part of the share capital or a substantial part of the assets of the Company or any member of the Magic Group.

The Implementation Agreement will terminate (a) if this announcement has not been released by 15 August 2013 (or such later date as the Offeror and the Company may agree); (b) if the Pre-Conditions are not satisfied or waived (as applicable) by 30 April 2014 (or such later date as the Offeror and the Company may agree); (c) if any Condition becomes incapable of satisfaction or is invoked so as to cause the Proposal not to proceed in circumstances where such invocation is in accordance with the Takeovers Code; (d) if the Scheme does not become effective, lapses in accordance with its terms or is withdrawn; or (e) if the Scheme does not become effective within four calendar months from the date of the satisfaction or waiver (as applicable) of all of the Pre-Conditions (unless, prior to the expiry of the four-month period, the Offeror and the Company have agreed to extend such period).

REASONS FOR AND BENEFITS OF THE PROPOSAL

The Offeror has identified the Company as the ideal fit to complement the Offeror Group's activity in the PRC. It has a great admiration for the impressive success story of the Company in terms of the strong management team, expertise in the mass consumer market, market presence, growth dynamics and profitability, developed under the leadership of its co-founders and with the support of its core shareholders. The Offeror believes the Company shares the same values of excellence, innovation and product quality as the Offeror Group, and trusts that the Company would effectively complement its presence in the PRC and that the two groups could share knowledge and expertise.

The Company has identified the Offeror as the ideal partner in accessing new markets with the Offeror's existing PRC platform. The Company believes that the Offeror has a long proven development history in cosmetic and beauty products with proven brand building strategies which can help the growth and development of the Company. More importantly, the Company believes that the Offeror can also provide expertise in research and development. Having considered the benefits, the Company believes that the Proposal will create synergies for the Company.

INFORMATION ON THE COMPANY

The Company is a company incorporated in the Cayman Islands with limited liability, whose shares have been listed on the Main Board of the Stock Exchange since 24 September 2010. The Magic Group is principally engaged in the research and development, manufacture, sale and marketing of facial masks and skincare products.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in France as a société anonyme, whose shares are traded on the Paris Stock Exchange. The Offeror is one of the world's leading beauty companies, has catered to all forms of beauty products in the world for over 100 years and has built a portfolio of 27 international, diverse and complementary brands. With sales amounting to EUR22.5 billion in 2012, the Offeror employs 72,600 people worldwide.

WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Shares will be cancelled and the share certificates for the Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange immediately following the Effective Date. The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. A detailed timetable of the Scheme will be included in the Scheme Document, which will also contain, inter alia, further details of the Scheme.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The listing of the Shares on the Stock Exchange will not be withdrawn if the Pre-Conditions are not satisfied, or waived, as applicable, the Scheme does not become effective or the Proposal otherwise lapses.

OVERSEAS SHAREHOLDERS

The making and implementation of the Proposal and the Scheme to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal or regulatory requirements of their own jurisdictions. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal, respectively, to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes by such overseas Scheme Shareholder due in such jurisdiction. Any acceptance by such Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Company and the Offeror that those local laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

OBLIGATIONS REGARDING TAX

Without prejudice to any other part of this announcement, each Scheme Shareholder shall be responsible for complying with his own Tax obligation under the applicable laws and regulations in any jurisdiction, including but not limited to Tax filing obligations and Tax payment obligations with respect to income tax, withholding tax and stamp duty, as a result of the implementation of the Proposal and the Scheme. Where the applicable laws and regulations or a Tax Authority in any jurisdiction requires Tax to be deducted or withheld from the Cancellation Price payable to any Scheme Shareholder, such Tax shall be so deducted or withheld from the Cancellation Price payable to the relevant Scheme Shareholder.

SHARES, MEETING OF SCHEME SHAREHOLDERS AND EXTRAORDINARY GENERAL MEETING OF THE COMPANY

As at the Latest Practicable Date, Mr. She, his spouse, the Share Award Plan Trustee and his associates collectively held 142,581,918 Shares, representing 13.74% of the issued share capital of the Company. Such Shares will be cancelled upon the Scheme becoming effective and will not be voted on the Scheme at the Court Meeting or on the Service Agreement and the Remuneration Package at the extraordinary general meeting of the Company. As at the Latest Practicable Date, the Institutional Shareholders directly or indirectly held 407,380,403 Shares representing approximately 39.25% of the issued share capital of the Company. Such Shares will be cancelled upon the Scheme becoming effective and will be voted on the Scheme at the Court Meeting.

As at the Latest Practicable Date, members of the BNP Paribas group (except those which are exempt principal traders and exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code) which are presumed to be acting in concert with the Offeror in relation to the Proposal under the Takeovers Code held 132,000 Shares, representing approximately 0.01% of the issued share capital of the Company. Such Shares will be cancelled upon the Scheme becoming effective but will not be voted on the Scheme at the Court Meeting. In addition, pursuant to Rule 35.4 of the Takeovers Code, any Shares held by a connected exempt principal trader will not be voted on the Scheme at the Court Meeting.

All Shareholders will be entitled to attend the extraordinary general meeting of the Company and vote on (i) the special resolution to approve and give effect to the reduction of the share capital of the Company by cancelling and extinguishing the Shares, and (ii) the ordinary resolution to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Shares and apply the reserve created as a result of the aforesaid cancellation of the Shares to pay up in full at par such number of new Shares as is equal to the number of Shares cancelled as a result of the Scheme, credited as fully paid, for issuance to the Offeror.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:00 a.m. on 12 August 2013 (Hong Kong time), pending the issuance of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 16 August 2013 (Hong Kong time).

COSTS OF THE SCHEME

If the Independent Board Committees or the independent financial adviser to the Independent Board Committees does not recommend the Proposal, the Scheme, the Remuneration Package or the Service Agreement, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

In addition, under the Implementation Agreement, it is agreed that, where the Proposal (a) is not completed and the Scheme does not become effective, other than as a result of (i) the Company's breach of the terms of the Implementation Agreement, or (ii) an event caused solely by the Company and which is within the Company's control, all costs and expenses incurred by the Company as a result of the Proposal, the Scheme and the transactions contemplated thereunder or under the Implementation Agreement, the Service Agreement and the Retention Arrangement Escrow Agreement, but excluding costs and expenses incurred by the Company in connection with a competing offer to acquire all or substantially all of the Shares, shall be borne by the Offeror; and (b) is completed and the Scheme becomes effective, all costs and expenses incurred by and on behalf of the Company in connection with the Proposal, the Scheme and the transactions contemplated thereunder shall be borne by the Company.

GENERAL

The Offeror has appointed BNP Paribas as its financial adviser in connection with the Proposal.

The Board comprises 9 directors, four of whom (Mr. Tang Siu Kun Stephen, Mr. She, Mr. Luo Yao Wen and Mr. Cheng Wing Hong) are executive directors, two of whom (Mr. SunYan and Mr. Chen Dar Cin) are non-executive directors and the remaining three of whom (Mr. Yan Kam Tong, Professor Dong Yin Mao and Professor Yang Rude) are independent non-executive directors. The executive directors of the Company believe that the terms of the Proposal, the Scheme, the Remuneration Package and the Service Agreement are fair and reasonable and in the interests of the Shareholders as a whole. However, the Independent Board Committee, which comprises all non-executive directors of the Company, has been established by the Board to make a recommendation to the Independent Shareholders in connection with the Proposal, the Scheme and the Remuneration Package, whereas the Listing Rules Independent Board Committee, which comprises all independent non-executive directors of the Company, has been established by the Board to make a recommendation to the Independent Shareholders in connection with the Service Agreement. In addition, an independent financial adviser will be appointed (with the approval of the Independent Board Committees) to advise the Independent Board

Committees in connection with the Proposal, the Scheme, the Remuneration Package and the Service Agreement. An announcement will be made by the Company as soon as possible after the appointment of such independent financial adviser.

As Mr. She is interested in the Service Agreement and the completion of the Scheme is conditional upon the passing of an ordinary resolution by the Independent Shareholders at an extraordinary general meeting of the Company to approve the terms of the Remuneration Package, Mr. She has and will abstain from voting at meetings of the Board on matters in relation to the Service Agreement, the Remuneration Package and the Scheme to avoid a conflict of interest, and Mr. She, his spouse, the Share Award Plan Trustee and his associates (who collectively held 142,581,918 Shares as at the Latest Practicable Date, representing approximately 13.74% of the issued share capital of the Company) will abstain from voting on the Scheme at the Court Meeting and on the Service Agreement and the Remuneration Package at the Company's extraordinary general meeting.

Save for the Proposal, the Scheme, the Implementation Agreement and the Irrevocable Undertakings, there are no arrangements (whether by way of option, indemnity or otherwise) relating to relevant securities which may be an inducement to deal or refrain from dealing as described in Note 8 to Rule 22 of the Takeovers Code between the Offeror or any of the Offeror Concert Parties and any other person in relation to shares of the Offeror or the Shares which might be material to the Proposal and the Scheme.

There are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal and the Scheme.

The Offeror and the Offeror Concert Parties have not borrowed or lent any Shares or any other relevant securities as defined in Note 4 to Rule 22 of the Takeovers Code of the Company as at the Latest Practicable Date.

There are no outstanding derivatives in respect of securities in the Company entered into by the Offeror or any Offeror Concert Parties.

Save in respect of the Irrevocable Undertakings, no irrevocable commitment to vote for or against the Scheme has been received by the Offeror or, so far as the Offeror is aware, the Offeror Concert Parties, as at the Latest Practicable Date.

DESPATCH OF SCHEME DOCUMENT

Subject to and after the satisfaction, or waiver, as applicable, of the Pre-Conditions, the Scheme Document containing, inter alia, further details of the Proposal, the Scheme, the expected timetable of principal events, an explanatory memorandum as required under the Companies Law and the Grand Court Rules of the Cayman Islands 1995 (revised), information regarding the Company, recommendations from the Independent Board Committees with respect to the Proposal, the Scheme, the Remuneration Package and the Service Agreement, the letter of advice from the independent financial adviser to the Independent Board Committees, a notice of the Court Meeting and a notice of an extraordinary general meeting of the Company, together with voting instructions for use by

custodians and forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Law, the Grand Court and other applicable regulations.

The Offeror has applied to the Executive for its consent pursuant to Note 2 to Rule 8.2 of the Takeovers Code to the despatch of the Scheme Document within seven days after the Pre-Conditions are satisfied, or waived, as applicable (or such later date to which the Executive, at the request of the Offeror, may consent).

DEALINGS IN THE SECURITIES OF THE COMPANY

In accordance with Rule 3.8 of the Takeovers Code, associates of the Company and the Offeror (including persons holding 5% or more of a class of relevant securities of the Company or the Offeror) are reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code. In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acceptance Condition”	the acceptance condition to the Offer set at 90 per cent. (or such lesser percentage, being more than 50 per cent., as the Offeror may decide) of the Shares to which the Offer relates
“acting in concert”	the meaning ascribed to it in the Takeovers Code
“Additional Bonus”	the one-off bonus arrangement between the Employer and Mr. She as described under the paragraph headed “Additional Bonus” of this announcement

“Additional Bonus Years”	the three calendar years ending 31 December 2016
“Annual Bonus”	the annual bonus arrangement between the Employer and Mr. She as described under the paragraph headed “Annual Bonus” of this announcement
“Annual Bonus Years”	the three calendar years ending 31 December 2014, 31 December 2015 and 31 December 2016, respectively
“Announcement Date”	15 August 2013, being the date of this announcement
“associates”	the meaning ascribed to it in the Takeovers Code
“Atlantis”	Atlantis Investment Management (Hong Kong) Limited, an investment adviser licensed by the SFC and authorised to undertake type 4 and type 9 regulated activity
“Atlantis Investors”	those investors in funds managed by Atlantis on their behalf that are subject to the irrevocable undertaking given by Atlantis on their behalf described under the section headed “Atlantis Investors Irrevocable Undertaking” and “Atlantis Investor” shall mean any one of them
“Awarded Share(s)”	the Shares granted under the Share Award Plan from time to time which have not been vested in the grantee(s) of such Shares. As at the Latest Practicable Date, there were 17,037,960 Awarded Shares
“Baili Acquisition”	the acquisition of Apex Rich Enterprises Limited and its subsidiaries by Magic Cosmetics Company Limited
“Baili EBIT”	the earnings before interest and tax of Apex Rich Enterprises Limited and its subsidiaries
“Baring”	Baring Private Equity Asia V Holding (1) Limited
“Baring Permitted Amendments”	such amendments to the Scheme, or the Offer, as applicable that: (i) solely relate to an increase in the cash price offered by the Offeror for each Share; or (ii) (A) do not reduce the amount or affect the form of consideration being offered by the Offeror for each Share, or extend the time by which any step in implementing the Scheme, or the Offer, as applicable is to be completed; and (B) in Baring’s reasonable opinion, would not adversely affect the successful implementation of the Scheme, or the Offer, as applicable
“Base Salary”	the gross base salary arrangement between the Employer and Mr. She as described under the paragraph headed “Base Salary and Regular Bonus” of this announcement

“BNP Paribas”	BNP Paribas Securities (Asia) Limited, the financial adviser to the Offeror. BNP Paribas is a licensed corporation under the SFO, licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities
“Board”	the board of directors of the Company
“Cancellation Price”	the cancellation price of HK\$6.30 per Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Companies Law”	the Companies Law (2012 Revision), as consolidated and revised, of the Cayman Islands
“Company”	Magic Holdings International Limited, a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are currently listed on the Main Board of the Stock Exchange
“Conditions”	the conditions to the implementation of the Proposal and the Scheme as set out in the section headed “Conditions of the Proposal and the Scheme” of this announcement
“Conditions Long Stop Date”	the date which is four calendar months after the date of the earlier of the Pre-Conditions Long Stop Date or the Further Announcement
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court at which the Scheme will be voted upon
“Effective Date”	the date which the Scheme becomes effective
“Employer”	Guangzhou MG Bio-technology Co., Ltd., a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Escrow Bank”	(i) in relation to the Retention Bonus, JPMorgan Chase Bank (China) Company Limited, Guangzhou Branch and (ii) in relation to the Retention Arrangement, JPMorgan Chase Bank, N.A., Hong Kong Branch
“EUR”	Euro(s), the single currency of the member states of the European Union that adopt or have adopted, and in each case continue to adopt, it as their lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate thereof
“Founders”	Mr. Tang Siu Kun Stephen, Mr. She and Mr. Luo Yao Wen, each an executive director of the Company
“France”	the French Republic
“Further Announcement”	the further announcement to be issued by the Offeror if the Pre-Conditions are satisfied, or not satisfied, or waived, as the case may be, on or before the Pre-Conditions Long Stop Date relating to the Proposal and implementation of the Scheme
“Grand Court”	the Grand Court of the Cayman Islands
“Greenwoods”	Greenwoods Asset Management Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Implementation Agreement”	the implementation agreement dated 15 August 2013 entered into among the Offeror, Mr. She and the Company as set out in the section headed “Implementation Agreement” of this announcement
“Independent Board Committee”	the independent board committee of the Company comprising all the non-executive directors of the Company established by the Board to make a recommendation to the Independent Shareholders in respect of the Proposal, the Scheme and the Remuneration Package
“Independent Board Committees”	collectively, the Independent Board Committee and the Listing Rules Independent Board Committee
“Independent Shareholders”	Shareholders other than the Offeror, the parties acting in concert with it, Mr. She and his associates (including his spouse and the Share Award Plan Trustee)
“Institutional Shareholders”	(i) Baring, (ii) Greenwoods and (iii) the Atlantis Investors

“Intellectual Property”	trade marks, service marks, rights in trade names, business names, logos or get-up, patents, petty patents, utility models, supplementary protection certificates, rights in inventions, registered and unregistered design rights, copyrights, database rights, rights in domain names and URLs, rights to sue for passing off and in unfair competition, rights in opposition proceedings and all other similar rights in any part of the world (including in Know-how) including, where such rights are obtained or enhanced by registration, any registration of such rights and applications and rights to apply for such registrations
“Irrevocable Undertakings”	the irrevocable undertakings given by each of the Founders, Baring, Greenwoods and Atlantis on behalf of each Atlantis Investor, as described in the section of this announcement headed “Irrevocable Undertakings”
“Know-how”	industrial and commercial information and techniques in any form not in the public domain including drawings, formulae, test results, reports, project reports and testing procedures, instruction and training manuals, tables of operating conditions, market forecasts, lists and particulars of customers and suppliers
“Last Trading Day”	9 August 2013, being the last trading day of the Shares prior to their suspension in trading on the Stock Exchange pending the publication of this announcement
“Latest Practicable Date”	12 August 2013, being the latest practicable date for the inclusion of certain information in this announcement prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing Rules Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive directors of the Company established by the Board pursuant to Rule 13.68 of the Listing Rules to make a recommendation to the Independent Shareholders in respect of the Service Agreement
“L’Oréal China”	L’Oréal (China) Co., Ltd., a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Offeror

“Magic EBIT”	consolidated earnings before interest and tax of the Original Magic Group, excluding any expenses incurred by the Original Magic Group in connection with the employment of any expatriate officers or employees employed at the direction of the Offeror
“Magic Group”	the Company and its subsidiaries
“Material Adverse Effect”	<p>material adverse effect involving an amount over (i) HK\$200 million in respect of the net asset value, (ii) HK\$300 million in respect of the consolidated net sales on an annualised basis, or (iii) HK\$300 million in respect of the cash position, of the Magic Group as set out in the latest published accounts of the Magic Group, or a material adverse change in the general affairs, management, trading position, business prospects, conditions (financial, operational, legal or otherwise), earnings, solvency, past, current or future consolidated financial position, shareholders’ equity or results of operations of the Company or any member of the Magic Group, whether or not arising in the ordinary course of business, involving an amount over (i) HK\$200 million in respect of the net asset value, (ii) HK\$300 million in respect of the consolidated net sales on an annualised basis, or (iii) HK\$300 million in respect of the cash position, of the Magic Group as set out in the latest published accounts of the Magic Group, provided, however, that none of the following, either alone or in combination, shall be considered in determining whether there has been such a change, effect, fact, event or circumstance:</p> <ul style="list-style-type: none"> (A) events, circumstances, changes or effects that generally affect the industries in which the Company operates (including legal and regulatory changes); (B) general economic or political conditions or events, circumstances, changes or effects affecting the securities markets generally; (C) any circumstance, change or effect that results from any action taken pursuant to or in accordance with the Implementation Agreement or at the request of the Offeror; (D) changes caused by a material worsening of current conditions caused by acts of terrorism or war (whether or not declared) occurring after the date of the Implementation Agreement; and

(E) any reduction in the cash position of the Magic Group as set out in the interim report 2012/2013 of the Company as a result of the payment of the consideration for the Baili Acquisition or any part of it on the date of such payments

“Minimum Ratio”	Magic EBIT/Turnover ratio of at least 10 per cent.
“MOFCOM”	the Ministry of Commerce of the PRC
“MOFCOM Pre-Condition”	the Pre-Condition set out in paragraph (a) under the section headed “Pre-Conditions of the Proposal and the Scheme” of this announcement
“Mr. She”	Mr. She Yu Yuan, an executive director of the Company
“Nominee Pre-Condition”	the Pre-Condition set out in paragraph (c) under the section headed “Pre-Conditions of the Proposal and the Scheme” of this announcement
“Offer”	a general offer governed by the Takeovers Code if the acquisition of the Company by the Offeror is implemented by way of a general offer
“Offeror”	L’Oréal S.A., a “société anonyme” existing and organized under the laws of France, having its registered office at 14 rue Royale 75008 Paris, registered under number 632 012 100 RCS Paris, the shares of which are listed on the Paris Stock Exchange
“Offeror Concert Parties”	Parties acting in concert (or presumed to be acting in concert) with the Offeror in relation to the Proposal as determined in accordance with the Takeovers Code
“Offeror Group”	the Offeror and its subsidiaries
“Option(s)”	the outstanding share option(s) granted under the Share Option Scheme from time to time. As at the Latest Practicable Date, there were no Options outstanding
“Optionholder(s)”	holder(s) of Option(s)
“Original Magic Group”	the Magic Group, excluding Apex Rich Enterprises Limited and its subsidiaries
“Paris Stock Exchange”	Euronext Paris S.A.
“PRC”	the People’s Republic of China, but for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan

“Pre-Conditions”	the pre-conditions to the making of the Proposal and implementation of the Scheme as described under the section headed “Pre-Conditions of the Proposal and the Scheme” of this announcement
“Pre-Conditions Long Stop Date”	30 April 2014 (or any other date as may be agreed by the Offeror and the Company)
“Proposal”	the proposal for the acquisition of the Company by the Offeror by way of the Scheme, subject to the satisfaction, or waiver, as applicable, of the Pre-Conditions and the Conditions
“Record Date”	the appropriate record date to be announced for determining entitlements under the Scheme
“Regular Bonus”	the regular bonus arrangement between the Employer and Mr. She as described under the paragraph headed “Base Salary and Regular Bonus” of this announcement
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“Remuneration Package”	the Base Salary, the Regular Bonus, the Retention Bonus, the Annual Bonus and the Additional Bonus
“Retention Amount”	20 per cent. of the consideration payable to Mr. She or SPVCo, as applicable, for the Shares held by Mr. She or SPVCo, as applicable, pursuant to the Scheme
“Retention Arrangement”	the retention arrangement between the Offeror and Mr. She regarding the Retention Amount as described under the paragraph headed “Retention Arrangement” of this announcement
“Retention Arrangement Escrow Agreement”	the escrow agreement to be entered into among the Offeror, Mr. She and the Escrow Bank in relation to the Retention Arrangement
“Retention Bonus”	the one-off retention bonus arrangement between the Employer and Mr. She as described under the paragraph headed “Retention Bonus” of this announcement
“Retention Bonus Escrow Agreement”	the escrow agreement to be entered into among the Employer, SPVCo and the Escrow Bank in relation to the Retention Bonus
“Retention Term”	a three-year period from the date of deposit of the Retention Amount into the relevant escrow account at the Escrow Bank

“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	a scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Shares held by Scheme Shareholders and forthwith upon such cancellation and reduction of share capital, the share capital of the Company will be increased to its former amount by the issuance at par to the Offeror credited as fully paid of the same number of Shares as is equal to the number of Shares cancelled
“Scheme Document”	the scheme document of the Company and the Offeror to be issued to all Shareholders containing, inter alia, further details of the Proposal and the Scheme together with the additional information specified in the section of this announcement headed “Despatch of Scheme Document”
“Scheme Shareholder(s)”	holders of Shares, which includes the Awarded Shares and other Shares held by the Share Award Plan Trustee, on the Record Date
“Service Agreement”	the updated and amended executive service agreement dated 15 August 2013 between the Employer and Mr. She, setting out the terms of employment of Mr. She by the Employer upon the Scheme becoming effective
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Share Award Plan”	the share award plan adopted by Magic Holdings Group Limited on 30 October 2009
“Share Award Plan Trustee”	the remuneration committee of the Company acting by its members, namely Mr. Tang Siu Kun Stephen (as executive director) and Mr. She, who hold the Shares subject to the terms and conditions of the deed of settlement constituting the Share Award Plan, or such other trustee as shall be appointed from time to time pursuant to the terms of such deed
“Shareholder(s)”	registered holder(s) of Shares
“Share Option Scheme”	the share option scheme adopted by the Company on 6 September 2010

“SPVCo”	Uprise Smart Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr. She
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“Tax”	all forms of taxation whether direct or indirect and whether levied by reference to income, profits, gains, net wealth, asset values, turnover, added value or other reference and statutory, governmental, state, provincial, local governmental or municipal impositions, duties, contributions, rates and levies (including social security contributions and any other payroll taxes), whenever and wherever imposed (whether imposed by way of a withholding or deduction for or on account of tax or otherwise) and in respect of any person and all penalties, charges, costs and interest relating thereto
“Tax Authority”	any taxing or other authority competent to impose any liability in respect of Tax or responsible for the administration and/or collection of Tax or enforcement of any law in relation to Tax
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“Turnover”	the consolidated net sales of the Original Magic Group

By Order of the Board of
L’Oréal S.A.
Jean-Paul Agon
Chairman

By Order of the Board of
Magic Holdings International Limited
Tang Siu Kun Stephen
Chairman

Hong Kong, 15 August 2013

As at the Announcement Date, the directors of the Offeror are:

Directors:

Jean-Paul Agon
Jean-Pierre Meyers
Peter Brabeck-Letmathe
Françoise Bettencourt Meyers
Paul Bulcke
Christiane Kuehne
Jean-Victor Meyers

Independent Directors:

Virginie Morgon
Annette Roux
Charles-Henri Filippi
Xavier Fontanet
Bernard Kasriel
Marc Ladreit de Lacharrière
Louis Schweitzer

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Magic Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

As at the Announcement Date, the directors of the Company are:

Executive Directors:

Tang Siu Kun Stephen
She Yu Yuan
Luo Yao Wen
Cheng Wing Hong

Non-executive Directors:

Sun Yan
Chen Dar Cin

*Independent Non-executive
Directors:*

Yan Kam Tong
Dong Yin Mao
Yang Rude

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Offeror Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.