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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 DISPOSAL OF ENTIRE EQUITY INTEREST IN A SUBSIDIARY

THE DISPOSAL

The Board is pleased to announce that on 3 November 2021 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company), the Company (as the Vendor's guarantor), the Purchaser and the Purchaser Guarantor entered into the Sale and Purchase Agreement, pursuant to which (i) the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares at a consideration of HK\$50,000,000, subject to adjustments; and (ii) the Vendor and the Purchaser agreed that the Purchaser shall pay or procure the payment of the Post-Closing Payment after Completion, being an amount of up to EUR3,500,000.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Disposal is 5% or more but all of them are less than 25%, the Disposal 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.

INTRODUCTION

The Board is pleased to announce that on 3 November 2021 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company), the Company (as the Vendor's guarantor), the Purchaser and the Purchaser Guarantor entered into the Sale and Purchase Agreement, pursuant to which (i) the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares at a consideration of HK\$50,000,000, subject to adjustments; and (ii) the Vendor and the Purchaser agreed that the Purchaser shall pay or procure the payment of the Post-Closing Payment after Completion, being an amount of up to EUR3,500,000.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

Date:

3 November 2021

Parties:

- (a) the Vendor, a wholly-owned subsidiary of the Company;
- (b) the Company;
- (c) the Purchaser, a wholly-owned subsidiary of the Purchaser Guarantor; and
- (d) the Purchaser Guarantor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and the Purchaser Guarantor and their respective ultimate beneficial owner is each a third party independent of the Company and its connected persons under the Listing Rules.

Subject matter

Subject to the terms and conditions of the Sale and Purchase Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, being the entire issued share capital of the Target Company.

Payment terms

The Consideration

The consideration payable by the Purchaser to the Vendor for the Sale Shares shall be HK\$50,000,000, subject to adjustments as set out below:

Consideration = HK\$50,000,000 – Inter-Company Balances (if any) – Guaranteed NAV Adjustment (if any) – Adjustment (if any)

In the event that the consolidated net asset value of the Target Group as shown in the October Management Accounts excluding any Inter-Company Balances shall be less than EUR14,455,000, and if such shortfall (the “**Guaranteed NAV Shortfall**”) shall exceed EUR3,500,000, any such excess shall be deducted from the Consideration (the “**Guaranteed NAV Adjustment**”). If the cash and cash equivalent of the Target Group as at the date of the Sale and Purchase Agreement shall be less than the cash and cash equivalent of the Target Group as set out in the October Management Accounts by EUR100,000 or more, any such shortfall (the entire difference and not only the amount exceeding EUR100,000) shall be deducted from the Consideration (the “**Adjustment**”). If the sum of the Inter-Company Balances, the Guaranteed NAV Adjustment and the Adjustment exceeds HK\$50,000,000, the Vendor agrees to pay such difference to the Purchaser upon Completion.

The Consideration shall be payable in the following manner:

- (a) upon Completion,
 - (i) if the Consideration is more than HK\$10,000,000, the Purchaser shall pay to the Vendor the Consideration less HK\$10,000,000; or
 - (ii) if the Consideration is equal to or less than HK\$10,000,000, no payment shall be made upon Completion; or
 - (iii) if the sum of the Inter-Company Balances, the Guaranteed NAV Adjustment and the Adjustment exceeds HK\$50,000,000, the Purchaser shall pay HK\$1 to the Vendor; and
- (b) on the first anniversary of the Completion Date or the business day following the first anniversary of the Completion Date in the event it does not fall on a business day (the “**Deferred Payment Date**”),
 - (i) if the Consideration is more than HK\$10,000,000, the Purchaser shall pay HK\$10,000,000 to the Vendor; or
 - (ii) if the Consideration is equal to or less than HK\$10,000,000, the Purchaser shall pay to the Vendor the Consideration; or
 - (iii) if the sum of the Inter-Company Balances, the Guaranteed NAV Adjustment and the Adjustment exceeds HK\$50,000,000, no further payment is required to be made by the Purchaser at the Deferred Payment Date,

subject to deduction of any contingent liabilities incurred by the Target Group before the Completion Date which has not been disclosed to the Purchaser prior to Completion as recorded in the latest management accounts of the Target Group prior to making such payment.

Inter-Company Balances

Subject to Completion having taken place, the Inter-Company Balances (if any) shall be settled in the following manner:

- (a) upon Completion, an amount up to a maximum of HK\$10,000,000 shall be repaid by Shanghai Tesma to Shanghai Shiwo;
- (b) if the Inter-Company Balances exceed HK\$10,000,000, a further amount up to a maximum of HK\$10,000,000 shall be repaid by Shanghai Tesma to Shanghai Shiwo within one month from the Completion Date;
- (c) if the Inter-Company Balances exceed HK\$20,000,000, a further amount up to a maximum of HK\$20,000,000 shall be repaid by Shanghai Tesma to Shanghai Shiwo within two months from the Completion Date; and
- (d) if the Inter-Company Balances exceed HK\$40,000,000, the remaining outstanding balance of the Inter-Company Balances in a maximum amount of HK\$10,000,000 shall be repaid by Shanghai Tesma to Shanghai Shiwo within one year from the Completion Date.

The aggregate amount of the Inter-Company Balances shall not, in any case, exceed HK\$50,000,000 (the “**Cap**”). If the Inter-Company Balances exceed the Cap, the Vendor and the Company agree to waive or procure to waive such remaining outstanding Inter-Company Balances before Completion and the Target Group shall not be liable to pay any amount exceeding the Cap.

Post-Closing Payment

The Purchaser shall pay or procure the payment of the Post-Closing Payment after Completion, being an amount of up to EUR3,500,000, subject to adjustments as set out below:

Post-Closing Payment = EUR3,500,000 – Guaranteed NAV Shortfall (if any)

The Post-Closing Payment shall be payable in the following manner:

- (a) on the last business day of the calendar month immediately after the month in which Completion took place, the Purchaser shall pay or procure the payment to the Vendor EUR1,750,000 or the Post-Closing Payment (whichever is lower), provided that the amount of cash and cash equivalent of the Target Group as set out in the October Management Accounts after deducting such payment shall not be less than EUR1,750,000, or the amount to be paid shall be reduced by any such shortfall accordingly (the “**First Payment**”); and

- (b) within the first 5 business days of the third calendar month after the month in which Completion took place, the Purchaser shall pay or procure the payment to the Vendor an amount equivalent to the Post-Closing Payment less the First Payment, provided that the amount to be paid shall not be more than the cash and cash equivalent of the Target Group as set out in the October Management Accounts after deducting the First Payment or the amount of the payment and the Post-Closing Payment shall be reduced by any such shortfall accordingly and the Purchaser and the Target Group shall have no further obligation to pay any such shortfall or any remaining balance of the Post-Closing Payment.

The Consideration and the Post-Closing Payment were determined and arrived at after arm's length negotiation between the Vendor and the Purchaser with reference to the unaudited consolidated financial position of the Target Company as at 31 July 2021.

Conditions precedent

Completion is subject to the satisfaction or waiver in writing by the Purchaser at its absolute discretion of the following conditions:

- (a) the warranties given by the Vendor and the Company remaining true and accurate and not misleading in all respects;
- (b) all necessary consents, confirmations, permits, approvals, licences and authorisations having been obtained from all relevant governmental, regulatory and other authorities, agencies and departments or third parties (including landlord for tenancy agreements) in connection with the transactions contemplated under the Sale and Purchase Agreement;
- (c) no matter, event, circumstance or change having occurred which has caused, causes or is likely to cause any material adverse change (as defined in the Sale and Purchase Agreement) on (i) the business, operations, prospects or financial condition, or a material portion of the properties or assets, of the Target Company or of its subsidiaries, or (ii) the ability of the Vendor to perform or observe any of its obligations, undertakings or covenants under the Sale and Purchase Agreement; and
- (d) the October Management Accounts having been prepared and finalised and the bank statements and transactions records of the Target Group which show any movement in the amount of cash and cash equivalent of the Target Group between 1 November 2021 and the date of the Sale and Purchase Agreement having been provided in accordance with the terms of the Sale and Purchase Agreement.

If any of the conditions set out above is not fulfilled (or waived, where applicable) on or before the Longstop Date (other than condition (a) which shall be fulfilled simultaneously at Completion), the Sale and Purchase Agreement shall cease to have any effect and none of the parties shall have any claim against each other, except in respect of claims arising out of any antecedent breach of any of the provisions of the Sale and Purchase Agreement.

Completion

Completion will take place on the 3rd business day after the day on which the last of the conditions precedent set out in the section headed “Conditions precedent” above is fulfilled (or waived, where applicable), or such other date as may be agreed by the Vendor and the Purchaser in writing.

Guarantee

The Company irrevocably and unconditionally, as primary obligor, undertakes and guarantees the full, prompt, complete and due performance by the Vendor of all and any of its obligations under the Sale and Purchase Agreement.

The Purchaser Guarantor irrevocably and unconditionally, as primary obligor, undertakes and guarantees all payments payable by the Purchaser in accordance with the terms of the Sale and Purchase Agreement.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong and is principally engaged in investment holding. The Target Group owns a century-old Italian luxury leader label brand, Amedeo Testoni (formerly known as “a. testoni”) and its diffusion line i29, and is principally engaged in wholesale and retail of leatherware, fashion garments and apparel.

The key financial information of the Target Group for the two years ended 30 June 2020 and 30 June 2021 prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board is set out below:

	For the year ended 30 June	
	(unaudited)	
	2021	2020
	EUR'000	EUR'000
Loss before taxation	(5,705)	(11,527)
Loss after taxation	(5,846)	(11,429)

The unaudited net asset value (excluding Inter-Company Balances of approximately EUR31,389,000 (equivalent to approximately HK\$283,129,000)) of the Target Group as at 30 June 2021 was approximately EUR13,662,000 (equivalent to approximately HK\$123,231,000).

INFORMATION ON THE PARTIES

The Group is principally engaged in design, research, development, manufacturing, sales, retailing and wholesales of handbags, small leather goods, travel goods and footwear products, provision of advertising and marketing services and property investment.

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

The Purchaser is a wholly-owned subsidiary of the Purchaser Guarantor and is principally engaged in investment holding.

The Purchaser Guarantor is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM of the Stock Exchange (Stock Code: 8032). It is principally engaged in “Multi-brands Apparels and Footwears”. It also engages in the “Sports Experience”, including the operation, service provision and investment of sports destinations, sports competitions and events as well as an e-sports club.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE AGREEMENT

The Directors undertake strategic reviews of the Group’s retail brand portfolio from time to time with a view to maximising returns to the Shareholders. As a result of outbreak of the coronavirus pneumonia (COVID-19) pandemic globally, the retail industry was seriously and negatively affected, and so was the operation of the Target Group. Accordingly, the Directors believe that the Disposal will enable the Group to reallocate resources into developing other retail brands especially in the Greater China market.

The Directors consider that the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable and in the best interests of the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Group.

It is estimated that a one-off and unaudited loss of approximately EUR4,855,000 (equivalent to approximately HK\$43,792,000) will arise from the Disposal. Such estimated unaudited loss is calculated with reference to (i) the Consideration and the Post-Closing Payment; and (ii) the consolidated net asset value of the Target Group as at 30 September 2021 (excluding any Inter-Company Balances) as set out in its latest available management accounts. The actual amount of loss from the Disposal will be subject to audit by the Company’s auditors, and therefore may vary from the amount mentioned above.

The Company intends to apply the proceeds from the Disposal as the working capital of the Group.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) of the Disposal is 5% or more but all of them are less than 25%, the Disposal 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.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as respectively ascribed below:

“Board”	the board of Directors of the Company
“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”	the completion of the Disposal in accordance with the Sale and Purchase Agreement
“Completion Date”	the date on which Completion takes place
“Consideration”	the consideration for the sale and purchase of the Sale Shares under the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire issued share capital of the Target Company pursuant to the terms of the Sale and Purchase Agreement
“EUR”	Euro dollar, the lawful currency of the European Union
“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
“Inter-Company Balances”	any amount owing or payable by any member of the Target Group to any member of the Group (excluding the Target Group) which remains outstanding as at 31 October 2021 as shown in the October Management Accounts
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	30 June 2022 (or such later date as may be agreed between the Vendor and the Purchaser in writing)

“October Management Accounts”	unaudited consolidated statement of financial position as at 31 October 2021 and consolidated statement of profit and loss of the Target Group for the period from 1 August 2021 to 31 October 2021
“Post-Closing Payment”	the payment to be made by the Purchaser to the Vendor after Completion under the Sale and Purchase Agreement
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Ample Fame Investments Limited (滿譽投資有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Purchaser Guarantor
“Purchaser Guarantor”	Viva China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM of the Stock Exchange (Stock Code: 8032)
“Sale and Purchase Agreement”	the sale and purchase agreement dated 3 November 2021 entered into between the Vendor, the Company, the Purchaser and the Purchaser Guarantor in relation to the Disposal
“Sale Shares”	10,000 shares of the Target Company representing the entire issued share capital thereof
“Shanghai Shiwo”	上海時沃商貿有限公司 (Shanghai Shiwo Trading Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Shanghai Tesma”	上海爾士商貿有限公司 (Shanghai Tesma Trading Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Target Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Sitoy AT Holdings Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

* *English name for identification purpose only*

“Target Group”	the Target Company and its subsidiaries
“Vendor”	Sitoy International Limited (時代國際有限公司), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 3 November 2021

As at the date of this announcement, the executive Directors are Mr. Yeung Michael Wah Keung, Mr. Yeung Wo Fai and Mr. Yeung Andrew Kin; the non-executive Director is Dr. 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.

For the purpose of this announcement, amounts denominated in EUR have been translated into HK\$ at the indicative exchange rate of EUR1 = HK\$9.02.