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VIVA CHINA HOLDINGS LIMITED
非凡中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8032)

DISCLOSEABLE TRANSACTION
ACQUISITION OF ENTIRE ISSUED SHARE CAPITAL
OF THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that on 3 November 2021 (after trading hours), the Purchaser, the Company (as the Purchaser guarantor), the Vendor and the Vendor Guarantor entered into the SPA. Subject to the terms and conditions of the SPA, (i) the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of the Target Company at a consideration of HK\$50,000,000 (subject to adjustments as set out in the paragraphs headed “Consideration and Payment to the Vendor after Completion”); and (ii) the Vendor and the Purchaser agreed that the Purchaser shall pay or procure payment of the Post-Closing Payment after Completion, being an amount not more than EUR 3,500,000.

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

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM 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 shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

Completion is subject to the fulfillment or waiver (as the case may be) of the conditions set out in the paragraph headed “conditions precedent”, and the Acquisition may or may not proceed to Completion. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

The Board is pleased to announce that on 3 November 2021 (after trading hours), the Purchaser, the Company (as the Purchaser guarantor), the Vendor and the Vendor Guarantor entered into the SPA. Subject to the terms and conditions of the SPA, (i) the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of the Target Company at a consideration of HK\$50,000,000 (subject to adjustments as set out in the paragraphs headed “Consideration and Payment to the Vendor after Completion”); and (ii) the Vendor and the Purchaser agreed that the Purchaser shall pay or procure payment of the Post-Closing Payment after Completion, being an amount not more than EUR 3,500,000.

THE SPA

Date

3 November 2021

Parties

- (a) The Purchaser, a wholly-owned subsidiary of the Company
- (b) The Company (as the Purchaser guarantor)
- (c) The Vendor, a wholly-owned subsidiary of the Vendor Guarantor
- (d) The Vendor Guarantor

To the best of the Director's knowledge, information and belief, having made reasonable enquiries, the Vendor, the Vendor Guarantor and their respective ultimate beneficial owner 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, the Vender conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, being the entire issued share capital of the Target Company.

Consideration and Payment to the Vendor after Completion

Consideration

Subject to the adjustment mechanism set out below, the Consideration payable by the Purchaser to the Vendor for the Sale Shares shall be HK\$50,000,000:

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

If the Guaranteed NAV Shortfall shall exceed EUR 3,500,000, 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 SPA shall be less than the cash and cash equivalent of the Target Group as set out in the October Management Accounts by EUR 100,000 or more, any such shortfall (the entire difference and not only the amount exceeding EUR 100,000) shall be deducted from the Consideration.

If the sum of the Inter-Company Balances, the Guaranteed NAV Adjustment and the Adjustment exceeds HK\$50,000,000, the Vendor agreed 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 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 on 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.

Payment to the Vendor after Completion

The Vendor and the Purchaser further agreed that the Purchaser shall pay or procure the payment of the Post-Closing Payment being an amount of up to EUR3,500,000 in cash to the Vendor after Completion, subject to the adjustment mechanism set out below.

The Post-Closing Payment shall be adjusted as follows if there is a Guaranteed NAV Shortfall (subject to paragraphs (a) and (b) below):

Post-Closing Payment = EUR 3,500,000 – Guaranteed NAV Shortfall (if any)

The aggregate amount of the Post-Closing Payment shall not, in any case, exceed EUR 3,500,000.

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 (in aggregate of approximately HK\$81,570,000) were determined after arm’s length negotiation between the Purchaser and the Vendor with reference to net asset value (excluding the inter-company balances of the Target Group as at 31 July 2021) of the Target Group as at 31 July 2021 of EUR14,455,000 (equivalent to approximately HK\$130,384,000).

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 Vendor Guarantor 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.

The Inter-Company Balances will be settled by internal resources of the Target Group and funding to be provided by the Company to the Target Group with the Company’s internal resources.

October Management Accounts

The Vendor shall complete preparation of the October Management Accounts on the same accounting practices and principles as its audited accounts and shall deliver the October Management Accounts and the bank statements and transaction records of the Target Group between 1 November 2021 and the date of the SPA (the “**Proof**”) to the Purchaser for review in accordance with the terms of the SPA.

After the final determination of the October Management Accounts in accordance with the SPA, if the NAV shall be less than the Guaranteed NAV, any such shortfall (the “**Guaranteed NAV Shortfall**”) shall be deducted from the Post-Closing Payment and the Consideration in accordance with paragraphs headed “Consideration and Payment to the Vendor after Completion” above. For avoidance of doubt, if the NAV shall be more than the Guaranteed NAV, there shall be no adjustment to the Post-Closing Payment and the Consideration and the Purchaser has no obligation to make any additional payment to the Vendor.

Conditions precedent

Completion shall be conditional upon:–

- (a) the warranties given by the Vendor and the Vendor Guarantor 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 SPA;
- (c) no matter, event, circumstance or change having occurred which has caused, causes or is likely to cause any Material Adverse Change 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 SPA; and
- (d) the October Management Accounts having been prepared and finalised and the Proof having been provided in accordance with the terms of the SPA.

The Purchaser may, at its absolute discretion, waive all conditions. The Vendor shall use its best endeavours to procure the fulfilment of the conditions set out in paragraphs (b), (c) and (d) on or before the Longstop Date and the condition set out in paragraph (a) at Completion.

If any of the conditions is not fulfilled (or, where applicable, waived) on or before the Longstop Date (other than the condition set out in paragraph (a) which shall be fulfilled simultaneously at Completion), the SPA shall cease to have 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 SPA.

Completion

If all the conditions are fulfilled (or, where applicable, waived) on or before the Longstop Date (other than the Condition set out in paragraph (a) which shall be fulfilled simultaneously at Completion), Completion shall take place on the 3rd business day after the day on which the last of the Conditions is fulfilled (or otherwise 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, all payments payable by the Purchaser in accordance with the terms of the SPA.

The Vendor Guarantor 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 SPA.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong. The principal business of activity of the Target Company is 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 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)	
	2020	2021
	<i>EUR'000</i>	<i>EUR'000</i>
Loss before taxation	(11,527)	(5,705)
Loss after taxation	(11,429)	(5,846)

The unaudited net asset value (excluding inter-company balances as at 30 June 2021 of approximately EUR31,389,000 equivalent to approximately HK\$283,129,000) of the Target Group as at 30 June 2021 was approximately EUR 13,662,000 (equivalent to approximately HK\$123,231,000).

INFORMATION ON THE PARTIES

The Vendor is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Vendor Guarantor which is principally engaged in investment holding.

The Vendor Guarantor is a company incorporated in the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange (Stock Code:1023), which 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 Purchaser is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company which is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is a company incorporated in the Cayman Islands, the shares of which are listed on GEM (Stock Code: 8032). The Group 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.

The Group has adopted a multi-brand strategy and has been actively looking for opportunities to expand its apparels and footwear brands portfolio. In July 2020, the Group completed the acquisition of a controlling stake in Bossini International Holdings Limited (Stock Code: 592), which is principally engaged in the retail and distribution of casual wear garments. In March 2021, the Group entered into a subscription agreement with LionRock Capital Partners QiLe Limited and LionRock Capital Partners QiLe L.P.. Upon completion of the subscription, Clark (trading as “**Clarks**”), a British based, international shoe wholesaler and retailer, will become a non-wholly owned subsidiary of the Group.

The Board is of the view that the Acquisition is aligned with its business plan and provides an opportunity for the Group to acquire “Amedeo Testoni” brand at a discount and is confident that the management team of the consumables business who possesses extensive experience in apparel business and the Group would be able to turnaround the financial performance of “Amedeo Testoni” which would in turn expand the income source of the Group and generate better returns for the Shareholders. In light of the above, the Acquisition provides a good investment opportunity for the Company to acquire “Amedeo Testoni” brand and enrich the Group’s brands portfolio which will include a combination of fast fashion brand, premium footwear brand and luxury footwear and fashion brand.

In view of the above, the Board considers that the terms of the Acquisition are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The representatives of the Company will conduct a review on the existing principal business and the financial position of “Amedeo Testoni” brand, discuss with the existing management of “Amedeo Testoni” brand and take steps to develop the “Amedeo Testoni” brand under the following directions: (i) increasing cost and operational efficiency; (ii) redefining customer segmentation and strengthening brand building; (iii) reviewing distribution strategies; (iv) restructuring the corporate organisation; and (v) increasing the market presence in Asia, in particular the Greater China region.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM 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 shareholders’ approval requirements under Chapter 19 of the GEM Listing Rules.

Completion is subject to the fulfillment or waiver (as the case may be) of the conditions set out in the paragraph headed “conditions precedent”, and the Acquisition may or may not proceed to Completion. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Acquisition”	the acquisition of the entire issued share capital of the Target Company pursuant to the terms of the SPA
“Adjustment”	has the meaning ascribed to it in the paragraphs headed “Consideration and Payment to the Vendor after Completion – Consideration”
“Board”	the board of Directors
“Company”	Viva China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM (Stock Code: 8032)
“Completion”	the completion of the Acquisition in accordance with the SPA
“Completion Date”	the date on which Completion takes place
“Consideration”	the consideration payable by the Purchaser for the Sale Shares to be sold by the Vendor
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Deferred Payment Date”	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
“Director(s)”	director(s) of the Company
“EUR”	Euro dollar, the lawful currency of the European Union
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guaranteed NAV”	EUR14,455,000
“Guaranteed NAV Adjustment”	has the meaning ascribed to it in the paragraph headed “Consideration and Payment to the Vendor after Completion – Consideration”
“Guaranteed NAV Shortfall”	has the meaning ascribed to it in the paragraph headed “October Management Accounts”
“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

“Inter-Company Balances”	any amount owing or payable by any member of the Target Group to any member of the Vendor Guarantor Group which remains outstanding as at 31 October 2021 as shown in the October Management Accounts, which shall be interest-free and shall be repaid in accordance with the paragraphs headed “Consideration and Payment to the Vendor after Completion – Inter-Company Balances”
“Longstop Date”	30 June 2022 (or such later date as may be agreed between the Vendor and the Purchaser in writing)
“Material Adverse Change”	a material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position, prospects or condition, financial or otherwise, or performance of the Target Group, taken as a whole
“NAV”	the consolidated net asset value of the Target Group as shown in the October Management Accounts excluding any Inter-Company Balances
“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”	a payment to be made to the Vendor after Completion in accordance with the paragraph headed “Payment to the Vendor after Completion”
“PRC”	the People’s Republic of China, which for the purpose of this announcement and unless context suggests otherwise, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proof”	has the meaning ascribed to it in the paragraphs headed “October Management Accounts”
“Purchaser”	Ample Fame Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Sale Shares”	a total of 10,000 shares of the Target Company, representing the entire issued share capital of the Company as at the date of this announcement, to be sold by the Vendor to the Purchaser pursuant to the SPA
“Shareholders”	the holders of the ordinary shares of the Company
“Shanghai Shiwo”	上海時沃商貿有限公司 (Shanghai Shiwo Trading Company Limited*), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of the Vendor Guarantor

“Shanghai Tesma”	上海爾士商貿有限公司 (Shanghai Tesma Trading Limited*), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of the Target Company
“Shares”	the ordinary share(s) of HK\$0.05 each in the share capital of the Company
“SPA”	the share purchase agreement dated 3 November 2021 entered into among the Purchaser, the Company, the Vendor and the Vendor Guarantor in relation to the Acquisition
“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
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Sitoy International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor Guarantor
“Vendor Guarantor”	Sitoy Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock Code:1023)
“Vendor Guarantor Group”	the Vendor Guarantor and its subsidiaries other than the Target Group
“%”	per cent

Unless otherwise indicated, in this announcement, translation of amounts in EUR into HK\$ have been made at the rate of EUR 1 to HK\$9.02 for illustration purpose only. No representation is made that any amount in HK\$ could have been or could be converted at such respective rates or at all

By Order of the Board
Viva China Holdings Limited
LI Ning
Chairman & Chief Executive Officer

Hong Kong, 3 November 2021

Executive Directors:

Mr. LI Ning (*Chairman and Chief Executive Officer*)

Mr. LI Chunyang

Mr. LI Qilin

Non-executive Directors:

Mr. Victor HERRERO

Mr. MA Wing Man

Independent non-executive Directors:

Mr. LI Qing

Mr. PAK Wai Keung, Martin

Mr. WANG Yan

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 GEM website at www.hkgem.com on the “Latest Listed Company Information” page for at least seven days from the date of its posting and the Company’s website at www.vivachina.hk.