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## **IAG HOLDINGS LIMITED**

### **迎宏控股有限公司**

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

**(Stock Code: 8513)**

## **DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SAVOUR TALENT GLOBAL LIMITED INVOLVING THE ISSUANCE OF NEW SHARES UNDER GENERAL MANDATE**

**Financial Adviser**



**Euto Capital Partners Limited**

### **THE ACQUISITION**

The Board is pleased to announce that on 6 December 2019 (after trading hours), the Company, as purchaser, and the Vendors entered into the Agreement, pursuant to which the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$16,000,000. The Consideration shall be satisfied by the allotment and issuance of 26,666,667 Consideration Shares under General Mandate at the Issue Price of HK\$0.60 by the Company to the Vendor.

The Target Company is the legal and beneficial owner of the HK Subsidiary, which in turn is the 80% legal and beneficial owner of the PRC Subsidiary. The PRC Subsidiary is engaged in the business of development, manufacturing and installation of amusement machines and equipment in the PRC.

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

## **LISTING RULES IMPLICATIONS**

As one or more of the relevant applicable percentage ratios calculated pursuant to Rule 19.06 of the GEM Listing Rules (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

**As the Acquisition is subject to fulfilment of certain conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and investors are reminded to exercise caution when dealing in the Shares.**

## **THE ACQUISITION**

On 6 December 2019 (after trading hours), the Company and the Vendors entered into the Agreement, pursuant to which the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$16,000,000.

The principal terms of the Agreement are summarised as follows:

### **Date**

6 December 2019 (after trading hours)

### **Parties**

- (i) the Company; and
- (ii) the Vendors.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Vendors is an Independent Third Party.

### **Assets to be acquired**

Pursuant to the Agreement, the Company has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company.

The Target Company is the legal and beneficial owner of the HK Subsidiary, which in turn is the 80% legal and beneficial owner of the PRC Subsidiary. The PRC Subsidiary is engaged in the business of development, manufacturing and installation of amusement machines and equipment in the PRC.

## **Consideration**

The Consideration for the Sale Shares is HK\$16,000,000, which shall be satisfied by way of allotment and issuance of the Consideration Shares on the Completion Date.

## **Basis of the Consideration**

The Consideration has been arrived at after arm's length negotiations between the Company and the Vendors on normal commercial terms after taking into consideration of the valuation of 80% equity interest in the PRC Subsidiary prepared by the Independent Valuer of HK\$17,100,000 under the market approach as at 31 October 2019 (the "**Valuation**").

## **Consideration Shares**

The Consideration Shares represent (i) approximately 6.67% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.25% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares immediately after Completion. The Consideration Shares will be allotted and issued under the General Mandate.

The Consideration Shares to be allotted and issued upon Completion shall be credited as fully paid and rank *pari passu* with all other Shares in issue in the share capital of the Company. Application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares will be allotted and issued at the Issue Price, which represents:

- (a) a discount of approximately 3.23% to the closing price of HK\$0.62 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (b) a discount of approximately 4.76% to the average closing price of HK\$0.63 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day.

## **Performance Bonus**

The Company agrees to pay the Vendors the performance bonuses as follows:

- (i) a performance bonus ("**2019 Performance Bonus**") for a sum equivalent to 80% of price to earnings ratio at 15 times of audited net profit after tax of the PRC Subsidiary as at 31 December 2019 if the net profit after tax as at 31 December 2019 exceeds HK\$3.0 million ("**2019 Target Profit**") net of the Consideration already paid; and

- (ii) a performance bonus (“**2020 Performance Bonus**”) for a sum equivalent to 80% of price to earnings ratio at 15 times of net profit after tax of the PRC Subsidiary as at 31 December 2020 if the net profit after tax as at 31 December 2020 exceeds HK\$4.0 million (“**2020 Target Profit**”) net of the Consideration and 2019 Performance Bonus already paid.

When the 2019 Performance Bonus and the 2020 Performance Bonus are being assessed, the Company has made reference to the implied price to earnings ratio of 16.3 from the Valuation prepared by the Independent Valuer. After conservative and prudent consideration of the Company, a lower price to earnings ratio of 15 is adopted.

Any payment of performance bonuses pursuant to the Agreement shall be satisfied by the Company by way of the allotment and issuance of such number of new Shares at the Issue Price if the relevant performance targets are met. For avoidance of doubt, the aggregate sum of the Consideration and the 2019 Performance Bonus shall not be more than HK\$36.0 million. The aggregate sum of the Consideration, the 2019 Performance Bonus and the 2020 Performance Bonus shall not be more than HK\$48.0 million.

#### **Conditions precedent**

- (i) Pursuant to the Agreement, the Company’s obligation to purchase the Sale Shares shall be conditional upon fulfilment of the following conditions precedent on or before the Long Stop Date:
  - (a) the Company having entrusted a qualified valuer to verify and appraise the assets, liabilities, shareholding structure and value of the Target Company, and being reasonably satisfied with the report of the valuation (the “**Valuation Report**”);
  - (b) the Company being reasonably satisfied with the content and conclusion of the PRC legal opinions in respect of the Target Group (including the Restructuring);
  - (c) the Company being reasonably satisfied and accepting the results of the due diligence (including the due diligence of the legal and financial affairs) conducted by the Target Group;
  - (d) the granting of the approval of the Stock Exchange for the issue of the listing of, and permission to deal in the Consideration Shares (either unconditionally or subject on to conditions to which neither the Purchaser nor the Vendors has any reasonable objection);
  - (e) there is no breach by the Vendors of its representations, warranties and undertakings given under the Agreement;

- (f) there not having occurred any event or series of events since the date hereof which, individually or collectively, would probably have a material adverse effect on the business or financial position of any of the Target Group, or which would materially adversely affect the Vendors' ability to perform their obligations under this Agreement or the transactions contemplated hereby;
- (g) no order, writ, injunction or decree shall have been entered and be in effect by any court of competent jurisdiction or any governmental or regulatory instrumentality or authority, and no statute, rule, regulation or other requirement shall have been promulgated or enacted and be in effect, that restrains, enjoins or invalidates the transactions contemplated hereby or against any member of the Target Group; and
- (h) no suit or other proceeding shall be pending or threatened by any third party before any court or governmental agency seeking to restrain or prohibit or declare illegal, or seeking substantial damages in connection with, the transactions contemplated by the Agreement or against any member of the Target Group.
- (ii) In the event that all conditions precedent above not being satisfied or waived (as the case may be) on or before the Long Stop Date, and without affecting the liabilities for any breach of any terms of the Agreement, the Agreement and any matters contained thereof and the rights and obligations of the Agreement and the parties shall be deemed to be void.

### **Completion**

The Completion shall take place on the fifth Business Day after the fulfilment of the last of the conditions precedent or such other day as the parties to the Agreement may mutually agree in writing.

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

### **INFORMATION ON THE TARGET GROUP**

#### **(i) The Target Company**

The Target Company is a company incorporated under the laws of the British Virgin Islands on 6 November 2017. As advised by the Vendors, the principal business of the Target Company is investment holding. As at the date of this announcement, the Target Company is directly and beneficially owned by Mr. Ye Zujian and Mr. Huang Yimin as to 75% and 25% respectively.

**(ii) The HK Subsidiary**

The HK Subsidiary is a limited liability company incorporated in Hong Kong on 8 November 2017. As advised by the Vendors, the principal business of the HK Subsidiary is investment holding. As at the date of this announcement, the HK Subsidiary is directly wholly-owned by the Target Company.

**(iii) The PRC Subsidiary**

The PRC Subsidiary is a limited liability company established in the PRC on 15 April 2008. As advised by the Vendors, the PRC Subsidiary is principally engaged in the business of the development, manufacturing, sales and installation of amusement machines, amusement equipment and accessories, toys and electronic devices. It is also engaged in the business of the development of software, the rental of amusement machines and equipment, processing of metal hardware, and the import and export of goods and technology. As at the date of this announcement, the PRC Subsidiary is directly 80% owned by the HK Subsidiary, 19% owned by Mr. Chen Yaolun and 1% owned by Ms. Huang Tiandi. Each of Mr. Chen Yaolun and Ms. Huang Tiandi is an Independent Third Party.

**Financial information of the Target Group**

Set out below are financial information of the Target Group for the two years ended 31 December 2018

	<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Revenue	13,073	13,781
Net profit before tax	1,349	1,402
Net profit after tax	1,011	1,192

**INFORMATION ON THE VENDORS, THE COMPANY AND THE GROUP**

The Vendors are individuals residing in the PRC, who are the legal and beneficial owners of the Sale Shares.

The Company is an investment holding company. As at the date of this announcement, the Group is a contract manufacturer based in Singapore that is principally engaged in the manufacture and sales of injection molded plastic parts for disposable medical devices and the provision of tooling services.

## REASONS AND BENEFITS OF FOR THE ACQUISITION

The Group has been actively exploring new business opportunities that are in line with the Group's business strategies, which are (i) sustaining the Group's operational excellence and strengthening the Group's manufacturing product development capabilities; (ii) engaging with existing customers for new product transition and increasing volume allocation for current product lines; and (iii) developing new customers and expanding potential customer base.

The principal business of the PRC Subsidiary complements the business of the Group and will immediately provide the Group with an established manufacturing platform and access to suppliers in the PRC. The Directors consider that Acquisition could enable the Group to be benefited from diversifying its revenue stream through acquisition of a complementary company, which will in turn broaden the Group's revenue base in the future and is expected to increase the Shareholders' value. The Group is of the view that the Acquisition is in line with the Group's strategy and it will bring positive returns to the Group in the long run. The Directors are of the view that the terms of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following the Completion and the allotment and issuance of the Consideration Shares:

	<b>(i) as at the date of this announcement</b>		<b>(ii) immediately following the Completion and the issuance of the Consideration Shares</b>	
	<i>Approximate Shares</i>	<i>%</i>	<i>Approximate Shares</i>	<i>%</i>
Team One Global Limited ( <i>Note</i> )	204,000,000	51.00	204,000,000	47.81
Vendors	—	—	26,666,667	6.25
Other public Shareholders	196,000,000	49.00	196,000,000	45.94
Total	<u>400,000,000</u>	<u>100.00</u>	<u>426,666,667</u>	<u>100.00</u>

*Note:* All the issued shares of Team One Global Limited are legal and beneficially owned as to 87.9% and 12.1% by Mr. Phua Swee Hoe and Ms. Ng Hong Kiew, respectively. Ms. Ng is the spouse of Mr. Phua. Accordingly, Mr. Phua and Ms. Ng are deemed to be interested in 204,000,000 Shares held by Team One Global Limited by virtue of the SFO.

## LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratios calculated pursuant to Rule 19.06 of the GEM Listing Rules (as defined under the GEM Listing Rules) in respect of the Acquisition are 5% or more but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the Listing Rules.

**As the Acquisition is subject to fulfilment of certain conditions precedent set out in the Agreement and therefore may or may not proceed. Shareholders and investors are reminded to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Company pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 6 December 2019 entered into between the Company and the Vendors in respect of the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m. in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	IAG Holdings Limited (迎宏控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM (Stock Code: 8513)
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Agreement

“Completion Date”	the fifth business day after the day in which the last of the conditions precedent have been fulfilled or waived or such other date as the parties to the Agreement may agree
“Connected Person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	HK\$16,000,000, being the total consideration for the Acquisition
“Consideration Share(s)”	the 26,666,667 new Shares to be allotted and issued to the Vendors at the Issue Price, credited as fully paid, for the purpose of settling the Consideration
“Director(s)”	the director(s) of the Company
“Financial Adviser”	Euto Capital Partners Limited, the financial adviser of the Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 27 May 2019 to issue and allot up to 80,000,000 Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing such resolution
“Group”	the Company and its subsidiaries
“HK Subsidiary”	Jingchen International Co., Limited (京誠國際有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“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)”	third party(ies) independent of and not connected to the Company and any of its connected persons (as defined in the GEM Listing Rules) or their respective associates
“Independent Valuer”	Vincorn Consulting and Appraisal Limited, an independent asset appraisal company appointed by the Company

“Issue Price”	HK\$0.60, being the issue price per Consideration Share
“Last Trading Day”	6 December 2019, being the last trading day immediately before the entering into the Agreement
“Long Stop Date”	31 January 2020 or such other date as the parties to the Agreement may agree
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“PRC Subsidiary”	中山市星藝動漫科技有限公司 (Xingyi Entertainment Equipment Co., Ltd*), a corporation established under the laws of the PRC and a 80% owned subsidiary of the HK Subsidiary
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	50,000 ordinary shares representing the entire issued and paid-up share capital of the Target Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Savour Talent Global Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendors”	Mr. Ye Zujian and Mr. Huang Yimin
“%”	per cent

On behalf of the Board  
**IAG Holdings Limited**  
**PHUA Swee Hoe**  
*Chairman and Executive Director*

Singapore, 6 December 2019

*As at the date of this announcement, the executive Directors are Mr. PHUA Swee Hoe, Ms. NG Hong Kiew and Mr. YANG Jiangyuan, the non-executive Director is Mr. TAY Koon Chuan, and the independent non-executive Directors are Mr. CHOW Wen Kwan, Mr. ONG Kian Guan and Mr. TAN Yew Bock.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the website of the GEM of the Stock Exchange at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least seven days from the date of its posting. This announcement will also be published and remains on the website of the Company at [www.inzign.com](http://www.inzign.com).*