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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 5% SHAREHOLDING INTERESTS IN VEIVO WEB TECHNOLOGY LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that, on 14 September 2022 (after trading hours), the Company (as purchaser) and the Vendor (as vendor) entered into the Agreement, pursuant to which the Company has agreed to acquire and the Vendor has agreed to sell the Sales Shares, being 5% shareholding interests in the Target Company, at the consideration of HK\$300 million, which will be satisfied by a combination of issuance of Consideration Shares to the Vendor (or its nominee(s)) and payment in cash (or such other method agreed between the Parties).

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 issuance of the Consideration Shares and the allotment and issuance 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 fulfilment 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 14 September 2022 (after trading hours), the Company (as purchaser) and the Vendor (as vendor) entered into the Agreement, pursuant to which the Company has agreed to acquire and the Vendor has agreed to sell the Sales Shares, being 5% shareholding interests in the Target Company, at the consideration of HK\$300 million, which will be satisfied by a combination of issuance of Consideration Shares to the Vendor (or its nominee(s)) and payment in cash (or such other method agreed between the Parties).

THE AGREEMENT

The principal terms of the Agreement are summarised as follows:

Date

14 September 2022 (after trading hours)

Parties

- (i) the Company, as purchaser; and
- (ii) the Vendor, as vendor.

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 owner are Independent Third Parties.

Assets to be acquired

Pursuant to the Agreement, the Company agreed to purchase, and the Vendor agreed to sell the Sales Shares, being 5% shareholding interests in the Target Company.

Consideration

Pursuant to the Agreement, the consideration of HK\$300 million shall be satisfied by way of:

- (i) as to HK\$270 million by the allotment and issuance of 180,000,000 Consideration Shares at the issue price of HK\$1.5 per Consideration Share to the Vendor (or his nominee(s)), credited as fully paid, upon Completion; and
- (ii) as to the remaining HK\$30 million by payment in cash (or such other method agreed between the Parties).

The Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to among others, the preliminary valuation assessment of Beijing Ruihua as prepared by an independent adviser.

Consideration Shares

The issue price of HK\$1.5 per Consideration Share represents:

- (i) a premium of approximately 13.6% over the closing price of HK\$1.32 per Share as quoted on the Stock Exchange on the date of the Agreement; and
- (ii) a premium of approximately 12.6% over the average closing price of approximately HK\$1.332 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 Parties, 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 17.6% of the existing issued share capital of the Company as at the date of this announcement and 15% of the issued share capital of the Company as enlarged by the allotment and issuance 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 date of Completion, save for the issuance 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.

Conditions precedent

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

- (i) the passing of a resolution by the Shareholders at the EGM to approve the Agreement and the transactions contemplated thereunder as required by the Listing Rules (if required);
- (ii) the Listing Committee having granted the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange;
- (iii) the completion of the due diligence on the Target Company, Fun Play and Beijing Ruihua to the satisfaction of the Company (as set out under the paragraphs headed “DUE DILIGENCE” in this announcement);
- (iv) the entering into of the VIE Agreements;
- (v) the completion of the Reorganisation by the Vendor and its subsidiaries and all relevant consents and approvals from the relevant government departments and regulatory authorities of the PRC or otherwise as may be required in respect of the Reorganisation having been obtained;
- (vi) the obtaining of the PRC legal opinion (the form and substance of which shall be satisfactory to the Company at its absolute discretion) issued by a firm of PRC lawyers appointed by the Company;

- (vii) the obtaining of the valuation report conducted by an independent valuer to be appointed by the Company, with the appraised value of the Target Company of not less than US\$600 million, whereas the form and substance (including relevant bases and assumptions) are to the satisfaction of the Company at its absolute discretion;
- (viii) the Target Company having allotted and issued shares equivalent to the amount of HK\$10,000, credited as fully paid, and all of the shares were beneficially owned by the Vendor;
- (ix) the Vendor, the Target Company, Fun Play and Beijing Ruihua having obtained all the necessary approvals and consents from the relevant government departments and regulatory authorities of the PRC or otherwise as may be required in relation to the Agreement and the Acquisition contemplated therein;
- (x) the Company having obtained all the necessary approvals or consent in relation to the Agreement and the Acquisition contemplated therein;
- (xi) the Vendor, the Target Company, Fun Play and Beijing Ruihua having obtained all the necessary approvals or consent in relation to the Agreement and the Acquisition contemplated therein;
- (xii) the warranties given by the Vendor to the Company remain materially true, accurate and not misleading; and
- (xiii) the fulfilment of any other conditions having agreed by the Parties to be included in the Agreement.

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

DUE DILIGENCE

Upon signing of the Agreement, the Company shall have the right to, and procure its adviser(s) and/or nominee(s) to, commence a due diligence review on the assets, liabilities, operations, legal and other affairs of the Target Company, Fun Play and Beijing Ruihua to the satisfaction of the Company, including but not limited to, (a) the validity, legality and enforceability of Fun Play's effective controlling and holding of the economic interest and/or asset in Beijing Ruihua; and (b) the legality and continuing validity of the Value-added Telecommunications Services Operating Permit* (增值電信業務經營許可證) held by Beijing Ruihua.

The Acquisition is subject to a reasonably satisfactory due diligence review to be conducted by the Company within the Due Diligence Period at its absolute discretion.

EXCLUSIVITY

During the Due Diligence Period, the Company shall have the exclusive rights to the acquisition of the Sale Shares. Unless the Company has notified the Vendor its request to terminate the Agreement in writing, the Vendor may not and procure its directors, officers, employees, representatives and agents to not, directly or indirectly, (i) lobby, initiate, encourage or offer, or (ii) initiate or continue to negotiate or provide any information, or (iii) enter into any agreement or letter of intent or memorandum of understanding with, any person or entities (other than the Company), in respect of the Sale Shares. The Vendor shall immediately notify the Company shall the Vendor or the Target Company receive any such enquiry or invitation. The exclusive period may be extended as agreed by the Parties in writing.

COMPLETION

Completion shall take place before the Long Stop Date (or such other date as the Parties may agree in writing).

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 incorporated in the BVI with limited liability and its principal activity is investment holding. As at the date of this announcement, the Vendor is beneficially and wholly-owned by Mr. Gao.

INFORMATION OF THE TARGET COMPANY, BEIJING RUIHUA AND FUN PLAY

The Target Company is a company incorporated in the Hong Kong with limited liability and its principal activity is investment holding of Fun Play with no substantive business operation, as confirmed by the Vendor. As at the date of the Agreement, the Target Company is wholly-owned by the Vendor. After the Reorganisation and prior to Completion, the Target Company will have obtained actual and effective control over Beijing Ruihua through Fun Play and the VIE Agreements.

Beijing Ruihua is a company established in the PRC with limited liability and its principal activity is the operation of an instant messaging platform, mobile application store of paid applications and mini programs, and cloud application platform in the PRC. Beijing Ruihua holds the Value-added Telecommunications Services Operating Permit for Information Services* (增值電信業務經營許可證 — 信息服務業務) and the software copyrights of Weiwo 3.5* (帷幄 3.5) and Weiwo iOS 2.0.2* (帷幄 iOS 2.0.2). As at the date of the Agreement, Beijing Ruihua is beneficially and wholly-owned by Ms. Pan. After the Reorganisation and prior to Completion, Beijing Ruihua will be controlled by Fun Play through the VIE Agreements.

Fun Play is a company established in the PRC with limited liability and its principal activity is investment holding with no substantive business operation, as confirmed by the Vendor. As at the date of the Agreement, Fun Play is wholly-owned by the Target Company. After the Reorganisation and prior to Completion, Fun Play will have obtained actual and effective control over Beijing Ruihua through the VIE Agreements.

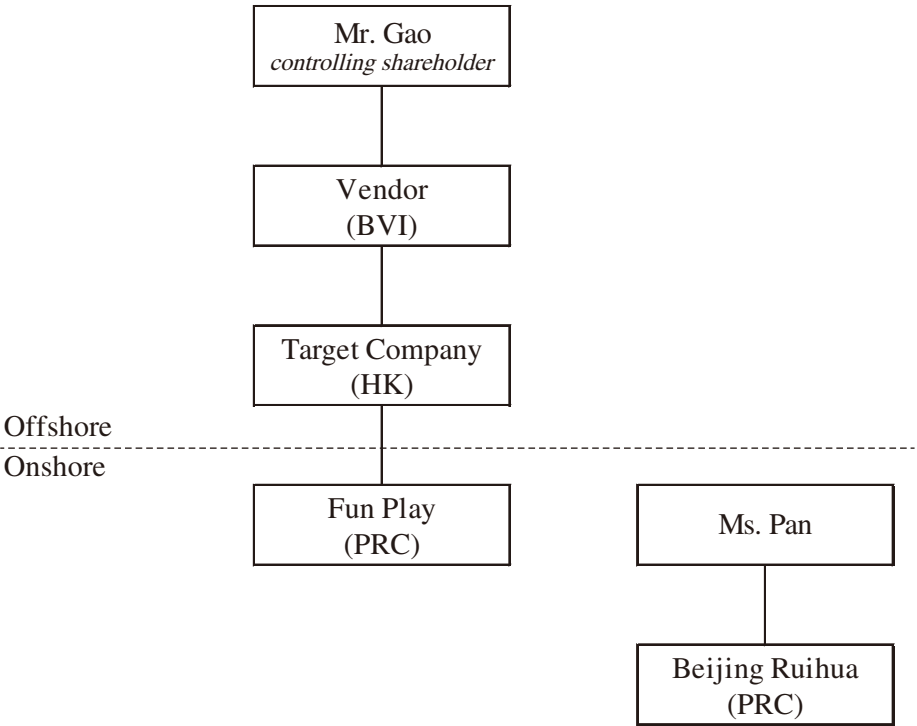
As confirmed by the Vendor, the Target Company and Fun Play have no substantive business operation for the two financial years immediately preceding the transaction.

Reorganisation

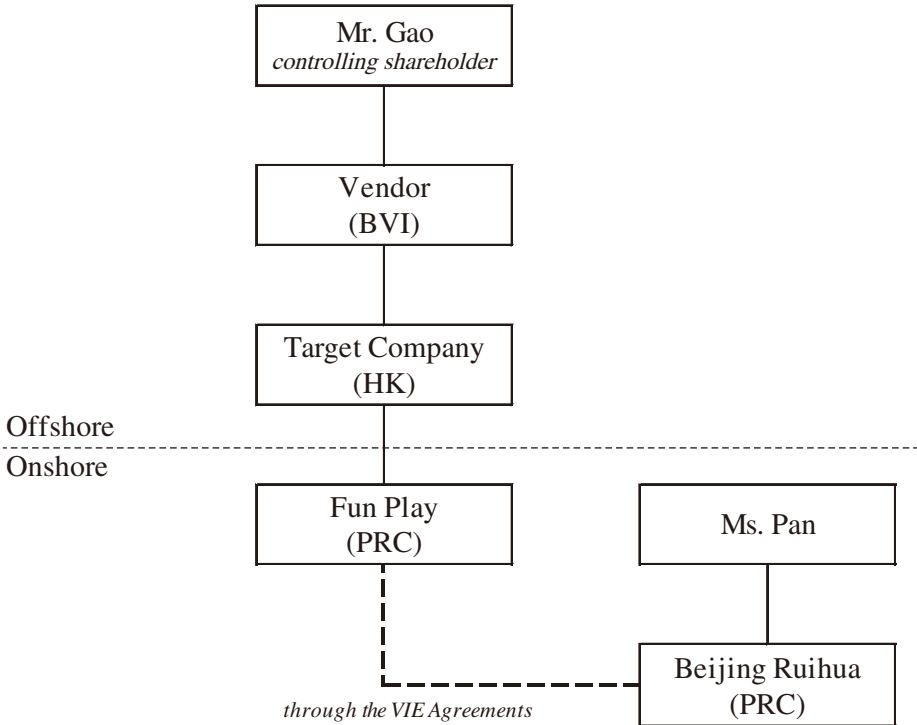
Pursuant to the Agreement, the Vendor shall procure the Reorganisation of Beijing Ruihua. Prior to Completion, the Target Company, Beijing Ruihua, Fun Play and Ms. Pan shall enter into the VIE Agreements, pursuant to which the Target Company, through Fun Play, is able to obtain actual and effective control over Beijing Ruihua. As a result of the VIE Arrangements, Beijing Ruihua will be accounted for as a wholly-owned subsidiary of the Target Company.

The following diagrams illustrate the proposed shareholding structures of Beijing Ruihua (i) immediately before completion of the Reorganisation; and (ii) immediately after completion of the Reorganisation:

Proposed shareholding structure of Beijing Ruihua immediately before completion of the Reorganisation



Proposed shareholding structure of Beijing Ruihua immediately after completion of the Reorganisation



Financial information of Beijing Ruihua

Set out below is the financial information of Beijing Ruihua, as extracted from the audited financial statements for year ended 31 December 2020 and the unaudited management account for the year ended 31 December 2021, respectively, which were prepared in accordance with the accounting principles generally accepted in the PRC:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(unaudited)
Revenue	28,215	32,417
Net loss before tax	(3,261)	(12)
Net loss after tax	(3,261)	(12)

The unaudited total assets, total liabilities and net liabilities of Beijing Ruihua as at 31 December 2021 according to the unaudited management account of Beijing Ruihua were approximately RMB109.9 million, RMB118.2 million and RMB8.3 million, respectively.

Upon Completion, the consideration will be recorded by the Company as investment and be classified as financial assets at fair value through other comprehensive income in the financial statement of the Company.

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.

In light of the above, the Directors considered it a good opportunity for the Group to proceed with the Acquisition and provides the Group with an attractive investment in the PRC.

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 issuance of the Consideration Shares and the allotment and issuance 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 issuance of all the Consideration Shares:

	As at the date of this announcement		Immediately following the allotment and issuance of all the Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate (%)</i>	<i>Number of Shares</i>	<i>Approximate (%)</i>
Master Sage Limited ("Master Sage") (Note 1)	675,000,000	66.18%	675,000,000	56.25%
Fortune Corner Holdings Limited ("Fortune Corner") (Note 2)	75,000,000	7.35%	75,000,000	6.25%
The Vendor	—	—	180,000,000	15.00%
Other public Shareholders	270,000,000	26.47%	270,000,000	22.50%
Total	1,020,000,000	100.00%	1,200,000,000	100.00%

Notes:

- As at the date of this announcement and immediately after the allotment and issuance of the Consideration Shares, the Company is directly owned as to approximately 66.18% and 56.25% by Master Sage, respectively. 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.

2. As at the date of this announcement and immediately after the allotment and issuance of the Consideration Shares, the Company is directly owned as to approximately 7.35% and 6.25% by Fortune Corner, respectively. 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.

PUBLIC FLOAT

Assuming there are no other changes to the issued share capital of the Company and following Completion, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued share capital, will be held by the public.

In the event the sufficient public float of the Company cannot be maintained after Completion, in order to restore the public float of the Company, the controlling shareholders of the Company will take steps to restore sufficient public float of the Company and to ensure the minimum public float as required under the Listing Rule is maintained.

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 fulfilment 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 sale and purchase agreement dated 14 September 2022 entered into by the Company and the Vendor in respect of the Acquisition

“Beijing Ruihua”	Beijing Ruihua Weiwo Internet Technology Limited Company* (北京瑞華帷幄網絡科技有限公司), a company established in the PRC with limited liability
“Board”	the board of Directors
“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 (stock code: 1481)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the provisions of the Agreement
“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 180,000,000 new Shares to be allotted and issued to the Vendor (or its nominee(s)) pursuant to the Agreement at the issue price of HK\$1.5 per Consideration Share
“Director(s)”	director(s) of the Company
“Due Diligence Period”	for three (3) months from the date of signing the Agreement, up to 13 December 2022 (both dates inclusive), or such longer period as the Parties may agree in writing
“Fun Play”	Fun Play Technology (Shenzhen) Limited Company* (趣玩兒科技(深圳)有限公司), a company established in the PRC with limited liability
“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”	the listing committee of the Stock Exchange
“Long Stop Date”	three (3) months from the date of signing the Agreement, namely 13 December 2022, or such later date as the Parties may agree in writing
“Mr. Gao”	Mr. Gao Hong (高宏), the controlling shareholder of the Vendor and the spouse of Ms. Pan
“Ms. Pan”	Ms. Pan Ying (潘穎), the registered owner of 100% of the equity interests in Beijing Ruihua and the spouse of Mr. Gao
“Parties”	the Company and the Vendor
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Reorganisation”	the entering of the VIE Agreements to the effect that the Target Company shall, by way of contractual arrangement, obtain actual and effective control over Beijing Ruihua through Fun Play
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 5% shareholding interests in the Target Company
“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”	Veivo Web Technology Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by the Vendor
“US\$”	United States dollars, the lawful currency of the United States
“Vendor”	Delta Investment Holding Group Limited, a company established in the British Virgin Islands with limited liability and wholly-owned by Mr. Gao as at the date of this announcement
“VIE Agreements”	a series of the structural contracts to be entered into by the Target Company, Beijing Ruihua, Fun Play and Ms. Pan for the purpose of establishing the variable interest entity arrangement between the Target Company, Beijing Ruihua, Fun Play and Ms. Pan, to the effect that the Target Company shall, by way of contractual arrangement, obtain actual and effective control over Beijing Ruihua through Fun Play
“%”	per cent

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

Hong Kong, 14 September 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*