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Yues International Holdings Group Limited

樂氏國際控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1529)

DISCLOSEABLE TRANSACTION ACQUISITION OF 60% EQUITY INTEREST IN ZHONGSHAN HAIHUI TECHNOLOGY LOGISTICS (GROUP) CO., LTD.

THE ACQUISITION

The Board is pleased to announce that after trading hours of the Stock Exchange on 31 July 2023, the Purchaser (a wholly-owned subsidiary of the Company), the Vendor and the Target Company entered into the Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, being 60% equity interest in the Target Company, at the Consideration of RMB9,000,000.

Upon Completion, the Target Company will become an indirect 60%-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Company.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE ACQUISITION

Reference is made to the announcement of the Company dated 3 May 2023 in relation to the entering into of the memorandum of understanding in respect of the proposed acquisition of the controlling interest in the Target Company by the Company.

The Board is pleased to announce that after trading hours of the Stock Exchange on 31 July 2023, the Purchaser (a wholly-owned subsidiary of the Company), the Vendor and the Target Company entered into the Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire, and Vendor has conditionally agreed to sell, the Sale Shares, being 60% equity interest in the Target Company, at the Consideration of RMB9,000,000.

THE AGREEMENT

Principal terms of the Agreement are set out below:

Date: 31 July 2023

Parties: (i) Guangdong Yues International Intelligent Logistics Co., Ltd.* (廣東樂氏國際智慧物流有限公司), a wholly-owned subsidiary of the Company, as purchaser;

(ii) Mr. Wang Haixi (王海曦), as vendor; and

(iii) the Target Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, (i) the Vendor is a businessman in the PRC; and (ii) the Vendor and the Target Company are Independent Third Parties.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, being 60% equity interest in the Target Company.

Consideration

The Consideration for the Sale Shares is RMB9,000,000, which shall be payable by the Purchaser to the Vendor in cash, subject to status of fulfilment of the Profit Guarantee as discussed in the section headed "Profit Guarantee and adjustment to the Consideration" below.

The Consideration shall be payable, within 20 Business Days following the date of issuance of the audited accounts of the Target Group for the period commencing from 1 August 2023 and up to 30 June 2024 (the "**Guaranteed Period**") prepared by an independent auditor appointed (with the approval of the Purchaser) by the Target Company, in the following manner:

- (i) if as at the end date of the Guaranteed Period (i.e. 30 June 2024) the Target Company has certain amount due from the Vendor (the "**Amount Due from Vendor**", and the Amount Due from Vendor is equal to or more than the Consideration, the Purchaser shall pay the Consideration to a bank account designated by the Target Company to set off against the Amount Due from Vendor on a dollar-for-dollar basis;
- (ii) if the Amount Due from Vendor is less than the Consideration, the Purchaser shall pay
 - (a) part of the Consideration to a bank account designated by the Target Company to set off against all the outstanding Amount Due from Vendor on a dollar-for-dollar basis;
 - and (b) the remaining balance of the Consideration to a bank account designated by the Vendor; or

(iii) if the Target Company does not have any Amount Due from Vendor as at the end date of the Guaranteed Period, the Purchaser shall pay the entire Consideration to a bank account designated by the Vendor.

The Consideration will be financed by the internal resources of the Group.

Basis of the Consideration

The Consideration was determined upon arm's length negotiations between the Purchaser and the Vendor after taking into consideration the valuation of the entire equity interest of the Target Company of RMB15,500,000 as at 31 March 2023 performed by an independent valuer based on market approach.

Profit Guarantee and adjustment to the Consideration

The Vendor and the Target Company has jointly undertaken to the Purchaser that the audited revenue and the audited net profit of the Target Group for the Guaranteed Period (i.e. the period commencing from 1 August 2023 and up to 30 June 2024) shall be not less than RMB60,000,000 (the “**Guaranteed Revenue**”) and RMB3,500,000 (the “**Guaranteed Profit**”) respectively.

In the event that either the Guaranteed Revenue or the Guaranteed Profit is not achieved, the Purchaser has the right to exercise the put option and request the Vendor to repurchase the Sale Shares at nil consideration (the “**Put Option**”). If the Purchaser decides to exercise the Put Option, the Purchaser shall not be obliged to pay the Consideration and the Vendor shall, within 20 Business Days upon receipt of the notice of exercising the Put Option issued by the Purchaser, complete all the necessary procedures including the registration with relevant government authorities in respect of the repurchase of the Sale Shares.

If the Purchaser decides not to exercise the Put Option, and (i) where the Guaranteed Profit is achieved, no adjustment will be made to the Consideration and the Consideration shall be payable in the manner as set out in the section headed “Consideration” above; or (ii) where the Guaranteed Profit is not achieved, the Purchaser shall pay to the Vendor the Consideration adjusted with the shortfall of the actual profit for the Guaranteed Period to the Guaranteed Profit (the “**Adjusted Consideration**”) in accordance with the following formula:

$$\text{Adjusted Consideration} = \text{Consideration} - (\text{shortfall} \times \text{adjustment factor}^1 \times 60\%)$$

Note 1: The adjustment factor shall be 4.43, which is the price-to-earnings ratio calculated by dividing the valuation of the entire equity interest of the Target Group of RMB15,500,000 as at 31 March 2023 by the Guaranteed Profit of RMB3,500,000.

For the avoidance of doubt, even if the Target Group suffers a net loss for the Guaranteed Period, the maximum amount of the adjustment shall not be more than the Consideration of RMB9,000,000.

Other salient term

The Vendor further undertakes to the Purchaser that the Vendor shall guarantee for the timely repayment of all the outstanding borrowings of the Target Group from banks or other financial institutions as at the date of Completion, including the principal amount and the interests accrued thereof. In the event that the Target Group does not repay any of such borrowings by the corresponding due dates, regardless of whether such borrowings contain other guarantee measures, the Purchaser shall have the right to require the Vendor to immediately repay the relevant borrowings to the corresponding lenders including the principal amount, the accrued interests, penalties, compensation and all other related expenses that are required to be paid to such lenders.

Conditions precedent

Completion is subject to the following conditions being satisfied (or waived, as the case may be):

- (i) the Agreement and other relevant transaction documents having been signed by all parties;
- (ii) all representations and warranties made by the Vendor and the Target Company under the Agreement being true, accurate, and complete, and neither the Vendor nor the Target Company having breached of any provisions, commitments, or obligations under the Agreement;
- (iii) all necessary approval and consent (a) required by the Vendor and the Target Company or required to be obtained from government authorities; or (b) required to be obtained from other third parties (if any) in respect of the Agreement and the transactions contemplated thereunder having been obtained;
- (iv) there being no pending or potential litigation and no restriction, prohibition, judgment, ruling, or injunction imposed by courts, arbitration institutions, or other government authorities in respect of the Agreement and the transactions contemplated thereunder;
- (v) there being no material adverse change on the business, operations, assets, financial or other matters of the Target Group from the date of the Agreement up to the date of Completion;
- (vi) the Purchaser being satisfied with the due diligence review on the Target Group in respect of its business, financial, tax and legal aspects; and
- (vii) the Vendor having issued a confirmation letter to the Purchaser confirming that all the above conditions (other than condition (vi)) have been satisfied (except the conditions waived in writing by the Purchaser).

Save for condition (iii) (a), the Purchaser has the right to waive any of the above conditions.

If any of the above conditions is not satisfied (or waived, as the case may be) on or before 31 August 2023 (the “**Long Stop Date**”), the Purchaser has the right to extend the Long Stop Date for the satisfaction of the relevant condition(s), or to notify the other parties to cease and terminate the Agreement.

Completion

Completion shall take place on the 10th Business Day upon all the conditions precedent to the Agreement having been satisfied or waived by the Purchaser (as the case may be), or on such other date as the Purchaser and the Vendor may agree in writing.

Upon Completion, the Target Company will become an indirect 60%-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Company.

INFORMATION OF THE TARGET GROUP

The Target Company was established in the PRC on 8 April 2010 with limited liability. As at the date of this announcement, the Target Company is owned as to 70% by the Vendor and 30% by another Independent Third Party.

The Target Group is principally engaged in freight forwarding; freight loading and unloading; domestic trade agency; the non-vessel operating common carriers (NVOCC) business; international freight forwarding; general cargo storage services; packaging services; packing services for transported cargoes; storage equipment leasing services; international freight forwarding by land; road cargo terminal operation; road cargo transportation; international road cargo transportation; import and export of goods, etc.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the key unaudited financial information of the Target Group for the two years ended 31 December 2021 and 2022 prepared in accordance with the generally accepted accounting principles of the PRC:

	For the year ended	
	31 December	
	2022	2021
	<i>RMB</i>	<i>RMB</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit before taxation	2,588,792	1,300,878
Profit after taxation	2,574,626	1,300,878

As at 31 May 2023, the unaudited net asset value of the Target Group amounted to approximately RMB6.6 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in provision of transportation, warehousing, in-plant logistics and customisation services which are divided into four operating segments, namely (i) the transportation service segment which is principally providing supply chain logistics services; (ii) the warehousing service segment which is principally providing warehousing of cargoes and warehouse management services; (iii) the in-plant logistics service segment which is principally providing transportation of in-plant cargoes; and (iv) the customisation service segment which is principally providing labelling and bundling services.

As set out in the annual report of the Company for the year ended 31 December 2022, it is expected that the scale of the logistics industry will continue to increase steadily. As such, the Company intends to further expand the logistics business to a broader spectrum of services, in anticipation of meeting various customers' demand for logistics services. The Company believes that the Acquisition will enable the Group to leverage on the existing services provided by the Target Group such as the integrated freight forwarding services, e-commerce logistics, warehousing and packaging services and complement with the Group's existing logistics business, and thereby creating a positive synergy effect between the Group and the Target Group. As a result, the comprehensive capacity of the Group in serving current clients as well as attracting new clients from different industries will therefore be enhanced.

Having considered the above, the Directors are of the view that the terms of the Agreement are on normal commercial terms and fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to the satisfaction of the conditions precedent to the Agreement and therefore the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	acquisition of the Sale Shares by the Purchaser pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 31 July 2023 entered into among the Purchaser, the Vendor and the Target Company in respect of the Acquisition

“Board”	the board of Directors
“Business Day(s)”	any day (other than Saturday, Sunday and statutory holidays) on which commercial banks in the PRC are open generally for normal business
“Company”	Yues International Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1529)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Consideration”	the consideration in the amount of RMB9,000,000 payable by the Purchaser to the Vendor for the Sale Shares
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Profit Guarantee”	the profit guarantee provided by the Vendor and the Target Company in favour of the Purchaser as described in the section headed “Profit Guarantee and adjustment to the Consideration” in this announcement
“Purchaser”	Guangdong Yues International Intelligent Logistics Co., Ltd.* (廣東樂氏國際智慧物流有限公司), a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	60% equity interest in the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Zhongshan Haihui Technology Logistics (Group) Co., Ltd.* (中山海慧科企物流(集團)有限公司), a company established in the PRC with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Mr. Wang Haixi (王海曦), who owns 70% equity interest in the Target Company as at the date of this announcement
%	per cent.

By order of the Board
Yues International Holdings Group Limited
Le Kang
Chairman

Hong Kong, 31 July 2023

As at the date of this announcement, the Board consists of five executive Directors, Mr. Le Kang, Mr. Li Jiahao, Mr. Li Jiali, Mr. Song Ruipeng and Mr. Du Yingyou, and four independent non-executive Directors, Mr. Yu Chun Man, Mr. Lau Wai Piu Patrick, Dr. Wang Yi and Mr. Chan Koon Yung.

* *For identification purpose only*