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SITOY GROUP HOLDINGS LIMITED

時代集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1023)

**DISCLOSEABLE TRANSACTION IN
RELATION TO THE POSSIBLE ACQUISITION**

THE POSSIBLE ACQUISITION

The Board is pleased to announce that on 7 September 2018 (after trading hours), by virtue of the Assignment, Sitoy International (a wholly-owned subsidiary of the Company) has assumed all the rights and obligations of Oasis Giant (a company wholly-owned by a director of a subsidiary of the Company) as the Buyer under the MOU. Pursuant to the MOU, subject to the terms and conditions thereunder and the Formal Agreement, the Sellers agreed to sell, and the Buyer agreed to purchase the Sale Shares (representing approximately 95.35% of the entire issued share capital of the Target Company) at the Consideration of Euro 9,535,210 (equivalent to approximately HK\$86,975,418) (subject to adjustments).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Possible Acquisition is 5% or more but less than 25%, the Possible Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Oasis Giant is a company wholly-owned by a director of a subsidiary of the Company. Therefore, it is a connected person of the Company and the Assignment constitutes a connected transaction under Chapter 14A of the Listing Rules. As the Assignment was at nil consideration, it is fully exempted pursuant to Rule 14A.76(1)(a) of the Listing Rules.

The MOU only contains the principal terms of the Possible Acquisition and the Sellers and the Buyer will negotiate and agree on the definitive terms of the Formal Agreement. After the signing of the Formal Agreement, the Company will publish further announcement(s) containing definitive details of the Possible Acquisition in compliance with the relevant requirements under the Listing Rules.

The Formal Agreement may or may not be signed and Completion of the Possible Acquisition under the Formal Agreement, if signed, will also be subject to certain conditions precedent which may or may not be fulfilled. As such, the Possible Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 7 September 2018 (after trading hours), by virtue of the Assignment, Sitoy International (a wholly-owned subsidiary of the Company) has assumed all the rights and obligations of Oasis Giant as the Buyer under the MOU in respect of the Possible Acquisition.

THE MOU

The principal terms of the MOU are summarised as follows:

Date

12 April 2018

Parties

(a) the Buyer; and

(b) the Sellers

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Sellers and their respective ultimate beneficial owners is a third party independent of the Company and the connected persons of the Company.

Subject matter

Pursuant to the MOU, subject to the terms and conditions thereunder and the Formal Agreement, the Sellers agreed to sell, and the Buyer agreed to purchase the Sale Shares (representing approximately 95.35% of the entire issued share capital of the Target Company).

Consideration

The Consideration for the Possible Acquisition is Euro 9,535,210 (equivalent to approximately HK\$86,975,418) and will be payable by the Buyer, by wire transfer to bank accounts to be designated by the Sellers no later than seven (7) days prior to the Completion Date, in the following manner:

- (1) on the Completion Date, the Buyer will pay to the Sellers 70% of the Consideration proportionate to the number of Sale Shares purchased from each Seller; and
- (2) the balance of the Consideration (after adjustments) will be paid by the Buyer to the Sellers proportionate to the number of Sale Shares purchased from each Seller within fifteen (15) Business Days after the determination of the amount of the adjusted Consideration.

It is intended that the balance of the adjusted Consideration will be satisfied in part by the Escrow Sum, subject to the parties' agreement and confirmation in the Formal Agreement.

Within forty-five (45) days after the Completion Date, the Buyer and the Sellers will prepare a calculation of the Consolidated Net Equity Value. In the event that Consolidated Net Equity Value as agreed between the Buyer and the Sellers or determined by the expert is lower than Euro 10,000,000 (equivalent to approximately HK\$91,215,000), the Consideration will be reduced, on Euro per Euro basis, by a sum equal to the difference between Euro 10,000,000 and the Consolidated Net Equity Value. If the amount of the adjusted Consideration is lower than 70% of the Consideration already paid by the Buyer under the first payment, the amount of such difference will be refunded by the Sellers to the Buyer within fifteen (15) Business Days after the determination of the amount of the adjusted Consideration.

The Consideration was determined and arrived at after arm's length negotiation between the Sellers and the Buyer, having taken into account the consolidated net equity value of the Target Company as at 31 December 2017 prepared in accordance with the Accounting Principles, being Euro 10,000,000. The Consideration will be fully funded by the internal resources of the Group.

Conditions precedent

Completion is subject to the satisfaction or waiver by the Buyer (to the extent permitted by laws) of the following conditions:

- (1) the Buyer shall have delivered to the Sellers a written confirmation in respect of, inter alia, its intention to purchase the Sale Shares upon its complete satisfaction (in its sole reasonable discretion) of the outcome of the due diligence review of the Target Company;
- (2) the Buyer shall have received the resignation of all existing directors of the Target Company with effect from their substitution by the new directors;
- (3) the parties shall have obtained any necessary formal approvals by its majority shareholders and/or its boards. For these purposes, the parties will inform each other in writing that all necessary internal and corporate confirmations required in accordance with articles of associations, internal rules of procedures, law or other acts, have been obtained; and
- (4) the parties shall have negotiated, agreed on and signed the Formal Agreement inclusive of appropriate representations, warranties and indemnities, and any other transaction documents that will be necessary, providing, inter alia, the warranties and indemnities necessary to cover the risks arisen during the due diligence performed by the Buyer.

Unless otherwise agreed between the parties, in the event that any of the above conditions precedent is not fulfilled or waived (as the case may be), the MOU shall immediately be terminated and shall cease to have any effect between the parties, so that no party shall have any claim against the others for costs, damages, compensation or otherwise.

It was agreed that the Formal Agreement will include the following conditions precedent which shall be satisfied or waived by the Buyer (to the extent permitted by laws) on or before the Completion Date:

- (1) the calling of a shareholders' meeting of the Target Company on the Completion Date for the purpose of, amongst others, approving the Possible Acquisition and the appointment of new directors; and
- (2) the Buyer shall have received the waiver by each of the existing shareholders of the Target Company to the pre-emption rights with respect to the transfer of the Sale Shares in favor of the Buyer and/or all the terms provided for the exercise of the pre-emption rights by the existing shareholders.

If any of the above conditions precedent is not fulfilled or waived (as the case may be) on or before the Completion Date, the Buyer will have the right, at its sole discretion, to terminate the MOU and the Formal Agreement.

Completion

Subject to the satisfaction or waiver (as the case may be) of the conditions precedent summarised above, Completion will take place on the Completion Date, which will be agreed by the parties depending on their negotiations.

Following Completion, the Target Company will become an indirect non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the accounts of the Group.

Termination

The MOU may be terminated at any time prior to the Completion Date:-

(1) by either of the parties, if:-

- (i) the other party fails to perform any of the covenants or other agreements set forth in the MOU in any respect, and such inaccuracy or breach is not reasonably capable of being cured by such party prior to the Completion Date; and/or
- (ii) the parties fail to agree on the eventual terms or conditions of the Formal Agreement;

(2) by the Buyer, if:-

- (i) Completion shall not have been consummated by the Completion Date;
- (ii) the consolidated net equity value of the Target Company as at 31 December 2017 reviewed during its due diligence review of the Target Company is lower than Euro 10,000,000;
- (iii) the due diligence review of the Target Company by the Buyer shows a probable risk (as defined by the Accounting Principles) relating to any business, financial, accounting, legal, labour and tax issue or implication, the aggregate amount of which exceeds Euro 1,500,000 (equivalent to approximately HK\$13,682,250); and/or
- (iv) any condition precedent set out in the MOU and/or the Formal Agreement fails to be met or waived (as the case may be) within the prescribed periods.

If the MOU is terminated pursuant to any of the above, such termination will be without liability of any party to any other party to the MOU, except as expressly provided by the provisions in the MOU. If a party willfully (i) fails to fulfill a condition to the other party's performance of its obligations under the MOU; (ii) fails to perform a covenant contained in the MOU or otherwise; (iii) breaches the MOU; or (iv) breaches any of its representations and warranties contained in the MOU, such party will be fully responsible for all damages and expenses incurred by the other party to the MOU as a result of such breach or failure.

Other material terms

The Buyer had deposited the Escrow Sum in the amount of Euro 300,000 (equivalent to approximately HK\$2,736,450) on a bank account at an Italian bank opened for the benefit of the Sellers and managed only by the escrow agent. The Escrow Sum will be released in favour of the Sellers in the event that the Buyer fails to proceed to Completion, unless the Buyer provides the Sellers with evidence that any of the following occurs:

- (1) any of the events set out in paragraphs 1(ii), 2(ii) and 2(iii) in the section headed “Termination” above; or
- (2) termination of the MOU and/or the Formal Agreement due to the Sellers’ default or non-satisfaction of a condition precedent.

The Escrow Sum will be returned to the Buyer if not released by the escrow agent in favour of the Sellers on or before 30 September 2018 or such longer period as may be agreed between the parties.

The MOU shall be binding upon and inure to the benefit of the parties thereto and their respective successors and permitted assignees, which shall remain together jointly and severally liable for the fulfilment of the obligations under the MOU.

The Formal Agreement will develop the terms and conditions set forth in the MOU and contain other provisions customary for transactions of this nature, including covenants and closing conditions, together with representations and warranties by each Seller regarding the Target Company and its subsidiaries.

THE ASSIGNMENT

On 7 September 2018 (after trading hours), the Sellers, Oasis Giant and Sitoy International entered into the Assignment, pursuant to which Oasis Giant assigned, transferred and set over to Sitoy International, and Sitoy International assumed, all of Oasis Giant’s right, title, interest, powers, privileges, remedies, duties, liabilities and obligations under the MOU, effective as of the date of the Assignment, for nil consideration. The Sellers consented to the aforesaid assignment.

INFORMATION ON THE TARGET COMPANY

The Target Company owns an international famous retail brand with heritage history and is principally engaged in wholesale and retail of leatherware, fashion garments and apparel. As at the date of this announcement, the Sale Shares representing approximately 95.35% of the entire issued share capital of the Target Company were held by the Sellers and the remaining approximately 4.65% was held by a third party independent of the Company and the connected persons of the Company.

The key financial information of the Target Company for the two years ended 31 December 2017 and the three months ended 31 March 2018 prepared in accordance with Italian Generally Accepted Accounting Principles is set out below:

	For the three months ended 31 March 2018 <i>Euro</i>	For the year ended 31 December 2017 2016 <i>Euro Euro</i>	
(Loss)/ profit before taxation	(751,000)	(7,319,000)	2,745,000
Net loss	(752,000)	(7,230,000)	(782,000)

The unaudited net asset value of the Target Company as at 31 March 2018 was approximately Euro 12,940,000 (equivalent to approximately HK\$118,032,210).

INFORMATION ON THE GROUP, SITOY INTERNATIONAL, OASIS GIANT AND THE SELLERS

The Group is principally engaged in design, research, development, manufacture, sale, retailing and wholesale of handbags, small leather goods and travel goods, footwear and fashion products provision of advertising and marketing services and property investment.

Sitoy International is a wholly-owned subsidiary of the Company and is principally engaged in investment holding.

Oasis Giant is principally engaged in investment holding.

The Sellers are the individual registered shareholders of the Sale Shares.

REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION

The Directors consider that the Possible Acquisition represents an attractive investment opportunity which (i) broadens the income base of the Group; and (ii) enriches the retail brand portfolio of the Group. Subject to negotiations with the relevant shareholder of the Target Company, the Group is also considering the acquisition of the remaining approximately 4.65% equity interest in the Target Company.

The Directors (including the independent non-executive Directors) consider that the terms of the Possible Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Possible Acquisition is 5% or more but less than 25%, the Possible Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Oasis Giant is a company wholly-owned by a director of a subsidiary of the Company. Therefore, it is a connected person of the Company and the Assignment constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Assignment was at nil consideration, it is fully exempted pursuant to Rule 14A.76(1)(a) of the Listing Rules.

The MOU only contains the principal terms of the Possible Acquisition and the Sellers and the Buyer will negotiate and agree on the definitive terms of the Formal Agreement. After the signing of the Formal Agreement, the Company will publish further announcement(s) containing definitive details of the Possible Acquisition in compliance with the relevant requirements under the Listing Rules.

The Formal Agreement may or may not be signed and Completion of the Possible Acquisition under the Formal Agreement, if signed, will also be subject to certain conditions precedent which may or may not be fulfilled. As such, the Possible Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Accounting Principles”	accounting rules stated by the Italian law and accounting standards issued by Organismo Italiano di Contabilità
“Assignment”	the assignment dated 7 September 2018 entered into between the Sellers, Oasis Giant and Sitoy International, pursuant to which Oasis Giant has assigned and transferred, and Sitoy International has assumed, all the rights and obligations of Oasis Giant as the Buyer under the MOU for nil consideration
“Board”	the board of Directors
“Business Day”	any calendar day other than a Saturday, Sunday or a day on which banking institutions in Italy are not open for ordinary business

“Buyer”	the buyer of the Sale Shares under the MOU and the Formal Agreement
“Company”	Sitoy Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Possible Acquisition in accordance with the terms of the MOU and the Formal Agreement
“Completion Date”	the date on which Completion will take place to be agreed by the parties to the MOU and the Formal Agreement
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	the initial consideration for the Possible Acquisition, subject to adjustments in accordance with the MOU and the Formal Agreement
“Consolidated Net Equity Value”	the consolidated net equity value of the Target Company as at the Completion Date prepared in accordance with the Accounting Principles
“Director(s)”	director(s) of the Company
“Escrow Sum”	the escrow money of Euro 300,000 (equivalent to approximately HK\$2,736,450) paid by the Buyer under the MOU
“Euro”	Euro dollar, the lawful currency of the European Union
“Formal Agreement”	the formal sale and purchase agreement to be entered into between the Sellers and the Buyer in relation to the Possible Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Italy”	Italian Republic
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understandings dated 12 April 2018 (as amended in writing on 4 July 2018) entered into between the Sellers and the Buyer in relation to the Possible Acquisition

“Oasis Giant”	Oasis Giant Pte. Ltd., a company organised under the laws of the Republic of Singapore
“Possible Acquisition”	the acquisition of the Sale Shares by the Buyer from the Sellers pursuant to the MOU and the Formal Agreement
“Sale Shares”	4,785,286 shares in the Target Company representing approximately 95.35% of the entire issued share capital thereof
“Sellers”	the individual registered shareholders of the Sale Shares
“Sitoy International”	Sitoy International Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	an Italian “societa per azioni” organised under the laws of Italy
“%”	per cent

By order of the Board
Sitoy Group Holdings Limited
Yeung Michael Wah Keung
Chairman

Hong Kong, 7 September 2018

As at the date of this announcement, the executive Directors are Mr. Yeung Michael Wah Keung, Mr. Yeung Wo Fai, Mr. Yeung Andrew Kin and Mr. Lau Kin Shing, Charles; and the independent non-executive Directors are Mr. Yeung Chi Tat, Mr. Kwan Po Chuen, Vincent and Mr. Lung Hung Cheuk.