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SKY LIGHT HOLDINGS LIMITED

天彩控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3882)

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 23 September 2022 (after trading hours), the Company (as purchaser), the Vendor (as vendor), Wuhan Show Online 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 Sale Shares, being 51% equity interests in the Target Company, at the Consideration of HK\$194,242,883, 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 190,547,891 new Shares. Since the date of the annual general meeting (i.e., 26 May 2022) and up to and including the date of this announcement, no Share has been allotted and issued pursuant to the General Mandate. 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 23 September 2022 (after trading hours), the Company (as purchaser), the Vendor (as vendor), Wuhan Show Online 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 Sale Shares, being 51% equity interests in the Target Company, at the Consideration of HK\$194,242,883, 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

23 September 2022 (after trading hours)

Parties

- (i) the Company, as the purchaser
- (ii) the Vendor
- (iii) Wuhan Show Online; 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 controller are Independent Third Parties.

Assets to be acquired

Pursuant to the Agreement, the Company conditionally agreed to purchase (through itself or one of its nominated subsidiaries), and the Vendor conditionally agreed to sell the Sale Shares, being 51% equity interests in the Target Company.

Consideration

The Consideration of HK\$194,242,883 shall be satisfied by way of the allotment and issue of 111,607,143 Consideration Shares at the issue price of HK\$0.896 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\$104,242,883, of which (a) HK\$55,000,000 (the “**First Batch Consideration Shares Value**”) shall be satisfied by way of allotment and issue of 61,383,929 Consideration Shares at the issue price of HK\$0.896 per Consideration Share; and (b) HK\$49,242,883 shall be satisfied by way of the issuance of the First Promissory Note of principal amount of HK\$49,242,883 by the Company to the Vendor (or its nominee(s)) within thirty (30) Business Days (the “**First Allotment Date**”) upon the Company receipt of the Audit Report (as defined below) of the Target Company for the year ending 31 December 2023; and
- (ii) HK\$90,000,000, of which (a) HK\$45,000,000 (the “**Second Batch Consideration Shares Value**”) shall be satisfied by way of allotment and issue of 50,223,214 Consideration Shares at the issue price of HK\$0.896 per Consideration Share; and (b) HK\$45,000,000 shall be satisfied by way of the issuance of the Second Promissory Note of principal amount of HK\$45,000,000 by the Company to the Vendor (or its nominee(s)), within thirty (30) Business Days (the “**Second Allotment Date**”) upon the Company’s receipt of 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 Company 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 the operation of retailing business in the PRC which ranging from approximately 6.94 times to 56.78 times (based on the market price of the Comparable Companies as at 31 August 2022 and their latest published annual reports); and (iii) the Consideration represents a P/E ratio of approximately 5.71 times (based on the 2023 Guaranteed Net Profit (as defined below)), which is lower than the range of the P/E ratio of the Comparable Companies.

Consideration Shares

The issue price of HK\$0.896 per Consideration Share represents:

- (i) a premium of approximately 0.7% over the closing price of HK\$0.89 per Share as quoted on the Stock Exchange on the date of the Agreement; and
- (ii) the average closing price of HK\$0.896 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 11.71% of the existing issued share capital of the Company as at the date of this announcement and approximately 10.48% 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 and the Second 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.

Listing Application

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\$49,242,883
Maturity date:	the day falling on the second anniversary of the date of issuance of the First Promissory Note (the “ First PN Maturity Date ”)
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\$45,000,000
Maturity date:	the day falling on the first anniversary of the date of issuance of the Second Promissory Note (the “ Second PN Maturity Date ”)
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 and independent valuation report on the Target Company and in its absolute discretion satisfied with the results thereof within ninety (90) Business 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) 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 for the Acquisition having been obtained, 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 having 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 and the profit forecast 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 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 RMB70,000,000 and RMB100,000,000, respectively.

The Company may appoint an auditor 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:

The number of Consideration Shares to be allotted and issued on the First Allotment Date:

$$= \frac{\text{the 2023 actual Net Profit}}{\text{the 2023 Guaranteed Net Profit}} \times \text{First Batch Consideration Shares Value} \div \text{Issue price per consideration}$$

The principal amount of the First Promissory Note:

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

The number of Consideration Shares to be allotted and issued on the Second Allotment Date:

$$= \frac{\text{the 2024 actual Net Profit}}{\text{the 2024 Guaranteed Net Profit}} \times \text{Second Batch Consideration Shares Value} \div \text{Issue price per consideration}$$

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 year ending 31 December 2023 is less than RMB10,000,000 or the actual Net Profit for the year ending 31 December 2024 is less than RMB17,000,000, 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 sales, development and manufacture of home surveillance cameras, police cameras, video conference devices, 360-degree cameras, baby monitors, remote learning devices and other imaging products for various purposes.

INFORMATION OF THE VENDOR

The Vendor is a company established in the PRC with limited liability and owns 51% equity interests in the Target Company. The Vendor is principally engaged in online sales and trading and is controlled by Hu Fang (胡方).

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 51% equity interests by the Vendor and 49% equity interests by Wuhan Show Online. The Target Company is principally engaged in the operation of intelligent vending machine business in the PRC.

Wuhan Show Online is a company established in the PRC with limited liability and is controlled by Hu Fang (胡方).

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 accounts prepared in accordance with the PRC GAAP from its date of establishment (i.e., 13 May 2022) to 31 August 2022:

**From the date of establishment
(i.e., 13 May 2022) to
31 August 2022**
*Approximately
RMB' million
(unaudited)*

Revenue	1.37
Net profit/(loss) before tax	(0.35)
Net profit/(loss) after tax	(0.35)

The unaudited total assets, total liabilities and net liabilities of the Target Company as at 31 August 2022 according to the unaudited management account were approximately RMB2.08 million, RMB2.43 million and RMB0.35 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 undertaken and guaranteed to the Company that the 2023 Guaranteed Net Profit and 2024 Guaranteed Net Profit will not be less than RMB70,000,000 and RMB100,000,000 respectively. 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.

Furthermore, the Directors considered that the Acquisition may create synergy between the Company and the Target Company. As one of the major products offered by the Company is high-definition digital camera, while high-definition digital camera is one of the essential components of the AI assisted vending machine, it is possible that the Company could supply its products to the manufacturers of vending machine.

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 190,547,891 new Shares. Since the date of the annual general meeting (i.e., 26 May 2022) and up to and including the date of this announcement, no Share has been allotted and issued pursuant to the General Mandate. 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 953,239,455 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 Consideration Shares	
	Number of Shares	Approximate (%)	Number of Shares	Approximate (%)
Mr. Tang Wing Fong Terry ⁽¹⁾	240,485,957	25.23	240,485,957	22.59
Uphigh Global Limited ⁽²⁾	39,192,000	4.11	39,192,000	3.68
Mr. Lu Yongbin ⁽³⁾	800	-	800	-
Fortune Six Investment Limited ⁽¹⁾	417,717,600	43.82	417,717,600	39.23
Mr. Tse Yat Hong ⁽⁴⁾	250,000	0.03	250,000	0.02
Dr. Cheung Wah Keung ⁽⁴⁾	250,000	0.03	250,000	0.02
The Vendor (or its nominee(s))	-	-	111,607,143	10.48
Other public Shareholders	<u>255,343,098</u>	<u>26.78</u>	<u>255,343,098</u>	<u>23.98</u>
Total	<u>953,239,455</u>	<u>100</u>	<u>1,064,846,598</u>	<u>100</u>

Notes:

- (1) The interest in the 417,717,600 Shares is beneficially held by Fortune Six Investment Limited, which is wholly-owned by CMB Wing Lung (Trustee) Limited as trustee for the Tang's Family Trust (i.e. The Trust 168) through Antopex Limited and Best One International Limited (as nominees for CMB Wing Lung (Trustee) Limited), and Mr. Tang Wing Fong Terry is a founder of The Trust 168 and was deemed to be interested in the 417,717,600 Shares by virtue of Part XV of the SFO. Mr. Tang Wing Fong Terry has personal interest in 240,485,957 Shares. Mr. Tang Wing Fong Terry is the chairman and an executive Director of the Company.

(2) Ms. Tang Kam Sau is the sole shareholder of Uphigh Global Limited, which holds 39,192,000 Shares. By virtue of the SFO, she is deemed to be interested in Uphigh Global Limited's interest in the Company by virtue of the SFO. Ms. Tang Kam Sau is a non-executive Director of the Company.

(3) Mr. Lu Yongbin is an executive director of the Company.

(4) Mr. Tse Yat Hong and Dr. Cheung Wah Keung are independent non-executive directors of the Company.

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 (or one its nominated subsidiaries) pursuant to the Agreement
“Agreement”	the conditional equity transfer agreement dated 23 September 2022 entered into by the Company, the Vendor, Wuhan Show Online and the Target Company in respect of the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day other than Saturday, Sunday and statutory holidays stipulated by the PRC government and Hong Kong government
“Company”	Sky Light 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 date falling five Business Days after the fulfillment or waiver of the Conditions (or such other date as the Company 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\$194,242,883, being the consideration for the Acquisition
“Consideration Share(s)”	a total of 111,607,143 new Shares to be allotted and issued pursuant to the Agreement at the issue price of HK\$0.896 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\$49,242,883 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 26 May 2022 to authorise the allot and issue of up to 190,547,891 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 of Hong Kong Limited
“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\$45,000,000 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”	Wuhan Show Life Convenience Store Co., Ltd.* (武漢秀生活便利店有限公司), 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”	Wuhan Show Life E-commerce Co., Ltd.* (武漢秀生活電子商務有限公司), a company established in the PRC with limited liability
“Wuhan Show Online”	Wuhan Show Online E-commerce Co., Ltd.* (武漢秀在線電子商務有限公司), a company established in the PRC with limited liability
“%”	per cent

By Order of the Board
Sky Light Holdings Limited
Tang Wing Fong Terry
Chairman

Hong Kong, 23 September 2022

As at the date of this announcement, the executive Directors are Mr. Tang Wing Fong Terry and Mr. Lu Yongbin; the non-executive Director is Ms. Tang Kam Sau; and the independent non-executive Directors are Mr. Chan Tsu Ming Louis, Dr. Cheung Wah Keung and Mr. Tse Yat Hong.

* *for identification purposes only*