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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO THE
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
APEX RICH ENTERPRISES LIMITED**

THE ACQUISITION

On 31 May 2013, the Purchaser, an indirect wholly-owned subsidiary of the Company, the Vendors and the Founders entered into a share purchase agreement regarding the Acquisition. Pursuant to the Share Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of the Target Shares for the consideration of RMB400 million. The consideration of RMB400 million shall be settled by cash.

The Target Shares represent the entire issued share capital in the Target Company. Upon Completion, the Target will become an indirect wholly owned subsidiary of the Purchaser, and the Purchaser will have an indirect control and effective interest in the entire equity of the Operating Companies.

LISTING RULES IMPLICATION

Since the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and are subject to reporting and announcement requirements.

THE ACQUISITION

The Share Purchase Agreement

Date: 31 May 2013

Parties:

Purchaser: Magic Cosmetics Company Limited, an indirect wholly-owned subsidiary of the Company and an investment holding company

Vendors: Allied Benefit, Boom Easy and East Talent, all of which are investment holding companies incorporated in the BVI

Founders: Mr. Liao, Mr. Guo and Mr. Xu, who beneficially own the Target as to 85%, 7.5% and 7.5% respectively

The Vendors are incorporated in the BVI and are principally engaged in investment holding. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and the Founders are third parties independent of the Company and its connected persons.

Target Shares to be acquired

Pursuant to the Share Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to dispose of the Target Shares, being the entire issued share capital of the Target.

Consideration

Under the Share Purchase Agreement, the Purchaser agreed to purchase and the Vendors agreed to dispose of the Target Shares at a Consideration of RMB400 million. The Consideration shall be settled by cash on or prior to Completion.

The Consideration was determined after arm's length negotiation among the Group, the Vendors and the Founders after considering the financial performance of the Operating Companies and the business prospects and growth potential of the Target Group which the Directors consider could enhance the turnover and profit of the Group upon completion of the Acquisition.

Conditions precedent

Completion of the transactions under the Share Purchase Agreement is subject to the fulfillment of the following conditions where applicable or otherwise waived by the Purchaser:

- (a) the completion of the Reorganisation, and duly executed originals of all Restructuring Documents and documents evidencing the completion of the Reorganisation shall have been provided to the Purchaser;

- (b) without prejudice to condition (a) above, the following shall have been completed:
- (i) the WFOE having been legally established or acquired and all relevant business licenses having been obtained;
 - (ii) the Vendors successfully arranging for the execution of the Exclusive Business Cooperation Agreement by the WFOE and Baiku and the issuance of the Irrevocable Power of Attorney by each of the shareholder of Baiku in favour of the WFOE;
 - (iii) the Vendors successfully arranging for the execution of the Exclusive Purchase Agreement by each of the Founders of Baiku, the WFOE and Baiku;
 - (iv) the Vendors successfully arranging for the execution of the Equity Pledge Agreement by each of the Founders of Baiku, Baiku and the WFOE in favour of the WFOE;
 - (v) the Vendors successfully arranging for the execution of the register of members of Baiku and the confirmation of capital contribution by Baiku as part of the Equity Pledge Agreement;
 - (vi) the Vendors successfully arranging for the execution of the Spouse Consent Form by each of the Founder's spouse in favour of the Contractual Arrangements;
- (c) all equity interest in Baiku shall have been transferred to a nominee or nominees acceptable to the Purchaser in its sole discretion;
- (d) each of the Vendors, the Founders and members of the Target Group shall have duly attended to and carried out all corporate procedures that are required under the laws of its place of incorporation or establishment to effect its execution, delivery and performance of the Share Purchase Agreement and the Restructuring Documents to which it is a party, and the transactions contemplated hereby and thereby, and having provided copies of all resolutions (and all attachments thereto) to the Purchaser (certified by a director or the legal representative (in the case of a PRC subsidiary) of the relevant entity to be true, complete and correct copies as of the Completion Date);
- (e) the warranties given by the Founders and the Vendors as provided in the Share Purchase Agreement shall remain true and correct on the Completion Date;
- (f) each of the Vendors, the Founders and members of the Target Group shall have performed and complied in all respects with all of its agreements and obligations contained herein and in the Restructuring Documents to which it is a party that are required to be performed or complied with by it on or before Completion;
- (g) all consents, approvals, rights, licenses, permits, waivers and authorizations of, notices to and filings or registrations (the "**Approvals**") with any governmental authority or any other person required pursuant to any applicable law or regulation of any governmental authority, or pursuant to any contract binding on any member of the Target Group or any of the Founders or Vendors to which their respective assets are subject or bound, to consummate the transactions contemplated under the Share

Purchase Agreement and the Restructuring Documents (to the extent that such transactions are to be completed on or prior to the Completion Date), shall have been obtained or made and copies thereof having been provided to the Purchaser (certified by a director or the legal representative (in the case of a PRC subsidiary) of the relevant entity to be true, complete and correct copies as of the Completion Date) (including all Approvals with respect to the direct or indirect ownership by any PRC residents of an interest in any member of the Target Group including registrations pursuant to the applicable regulations and guidelines of Circular 75 issued by the State Administration of Foreign Exchange of the PRC and copies thereof having been provided to the Purchaser certified by a director of such member of the Target Group to be true, complete and certified copies thereof as of the Completion Date);

- (h) there shall be no governmental authority or other person that has:
 - (i) instituted or threatened any legal proceedings, arbitration or administrative proceedings or inquiry, regulatory inquiry against any of the Founders, the Vendors or the members of the Target Group to restrain, prohibit or otherwise challenge the transactions contemplated herein;
 - (ii) threatened to take any legal proceedings, arbitration or administrative proceedings or inquiry, regulatory inquiry against any of the Founders, the Vendors, or the members of the Target Group to restrain, prohibit or otherwise challenge any material aspect of such transactions as a result of or in anticipation of the implementation of such transactions; or
 - (iii) enacted any statute or regulation which would prohibit, materially restrict or materially delay implementation of the transactions contemplated under the Share Purchase Agreement, any Restructuring Documents or the operation of the Target Group as a whole after Completion as contemplated under the Share Purchase Agreement;
- (i) there shall have been since the date of the Share Purchase Agreement, (i) no material adverse change in, and no change in circumstances that has a material adverse impact on the future, business, operations, properties, financial position (including any material increase in provisions), earnings, condition or prospects of the Target Group as a whole, and (ii) no material change in any relevant laws, regulations or policies in any of the jurisdictions in which a member of the Target Group does business (whether coming into effect prior to, on or after the Completion Date) that could reasonably be expected to materially and adversely affect or may materially and adversely affect the Target Group as a whole or its entering into and performing its obligations, under the Share Purchase Agreement;
- (j) the Vendors and the Founders shall have delivered to the Purchaser a certificate, dated the Completion Date and signed by an authorized signatory of the Company, certifying that the conditions set forth in paragraphs (e) through (i) above have been satisfied;
- (k) the Vendors and the Founders shall have delivered to the Target, with copies to the Purchaser, the service agreements and non-competition agreement signed by the Founders and certain key employees of the Target Group pursuant to the Share Purchase Agreement; and

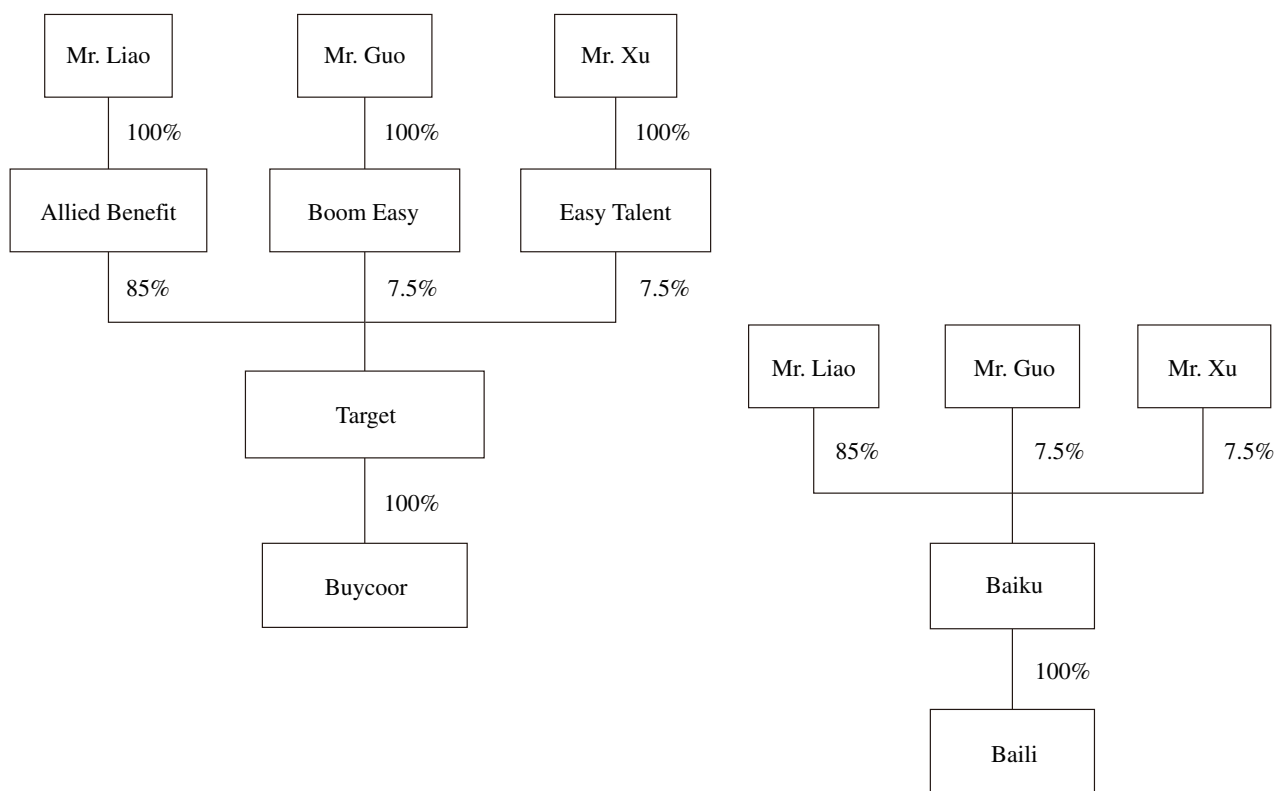
(1) the Purchaser shall be reasonably satisfied with the results of its due diligence investigation on the Target Group.

All of the above conditions may be waived by the Purchaser. In the event that the above conditions are not fulfilled (or as the case may be, waived by the Purchaser) on or before the Long Stop Date, the Purchaser may at its option: (i) defer Completion to a date that is after the Long Stop Date; (ii) proceed to Completion so far as practicable; or (iii) terminate the Share Purchase Agreement. In the case of termination, no party shall have any rights or claims against any other party, save for those that expressly survive termination of the Share Purchase Agreement which shall remain in full force and effect.

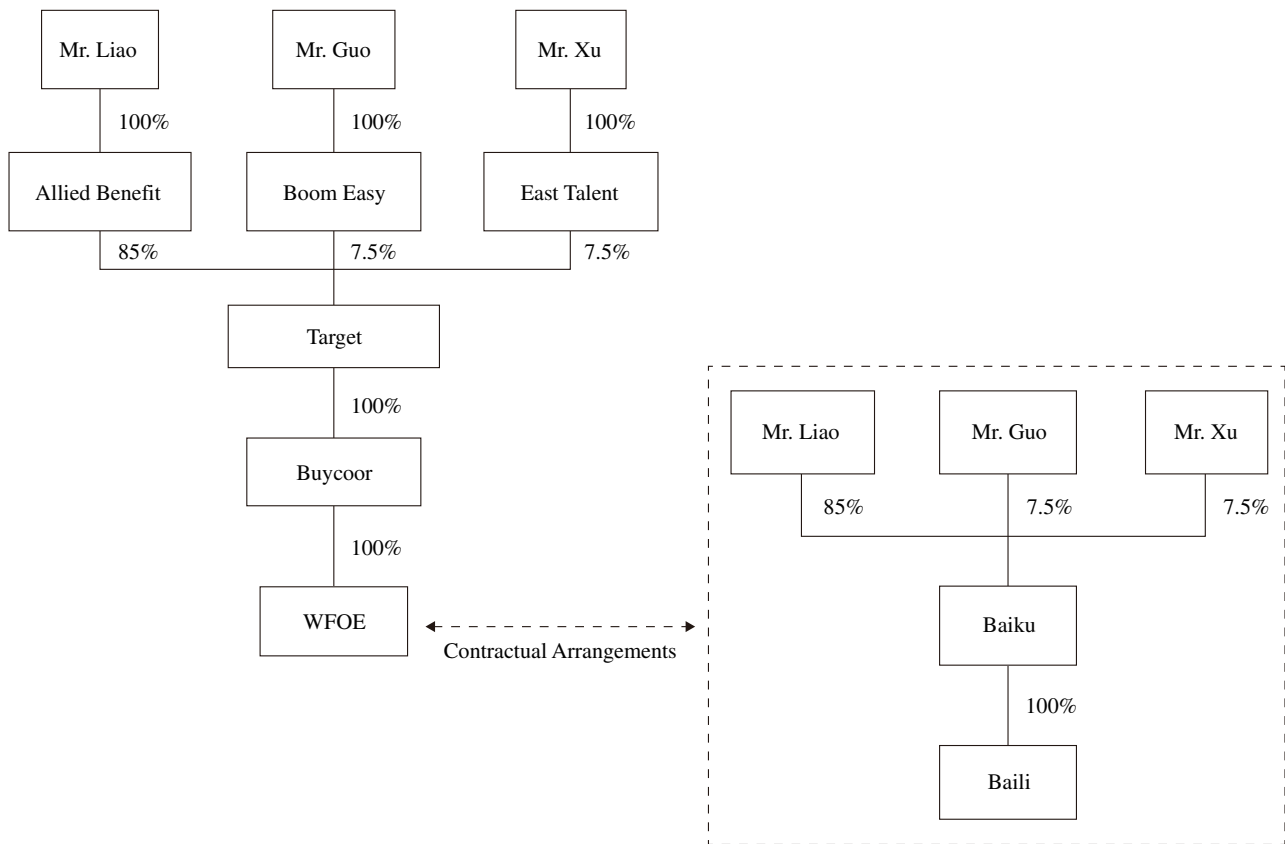
The Directors confirm that as at the date of this announcement, none of the above conditions have been fulfilled and the Purchaser has no intention to waive the condition which is capable of being waived and no notice in respect of termination of the Share Purchase Agreement has been served by the Purchaser.

Reorganisation of the Target Group

As at the date of this announcement, the following corporate chart depicts the shareholding structure of the Target Group:



As a condition precedent to Completion, the Target Group shall proceed with the Reorganisation which will involve (i) foreign investment registrations in respect of the Target, Buycoor, WFOE and the Operating Companies pursuant to the applicable regulations and guidelines of Circular 75 issued by the State Administration of Foreign Exchange of the PRC; (ii) the establishment of a WFOE; and (iii) the execution of the Contractual Arrangements. Details of the Contractual Arrangements are set forth in the sub-paragraph headed “Agreements within the Target Group” under the paragraph headed “Information about the Target Group” below.

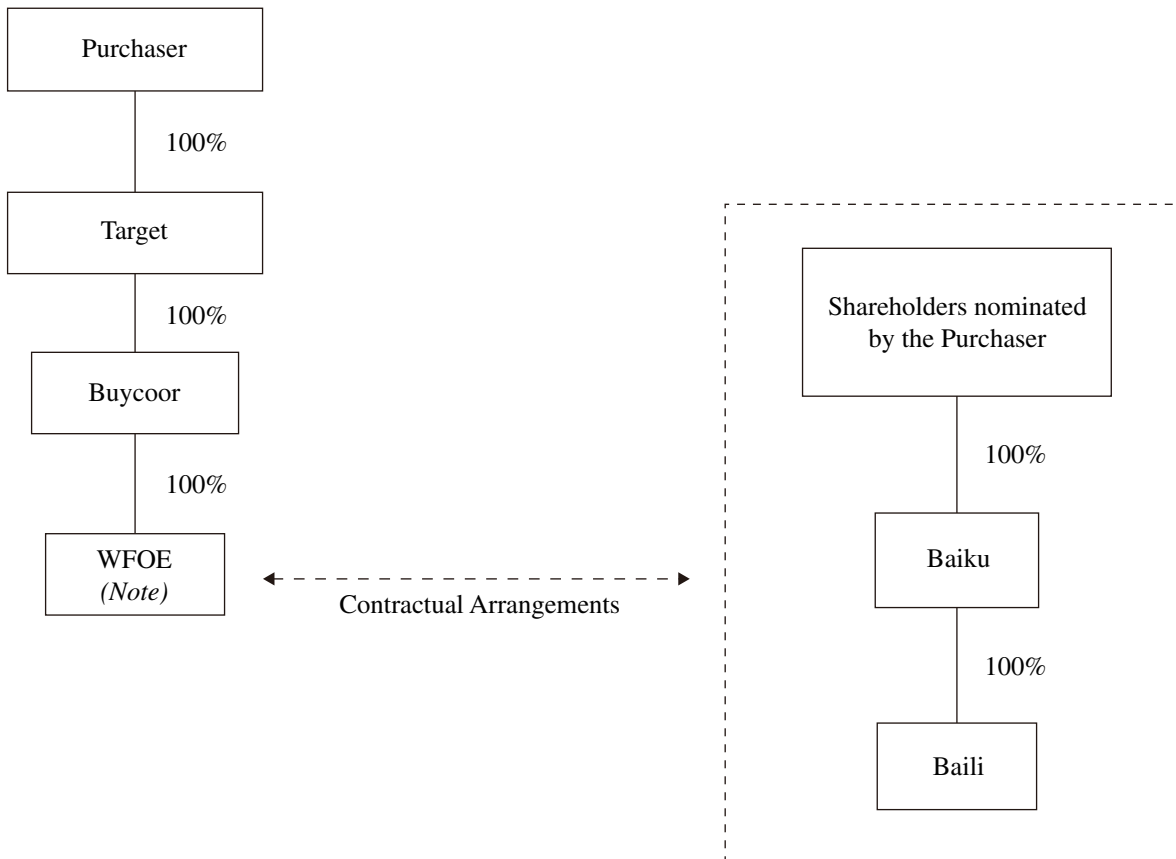


Completion

Completion will take place at 12:00 p.m. (Hong Kong time) on the Completion Date.

Upon Completion, each of the Target, Buycoor and WFOE will become an indirect wholly owned subsidiary of the Company. Based on the Contractual Arrangements, the Purchaser will have an indirect control and effective interest in the entire equity of the Operating Companies, and the Operating Companies will become indirect associated companies and subsidiaries of the Company. Accordingly, the Company will be consolidating the results of the Target Group.

The following corporate chart depicts the shareholding structure of the Target Group immediately after Completion:



Note: Upon and following the Completion, the Purchaser may in its sole discretion cause the rights, benefits and obligations of the WFOE under the Contractual Arrangement to be assigned and novated to an existing wholly foreign owned entity of the Purchaser.

INFORMATION ABOUT THE TARGET

The Target

The Target is a company incorporated in the BVI with limited liability on 22 April 2013 and is wholly and beneficially owned by the Vendors. The Target is principally engaged in investment holding. The principal asset of the Target is the entire issued capital of Buycoor, which in turn owns 100% equity interest in the WFOE.

Buycoor

Buycoor is a limited company incorporated in Hong Kong on 30 April 2013 and is principally engaged in investment holding. Its principal asset is its investment in the 100% equity interest in the WFOE.

WFOE

The WFOE to be established will be a limited liability company established in the PRC and will be principally engaged in the research and development of electronic technology, technical consultancy, transfer of technology and wholesaling and retailing without shops in the PRC. Its principal asset is its investment in the entire issued share capital of Baiku through the Contractual Arrangements.

Baiku

Baiku is a limited liability company established in the PRC on 27 October 2009 and is principally engaged in the research and development of electronic technology, technical consultancy, transfer of technology and wholesaling and retailing without shops in the PRC. Its principal asset is its investment in the entire issued share capital of Baili.

Baili

Baili is a limited liability company established in the PRC on 31 March 2012 and is principally engaged in computer network technology, research and development of telecommunication technology, development of computer software, wholesaling and retailing trade, import and export of goods as well as import and export of technology.

Agreements within the Target Group

(i) Exclusive Business Cooperation Agreement between Baiku and the WFOE

Baiku engages the WFOE on an exclusive basis to provide technical and business support and consultancy services on a perpetual basis in consideration of a service fee equivalent to 100% of the net income of Baiku after deducting operating expenses.

(ii) Exclusive Purchase Agreement between the WFOE, Baiku and each of the Founders

The WFOE is to be granted an exclusive right to acquire, directly or through one or more nominees, from each of the Founders, his entire equity interest in Baiku at a consideration based on the registered capital of Baiku or its net asset value or the minimum amount as permitted under the applicable PRC laws, while WFOE may exercise such option at any time and in any manner at its sole discretion.

(iii) Equity Pledge Agreement between WFOE, Baiku and each of the Founders

Each of the Founders pledged all of his equity interests in Baiku to the WFOE as security for the payment of the service fees under the Exclusive Business Cooperation Agreement and the performance of the Exclusive Purchase Agreement.

(iv) Irrevocable Power of Attorney executed by each of the Founders of Baiku

Each of the Founders of Baiku authorises the WFOE to exercise certain rights of the Founders being the shareholders of Baiku and gives certain undertakings in favour of the WFOE.

(v) *Spouse Consent Form by each of the Founder's spouse*

Each of the Founder's spouse consents to the execution by each of the Founders of any agreements in relation to the Contractual Arrangements and undertakes to take a neutral stance regarding the Founder's shareholding and interest in Baiku.

Financial information of the Target Group

The following is the financial information of the Operating Companies as extracted from its management accounts as provided by the Vendors and the Founders for the two years ended 31 December 2012, which was prepared in accordance with PRC accounting standards:

	Year ended 31 December 2011 RMB'000	Year ended 31 December 2012 RMB'000
Unaudited net profits before taxation and extraordinary items	5,630	11,795
Unaudited net profits after taxation and extraordinary items	4,223	8,846

The unaudited net assets value and total assets value of Operating Companies as at 31 March 2013 were approximately RMB23,790,000 and RMB76,822,000 respectively.

REASONS FOR AND THE BENEFITS OF THE ACQUISITION

The Group is principally engaged in manufacturing, sales and marketing of facial mask products and other skincare products in the PRC.

Throughout the years, the Group has been selling and distributing its products in shops and stores across the PRC. With the increasing popularity of online shopping in recent years, the Group sees the potentials of developing online sales as one of the sales channels of our products. As mentioned in the 2012 annual report of the Company, the Group will focus on the development of e-commerce in addition to the physical stores sales.

According to China E-commerce Research Center, in 2012, the online retail transaction volume in China amounted to RMB1,320.5 billion, representing a year-on-year increase of approximately 64.7% and accounting for approximately 6.4% of the social retail goods, while the population of online shopping users reached 247 million. Online shopping not only plays a vital role in the retail channels, but also grows into an inseparable part of the lifestyle of consumers. The social community already reached the consensus that such phenomenon represents huge potential of business opportunities. Baiku is a long-established company in the e-commerce sector with a solid foundation in the following areas, including e-commerce channel resources, brand resources, sales and marketing, logistics system, management and technological systems, and team building. By capitalizing on such foundation, Baiku possesses strong capabilities to integrate one-stop online retail solutions for brands. In view of such capabilities, the Board believes that the Acquisition will strategically represent an important step for the Group to detect changes in the trend, apply e-commerce maneuver, and take preemptive strikes. Such step will allow the Group to

effectively tap into and integrate the above-the-line and below-the-line advertising and sales sources, and help to maximize its advantages over brand operation, marketing planning, and management. The Group also garners strong momentum to develop its existing brand business, while establishing a broad and advantageous platform for the expansion of new products, new brands, and new product types.

Furthermore, one of the principal businesses of the Operating Companies is online sales of facial masks. With the Group's extensive experience in the facial masks industry, and the pool of talents in online sales of the Operating Companies, the Group believes that the Acquisition would create a synergy where the sale of the Group's skincare products can be further fostered on one hand, and the existing business of the Operating Companies can be better developed on the other hand, resulting in a promising growth of the Group's business as a whole.

In addition, such step lays a solid foundation for the Group to share the huge business opportunities arising from the future e-commerce sector. Therefore, the Directors believe that these will constantly generate substantial return for the Company and the shareholders of the Company in the long run. Furthermore, as a result of sufficient cash in hand, the Group's cash flow will not be adversely affected by the Acquisition.

The Directors believe that the terms of the Acquisition are fair and reasonable and represent the interest of the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios exceed 5% but below 25%, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

DEFINITIONS

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

“Acquisition”	the acquisition by the Purchaser of the Target Shares under the Share Purchase Agreement
“Allied Benefit”	Allied Benefit International Limited, a company incorporated in the BVI whose entire issued share capital is owned by Mr. Liao
“Baiku”	廣州市百庫電子科技有限公司 (Guangzhou City Baiku Electronic Technology Co. Ltd.*), a company established in the PRC with limited liability and was owned as to 85% by Mr. Liao, 7.5% by Mr. Guo and 7.5% by Mr. Xu as at the date of this announcement

“Baili”	廣州市百庫百利網絡科技有限公司 (Guangzhou City Baiku Baili Network Technology Co. Ltd.*), a company established in the PRC with limited liability and is wholly owned by Baiku
“Board”	the Board of Directors
“Boom Easy”	Boom Easy Development Ltd., a company incorporated in the BVI whose entire issued share capital is owned by Mr. Guo
“business day”	any day other than a Saturday, Sunday or other day on which commercial banks in the PRC, Hong Kong, the BVI or the Cayman Islands are required or authorized by law or executive order to be closed or on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. Hong Kong time
“Buycoor”	Buycoor Holdings Company Limited (百庫控股有限公司), a company incorporated in Hong Kong whose entire issued share capital is held by the Target
“BVI”	the British Virgin Islands
“Company”	Magic Holdings International Limited (美即控股國際有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Completion”	completion of the Acquisition in accordance with terms and conditions of the Share Purchase Agreement
“Completion Date”	the date of Completion, being the date falling the fifth business day after all the conditions of the Share Purchase Agreement have been fulfilled or effectively waived by the Purchaser
“Consideration”	the consideration for the Acquisition, being RMB400 million
“Contractual Arrangements”	the Exclusive Business Cooperation Agreement, the Exclusive Purchase Agreement, the Equity Pledge Agreement, the Irrevocable Power of Attorney and the Spouse Consent Form
“Directors”	the directors of the Company

“East Talent”	East Talent Investment Limited, a company incorporated in the BVI whose entire issued share capital is owned by Mr. Xu
“Equity Pledge Agreement”	the equity pledge agreement to be entered into between the WFOE, Baiku and each of the Founders, pursuant to which each of the Founders pledged all of his equity interests in Baiku to the WFOE as security for the payment of the service fees under the Exclusive Business Cooperation Agreement and the performance of the Exclusive Purchase Agreement
“Exclusive Business Cooperation Agreement”	the exclusive business cooperation agreement to be entered into between Baiku and the WFOE, pursuant to which, among others, Baiku engages the WFOE on an exclusive basis to provide technical and business support and consultancy services
“Exclusive Purchase Agreement”	the exclusive purchase agreement to be entered into between the WFOE, Baiku and each of the Founders, pursuant to which WFOE is to be granted an exclusive right to acquire, directly or through one or more nominees, from each of the Founders, his entire equity interest in Baiku at a consideration based on the registered capital of Baiku or its net asset value or the minimum amount as permitted under the applicable PRC laws, while WFOE may exercise such option at any time and in any manner at its sole discretion
“Founders”	Mr. Liao, Mr. Guo and Mr. Xu
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Irrevocable Power of Attorney”	the power of attorney to be executed by each of the Founders, pursuant to which each of the Founders of Baiku authorises the WFOE to exercise certain rights of the Founders being the shareholders of Baiku and gives certain undertakings in favour of the WFOE
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Long Stop Date”	31 December 2013
“Mr. Guo”	Mr. Guo Liang, the beneficial owner of the entire issued share capital of Boom Easy

“Mr. Liao”	Mr. Liao Xinmin, the beneficial owner of the entire issued share capital of Allied Benefit
“Mr. Xu”	Mr. Xu Yingjian, the beneficial owner of the entire issued share capital of East Talent
“Operating Companies”	Baiku and Baili
“PRC”	the People’s Republic of China
“Purchaser”	Magic Cosmetics Company Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company
“Reorganisation”	a series of corporate reorganisation of the Target Group as detailed under the paragraph headed “Reorganisation of the Target Group” in this announcement
“Restructuring Documents”	agreements, approvals, charter documents of the WFOE and other documents as may be required or deemed necessary by the parties to effectuate the Reorganisation
“RMB”	Renminbi, the lawful currency of the PRC
“Share Purchase Agreement”	the share purchase agreement dated 31 May 2013 and entered into between the Vendors, the Founders and the Purchaser in relation to the Acquisition
“Spouse Consent Form”	the spouse consent form to be executed by each of the Founder’s spouse, pursuant to which each of the Founder’s spouse consents to the execution by each of the Founders of any agreements in relation to the Contractual Arrangements and undertakes to take a neutral stance regarding the Founder’s shareholding and interest in Baiku
“Target”	Apex Rich Enterprises Limited (高麗企業有限公司), a company incorporated in the BVI whose entire issued share capital was owned by Allied Benefit as to 85%, Boom Easy as to 7.5% and East Talent as to 7.5% respectively
“Target Group”	collectively, the group of companies consisting of the Target, Buycoor, the WFOE, Baiku and Baili
“Target Shares”	the entire issued share capital of the Target, being 50,000 ordinary shares of par value of US\$1 each
“Vendors”	Allied Benefit, Boom Easy and East Talent

“WFOE” a wholly foreign owned enterprise to be established by Buycoor on or before the Completion Date

“%” per cent.

* *The English translation of the names of companies established in the PRC referred to in this announcement is for reference only. The official names of those companies are in Chinese.*

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

Hong Kong, 31 May 2013

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Tang Siu Kun Stephen (Chairman), Mr. She Yu Yuan, Mr. Luo Yao Wen and Mr. Cheng Wing Hong; two non-executive Directors, namely Mr. Sun Yan and Mr. Chen Dar Cin; and three independent non-executive Directors, namely Professor Dong Yin Mao, Professor Yang Rude and Mr. Yan Kam Tong.

* *For identification purposes only*