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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)**

## **DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION AT THE SUBSIDIARY LEVEL**

Reference is made to the announcements of the Company (the "**Announcements**") (i) dated 12 December 2017 and 29 December 2017 in relation to the Loan Agreement entered into among the Lender, an indirect non-wholly owned subsidiary of the Company, and the Borrower, pursuant to which the Lender agreed to provide a term loan to the Borrower in the principal amount of RMB399,933,400, bearing interest at a rate of 10.5% per annum for a term of 12 months commencing from the first date of the relevant drawdown; (ii) dated 28 December 2018 in relation to the Supplemental Loan Agreement entered into among the Lender and the Borrower, pursuant to which, among others, the maturity date of the Loan was extended from 1 January 2019 to 31 December 2019; and (iii) dated 2 January 2020 in relation to fact that the Borrower has not repaid the principal amount and interest of the Loan. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless the context otherwise requires.

### **THE ACQUISITION**

The Board is pleased to announce that on 16 March 2020 (after trading hours), in connection with the Loan, (i) the Purchaser entered into the Acquisition Agreement with the Vendor and Mr. Zou, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 15% of the equity interests in the Target Company, for a Consideration of RMB577.5 million (of which RMB48.1 million does not have to be paid by the Purchaser); (ii) the Purchaser entered into the Fee Settlement Agreement with Shenzhen Maoye Department Store Co., Ltd. (深圳茂業百貨有限公司), the Vendor, Mr. Zou and the Target Company, pursuant to which the payment method of the Consideration was agreed; (iii) Shenzhen Maoye Department Store Co., Ltd. (深圳茂業百貨有限公司) entered into

the Second Supplemental Loan Agreement with Mr. Zou and the Vendor, pursuant to which the Vendor will repay the obligations under the Loan together with Mr. Zou to the Purchaser, and the maturity date of the Loan Agreement had been further extended from 31 December 2019 to 16 March 2020; and (iv) Shenzhen Maoye Department Store Co., Ltd. (深圳茂業百貨有限公司) entered into the Agreement to Transfer the Share Pledge with the Vendor, pursuant to which it agreed that the Vendor could transfer the share pledge of 15% equity interest in the Target Company in favour of Shenzhen Maoye Department Store Co., Ltd. (深圳茂業百貨有限公司) to the Purchaser.

Upon completion, the Company's interest in the Target Company will increase from 70% to 85%.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Target Company is a 70% indirectly owned subsidiary of the Company, and 15% equity interest in the Target Company is held by the Vendor. Therefore, the Vendor is a substantial shareholder of the Target Company and a connected person of the Company at the subsidiary level.

Pursuant to Rule 14A.101 of the Listing Rules, a connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements if: (1) the listed issuer's board of directors have approved the transaction; and (2) the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole.

The Company has obtained the approval from the Board (including the independent non-executive Directors) regarding the Acquisition Agreement and the Acquisition contemplated thereunder and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Acquisition Agreement and the Acquisition contemplated thereunder are fair and reasonable, and that the Acquisition is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Acquisition is exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. No Director is considered to have a material interest in the Acquisition and therefore no Director was required to abstain from voting on the Board resolution approving the Acquisition Agreement and the Acquisition.

Since the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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

The Board is pleased to announce that on 16 March 2020 (after trading hours), in connection with the Loan, (i) the Purchaser entered into the Acquisition Agreement with the Vendor and Mr. Zou, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 15% of the equity interests in the Target Company, for a Consideration of RMB577.5 million (of which RMB48.1 million does not have to be paid by the Purchaser); (ii) the Purchaser entered into the Fee Settlement Agreement with Shenzhen Maoye Department Store Co., Ltd. (深圳茂業百貨有限公司), the Vendor, Mr. Zou and the Target Company, pursuant to which the payment method of the Consideration was agreed; (iii) Shenzhen Maoye Department Store Co., Ltd. (深圳茂業百貨有限公司) entered into the Second Supplemental Loan Agreement with Mr. Zou and the Vendor, pursuant to which the Vendor will repay the obligations under the Loan together with Mr. Zou to the Purchaser, and the maturity date of the Loan Agreement had been further extended from 31 December 2019 to 16 March 2020; and (iv) Shenzhen Maoye Department Store Co., Ltd. (深圳茂業百貨有限公司) entered into the Agreement to Transfer the Share Pledge with the Vendor, pursuant to which it agreed that the Vendor could transfer the share pledge of 15% equity interest in the Target Company in favour of Shenzhen Maoye Department Store Co., Ltd. (深圳茂業百貨有限公司) to the Purchaser.

Upon completion, the Company's interest in the Target Company will increase from 70% to 85%.

## **THE ACQUISITION AGREEMENT**

### **Date:**

16 March 2020

### **Parties**

- (i) Maoye Commercial Co., Ltd.\* (茂業商業股份有限公司), as purchaser;
- (ii) Victoria Investment Holding Co., Ltd.\* (維多利投資控股有限公司), as vendor; and
- (iii) Mr. Zou, as guarantor.

### **Assets to be acquired**

Pursuant to the Acquisition Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 15% of the equity interests in the Target Company.

### **Consideration and payment method**

Pursuant to the Fee Settlement Agreement, the Consideration of approximately RMB577.5 million will be paid as follows:

- (i) approximately RMB491.7 million will be set off against the principal and interest of the Loan owed by Mr. Zou to the Purchaser (and its subsidiaries );
- (ii) approximately RMB37.7 million will be set off against the amount due from the Vendor to the Target Company; and
- (iii) the remaining approximately RMB48.1 million, after negotiation between the Purchaser and the Vendor, does not have to be paid by the Purchaser.

### **Basis of determination of the Consideration**

The Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendor and was determined after taking into account the valuation of the asset value of the Target Company for 100% of the equity interests in the Target Company of approximately RMB3,900,027,400.00 as at 30 September 2019 prepared by the Valuer.

As the valuation of the Target Company above was based on the income approach, which involves the calculation of discounted cash flows method, the valuation constitutes a profit forecast under Rule 14.60A of the Listing Rules.

The main assumptions used in the valuation of the Target Company are as follows:

#### **(i) General assumptions**

1. Trading hypothesis: It is assumed that all assets of the Target Company to be evaluated are already in the process of trading, and the Valuer makes a valuation based on the simulated market conditions of the Target Company's assets to be evaluated. Trading assumptions are one of the most basic prerequisite assumptions for asset valuation;

2. Open market hypothesis: It means that the assets of the Target Company can be bought and sold freely in a fully competitive market. Its price depends on the supply and demand of a certain market. Independent buyers and sellers judge the value of the assets of the Target Company. The open market hypothesis is a hypothetical description or limitation of the market conditions to be entered and the impact of assets under relatively perfect market conditions. The open market refers to a fully competitive market with many buyers and sellers. In this market, the status of buyers and sellers is equal. Both parties to the asset transaction have the opportunity and time to obtain sufficient market information, and the transaction behaviour of the buyer and seller is voluntary and rational, rather than under mandatory or restricted

conditions. Both the buyer and the seller can make a rational judgment on the function, use and transaction price of the asset. The open market assumption is based on the fact that the assets of the Target Company can be publicly traded in the market;

3. Continuing operation hypothesis: It refers to the assumption that the operating activities of an operating entity can continue, and that the operating activities of the entity will not be suspended or terminated in a predictable time in the future. It is assumed that a business entity is composed of some assets and liabilities according to a specific purpose and needs to complete a certain function, and in fact, the business entity will continue to perform this specific function in accordance with this specific purpose in the predictable time in the future.

(ii) Special assumptions

1. There will be no major changes in the current political, legal, financial, market or economic conditions of the PRC or countries or regions that have a significant impact on the business of the Target Company and its subsidiaries;

2. The operations and business of the Target Company and its subsidiaries will not be severely interrupted by any force majeure event or uncontrollable unpredictable factors, including but not limited to the occurrence of war, military events, natural disasters or major disasters (such as floods and typhoons), epidemics or serious accidents;

3. The management of the Target Company and its subsidiaries is diligent, there is no major change in the existing business scope, the internal control system of the Target Company and its subsidiaries is effective and complete, and the risk management measures are adequate and appropriate;

4. The basic and financial information provided by the Purchaser and the Target Company are true, accurate and complete; all assets included in the evaluation scope are true and accurate, and their ownership is clear, legal and complete; the asset ownership certificate issued by the Target Company and its subsidiaries is legal and valid; the assets of the Target Company and its subsidiaries are fully accrued;

5. The Target Company and its subsidiaries have fully complied with the current national and local laws and regulations; all the licenses, approvals, consents or other legal or administrative authorisation documents issued by the relevant local and national government agencies and organisations for the use and operation of the Target Company and its subsidiaries are used in accordance with the validity period and in compliance with the applicable laws;

6. All improvements made by the Target Company to all relevant assets are in compliance with all applicable legal provisions and other laws, planning or engineering requirements of the competent higher authority;
7. All important potential factors that may affect the value have been fully disclosed to the Valuer by the Purchaser or the Target Company;
8. The effects of inflation are not taken into account;
9. The accounting policies used in the forecast of future financial information are consistent in all material respects with the accounting policies adopted by the Target Company in the past years and at the time of preparation of the valuation report;
10. There are no major changes in the tax and tax policies implemented by the PRC , or other countries or regions that have a significant impact on the business of the Target Company and its subsidiaries;
11. The future development of the Target Company's main business remains substantially unchanged from the development strategy, operating principles and operating methods currently formulated, which can be achieved as planned;
12. The future operating income can be substantially repaid as planned, and no significant bad debts will occur.

The Company will apply to the Stock Exchange for a waiver from strict compliance with the timing requirements under Rules 14.62 and 14A.68(7) of the Listing Rules regarding the valuation of the Target Company as a profit forecast.

After friendly negotiation, the Purchaser and Vendor agreed that the price of the Target Company's 100% equity as at 30 September 2019 would be RMB3,850 million, and the 15% equity interest in the Target Company would accordingly be approximately RMB577.5 million.

The Board (including the independent non-executive Directors) considers that the terms and conditions (including the Consideration) of the Acquisition Agreement are fair and reasonable and on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

#### **Condition precedents**

The completion of the Acquisition is subject to the fulfillment of the following conditions:

- (i) The Purchaser having received the written consent from its wholly-owned subsidiary, Shenzhen Maoye

Department Store Co., Ltd., (深圳茂業百貨有限公司) to sell the Sale Shares to the Purchaser;

(ii) The Purchaser having obtained approval from its board of directors and shareholders for the Acquisition Agreement and the Acquisition (if required); and

(iii) The Acquisition Agreement and the Acquisition having been reviewed by the relevant Chinese regulatory authorities and Chinese government agencies or approved or filed with relevant Chinese government agencies (if required).

### **Guarantor**

The guarantor is Mr. Zou, the sole shareholder of the Vendor, who guarantees the obligations and responsibilities of the Vendor under the Acquisition.

### **The Purchaser**

The Purchaser is a joint stock limited company established in the PRC, whose shares are listed on the Shanghai Stock Exchange (stock code: 600828). It is the Company's non-wholly owned subsidiary, and It is held as to approximately 82.80% by the Company as at the date ofn this announcement. The Purchaser is principally engaged in the operation of department stores.

### **The Vendor**

The Vendor is an investment holding company principally engaged in commerce, realty business and building industry. Its sole shareholder is Mr. Zou.

### **Information about the Target Company**

The Target Company is an indirect non-wholly owned subsidiary of the Company. As at the date of this announcement, the buyer and the seller respectively hold 70% and 15% of the total interest in the Target Company. The Target Company is principally engaged in owning and operating department stores, supermarkets and commercial real estate.

Based on the audited accounts of the Target Company prepared based on PRC GAAP, the audited net profit (before taxation) and the audited net profit (after taxation) of the Target Company for each of the financial years ended 31 December 2017 and 2018 are as follows:

	<b>For the financial year ended</b>	
	<b>31 December</b>	
	<b>2018年</b>	<b>2017年</b>
	<b>RMB million</b>	<b>RMB million</b>
Net profit before taxation	491.6	285.4
Net profit after taxation	389.9	234.6

As at 30 September 2019, the total assets and net assets of the Target Company (based on Chinese accounting standards) were approximately RMB 6,088.9 million and RMB 1,793.7 million, respectively.

To the best of the Company's knowledge after making all reasonable enquiries, since the Target Company was established by Mr. Zou, the sole shareholder of the Vendor, in 2002, the Target Company's original acquisition cost could not be inquired by the Company, but the following information is available:

- (i) The audited total asset value of the Target Company as at 31 December 2015, based on PRC GAAP, was approximately RMB5,026.9 million;
- (ii) The unaudited revenue of the Target Company as at 31 December 2015, based on International Financial Reporting Standards, was approximately RMB1,668.2 million; and
- (iii) The purchase price of the 70% equity interest in the Target Company acquired by the Purchaser on 5 April 2016 was RMB1,565,300,000 (i.e. the 15% equity of the Target Company was equivalent to approximately RMB335,421,429).

Upon completion, the Company's interest in the Target Company will increase from 70% to 85%.

## **REASONS AND BENEFITS FOR THE ACQUISITION**

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. The Company is focused on developing more department stores, mainly in the second-and third-tier cities and in the most economically developed regions and regions with high economic growth in the PRC. Upon completion of the Acquisition, the interest of the Target Company held by the Company will increase from 70% to 85%. Further expansion of business operations will enable the Group to strengthen its market position. Therefore, the Acquisition will increase the value of the Company and benefit the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Target Company is a 70% indirectly owned subsidiary of the Company, and the remaining 15% equity interest in the Target Company is held by the Vendor. Therefore the Vendor is a substantial shareholder of the Target Company and a connected person of the Company at the subsidiary level.

Pursuant to Rule 14A.101 of the Listing Rules, a connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements if: (1) the listed issuer's board of directors have approved the transaction; and (2) the independent non-executive directors have



confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole.

The Company has obtained the approval from the Board (including the independent non-executive Directors) regarding the Acquisition Agreement and the Acquisition contemplated thereunder and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Cooperation Conditions Transfer Agreement and the Acquisition contemplated thereunder are fair and reasonable, and that the Acquisition is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Acquisition is exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. No Director is considered to have a material interest in the Acquisition and therefore no Director was required to abstain from voting on the Board resolution approving the Acquisition Agreement and the Acquisition.

Further, since the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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

## DEFINITIONS

“Acquisition”	the proposed sale and purchase of 15% of the equity interests in the Target Company by the Vendor to the Purchaser pursuant to the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 16 March 2020 entered into between the Purchaser, the Vendor and Mr. Zou pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor have conditionally agreed to sell 15% of the equity interests in the Target Company
“Agreement to Transfer the Share Pledge”	the agreement to transfer the share pledge dated 16 March 2020 entered into between Shenzhen Maoye Department Store Co., Ltd. (深圳茂業百貨有限公司) and the Vendor, pursuant to which the Vendor agreed to transfer the share pledge of 15% equity interest in the Target Company in favour of Shenzhen Maoye Department Store Co., Ltd. (深

	圳茂業百貨有限公司) to the Purchaser
“Board”	the board of Directors
“Company”	Maoye International Holdings Limited (茂業國際控有限公司), 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 of RMB577.5 million (of which RMB48.1 million does not have to be paid by the Purchaser) for the acquisition of the Sale Shares under the Acquisition Agreement
“Directors”	the directors of the Company
“Fee Settlement Agreement”	the fee settlement agreement dated 16 March 2020 entered into between the Purchaser, Shenzhen Maoye Department Store Co., Ltd. (深圳茂業百貨有限公司), the Vendor, Mr. Zou and the Target Company, in connection with the fee settlement arrangements under the Acquisition Agreement
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“PRC GAAP”	generally accepted accounting principles of the PRC in effect as modified from time to time
“Purchaser”	Maoye Commercial Co., Ltd.* (茂業商業股份有限公司), a subsidiary of the Company and a joint stock limited company established in the PRC and listed on the Shanghai Stock Exchange (stock code: 600828)
“Mr. Zou”	Mr. Zou Zhaobin (鄒招斌), Chinese citizen, a shareholder of the Target Company as to 19.7% immediately preceding completion of the Acquisition, and the sole shareholder of the Vendor
“RMB”	Renminbi, the lawful currency in the PRC
“Sale Shares”	the shares in the Target Company held by the Vendor, representing 15% of equity interests of the Target Company
“Second Supplemental Loan Agreement”	the second supplemental loan agreement dated 16 March 2020 entered into between Shenzhen Maoye Department

“Shareholder(s)”	Store Co., Ltd. (深圳茂業百貨有限公司), Mr. Zou and the Vendor in connection with the Acquisition Agreement the holder of Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Inner Mongolia Victoria Commercial (Group) Co., Ltd.*(內蒙古維多利商業(集團)有限公司), a company established under the laws of the PRC with limited liability which is principally engaged in owning and operating department stores, supermarkets and commercial real estate business, and the entire equity interests of which is held by the Vendor
“Valuer”	an independent professional valuer, Xiamen University Valuation Land Real Estate Valuation Co., Ltd. (廈門市大學評估土地房地產估價有限責任公司)
“Vendor”	Victoria Investment Holding Co., Ltd.*(維多利投資控股有限公司), a company established in the PRC with limited liability, a shareholder of the Target Company as to approximately 15% immediately preceding completion of the Acquisition
“%”	per cent.

\* for identification purpose only

On behalf of the Board  
**Maoye International Holdings Limited**  
**Mr. Huang Mao Ru**  
*Chairman*

Hong Kong, 16 March 2020

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