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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 ACQUISITION OF  
95.35% EQUITY INTEREST IN THE TARGET COMPANY**

**THE ACQUISITION**

Reference is made to the announcement of the Company dated 7 September 2018 in relation to, among others, the proposed acquisition of approximately 95.35% of the issued share capital of the Target Company, which is principally engaged in wholesale and retail of leatherware, fashion garments and apparel.

The Board is pleased to announce that on 20 November 2018 (after trading hours), Sitoy AT Holdings (a wholly-owned subsidiary of the Company nominated by Sitoy International to be the Buyer) and the Sellers entered into the SPA. Subject to the terms and conditions of the SPA, (i) the Sellers has agreed to sell and the Buyer has agreed to purchase the Sale Shares (representing approximately 95.35% of the issued share capital of the Target Company) at the initial consideration of Euro 9,535,210 (equivalent to approximately HK\$85,515,577) (subject to adjustments); and (ii) the Loan Seller has agreed to assign and the Buyer has agreed to take an assignment of the Shareholder Loan at the consideration of Euro 5,000,000 (equivalent to approximately HK\$44,842,000).

**LISTING RULES IMPLICATIONS**

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

## **INTRODUCTION**

Reference is made to the Announcement. As mentioned in the Announcement, on 7 September 2018 (after trading hours), the Sellers, Oasis Giant (a company wholly-owned by a director of a subsidiary of the Company) and Sitoy International (a wholly-owned subsidiary of the Company) entered into the Assignment, pursuant to which Oasis Giant assigned and transferred to Sitoy International, and Sitoy International assumed all of Oasis Giant's right and obligations as the Buyer under the MOU for nil consideration.

The Board is pleased to announce that on 20 November 2018 (after trading hours), Sitoy AT Holdings (as nominated by Sitoy International to be the Buyer) and the Sellers entered into the SPA, the principal terms of which are set out as below.

## **THE SPA**

### **Date**

20 November 2018

### **Parties**

- (a) Sitoy AT Holdings; 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**

Subject to the terms and conditions of the SPA, (i) the Sellers have agreed to sell and the Buyer has agreed to purchase the Sale Shares (representing approximately 95.35% of the issued share capital of the Target Company); and (ii) the Loan Seller has agreed to assign and the Buyer has agreed to take an assignment of the Shareholder Loan.

### **Consideration**

The initial total consideration for the Acquisition is Euro 14,535,210 (equivalent to approximately HK\$130,357,577), out of which the initial Sale Shares Consideration is Euro 9,535,210 and the consideration for the Shareholder Loan is Euro 5,000,000 (representing the outstanding principal amount of the Shareholder Loan).

### *Sale Shares Consideration*

In the event that the Consolidated Net Equity Value (calculated based on the consolidated financial statements of the Target Group as at the Reference Date as prepared in accordance with certain agreed procedures and principles prescribed in the SPA) as agreed in writing between the parties or, failing such agreement, by the independent accountant jointly appointed by the parties, is lower than Euro 9,535,210, an amount equal to such difference will be deducted from the initial Sale Shares Consideration on a Euro per Euro basis. In the event that the aforesaid Consolidated Net Equity Value is equal to or greater than Euro 9,535,210, there will be no upward adjustment to the initial Sale Shares Consideration.

On the Completion Date:

- (a) if the parties have already agreed on the final Sale Shares Consideration, the Buyer shall pay the amount of the final Sale Shares Consideration in full by wire transfer of immediately available funds to the Sellers' Bank Accounts in proportion to the Sale Shares sold by each of the Sellers; or
- (b) if the parties have not yet agreed on the final Sale Shares Consideration:
  - (i) the Buyer shall make to the Sellers a down-payment of an amount equal to 70% of the lower of (a) the initial Sale Shares Consideration (70% of which is Euro 6,674,647 (equivalent to approximately HK\$59,860,904)); and (b) the preliminary Consolidated Net Equity Value as shown in the Report (or, if the Report is not delivered prior to Completion, the preliminary draft consolidated financial statements of the Target Group as at the Reference Date prepared by the Sellers), or any higher amount as the Buyer may decide at its sole discretion, by wire transfer of immediately available funds to the Sellers' Bank Accounts in proportion to the Sale Shares sold by each of the Sellers;
  - (ii) the remaining 30% (less the amount representing the Sellers' share of 50% of the costs involved in the preparation of the draft consolidated financial statements of the Target Group, which will be settled by the Target Company in full first) shall be placed by the Buyer in escrow in accordance with the escrow agreement to be entered into by the Sellers, the Buyer and the escrow agent on or before the Completion Date; and
  - (iii) on the 10th (tenth) Business Days after the determination of the final Sale Shares Consideration:
    - (a) if the amount of the final Sale Shares Consideration is greater than the down-payment made by the Buyer pursuant to (i) above, the Buyer shall pay to the Sellers the entire amount of such difference through the release of the corresponding portion of the escrow amount paid by the Buyer pursuant to (ii) above in favour of the Sellers in proportion to the Sale Shares sold by each of the Sellers, whereas any remaining balance shall be released to the Buyer;

- (b) if the amount of the final Sale Shares Consideration is lower than the down-payment made by the Buyer pursuant to (i) above, the Sellers shall jointly and severally reimburse the amount of such difference to the Buyer, whereas the entire escrow amount paid by the Buyer pursuant to (ii) above shall be released to the Buyer; and
- (c) if the amount of the final Sale Shares Consideration is equal to the down-payment made by the Buyer pursuant to (i) above, the entire escrow amount paid by the Buyer pursuant to (ii) above shall be released to the Buyer.

### *Shareholder Loan*

At Completion, the Buyer shall pay, or cause to be paid, to the Loan Seller an amount equal to the Shareholder Loan through wire transfer of immediately available funds on the bank account communicated by the Loan Seller to the Buyer at least three (3) Business Days before the Completion Date.

The consideration for the Acquisition was determined and arrived at after arm's length negotiation between the Sellers and the Buyer on the basis of (a) the Consolidated Net Equity Value of the Target Company as at the Reference Date, and (b) the expected costs and expenses for the Acquisition, and will be fully funded by the internal resources of the Group.

### **Conditions precedent**

Completion is subject to the satisfaction or waiver in writing by the Buyer at its sole discretion of the following conditions, on or before the Completion Date:

- (1) the Sellers having provided to the Buyer copy of all notifications made to the relevant counterparties under certain agreements entered into by the Target Group triggered by the execution of the SPA or the Acquisition;
- (2) the Sellers having provided to the Buyer a certificate, as updated as possible (in any case no earlier than 10 November 2018), with attached a full and detailed list of all the intellectual property and the other intangible assets (other than the information technology assets) owned or used by the Target Group confirming that the relevant member of the Target Group has full, valid and marketable title to such intellectual property and intangible assets free and clear from encumbrances and/or third party rights;
- (3) the Sellers having provided to the Buyer a certified copy of the full and detailed inventory report of all the inventory of the Target Group updated as at the Reference Date;
- (4) the Sellers having provided to the Buyer copy of the stability pacts executed pursuant to the applicable Italian law by certain senior management and functional heads of the Target Company confirming their undertaking to continue their relationship with the Target Company on the same terms and conditions for at least 1 (one) year following the Completion Date; and

- (5) no material adverse effect (as defined in the SPA) has occurred in respect of the Target Group between 31 December 2017 and the Completion Date.

Each of the Sellers (as far as it is concerned) undertook that it will use its best efforts and will diligently and timely perform any act or action necessary and/or appropriate to achieve the prompt and timely satisfaction of all the above conditions precedent, as soon as practicable and in any event by and no later than the Completion Date, whereas the Buyer undertook to cooperate in good faith with the Sellers in this regard.

If the conditions precedent set out above are not satisfied (or waived) by the Completion Date, the Buyer shall be entitled to terminate the SPA by written notice to the Sellers without prejudice to the liability of the Sellers (if any) in respect of damages for non-performance or delayed performance of any obligation under the SPA that prevented the conditions precedent from being satisfied within the prescribed period. In such case, the Sellers shall instruct the escrow agent to immediately release the Escrow Sum in favour of Oasis Giant (if not already released before such termination) by and no later than 3 (three) Business Days from the effective date of termination of the SPA.

### **Completion**

Completion will take place on 22 November 2018, or any other date which may be agreed in writing by the parties to the SPA.

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 financial statements of the Group.

### **Bank guarantee**

At Completion, the Sellers shall deliver to the Buyer the original of a first demand bank guarantee issued by a primary bank of international standing acceptable to the Buyer and providing for a maximum guaranteed amount equal to 20% of (i) the final Sale Shares Consideration (if already agreed by the parties); or (ii) if the parties have not yet agreed on the final Sale Shares Consideration, the lower of (a) the initial Sale Shares Consideration and (b) the preliminary Consolidated Net Equity Value as shown in the Report (or, if the Report is not delivered prior to Completion, the preliminary draft consolidated financial statements of the Target Group as at the Reference Date prepared by the Sellers), for the purpose of securing the due and timely payment of any amounts owed by the Sellers to the Buyer under the SPA during the period between the Completion Date and the last day of the 24th (twenty-fourth) month following the Completion Date.

### **Others**

The Escrow Sum will be released to Oasis Giant at Completion (if not already released).

The SPA constitutes the entire agreement between the Buyer and the Sellers in respect of the Acquisition and supersedes all prior agreements relating to the same, including the MOU.

## 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 issued share capital of the Target Company were held by the Sellers. The Group has been informed by the Sellers recently that the remaining approximately 4.65% equity interest in the Target Company was held by the Target Company itself pursuant to a repurchase carried out in accordance with the relevant Italian law, and such shares held by the Target Company may be assigned to the Buyer at nil consideration or deregistered upon Completion, such that the Target Company will ultimately become a wholly-owned subsidiary of the Company after Completion.

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:

	<b>For the three months ended 31 March 2018 Euro</b>	<b>For the year ended 31 December 2017 Euro</b>	<b>2016 Euro</b>
(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\$116,051,096).

## INFORMATION ON THE PARTIES

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

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 corporate or individual registered shareholders of the Sale Shares. Quadrifoglio S.r.l., the corporate Seller, is principally engaged in investment holding.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group has been licensed by the Target Company to retail and wholesale the a. testoni brand products in mainland China since July 2017 through the network connection of the director of a subsidiary of the Company, who wholly-owns Oasis Giant. By virtue of his past business relationship with the Sellers before joining the Group, such director learned of and obtained the opportunity to undertake the Acquisition through Oasis Giant and introduced such opportunity to the Group. The Directors decided to take up the Assignment and to proceed with the Acquisition as the Group is well-acquainted with the product characters, target customers, and the attractive point of sales network and existing distribution network of the products of the Target Company, and they consider that the Acquisition represents an attractive investment opportunity which will broaden the income base of the Group and enrich the retail brand portfolio of the Group.

The Directors consider that the terms of the 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 Acquisition is 5% or more but less than 25%, the 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.

In respect of the Assignment, as Oasis Giant is a company wholly-owned by a director of a subsidiary of the Company, it is a connected person of the Company at the subsidiary level and the Assignment therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the Board has approved the Assignment and the Directors (including the independent non-executive Directors) consider that the terms of the Assignment are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Assignment is exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

None of the Directors has a material interest in the Assignment or the Acquisition so they were not required to abstain from voting on the relevant Board resolutions approving the Assignment and the Acquisition.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the Shareholder Loan by the Buyer pursuant to the SPA
“Announcement”	the announcement of the Company dated 7 September 2018 in relation to, among others, the proposed acquisition of approximately 95.35% of the issued share capital of the Target Company
“Assignment”	the assignment dated 7 September 2018 entered into between the Sellers, Oasis Giant and Sitoy International, pursuant to which Oasis Giant assigned and transferred, and Sitoy International 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 Saturdays, Sundays and any other days on which banks are authorised to close in Bologna, Italy, Hong Kong, the People’s Republic of China, or Tortola, British Virgin Islands
“Buyer”	the buyer of the Sale Shares and the Shareholder Loan under the SPA
“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 Acquisition in accordance with the SPA
“Completion Date”	the date on which Completion takes place
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Net Equity Value”	the consolidated net equity value of the Target Company as at the Reference Date
“Director(s)”	director(s) of the Company
“Escrow Sum”	the amount of Euro 300,000 (equivalent to approximately HK\$2,690,520) deposited by Oasis Giant with the escrow agent to secure certain obligations of Oasis Giant to the Sellers under the MOU

“Euro”	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 People’s Republic of China
“Italy”	Italian Republic
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Seller”	Mr. Enzo Fini, being one of the Sellers and also the owner of the Shareholder Loan
“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 proposed acquisition of approximately 95.35% of the issued share capital of the Target Company
“Oasis Giant”	Oasis Giant Pte. Ltd., a company organised under the laws of the Republic of Singapore
“Reference Date”	30 September 2018
“Report”	the written notice required to be delivered by the Sellers to the Buyer by 19 November 2018, setting out the Sellers’ calculation of the Consolidated Net Equity Value (subject to further agreement by the Sellers and the Buyer in accordance with the SPA) on the basis of a report prepared by Ria Grant Thornton S.p.A. (an Italian accounting firm and an independent accountant jointly appointed by the parties)
“Sale Shares”	4,785,286 shares of the Target Company representing approximately 95.35% of the issued share capital thereof
“Sale Shares Consideration”	the consideration for the sale and purchase of the Sale Shares under the SPA

“Sellers”	the corporate or individual registered holders of the Sale Shares, namely (1) Quadrifoglio S.r.l., a company incorporated under the laws of Italy, holding 4,080,801 shares of the Target Company; (2) Mr. Enzo Fini, holding 233,261 shares of the Target Company; (3) Mrs. Laura Fini, holding 233,256 shares of the Target Company; (4) Mrs. Paola Fini, holding 233,256 shares of the Target Company; and (5) Mr. Bruno Fantechi and his wife Mrs. Sandra Tapinassi Fantechi, holding 4,712 shares of the Target Company
“Sellers’ Bank Accounts”	bank accounts communicated by the Sellers to the Buyer at least 3 (three) Business Days before the Completion Date for the purpose of receiving payment of the Sale Shares Consideration
“Shareholder Loan”	the amount owing to the Loan Seller by the Target Company as at the Completion Date, which will be no more than Euro 5,000,000 (equivalent to approximately HK\$44,842,000)
“Sitoy AT Holdings”	Sitoy AT Holdings Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Sitoy International”	Sitoy International Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“SPA”	the formal sale and purchase agreement dated 20 November 2018 entered into between the Sellers and the Buyer in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	A. Testoni S.p.A, a company organised under the laws of Italy
“Target Group”	the Target Company and its subsidiaries
“%”	per cent

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

Hong Kong, 20 November 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.*