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# **SMART GLOBE HOLDINGS LIMITED**

## **竣球控股有限公司**

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

**(Stock Code: 1481)**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF 51% EQUITY INTERESTS IN THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE AND ISSUE OF PROMISSORY NOTES**

#### **THE ACQUISITION**

The Board is pleased to announce that, on 5 August 2022 (after trading hours), the Company (as purchaser), the Vendor (as vendor), WSL Supermarket and the Target Company entered into the Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sales Shares, being 51% equity interests in the Target Company, at the Consideration of HK\$300 million, which will be satisfied by the allotment and issue of the Consideration Shares and the issuance of the Promissory Notes to the Vendor (or its nominee(s)).

#### **GENERAL MANDATE**

The Consideration Shares will be allotted and issued under the General Mandate. Under the General Mandate, the Company is authorised to issue up to 200,000,000 new Shares. Since the date of the annual general meeting (i.e. 13 May 2022) and up to and including the date of this announcement, 20,000,000 Shares have been allotted and issued pursuant to the General Mandate and the remaining new Shares that can be allotted and issued pursuant to the General Mandate is 180,000,000 new Shares. Accordingly, the General Mandate is sufficient for the allotment and issue of the Consideration Shares and the allotment and issue of the Consideration Shares is not subject to the Shareholders' approval.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

**Completion is subject to the fulfillment of certain conditions precedent set out in 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.**

## **INTRODUCTION**

The Board is pleased to announce that, on 5 August 2022 (after trading hours), the Company (as purchaser), the Vendor (as vendor), WSL Supermarket and the Target Company entered into the Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sales Shares, being 51% equity interests in the Target Company, at the Consideration of HK\$300 million, which will be satisfied by the allotment and issue of the Consideration Shares and the issuance of the Promissory Notes to the Vendor (or its nominee(s)).

## **THE AGREEMENT**

The principal terms of the Agreement are summarised as follows:

### **Date**

5 August 2022 (after trading hours)

### **Parties**

- (i) Purchaser: the Company;
- (ii) Vendor: 武漢純正飲品有限公司 (Wuhan Pure Beverage Co., Ltd.\*);
- (iii) 武漢秀生活超級市場有限公司 (Wuhan Show Life Supermarket Co., Ltd.\*); and
- (iv) the Target Company.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

### **Assets to be acquired**

Pursuant to the Agreement, the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell the Sales Shares, being 51% equity interests in the Target Company.

### **Consideration**

The Consideration of HK\$300 million shall be satisfied by way of the allotment and issue of 80,000,000 Consideration Shares at the issue price of HK\$1.8 per Consideration Share and the issuance of the Promissory Notes by the Company to the Vendor (or its nominee(s)) in the following manner:

- (i) HK\$130,500,000 of which HK\$62,640,000 (the “**First Batch Consideration Shares Value**”) shall be satisfied by way of allotment and issue of 34,800,000 Consideration Shares at the issue price of HK\$1.8 per Consideration Share; and the issuance of the First Promissory Note of principal amount of HK\$67,860,000 by the Company to the Vendor (or its nominee(s)) within thirty (30) Business Days (the “**First Allotment Date**”) upon the Company has received the Audit Report (as defined below) of the Target Company for the year ending 31 December 2023; and
- (ii) HK\$169,500,000 of which HK\$81,360,000 (the “**Second Batch Consideration Shares Value**”) shall be satisfied by way of allotment and issue of 45,200,000 Consideration Shares at the issue price of HK\$1.8 per Consideration Share; and the issuance of the Second Promissory Note of principal amount of HK\$88,140,000 by the Company to the Vendor (or its nominee(s)) within thirty (30) Business Days (the “**Second Allotment Date**”) upon the Company has received the Audit Report (as defined below) of the Target Company for the year ending 31 December 2024.

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendor with reference to among others, (i) the Guaranteed Net Profit (as defined below); (ii) the price to earnings ratios (“**P/E ratio(s)**”) of the comparable companies (the “**Comparable Companies**”) listed in Hong Kong principally engaged in operating of retailing business in the PRC which ranging from approximately 4.88 times to 16.22 times (based on the market price of the Comparable Companies as at 31 July 2022 and their latest published annual reports); and (iii) the Consideration represents a P/E ratio of approximately 6.76 times (based on the 2023 Guaranteed Net Profit (as defined below)), which is within the range of the P/E ratio of the Comparable Companies.

## **Consideration Shares**

The issue price of HK1.8 per Consideration Share represents:

- (i) a premium of approximately 9.76% over the closing price of HK\$1.64 per Share as quoted on the Stock Exchange on the date of the Agreement; and
- (ii) a premium of approximately 10.02% over the average closing price of HK\$1.636 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement.

The issue price was determined after arm's length negotiation between the Company and the Vendor, with reference to the prevailing market price of the Shares. The Directors consider that the issue price and the Consideration are fair and reasonable, on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

The Consideration Shares represent approximately 7.84% of the existing issued share capital of the Company as at the date of this announcement and approximately 7.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the First Allotment Date, save for the issue of the Consideration Shares).

The Consideration Shares will be allotted and issued under the General Mandate. The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the existing Shares in issue.

## **Application of Listing**

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

## Promissory Notes

The principal terms of the First Promissory Note and the Second Promissory Note are as follows:

### 1. *First Promissory Note*

Issuer:	The Company
Principal amount:	HK\$67,860,000
Maturity date:	the day falling on the second anniversary of the date of issuance of the First Promissory Note (the “ <b>First PN Maturity Date</b> ”)
Interest:	Nil
Transferability:	The First Promissory Note shall not be transferred by the payee to any person or persons at any time unless (i) the prior written consent will have been obtained from the Company; and (ii) such transfer, if effected, is in compliance with all applicable laws, regulations and rules (including without limitation the Listing Rules)
Early Redemption:	The Company may redeem in whole or in part the outstanding principal of the First Promissory Note at any time prior to the First PN Maturity Date

### 2. *Second Promissory Note*

Issuer:	The Company
Principal amount:	HK\$88,140,000
Maturity date:	the day falling on the first anniversary of the date of issuance of the Second Promissory Note (the “ <b>Second PN Maturity Date</b> ”)
Interest:	Nil

Transferability: The Second Promissory Note shall not be transferred by the payee to any person or persons at any time unless (i) the prior written consent will have been obtained from the Company; and (ii) such transfer, if effected, is in compliance with all applicable laws, regulations and rules (including without limitation the Listing Rules)

Early Redemption: The Company may redeem in whole or in part the outstanding principal of the Second Promissory Note at any time prior to the Second PN Maturity Date

The Directors are of the view that the terms of the Promissory Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent**

Completion is conditional upon the satisfaction of the following conditions precedent:

- (i) the Company having completed its due diligence investigation on the Target Company and in its absolute discretion satisfied with the results thereof within 90 days after the date of signing of the Agreement;
- (ii) the Target Company shall amend the articles of association in accordance with the relevant provisions of the Agreement and shall be formally signed by all shareholders of the Target Company. Such amendments and signatures shall be approved in writing by the Company; except for the above-mentioned amendments to the articles of association of the Target Company, the articles of association of the Target Company shall not be amended or restated during the Transition Period;
- (iii) the Acquisition has obtained all relevant consents and approvals from the relevant government departments of the PRC and/or of Hong Kong (if necessary), the Target Company and other third parties, including, but not limited to, the Target Company's board of directors and shareholders' meeting to approve the Acquisition, as well as the aforementioned revised articles of association or amendments to the articles of association;
- (iv) the Target Company and its original shareholders have fully, truthfully and completely disclosed the Target Company's assets, liabilities, rights and interests, external guarantees and all information related to the Agreement to the Company in writing;
- (v) during the Transition Period, there is no significant adverse change in the operation or financial status of the Target Company (determined by the Company based on its independent judgment), and no profit distribution in any form has been made;

- (vi) during the Transition Period, the Target Company has not created or permitted the creation of any encumbrances on any assets or property. The Target Company has not disposed of its major assets, directly or indirectly, in any way, nor has it incurred or assumed any material liabilities (other than those generally in the course of its business operations);
- (vii) during the Transition Period, the Target Company does not hire or dismiss any key employees, or to increase or promise to increase the wages, salaries, compensation, bonuses, incentive remuneration, pensions or other benefits payable to its employees by more than 10%;
- (viii) during the Transition Period, the original shareholders of the Target Company shall not transfer or set up encumbrances such as pledges on some or all of the shares of the Target Company that the original shareholders hold;
- (ix) the Target Company act as a continuously operating entity, it does not exist and shall not have any illegal or illegal behavior; and
- (x) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Share.

If the above conditions are not satisfied on or before the 31 December 2022, either the Company or the Vendor shall have the right to unilaterally terminate the Agreement by written notice.

### **Profit Guarantee**

Pursuant to the Agreement, the Vendor undertakes and guarantees to the Company that the net profit after taxation (after excluding the non-recurring gains and losses) attributed to the owners of the Target Company (the “**Net Profit**”) for each of the two years ending 31 December 2023 (the “**2023 Guaranteed Net Profit**”) and 2024 (the “**2024 Guaranteed Net Profit**”, together with the 2023 Guaranteed Net Profit, the (“**Guaranteed Net Profit**”)) will not be lower than RMB75.0 million and RMB97.5 million, respectively.

The Target Company shall appoint an auditor as agreed by the Company, to issue audit report (the “**Audit Report**”) confirming the actual net profit after taxation (after excluding the non-recurring gains and losses) for each of the two years ending 31 December 2024.

In the event that any of the 2023 Guaranteed Net Profit and 2024 Guaranteed Net Profit is less than the guaranteed amount, the number of Consideration Shares to be allotted and issued and the issued amount of the Promissory Notes will be adjusted accordingly. The adjustment mechanism of the issued amount of Consideration Shares and the principal amount of the Promissory Notes is calculated as follows:

For the first allotment and issuance of the Consideration Shares on the First Allotment Date:

$$= \frac{\text{the 2023 actual Net Profit}}{\text{the 2023 Guaranteed Net Profit}} \times \text{First Batch Consideration Shares Value}$$

÷ Issue price per Consideration Share

For the principal amount of the First Promissory Note:

$$= \frac{\text{the 2023 actual Net Profit}}{\text{the 2023 Guaranteed Net Profit}} \times \text{original principal amount of the First Promissory Note}$$

For the second allotment and issuance of the Consideration Shares on the Second Allotment Date:

$$= \frac{\text{the 2024 actual Net Profit}}{\text{the 2024 Guaranteed Net Profit}} \times \text{Second Batch Consideration Shares Value}$$

÷ Issue price per Consideration Share

For the principal amount of the Second Promissory Note:

$$= \frac{\text{the 2024 actual Net Profit}}{\text{the 2024 Guaranteed Net Profit}} \times \text{original principal amount of the Second Promissory Note}$$

Pursuant to the Agreement, in the event that the actual Net Profit for the two years ending 31 December 2023 and 2024 is a negative figure, it shall be deemed as zero. In the event that the actual Net Profit for the two years ending 31 December 2023 and 2024 is more than the Guaranteed Net Profit, there shall not be any upward adjustment on the Consideration, and the amount of the Consideration Shares to be allotted and issued and the Promissory Notes.

## **COMPLETION**

Completion shall take place on the Completion Date.



## **INFORMATION OF THE GROUP**

The Group is principally engaged in the production, distribution and printing of books, novelty and packaging products.

## **INFORMATION OF THE VENDOR**

The Vendor is a company established in the PRC with limited liability and owns 90% equity interests in the Target Company. The Vendor is principally engaged in operating of convenience store in the PRC and is ultimately beneficially owned as to approximately 60% by 胡方 (Hu Fang\*) and as to approximately 40% by 胡俊宇 (Hu Junyu\*).

## **INFORMATION OF THE TARGET COMPANY**

The Target Company is a company established in the PRC with limited liability. As at the date of this announcement, the Target Company is owned as to 90% equity interests by the Vendor and 10% equity interests by WSL Supermarket. The Target Company is principally engaged in operating vending machine in the PRC.

WSL Supermarket is a company established in the PRC with limited liability and is ultimately beneficially owned as to approximately 60% by 胡方 (Hu Fang\*) and as to approximately 40% by 胡俊宇 (Hu Junyu\*).

### **Financial information of the Target Company**

Set out below is a summary of the financial information of the Target Company as extracted from its unaudited management account prepared in accordance with the PRC GAAP from its date of establishment (i.e: 13 May 2022) to 31 July 2022:

	<b>From the date of establishment (i.e: 13 May 2022) to 31 July 2022 Approximately RMB' million (unaudited)</b>
Revenue	0.65
Net profit/(loss) before tax	(0.38)
Net profit/(loss) after tax	(0.38)

The unaudited total assets, total liabilities and net liabilities of the Target Company as at 31 July 2022 according to the unaudited management account were approximately RMB2.69 million, RMB2.79 million and RMB0.10 million respectively.

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Group's financial statement.

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

Whilst the Group remains focused on developing its existing businesses, the Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time with growth potential and broaden its business segment and source of income.

As stated in the sub-section headed "Profit Guarantee" above, the Vendor had under took and guaranteed to the Purchaser that the 2023 Guaranteed Net Profit and 2024 Guaranteed Net Profit will not be less than RMB75.0 million and RMB97.5 million. In view of the guaranteed profits as mentioned above, it is expected that the Target Company will provide the Group with secured source of profit.

In light of the above, the Directors considered it a good opportunity for the Group to proceed with the Acquisition and allow the Group to (i) enter into a new business segment, being the vending machine services business; (ii) increase the source of revenue; and (iii) improve the profitability.

The Directors are of the view that the Acquisition is in the best interests of the Company and the Shareholders as a whole and the terms of the Agreement, and the transaction contemplated under the Agreement, are fair and reasonable and on normal commercial terms.

## **GENERAL MANDATE**

The Consideration Shares will be allotted and issued under the General Mandate. Under the General Mandate, the Company is authorised to issue up to 200,000,000 new Shares. Since the date of the annual general meeting (i.e. 13 May 2022) and up to and including the date of this announcement, 20,000,000 Shares have been allotted and issued pursuant to the General Mandate and the remaining new Shares that can be allotted and issued pursuant to the General Mandate is 180,000,000 new Shares. Accordingly, the General Mandate is sufficient for the allotment and issue of the Consideration Shares and the allotment and issue of the Consideration Shares is not subject to the Shareholders' approval.

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 1,020,000,000 Shares in issue. Assuming there are no other changes to the issued share capital of the Company, the following table summarises the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following the allotment and issue of all the Consideration Shares:

	As at the date of this announcement		Immediately following the allotment and issue of all the Consideration Shares	
	Number of Shares	Approximate (%)	Number of Shares	Approximate (%)
Master Sage Limited (“ <b>Master Sage</b> ”) (Note 1)	675,000,000	66.18%	675,000,000	61.36%
Fortune Corner Holdings Limited (“ <b>Fortune Corner</b> ”) (Note 2)	75,000,000	7.35%	75,000,000	6.82%
The Vendor	—	—	80,000,000	7.27%
Other public Shareholders	<u>270,000,000</u>	<u>26.47%</u>	<u>270,000,000</u>	<u>24.55%</u>
<b>Total</b>	<u><u>1,020,000,000</u></u>	<u><u>100.00%</u></u>	<u><u>1,100,000,000</u></u>	<u><u>100.00%</u></u>

Notes:

- As at the date of this announcement and immediately after Completion, the Company is directly owned as to approximately 61.36% by Master Sage. Master Sage is directly owned as to 50% and 50% by Mr. Lam Tak Ling Derek (“**Mr. Lam**”) and Mr. Chan Yee Yeung (“**Mr. Chan**”), respectively. By virtue of the SFO, each of Mr. Lam and Mr. Chan is deemed to be interested in the Shares held by Master Sage.
- As at the date of this announcement and immediately after Completion, the Company is directly owned as to approximately 6.82% by Fortune Corner. Fortune Corner is directly wholly owned by Ms. Tse Yuen Shan Ivy (“**Ms. Tse**”). By virtue of the SFO, Ms. Tse is deemed to be interested in the Shares held by Fortune Corner.

## LISTING RULES IMPLICATIONS

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

**Completion is subject to the fulfillment of certain conditions precedent set out in 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 terms shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Company pursuant to the Agreement
“Agreement”	the conditional equity transfer agreement dated 5 August 2022 entered into by the Company, the Vendor, WSL Supermarket and the Target Company in respect of the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day which other than Saturday, Sunday and statutory holidays stipulated by the PRC government and Hong Kong government
“Company”	Smart Globe Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the provisions of the Agreement
“Completion Date”	the 5 Business Day after the fulfillment or waiver of the Conditions (or such other date as the Purchaser and the Vendor may agree in writing)
“Conditions”	the conditions set out under the paragraph headed “Conditions precedent” above of this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$300 million, being the consideration for the Acquisition
“Consideration Share(s)”	a total of 80,000,000 new Shares to be allotted and issued pursuant to the Agreement at the issue price of HK\$1.8 per new Share

“Director(s)”	director(s) of the Company
“First Promissory Note”	the zero interest promissory note in the original principal amount of HK\$67,860,000 to be issued by the Company to the Vendor (or their nominee(s)) pursuant to the Agreement
“General Mandate”	the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 13 May 2022 to authorise the allot and issue of up to 200,000,000 new Shares (representing 20% of the number of issued Shares on that date)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a third party(ies) which is independent of and not connected with the Company and its connected persons and not a connected person of the Company
“Listing Committee”	Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC GAAP”	the generally accepted accounting principles in the PRC
“Promissory Notes”	the First Promissory Note and the Second Promissory Note
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 51% equity interests in the Target Company
“Second Promissory Note”	the zero interest promissory note in the original principal amount of HK\$88,140,000 to be issued by the Company to the Vendor (or their nominee(s)) pursuant to the Agreement

“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	武漢秀生活便利店有限公司 (Wuhan Show Life Convenience Store Co., Ltd.*), a company established in the PRC on 13 May 2022 with limited liability
“Transition Period”	the period from the date when the Company completes the investment within the time limit agreed in the Agreement
“Vendor”	武漢純正飲品有限公司 (Wuhan Pure Beverage Co., Ltd.*), a company established in the PRC with limited liability
“WSL Supermarket”	武漢秀生活超級市場有限公司 (Wuhan Show Life Supermarket Co., Ltd.*), a company established in the PRC with limited liability
“%”	per cent

By order of the Board  
**Smart Globe Holdings Limited**  
**Lam Tak Ling Derek**  
*Chairman*

Hong Kong, 5 August 2022

*As at the date of this announcement, the executive Directors are Mr. LAM Tak Ling Derek, Mr. CHAN Yee Yeung and Ms. TSE Yuen Shan Ivy; and the independent non-executive Directors are Mr. LI Chun Hung, Mr. ONG Chor Wei and Mr. YAM Kam Kwong, JP.*

\* *for identification purposes only*