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## **Maoye International Holdings Limited**

**茂業國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 848)**

### **MAJOR TRANSACTION**

Reference is made to the announcement issued by the Company dated 3 March 2014 in relation to the suspension of trading of Maoye Logistics on the Shenzhen Stock Exchange in relation to a material asset reorganisation matter.

#### **(1) THE ACQUISITION AGREEMENT**

The Company is pleased to announce that on 24 July 2014, Maoye Logistics, a subsidiary of the Company, entered into the Acquisition Agreement with the Vendors for the acquisition of Beijing TrustMeDu Sci-tech Co., Ltd (北京創世漫道科技有限公司). Pursuant to the Acquisition Agreement, Maoye Logistics agreed to purchase and the Vendors agreed to sell their equity interest in the Target, being in aggregate 100% of the Target's total issued share capital for a Consideration of approximately RMB878 million (subject to adjustment based on the formal valuation report). The Consideration shall be satisfied as to 15% (approximately RMB 132 million) in cash and as to 85% (approximately RMB746 million) by the allotment and issue of the Maoye Logistics Consideration Shares by Maoye Logistics. As such, 148,665,400 Maoye Logistics Consideration Shares will be issued to the Vendors at an issue price of RMB5.02 per share, subject to adjustment.

The issue of the Maoye Logistics Consideration Shares will result in a dilution of the shareholding interest of our Group in Maoye Logistics. Under the Listing Rules, such dilution is regarded as a deemed disposal by the Company of shareholding interest in Maoye Logistics.

## **(2) THE SUBSCRIPTION AGREEMENT**

Separately, Maoye Logistics proposed to enter into the Subscription Agreement with Shanghai Fengyou, pursuant to which Maoye Logistics shall allot and issue and Shanghai Fengyou shall subscribe to such number of shares of Maoye Logistics representing an aggregate value of approximately RMB132 million. As a result, 26,235,060 Subscription Shares of Maoye Logistics will be issued to Shanghai Fengyou at an issue price of RMB5.02 per share, subject to adjustment. The proceeds of the Subscription will be applied to settle the cash consideration of the Acquisition. Shanghai Fengyou and the Vendors are regarded as parties acting in concert pursuant to the Acquisition Agreement and the Subscription Agreement.

After the issue of the Maoye Logistics Consideration Shares and the Subscription, the shareholding in Maoye Logistics held by Zhongzhao Investment Management, a wholly-owned subsidiary of the Company, will be diluted from approximately 46.70% to 33.54%. Based on the current shareholding structure of Maoye Logistic and taking into account of the terms of the Transaction, it is expected that Zhongzhao Investment Management will remain the single largest shareholder of Maoye Logistic and will be able to appoint the majority members of its board. The accounting treatment will be reassessed and further confirmed by the Company and its auditors after completion.

### **Listing Rules implications**

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Deemed Disposal exceeds 25% but is less than 75%, the Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholders or any of their respective associates have any material interest in the Transaction and none of the Shareholders is required to abstain from voting in favour of the resolution approving the Transaction. Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval by Maoye Department Store Investment Limited, the holder of approximately 80.61% of the total issued share capital of the Company, will be obtained in lieu of holding a general meeting of the Company to approve the Transaction.

A circular containing, among other things, information relating to the Transaction will be dispatched to the Shareholders in accordance with the Listing Rules on or before 30 November 2014 as additional time is required for the preparation of financial information for inclusion in the circular.

**Shareholders and potential investors of the Company should be aware that the Transaction are subject to certain conditions precedent being satisfied, and consequently the Transaction may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the Shares.**

#### **General**

In connection with the Transaction, Maoye Logistics, as a company listed on the Shenzhen Stock Exchange, has published, amongst others, an acquisition plan on the Shenzhen Stock Exchange on 24 July to provide domestic investors of Maoye Logistics with certain information concerning the Transaction and financial advisor's opinion.

The trading of the securities of Maoye Logistics on the Shenzhen Stock Exchange was suspended with effect from 3 March 2014 pending the publication by Maoye Logistics of the announcement in relation to the Transaction on the Shenzhen Stock Exchange. Trading of the securities of Maoye Logistics on the Shenzhen Stock Exchange will be resumed on 25 July 2014.

Reference is made to the announcement issued by the Company dated 3 March 2014 in relation to the suspension of trading of Maoye Logistics on the Shenzhen Stock Exchange in relation to a material asset reorganisation matter.

## **(1) THE ACQUISITION AGREEMENT**

The Company is pleased to announce that on 24 July 2014, Maoye Logistics, a subsidiary of the Company, entered into the Acquisition Agreement with the Vendors. Details of the Acquisition Agreement are set out below.

**Date** 24 July 2014

### **Parties**

**Vendors:** Yingxigu, which held 99% of the issued share capital of the Target; and Bosheng, which held 1% of the issued share capital of the Target.

**Purchaser:** Maoye Logistics, a subsidiary of the Company

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendors and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

### **Assets to be acquired**

Pursuant to the Acquisition Agreement, Maoye Logistics has conditionally agreed to purchase and the Vendors have agreed to sell their entire equity interest in the Target, being 100% of the Target's total issued share capital.

### **Assets to be disposed of**

Pursuant to the Acquisition Agreement, Maoye Logistics has conditionally agreed to allot and issue, as part of the Consideration, such number of Maoye Logistics Consideration Shares representing an aggregate value of approximately RMB746 million to the Vendors. As such, 148,665,400 Maoye Logistics Consideration Shares will be issued to the Vendors at an issue price of RMB5.02 per share, subject to adjustment.

### **Consideration**

The Consideration for the Acquisition is approximately RMB878 million, subject to adjustment based on the formal valuation report. 85% of the Consideration (equivalent to approximately RMB746 million) shall be satisfied by an allotment and issue of the Maoye Logistics Consideration Shares. 15% of the Consideration (equivalent to approximately RMB132 million) shall be payable in cash.

## **Terms of Payment**

Upon completion of the Acquisition Agreement and the receipt of the proceeds of the Subscription by Maoye Logistics, Maoye Logistics shall engage a qualified accountant to issue a capital verification report in respect of the proceeds of the Subscription.

When the capital verification report is issued, Maoye Logistics shall:

1. register the Maoye Logistics Consideration Shares under the name of the Vendors at the share registrar; and
2. within three working days, pay the cash consideration of approximately RMB132 million to the Vendors.

The allotment and issue of the Maoye Logistics Consideration Shares and the payment of cash consideration shall be completed within 12 months after the Acquisition Agreement has come into effect.

## **Basis of determination of the consideration**

The Consideration was determined after arm's length negotiations between the Vendors and Maoye Logistics on normal commercial terms with reference to the preliminary valuation of the Target on present earning value method. The issue price of the Maoye Logistics Consideration Shares reflects the average trading price of Maoye Logistics' shares for the 20 trading days immediately preceding 3 March 2014, the date of suspension of trading of Maoye Logistics on the Shenzhen Stock Exchange.

The preliminary valuation of the Target (subject to finalisation) constitutes a profit forecast under Rule 14.61 of the Listing Rules. Further information in relation to the profit forecast in compliance with Rule 14.62 will be included in the circular to be published in relation to the Transaction.

The Directors consider that the terms of the transactions under the Acquisition Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **Conditions Precedent**

The Acquisition Agreement takes effect upon satisfaction of the following conditions:

1. The transactions under the Acquisition Agreement have been approved by the board of directors of Maoye Logistics;
2. The transactions under the Acquisition Agreement have been approved by the shareholders' meeting of Maoye Logistics; and
3. The transactions under the Acquisition Agreement have been approved by the CSRC.

Completion of the Acquisition Agreement is conditional upon the fulfilment of the following conditions:

1. The Acquisition Agreement becoming effective pursuant to the conditions stated above;
2. All third party consent, authorisation or approval which are necessary or relevant to give effect to the transactions contemplated by the Acquisition Agreement (if any) have been obtained and the Target is not encumbered by any third parties' rights;
3. Necessary approval by the relevant regulatory authorities concerning the change of shareholding of the Target have been obtained;
4. Non-competition agreements have been entered into between the Target or its subsidiaries and the senior management and core employees of the Target;
5. There being no judgment, decision, or order by relevant authorities, or promulgation or amendment of laws that would prohibit or render illegal the Acquisition Agreement or the transactions thereunder;
6. There being no material adverse changes to the Target's financial conditions and business operation prior to Completion;
7. All representations and warranties remain true, accurate and complete;
8. There has been no default or evidence of potential default under the Acquisition Agreement.

## **Completion**

The Acquisition Agreement is completed when the transfer of the shares of Target by the Vendors to Maoye Logistics is registered with the Industry and Commerce Bureau.

Completion is expected to take place within 30 days after the transactions under the Acquisition Agreement are approved by CSRC. The Acquisition Agreement will be terminated if the transaction is not completed within eleven months after the CSRC approval is obtained.

## **Other provisions**

1. The Maoye Logistics Consideration Shares are proposed to be listed on the Shenzhen Stock Exchange. The Maoye Logistics Consideration Shares are subject to a lock-up period of 36 months from the date of allotment and issue of such shares to the Vendors.
2. The Vendors will provide a guarantee for the profit of the Target for the three financial years after the completion of the Acquisition Agreement based on the formal valuation report. The Vendors shall indemnify Maoye Logistics for the shortfall if the profit falls below the guaranteed amount.
3. Maoye Logistics shall be entitled to any profit generated by the Target between 31 May 2014 and the completion date, while the Vendor shall bear any loss incurred. The Vendor shall indemnify Maoye Logistics the relevant loss if any.

## **(2) SUBSCRIPTION AGREEMENT**

On 24 July 2014, Maoye Logistics proposed to enter into the Subscription Agreement with Shanghai Fengyou. Details of the Subscription Agreement are set out below.

### **Parties**

Issuer: Maoye Logistics, a subsidiary of the Company

Subscriber: Shanghai Fengyou

Shanghai Fengyou and the Vendors are regarded as parties acting in concert pursuant to the Acquisition Agreement and the Subscription Agreement. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shanghai Fengyou and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

## **Assets to be disposed of**

Pursuant to the Subscription Agreement, Maoye Logistics has conditionally agreed to allot and issue and Shanghai Fengyou shall subscribe to such number of shares of Maoye Logistics representing an aggregate value of approximately RMB132 million. As a result, 26,235,060 Subscription Shares will be issued to Shanghai Fengyou at an issue price of RMB5.02 per share, subject to adjustment.

## **Consideration**

The consideration for the Subscription is approximately RMB132 million, which shall be payable in cash.

## **Terms of Payment**

After the allotment and issue of the Maoye Logistics Consideration Shares and the Subscription has been approved by the CSRC, Shanghai Fengyou shall pay the cash consideration in full within seven working days.

## **Basis of determination of the consideration**

The Consideration was determined after arm's length negotiations between the Vendors and Maoye Logistics on normal commercial terms. The issue price of the Subscription Shares reflect the average trading price of Maoye Logistics' shares for the 20 trading days immediately preceding 3 March 2014, the date of suspension of trading of Maoye Logistics on the Shenzhen Stock Exchange.

The Directors consider that the terms of the transactions under the Subscription Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **Conditions Precedent**

The Subscription Agreement shall take effect upon the Acquisition Agreement becoming effective pursuant to the conditions stated above. If the Acquisition Agreement is discharged, terminated or otherwise declared ineffective, the Subscription Agreement shall be terminated accordingly.

## **Completion**

After the payment of the consideration by Shanghai Fengyou, Maoye Logistics shall register the Subscription Shares with the Industry and Commerce Bureau under the name of Shanghai Fengyou. The Subscription Agreement is completed when upon completion of the registration of the Subscription Shares.

## **Use of Proceeds**

The proceeds of the Subscription will be applied to settle the cash consideration of Acquisition.

## **Other provisions**

The Subscription Shares are proposed to be listed on the Shenzhen Stock Exchange. The Subscription Shares are subject to a lock-up period of 36 months from the date of allotment and issue of such shares to Shanghai Fengyou.

## **EFFECT OF THE DEEMED DISPOSAL**

Upon completion of the Deemed Disposal:

- (i) The total issued share capital of Maoye Logistics will increase from 445,129,586 to 620,421,964; and
- (ii) The shareholding of Zhongzhao Investment Management in Maoye Logistics will decrease from 46.70% to 33.54%.

Both assuming that no adjustment to the number of Maoye Logistics Consideration Shares and Subscription Shares to be issued mentioned above will be made.

After the Deemed Disposal, based on the current shareholding structure of Maoye Logistic and taking into account of the terms of the Transaction, it is expected that Zhongzhao Investment Management will remain the single largest shareholder of Maoye Logistic and will be able to appoint the majority members of its board. The accounting treatment will be reassessed and further confirmed by the Company and its auditors after completion.

## INFORMATION OF THE SUBJECT OF THE ACQUISITION AND THE DEEMED DISPOSAL

### The Target

The Target is principally engaged in value-added telecommunications service.

Based on the unaudited accounts of the Target prepared based on PRC Generally Accepted Accounting Principles, the unaudited net profit (before taxation) of the Target for each of the financial years ended 31 December 2012 and 2013 are as follows:

	<b>For the year ended 31 December 2012 (unaudited) RMB</b>	<b>For the year ended 31 December 2013 (unaudited) RMB</b>
Net profit before taxation	56,028,907	58,157,078
Net profit after taxation	47,585,844	49,670,264

The unaudited total asset value of the Target as at 31 December 2013 was approximately RMB160,189,722. Based on valuation conducted by an independent third party, the report valued the present value of the Target as RMB878,192,900 as at 31 May 2014 based on present earning value method.

The preliminary valuation of the Target (subject to finalisation) constitutes a profit forecast under Rule 14.61 of the Listing Rules. Further information in relation to the profit forecast in compliance with Rule 14.62 will be included in the circular to be published in relation to the Transaction.

### Maoye Logistics

Maoye Logistics is principally engaged in the department store retail business. It occupies a leading position in the retail industry of Qinhuangdao city. At present it has five department stores in Qinhuangdao city.

Based on the audited accounts of Maoye Logistics prepared based on PRC Generally Accepted Accounting Principles, the audited net profit (before taxation) of the Target for each of the financial years ended 31 December 2012 and 2013 are as follows:

	<b>For the year ended 31 December 2012 (audited) RMB</b>	<b>For the year ended 31 December 2013 (audited) RMB</b>
Net profit before taxation	155,728,149	140,039,860
Net profit after taxation	110,268,028	92,903,757

The audited total asset value of Maoye Logistics as at 31 December 2013 was approximately RMB1,722,215,378.

#### **REASONS AND BENEFITS FOR THE TRANSACTION**

- 1) The Group's business structure is expected to be optimized with the addition of the new mobile information services on top of the Group's traditional core retail business.
- 2) The industry that the Target operates in has a promising prospect, together with its quality assets and regulated operations, the Target enjoys a leading position and strong and sustainable profitability in the mobile information services industry. The Acquisition is expected to enhance the Group's business scale and profitability.

#### **INFORMATION ON THE PARTIES**

##### **The Company**

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

## **Vendors**

Yingxigu is principally engaged in investment management and corporate management consultation services.

Bosheng is principally engaged in internet and information service, value-added telecommunication service, investment and operation and mobile payment and SMS business.

## **Subscriber**

Shanghai Fengyou is principally engaged in investment and asset management.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios pursuant to Rule 14.07 of the Listing Rules in respect of the Deemed Disposal exceeds 25% but is less than 75%, the Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, no Shareholders or any of their respective associates have any material interest in the Transaction and none of the Shareholders is required to abstain from voting in favour of the resolution approving the Transaction. Pursuant to Rule 14.44 of the Listing Rules, written shareholders' approval by Maoye Department Store Investment Limited, the holder of approximately 80.61% of the total issued share capital of the Company, has been obtained in lieu of holding a general meeting of the Company to approve the Transaction.

A circular containing, among other things, information relating to the Transaction will be dispatched to the Shareholders in accordance with the Listing Rules on or before 30 November 2014 as additional time is required for the preparation of audited financial information of the Target for inclusion in the circular.

**Shareholders and potential investors of the Company should be aware that the Transaction is subject to certain conditions precedent being satisfied, and consequently the Transaction may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

“Acquisition”	the acquisition of 100% of the issued share capital of Target by Maoye Logistics from the Vendors pursuant to the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 24 July 2014 between Maoye Logistics and the Vendors for the acquisition of 100% equity interest of Target
“Board”	the board of Directors
“Bosheng”	Beijing Bosheng Youshi Technology Development Co., Ltd (北京博升優勢科技發展有限公司), a company established in the PRC
“Company”	Maoye International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Consideration”	the consideration payable for the Acquisition
“CSRC”	China Securities Regulatory Commission
“Deemed Disposal”	the issue of the Maoye Logistics Consideration Shares by Maoye Logistics as part of the Consideration and the Subscription
“Director(s)”	the director(s) of the Company
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Maoye Logistics”	Maoye Logistics Corporation Ltd., a subsidiary of the Company and a joint stock limited company established in the PRC and listed on the Shenzhen Stock Exchange (stock code: 000889). As at the date of this announcement, the Company holds 208,074,832 shares in Maoye Logistics through Zhongzhao Investment Management, representing approximately 46.70% of its issued share capital
“Maoye Logistics Consideration Shares”	approximately 148,665,400 new shares to be issued by Maoye Logistics as part of the Consideration

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency in the PRC
“Shareholders”	the shareholders of the Company
“Shanghai Fengyou”	Shanghai Fengyou Investment Management Centre (上海峰幽投資管理中心(普通合夥)), a partnership established in the PRC
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription”	the allotment and issue of approximately 26,235,060 shares by Maoye Logistics to Shanghai Fengyou pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement between Maoye Logistics and Shanghai Fengyou for the subscription of approximately 26,235,060 shares in Maoye Logistics
“Subscription Shares”	approximately 26,235,060 new shares to be issued by Maoye Logistics to Shanghai Fengyou pursuant to the Subscription Agreement
“Target”	Beijing TrustMeDu Sci-tech Co., Ltd (北京創世漫道科技有限公司), a company established in the PRC
“Transaction”	The Acquisition and the Deemed Disposal
“Vendors”	Yingxigu and Bosheng
“Yingxigu”	Xiaochang Yingxigu Investment Centre (Limited Partnership) (孝昌鷹溪穀投資中心(有限合夥)), a partnership established in the PRC

“Zhongzhao Investment  
Management”

Zhongzhao Investment Management Company Limited  
(中兆投資管理有限公司), a wholly-owned subsidiary of  
the Company incorporated in the PRC

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

Hong Kong, 24 July 2014

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