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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)

**VERY SUBSTANTIAL ACQUISITION
AND CONNECTED TRANSACTION
IN RELATION TO
PROPOSED ACQUISITION OF THE REMAINING
49% INTEREST IN
LIONROCK CAPITAL PARTNERS QILE LIMITED**

THE ACQUISITION

On 17 November 2022, Viva China Consumables and LionRock entered into the Agreement, pursuant to which Viva China Consumables conditionally agreed to purchase, and LionRock conditionally agreed to sell, the Sale Shares, representing 49% issued share capital of the Target as at the date of the Agreement, for a consideration of GBP110,000,000 (equivalent to approximately HK\$960,300,000).

Completion of the Acquisition is subject to the fulfilment of certain conditions as further described in this announcement. Upon Completion, the Company's interest in the issued share capital of the Target will increase from 51% to 100% and the Target will become an indirect wholly-owned subsidiary of the Company and the results of the Target Group will continue to be consolidated into the financial statements of the Company.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, LionRock is a substantial shareholder of the Target, which is a subsidiary of the Company, and is therefore a connected person of the Company at the subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company.

Given LionRock is a connected person at the subsidiary level only, pursuant to Rule 20.99 of the GEM Listing Rules, the Acquisition from LionRock is exempted from the circular, independent financial advice and shareholders' approval requirements, as (i) the Board has approved the Acquisition; and (ii) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, and the Acquisition is conducted on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

However, as one of the applicable percentage ratios calculated in accordance with the GEM Listing Rules in respect of the Acquisition, when aggregate with the Previous Acquisition, exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

DESPATCH OF THE CIRCULAR AND THE EGM

The Company will convene an EGM for the Shareholders to consider and, if thought fit, approve the relevant matters in relation to the Acquisition. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting in favour of the resolution(s) approving the Acquisition, the Agreement and the transaction contemplated thereunder at the EGM.

A circular containing, among other things, (i) details of the Acquisition, the Agreement and the transactions contemplated thereunder; (ii) further information of the Target and Clark Group; and (iii) the notice of the EGM is expected to be despatched to the Shareholders on or before 30 December 2022 as additional time is required for preparing the information to be included in the circular.

Completion is subject to the fulfillment or waiver (as the case may be) of the Conditions, 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.

INTRODUCTION

References are made to the Subscription Announcement and the circular of the Company dated 26 May 2022, in relation to, among other things, the subscription by Viva China Consumables of shares in the issued share capital of the Target pursuant to the terms and conditions of the Previous Agreement.

The Previous Acquisition completed on 2 July 2022 and, since then, Viva China Consumables holds 51% of the issued share capital of the Target and the financial results of the Target Group have been consolidated into the accounts of the Group.

The Company announces that on 17 November 2022, Viva China Consumables and LionRock entered into the Agreement, details of which are set out below:

THE AGREEMENT

Date: 17 November 2022

Parties: LionRock Capital GP Limited acting in its capacity as the general partner of LionRock Capital Partners QiLe L.P.

Viva China Consumables Limited

As at the date of this announcement, Viva China Consumables held 510 Target Shares, representing 51% of the issued share capital of the Target.

As at the date of this announcement, LionRock held 490 Target Shares, representing 49% of the entire issued share capital of the Target, and is a connected person of the Company at subsidiary level. LionRock is a limited partnership formed in the British Virgin Islands which is principally engaged in private equity investment in consumer and sports businesses. The General Partner is wholly-owned by Mr. Tseung Daniel Kar Keung. Li Ning Sports (Hong Kong) Company Limited, an indirect wholly-owned subsidiary of Li Ning Company Limited (Stock Code: 2331), is a limited partner of LionRock and made approximately 20.09% of the total contributions in LionRock. To the best knowledge, information and belief of the Directors after making all reasonable enquiries, save as disclosed and as at the date of this announcement, no limited partner, including Li Ning Sports (Hong Kong) Company Limited, contributes more than 25% in LionRock and LionRock and its ultimate beneficial owners are Independent Third Parties except for Mr. Victor Herrero (a non-executive Director) and Mr. Lee Kwok Ming (as an independent non-executive director of Bossini International Holdings Limited (Stock Code: 592)), as the limited partners of LionRock, who collectively made approximately 5% of the total contributions in LionRock.

The Acquisition

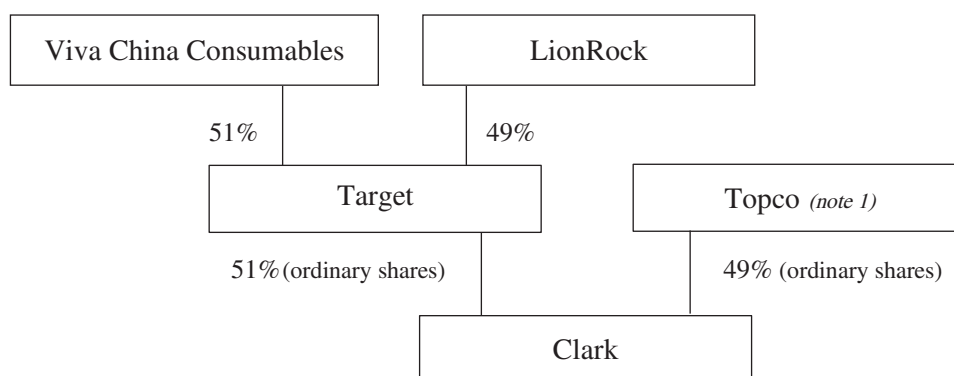
Pursuant to the Agreement, Viva China Consumables conditionally agreed to purchase, and LionRock conditionally agreed to sell, the Sale Shares, representing 49% issued share capital of the Target as at the date of the Agreement, for a consideration of GBP110,000,000 (equivalent to approximately HK\$ 960,300,000). Upon Completion, the Target will become an indirect wholly-owned subsidiary of the Company.

According to the Agreement, if Clark declares and pays (a) a dividend on its shares of an amount equal to at least GBP4,900,000 (the “**Minimum Clark Dividends**”) prior to or after the Completion; and (b) any other dividends or distributions in respect of the financial year 2022 and the financial year 2023 of Clark (if Completion takes place in 2023) (the “**Additional Clark Dividends**”), Viva China Consumables shall pay or procure to pay LionRock (i) within 10 business days after the Target receives the Minimum Clark Dividends, an amount equal to the Minimum Clark Dividends; and (ii) within 10 business days after the Target receives any Additional Clark Dividends (if any), an amount equal to the Additional Clark Dividends in respect of the Sale Shares allocable to LionRock for LionRock’s period of ownership in respect of the relevant financial year of Clark for which the Additional Clark Dividends are declared.

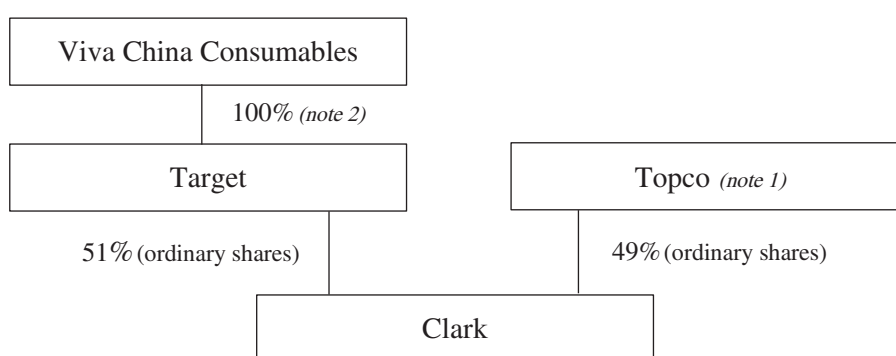
Viva China Consumables undertakes in the Agreement that (a) to the extent permitted by law, it shall as soon as practicable cause Clark and the Target to declare and distribute the Minimum Clark Dividends, provided that such declarations are in compliance with the relevant laws and regulations applicable to Clark and the Target, and (b) it shall refrain from taking any action, directly or indirectly, to prejudice the ability of Clark or the Target from declaring and distributing the Minimum Clark Dividends, including to (i) amend or remove the Target’s right to dividends, or (ii) veto the decisions of Clark and the Target to declare any dividends or distribution.

Set out below is simplified shareholding structure of the Target and Clark (i) as at the date of this announcement and (ii) immediately upon Completion:

(i) as at the date of this announcement



(ii) immediately upon Completion



Note 1: The ultimate beneficial owners of Topco are mainly individuals who can trace a family lineage to Cyrus Clark and James Clark, the founders of the Clark Group in early 1800.

Note 2: The effective interest of the Company in Clark Group will increase from approximately 26% to 51% immediately after the Completion.

Consideration

Pursuant to the Agreement, the cash consideration payable by Viva China Consumables to LionRock for the Acquisition is GBP110,000,000 (equivalent to approximately HK\$960,300,000).

The Consideration was determined after arm’s length negotiations between Viva China Consumables and LionRock with reference to (i) the unaudited net asset value based on Hong Kong Financial Reporting Standard (“**HKFRS**”) of Clark as at 30 April 2022 of approximately GBP342.8 million, (ii) the improved financial performance based on HKFRS of Clark Group in the latest financial years (For 52 weeks to 30 January 2021: net loss of approximately GBP150.6 million; For 52 weeks to 29 January 2022: net profit of approximately GBP53.0 million), (iii) the expected market conditions for 2023, including the impact of the regional military affair in Ukraine, the risk of recession in UK and Europe, the upward trend of interest rate and the uncertainty of the recovery prospect of the global economy, and the reasons and benefits to be derived from the undertaking the Acquisition as described below. Viva China Consumables also took into account the comparisons between the price to sales ratio (P/S), enterprise value/EBITDA and price to earning ratio (P/E) of Clark and those of the market average and these ratios relating to the Acquisition are lower than those of the market comparable. The Company appointed a valuer, which is an Independent Third Party, to conduct a valuation of Clark Group. According to such valuation which was conducted based on the market approach, the fair value of the Sale Shares is approximately GBP138,872,000. Having taken into account all the above factors and the turnaround performance results of Clark, Viva China Consumables negotiated with LionRock and determined the Consideration at a certain discount to the valuation of Clark mentioned above.

The Consideration will be funded by internal resources and which will be settled on the Completion Date.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Agreement, including the Consideration, are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions precedent

Completion shall be conditional upon the satisfaction or waiver (where applicable) of all of the following Conditions:

- (a) the LionRock Warranties remaining true and accurate and not misleading in all material respects as given as at the date of the Agreement and true and accurate and not misleading in all material respects as at the Completion Date (or as of another date if any LionRock Warranties are explicitly made with respect to such other date) by reference to the facts and circumstances subsisting as at the date of the Agreement and the Completion Date respectively;
- (b) the Purchaser Warranties remaining true and accurate and not misleading in all respects as given as at the date of the Agreement and true and accurate and not misleading in all material respects as at the Completion Date (or as of another date if any Purchaser Warranties are explicitly made with respect to such other date) by reference to the facts and circumstances subsisting as at the date of the Agreement and the Completion Date respectively;
- (c) the Company having satisfied all applicable requirements under the GEM Listing Rules, including but not limited to, the shareholders' approval requirements in respect of the Agreement and the transactions contemplated under the Agreement; and
- (d) any necessary consents, confirmations, permits, approvals, licenses and authorisations from all third parties, banks, and relevant governmental, regulatory and other authorities, agencies and departments required for each party to the Agreement to enter into or complete the transactions contemplated in the Agreement and to perform its obligations under the Agreement having been obtained.

Viva China Consumables may, in its absolute discretion, waive the Condition set out in (a) above. LionRock may, in its absolute discretion, waive the Condition set out in (b) above. The Condition set out in (d) above can only be waived with written consent of Viva China Consumables and LionRock. The Condition set out in (c) above cannot be waived.

If any of the Conditions above is not fulfilled (or, where applicable, waived) on or before the Long Stop Date, neither Viva China Consumables nor LionRock shall be obliged to proceed to Completion.

Completion

Completion shall take place no later than the fifth business day after the day on which the last of the Conditions is satisfied or waived (where applicable) or on such other date as may be agreed by Viva China Consumables and LionRock in writing.

Upon Completion, the Company's interest in the Target will be increased from 51% to 100% and the Target will become an indirect wholly-owned subsidiary of the Company and the results of the Target Group will continue to be consolidated into the financial statements of the Company.

INFORMATION OF THE TARGET AND LIONROCK

The Target is a company incorporated in the British Virgin Islands on 14 September 2020. The principal business activity of the Target since its incorporation is acting as an investment holding company to invest in Clark. As at the date of this announcement, the entire issued share capital of the Target is owned as to 51% by Viva China Consumables and 49% by LionRock.

LionRock is a limited partnership formed in the British Virgin Islands which is principally engaged in private equity investment in consumer and sports businesses. The General Partner is wholly-owned by Mr. Tseung Daniel Kar Keung. Li Ning Sports (Hong Kong) Company Limited, an indirect wholly-owned subsidiary of Li Ning Company Limited (Stock Code: 2331) is a limited partner of LionRock, made approximately 20.09% of the total contributions in LionRock. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as disclosed, as at the date of this announcement, no limited partner, including Li Ning Sports (Hong Kong) Company Limited, contributes more than 25% in LionRock and LionRock and its ultimate beneficial owners are Independent Third Parties except for Mr. Victor Herrero (a non-executive Director) and Mr. Lee Kwok Ming (as an independent non-executive director of Bossini International Holdings Limited (Stock Code: 592)), as the limited partners of LionRock, who collectively made approximately 5% of the total contributions in LionRock.

In addition, Li Ning Company Limited (Stock Code: 2331) is an associated company of the Company and Bossini International Holdings Limited (Stock Code: 592) is a non-wholly owned subsidiary of the Company.

Clark, trading as "Clarks", is a British based, international shoe wholesaler and retailer. Clark is headquartered in UK employing around 6,600 staff across 571 stores globally as at 30 April 2022.

Set out below is a summary of certain audited financial information based on HKFRS of the Target:

	For the period from 14 September 2020 (date of incorporation) to 31 December 2020 (audited) GBP	For the year ended 31 December 2021 (audited) GBP
Revenue	–	–
(Loss)/Profit before taxation	(11,747)	8,652,020
(Loss)/Profit for the period/year	(11,747)	8,652,020

As at 31 December 2021, the audited total assets value and net assets value of Target were approximately GBP108,658,000 and GBP8,640,000 respectively.

Set out below is a summary of certain audited consolidated financial information based on HKFRS of the Clark Group:

	52 weeks to 30 January 2021 (audited) <i>GBP in millions</i>	52 weeks to 29 January 2022 (audited) <i>GBP in millions</i>
Revenue	778.9	926.2
(Loss)/Profit before taxation	(138.9)	38.0
(Loss)/Profit for the period	(150.6)	53.0

As at 29 January 2022, the audited total assets value and net assets value of the Clark Group were approximately GBP837.9 million and GBP286.6 million respectively. The unaudited net asset value of Clark as at 30 April 2022 was approximately GBP342.8 million. The increase in the net asset value of Clark from GBP286.6 million as at January 2022 to GBP342.8 million as at April 2022 was due to the profit generated, the actuarial gain on pension schemes and the translation differences on foreign operations and effective portion of changes in fair value of cash flow hedges for such three-month period. Clark's business was adversely affected during the initial stage of pandemic like most of the businesses in different parts of the world and its performance started turning around from 2022 and it is expected there will be a steady growth in 2023.

The original acquisition cost of the Sale Shares to LionRock was approximately GBP49,000,000.

REASONS AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) design and development, branding and sales of multi-brand sports and lifestyle apparel and footwear (the “**Consumables Business**”); and (ii) management and operation of sports parks, sports centres and ice-skating rinks and management and operation of e-sports clubs, coordination of sports events and sports-related marketing services.

The Group has been actively looking for opportunities to expand its Consumables Business. 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.

Clark achieved a global revenue of GBP926.2 million with UK (including Republic of Ireland) and US markets comprising approximately 82.5% of Clark's revenue for the 52 weeks ended 29 January 2022.

Since 2021, the management of Clark Group has reviewed its business direction and implemented certain cost control measures, coupled with the recovery of sales activities from the outbreak of COVID-19, the financial performance of the Clark Group has been improving.

The Board continues to believe that Clark has a growth potential by tapping into the Asia market, in particular, the PRC market, and increasing the use of the online platforms. As disclosed in the Subscription Announcement, the Board intends to (i) use popular marketing tools including but not limited to influencer marketing to promote Clark's products; and (ii) set up stores on popular online sale platforms to sell Clark's products. In addition, it is believed that it will achieve synergy between Clark and the Group's Consumables Business in the marketing, supply chains solutions and distribution channels.

Given the improved financial performance and the potential of the Clark Group, the Board therefore is of the view that the Acquisition is aligned with its business plan and provides an opportunity for the Group to increase further indirect equity interest of Clark at a reasonable price and is confident that the management team of the Group's Consumables Business who possesses extensive experience in apparel business and the Group would be able to continue to improve the financial performance of Clark which would in turn expand the income source of the Group and generate better returns for the Shareholders. The Board also consider that the global retail market is picking up and the performance of the business of Clark will further improve. In light of the above, the Acquisition provides a good investment opportunity for the Company to increase further indirect equity interest of Clark.

In view of the above, the Board (including independent non-executive Directors) considers that the Acquisition is in the ordinary and usual course of business. The terms of the Acquisition are fair and reasonable and in the interests of the Group and the Shareholders as a whole. None of the Directors has any material interest in the Acquisition, as such no Director would be required to abstain from voting on the board resolution approving the Acquisition.

As at the date of this announcement, the Company has no specific funding plan and funding plans will be formulated in accordance with the actual needs and progress of the implementation of business development plans of Clark.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, LionRock is a substantial shareholder of the Target, which is a subsidiary of the Company, and is therefore a connected person of the Company at the subsidiary level. Accordingly, the Acquisition constitutes a connected transaction of the Company.

Given LionRock is a connected person at the subsidiary level only, pursuant to Rule 20.99 of the GEM Listing Rules, the Acquisition from LionRock is exempted from the circular, independent financial advice and shareholders' approval requirements, as (i) the Board has approved the Acquisition; and (ii) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, and the Acquisition is conducted on normal commercial terms and is in the interests of the Company and Shareholders as a whole.

However, as one of the applicable percentage ratios calculated in accordance with the GEM Listing Rules in respect of the Acquisition, when aggregate with the Previous Acquisition, exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

DESPATCH OF THE CIRCULAR AND THE EGM

The Company will convene an EGM for the Shareholders to consider and, if thought fit, approve the relevant matters in relation to the Acquisition. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting in favour of the resolution(s) approving the Acquisition, the Agreement and the transaction contemplated thereunder at the EGM.

A circular containing, among other things, (i) details of the Acquisition, the Agreement and the transactions contemplated thereunder; (ii) further information of the Target and Clark Group; and (iii) the notice of the EGM is expected to be despatched to the Shareholders on or before 30 December 2022 as additional time is required for preparing the information to be included in the circular.

Completion is subject to the fulfillment or waiver (as the case may be) of the Conditions, 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

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

“Acquisition”	the proposed acquisition of the Sale Shares by Viva China Consumables pursuant to the Agreement
“Agreement”	the agreement dated 17 November 2022 entered into between Viva China Consumables and LionRock in relation to the Acquisition
“Board”	the board of Directors
“Clark”	C&J Clark (No 1) Limited, a company incorporated in England and Wales on 1 April 1997 and an indirect non-wholly owned subsidiary of the Company
“Clark Group”	Clark and its subsidiaries
“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”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	the date of Completion, being a date no later than the fifth business day after the day on which the last of the Condition is satisfied (or otherwise waived, where applicable) or on such other date as may be agreed by Viva China Consumables and LionRock in writing

“Conditions”	the conditions precedent to Completion set out in the paragraph headed “Conditions precedent” above
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	GBP110,000,000 (equivalent to approximately HK\$960,300,000), being the consideration for the Acquisition
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and to approve, among other things, the Agreement and the transactions contemplated under the Agreement
“GBP”	Sterling, the lawful currency of UK
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Partner”	LionRock Capital GP Limited, the general partner of LionRock
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party independent of the Company and the connected persons (has the meaning ascribed thereto under the GEM Listing Rules) of the Company
“LionRock”	LionRock Capital Partners QiLe L.P.
“LionRock Warranties”	the warranties, representations and/or undertakings given or made by LionRock in the Agreement
“Long Stop Date”	31 January 2023 (or such later date as may be agreed by and between Viva China Consumables and LionRock in writing)
“percentage ratios”	has the meaning ascribed thereto under the GEM Listing Rules
“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
“Previous Acquisition”	the transactions contemplated under the Previous Agreement
“Previous Agreement”	the agreement dated 15 March 2021 entered into among, Viva China Consumables, the Target and LionRock in relation to the subscription of 510 Target Shares and the acquisition of a shareholders’ loan by Viva China Consumables

“Purchaser Warranties”	the warranties, representations and/or undertakings given or made by Viva China Consumables under the Agreement
“Sale Shares”	490 Target Shares
“Share(s)”	the ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Announcement”	the announcement of the Company dated 15 March 2021 in relation to, among others, the Previous Agreement and Previous Acquisition
“Target”	LionRock Capital Partners QiLe Limited, a company incorporated in the British Virgin Islands and an indirectly non-wholly owned subsidiary of the Company immediately before the Completion
“Target Group”	the Target and its subsidiaries
“Target Shares”	the shares of the Target
“Topco”	C&J Clark Limited, a company incorporated in English and Wales
“UK”	the United Kingdom
“US”	the United States of America
“Viva China Consumables”	Viva China Consumables Limited, a wholly-owned subsidiary of the Company
“%”	per cent.

In case of any inconsistency between the English version and the Chinese version of this announcement, the English version shall prevail.

For the purpose of this announcement, the exchange rate of GBP1.00 = HK\$8.73 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in HK\$ or GBP has been, could have been or may be converted at such a rate.

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

Hong Kong, 17 November 2022

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 Stock Exchange's website at www.hkexnews.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.