

**Valuation Services in relation to
the Potential Acquisition of
LionRock Capital Partners QiLe Limited**

**Valuation Date as of
29 January 2022**

VALUATION REPORT

**Prepared for:
Viva China Holdings Limited**

STRICTLY PRIVATE AND CONFIDENTIAL

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STRICTLY CONFIDENTIAL

Ref No: J21-00195, J21-00445, J21-00446

Viva China Holdings Limited
2/F, PopOffice, 9 Tong Yin Street,
Tseung Kwan O, New Territories,
Hong Kong

26 May 2022

Dear Sirs / Madams,

In accordance with your instructions, as confirmed in our engagement proposal dated 22 March 2021, and the addendums dated 20 August 2021, AVISTA Valuation Advisory Limited ("**AVISTA**" or "**we**") has performed valuation services for Viva China Holdings Limited ("**Viva China**", the "**Company**" or "**you**") in connection with the Proforma Purchase Price Allocation ("**Proforma PPA**") in relation to the potential acquisition of LionRock Capital Partners QiLe Limited ("**LionRock**" or the "**Target**") as of 29 January 2022 (the "**Valuation Date**") for disclosure purpose under the requirement of the listing rules of the Hong Kong Stock Exchange (the "**Listing Rules**") and for financial reporting purpose in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**" or the "**Standard**").

This report has been prepared solely for the purpose stated in our proposal. This report is strictly confidential to our client and no party is entitled to rely on the report for any purpose and we accept no responsibility or liability to any party whatsoever in respect of the contents of this report.

This report has been prepared based on the work procedures performed from 22 March 2021 to 26 May 2022. We are not responsible for identifying all relevant changes in market conditions which may impact on the valuations, and no obligation is assumed to update our findings described in this report for any events and circumstances occurring subsequent to the date of this report (the "**Report**").

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Tseung Kwan O, New Territories,
Hong Kong

26 May 2022

The information in this Report may be obtained from various sources. Our valuation has been performed based on the information (the "**Information**") provided by management of the Company and the Target (the "**Management**"). We have also made enquiries to the Management to obtain an understanding of the bases and assumptions of the Information. However, we have not attempted to verify the assumptions adopted in the Information. We have not performed any audit or due diligence procedures or otherwise to verify the truth, accuracy or reliability of the Information provided to us during our engagement. We do not assume any responsibility for and make no representations with respect to the accuracy or completeness of any information provided by the Management. Accordingly, we accept no responsibility or liability whatsoever for any losses incurred by the Company or any third parties as a result of our reliance on the information made available to us.

Thank you for appointing us in this engagement. If you have any opinions or recommendations on our Report, please do not hesitate to contact us through the contact information set opposite.

Respectfully submitted,
For and on behalf of

AVISTA Valuation Advisory Limited



Vincent Pang

CFA, FCPA (HK), FCPA (Aus.), MRICS
Managing Director

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Section 1

Executive Summary

1. Executive Summary

We have been engaged by the Company to assess the fair values of the intangible assets (the “**Intangible Assets**”) and tangible assets (the “**Tangible Assets**”, together with the Intangible Assets as the “**Subject Assets**”), and the net present value of operating lease liabilities in the United States (“**U.S.**”) and the United Kingdom (“**UK**”) that are within the scope of HKFRS 16 *Leases* (the “**Operating Lease Liabilities**”) of the Target as of the Valuation Date.

For the purposes and scope of this engagement and subject to the limitations, principal assumptions and key information set out in Section 2, the valuation results are summarized in the table opposite.

This appraisal will be used solely for the Company for the purposes stated in our proposal. The Company may disclose this appraisal to the internal board of directors, the external auditor of the Company (the “**Auditor**”), other professional parties (including the Company’s financial advisor / independent financial advisor, the Company’s legal advisor and the sponsor’s legal advisor) as deemed appropriate by us and/or the Company, and the Hong Kong regulators (i.e. the Hong Kong Exchanges and Clearing Limited (the “**HKEx**”) and the Securities and Futures Commission (the “**SFC**”)) (the “**Regulators**”). It is inappropriate to use this appraisal for purposes other than its intended use by any other party.

This Report documents the methodology adopted, key valuation inputs/parameters used and the valuation results for this appraisal.

Valuation Results Summary

GBP’million (unless otherwise stated)

Valuation Date: 29 January 2022	Assumed Remaining Useful Life (Year)	Fair Values
Intangible Assets:		
- Brand Name	20.0	6
Tangible Assets:		
- Property		82
- Plant and Equipment		51
Unfavorable Lease:¹		
- U.S.	5.0	(48)
- UK	5.0	(13)
Valuation Date: 29 January 2022		Net Present Values
Operating Lease Liabilities¹		
- U.S.		(72)
- UK		(41)

Note 1: According to the instruction from the Management, part of the leases of the Target are excluded from the valuation scope of Unfavorable Lease and Operating Lease Liabilities.



Section 2

Engagement Overview

2.1 Purpose of Our Work

Viva China is listed in Hong Kong (SEHK:8032). It mainly operates through two segments, (i) sports and lifestyle consumable business; and (ii) sports destination development business, mainly comprises operation of sports parks, sports centres and ice-skating rinks, provision of community consultancy and property development for sales and investment.

The Target is a company incorporated in the British Virgin Islands on 14 September 2020. The Target is a wholly owned subsidiary of LionRock Capital Partners QiLe L.P., which is principally engaged in private equity investment in consumer and sports businesses. The principal business activity of the Target since its incorporation is acting as an investment holding company to invest in 51% shareholding in C&J Clark (No. 1) Limited ("**Clark**"). Clark is a UK based international shoe wholesaler and retailer.

Based on our understanding, the Company, through its subsidiary, has entered into an agreement with the Target and LionRock Capital Partners QiLe L.P. ("**LionRock LP**"), pursuant to which the Company conditionally agreed to subscribe for 510 shares of the Target (representing 51% of the issued share capital of the Target) at the subscription price of GBP51 million, and acquire the Purchase Shareholder's Loan from LionRock LP at the consideration of GBP51 million (the "**Potential Transaction**"). Upon completion of the Potential Transaction, the Target will become an indirect non-wholly owned subsidiary of the Company.

Besides, upon completion of the Potential Transaction, LionRock LP will transfer all ordinary shares of Clark held by it to the Target. Accordingly, the Target will hold a majority of the ordinary shares and all of the A preference shares of Clark, and Clark will become a non-wholly owned subsidiary of the Target.

In connection with the Potential Transaction, the Company is required to prepare the pro forma financial information of the enlarged group in the circular to be dispatched by the Company (the "**Circular**") in accordance with the Listing Rules, in which the Company is required to determine the fair values of the net identifiable assets, the liabilities assumed and any non-controlling interest as if the Target has been acquired as of the designated valuation date under the requirement of the Standard, in particular, HKFRS 3(R) *Business Combinations*.

In these regards, the Company would like us to provide the valuation service to assist you in determining the fair values of the Subject Assets and the net present value of the Operating Lease Liabilities in accordance with the Standard and the Listing Rules.

The Valuation Date for this engagement is 29 January 2022.

The valuation analysis was performed on the basis of Fair Value, which is defined as following:

"the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

2.2 Scope of Our Work

As agreed, we have mainly performed the following procedures in this valuation:

- Discussed with the Management to understand the background of the Potential Transaction and the business nature of the Target and Clark;
- Discussed with management of the Company and the Auditor for the key issues and concerns of this valuation;
- Conducted market research of the industry which the Target and Clark are operating;
- Performed interview with staff in charge of the tangible assets;
- Assisted the Company in identifying tangible and intangible assets with regard to the requirement of the Standard;
- Reviewed the financial projections of Clark (the "**Financial Projection**") provided by the Management;
- Selected appropriate valuation model in respect of each tangible and intangible asset identified, and the Operating Lease Liabilities;
- Built valuation model for each tangible and intangible asset identified, and the Operating Lease Liabilities, and collected relevant market data as input to the model;
- Calculated the fair values of the identified tangible and intangible assets, and the net present value of the Operating Lease Liabilities;
- Discussed our findings and valuation results with management of the Company and the Auditor;
- Discussed with the professional parties as deemed appropriate by us and the Company in responding to any queries from the Regulators in respect of the valuation; and
- Prepared the valuation report in English.

2.3 Limitations of Our Work

In performing the valuation, we have relied upon the Information provided by the Management. We have not performed any audit or due diligence procedures or otherwise verified the truth, accuracy or reliability of the information provided to us during our engagement. We do not assume any responsibility for and make no representations with respect to the accuracy or completeness of any information provided by the Management.

Besides, our valuation involved the use of prospective or estimated information provided by the Management. We have made enquiries to the Management to obtain an understanding of the bases and rationale of their assumptions or assertions. However, we have not attempted to verify the assumptions or assertions. It should be noted that actual results are likely to be different from those prospective or estimated information based on the Management's representation because events and circumstances frequently do not occur as expected, and the differences may be material.

Moreover, our valuation has also relied upon other information obtained from public sources which we believe to be reliable. We accept no responsibility for accuracy and reliability of any information obtained from public sources.

In this appraisal, non-operating assets and liabilities have been included on top of the business enterprise value in order to derive the fair value of 100% equity interest of the Target. The Management is solely responsible for the identification of these non-operating assets and liabilities and the estimation of the accounts involved. We take no responsibility to verify the accuracy of the amounts of these non-operating assets and liabilities balances. Our work scope does not include to estimate the fair value of each individual non-operating asset and liability.

Excluded from the investigation are all other current assets and liabilities that might exist. We will accept and assume the book value of assets or liabilities not included in this valuation as a reasonable estimate of fair values without our verification.

Our valuation results presented in this Report are indicative only and are provided to management of the Company as reference for financial reporting purpose and for disclosure purpose in the Circular. Our work scope does not include to prepare the financial statements for management of the Company nor make final decision for the input adopted in their financial statements.

We are not responsible for identifying all relevant changes in market conditions which may impact on the business, and our work scope should not include to update our findings described in this Report for any events and circumstances occurring subsequent to the date of this Report.

The outbreak of Coronavirus Disease 2019 ("**COVID-19**"), as declared by the World Health Organization as a global pandemic on 11 March 2020, has been adversely affecting the global economy as well as the financial markets. As such, the subsequent impact due to COVID-19 has imposed an unprecedented set of circumstances on which to base a valuation judgement as of the Valuation Date. In particular, the increased volatilities in political, legal, fiscal, economic conditions and/or other market situations as a result of COVID-19 would bring higher uncertainties to the underlying projections and assumptions. Consequently, higher degree of caution should be attached to our valuation than would normally be the case.

2.3 Limitations of Our Work (Cont'd)

We have been provided with copies of various title documents including land search records and property information reports, zoning maps relating to the property interests and have made relevant enquiries. However, we have not examined the original documents and assumed that the copies of the documents obtained are consistent with their originals.

All documents have been used for reference only and all dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been made to verify their correctness.

We have not seen the original planning consents and have assumed that the Property has been erected, being occupied and used in accordance with such consents and that there are no outstanding statutory notices.

2.4 Principal Assumptions

Before arriving at our opinion of values, we have considered the following principal factors:

- The financial and operating results of the Target and Clark;
- The economic outlook in general and the specific economic and competitive elements affecting the Target and Clark's businesses, their industry and market;
- The nature and prospects of the industry of the Target and Clark are operating;
- The assumptions and bases of the Financial Projection prepared by the Management;
- The market-derived investment returns of entities engaged in a similar line of business and returns from other similar types of business;
- The stage of development and the business risks of the Target and Clark; and
- The currently prevailing long-term borrowing rate and risk-free interest rate in the U.S. and the UK's capital market.

Due to the changing environment in which the Target and Clark are operating, a number of assumptions have to be established in order to sufficiently support our concluded valuation results. The major principal assumptions adopted in this appraisal are:

- The Information provided and the estimations/representations made by the Management with regards to our valuation are complete, accurate and reliable;
- The Financial Projection has been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration by the Management;
- The public and statistical information we have been obtained from sources are deemed to be reputable, accurate and reliable;
- There will be no major changes in the existing political, legal, fiscal and economic conditions in the countries that the Target and Clark are operating;
- There will be no substantial fluctuation in the economic outlook and specific industry outlook affecting the continuity of the businesses of the Target and Clark;
- The availability of finance will not be a constraint on the forecast growth of the Target and Clark's operation in accordance with the Financial Projection;

2.4 Principal Assumptions (Cont'd)

The major principal assumptions adopted in this appraisal are (Cont'd):

- There are no material changes, after the date of this Report, in the relevant corporate tax rate, interest rate, long-term borrowing rate, and exchange rate from that currently prevailing in the countries that the Target and Clark are operating which may significantly impact its businesses;
- The Target and Clark will retain and have competent management, key personnel, and technical staff to support their ongoing operation and will continue to operate as a going concern and have sufficient liquidity and capability to achieve the Financial Projection;
- There will be no material changes as to the management and business strategies and operational structure, which will continue to be operated under the current existing and expected business model; and
- The book values of the non-operating assets/liabilities identified by the Management reflects their fair values.

In addition, we have certain critical assumptions which collectively have a material impact upon our valuation are as follows:

- Our valuation of the properties of the tangible assets is based on the latest official plans and information available to us; and
- We have assumed that the interior of the properties of the tangible assets is in a reasonable condition commensurate with its age and uses.

2.5 Inspection and Area Measurement

We have not carried out inspections of the tangible assets held by the Target.

In the course of our valuation, we have assumed that the tangible assets are maintained and finished in a reasonable condition commensurate with other similar assets and is free from unauthorized alternations/additions/modifications.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exist in the property or on adjoining or neighbouring land or that the property had been or are being put to contaminated use, we reserve the right to revise our opinion of value.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the documents and the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

2.6 Sources of Information

The key information we have made reference to and used in our valuation includes but not limited to the following:

- Agreements in relation to the Potential Transaction, including but not limited to the Agreement relating to Subscription Shares in and Sales and Purchase of Shareholder's Loan to LionRock Capital Partners Qile Limited (the "**Agreements**");
- Management accounts of the Target for the year ended 31 December 2021;
- Audited annual report of Clark for the years ended 1 February 2020, 30 January 2021 and 29 January 2022;
- Fixed assets register of Clark as of the Valuation Date;
- The documents in relation to the property ownership of the properties of the tangible assets;
- Site plans of the properties of the tangible assets;
- The Financial Projection of Clark as of the Valuation Date provided by the Management;
- Information in relation to the active operating lease contracts of Clark as of the Valuation Date;
- Information obtained through discussion and correspondence with the Management; and
- Publicly available information sources (e.g. Bloomberg, S&P Capital IQ).



Section 3

Economic and Industry Overview

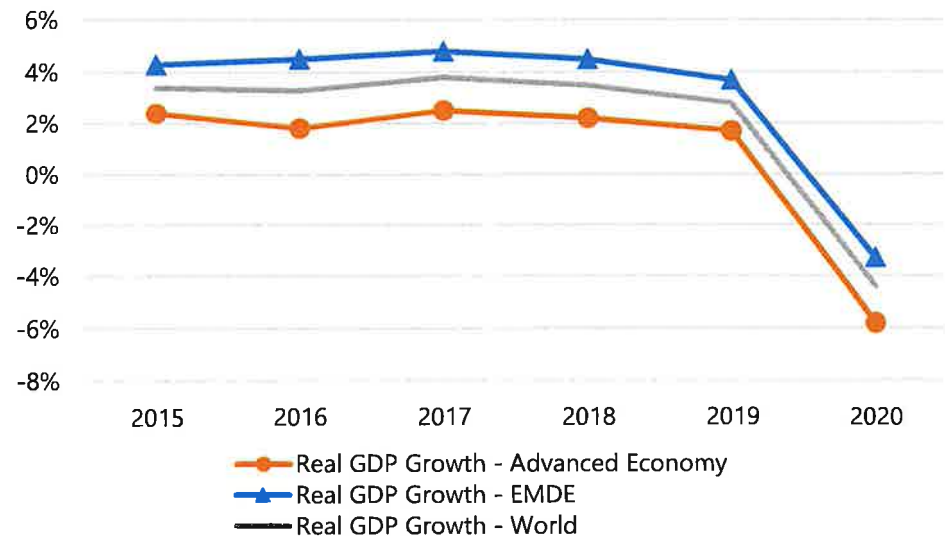
3.1 Economic Overview – Global

The outbreak of COVID-19 has heavily hit the global economy in 2020, which plunged into recession with increasing people pushed into poverty. According to the World Bank, between 88 million and 115 million people could fall into poverty as a result of the COVID-19 pandemic. The virus-containment measures including the lockdowns and the social-distancing restrictions have severely dampened the consumption demand in the domestic market and disrupted the global supply chain. In response to the economic crisis triggered by the COVID-19 pandemic, the global central banks and the governments have implemented the accommodative monetary policy and fiscal stimulus in hopes of supporting the declining economy.

In view of the COVID-19 triggering mass business shutdowns in the world, global economy entered into recession in 2020. The forced business shutdowns or shortened business hours have notably reduced the consumption in the domestic market. Meanwhile, the restrictions on cross-border mobility of individuals have also impacted international trade and investment. According to the International Monetary Fund ("IMF"), the real gross domestic product ("GDP") for the World has declined by 4.4% year-over-year ("YoY") in 2020. In particular, real GDP for the Advanced Economy has even contracted by 5.8% YoY in 2020, while that for the Emerging Market and Developing Economies ("EMDE") revealed a relatively mild decline with -3.3% YoY in 2020.

Facing the virus-induced economic crisis, the global central banks have implemented the accommodative monetary policy by reducing benchmark rates and launching the quantitative easing program. In particular, the United States Federal Reserves (the "Fed") announced the emergency rate cut in March 2020 to lower its target for the federal funds rate to a range between 0% and 0.25%. Furthermore, the European Central Bank ("ECB") announced the Pandemic Emergency Purchase Program ("PEPP") in 2020 accounting for EUR 1.85 trillion in total, which helped keep borrowing costs lower for the countries in the eurozone.

Figure 1: Annual Real GDP Growth Rate



Source: IMF

3.1 Economic Overview – Global (Cont'd)

Alongside the easing monetary conditions and fiscal stimulus, global inflation environment remained benign at the end of December 2020. According to the Organization for Economic Co-operation and Development (“OECD”), consumer price index (“CPI”) of OECD countries increased by 1.2% YoY in December 2020. In the meantime, producer price index (“PPI”) of OECD countries rose modestly by 0.6% YoY in December 2020, reversing the declining trend since March 2020.

Looking ahead, the rollout of the vaccines is expected to effectively control the spread of COVID-19 and ease the virus-containment restrictions hindering the economic recovery. Moreover, the accommodative monetary policy is also expected to remain in place to support the enterprises hit hard by COVID-19. Accordingly, the global economy is expected to resume positive growth in the near future. According to the IMF, the World GDP per capita is forecasted to reach USD14,107 in 2025. Meanwhile, GDP per capita for the Advanced Economy and the EMDEs are forecasted to reach USD58,648 and USD7,130 in 2025, respectively.

Figure 2: OECD Price Index, YoY

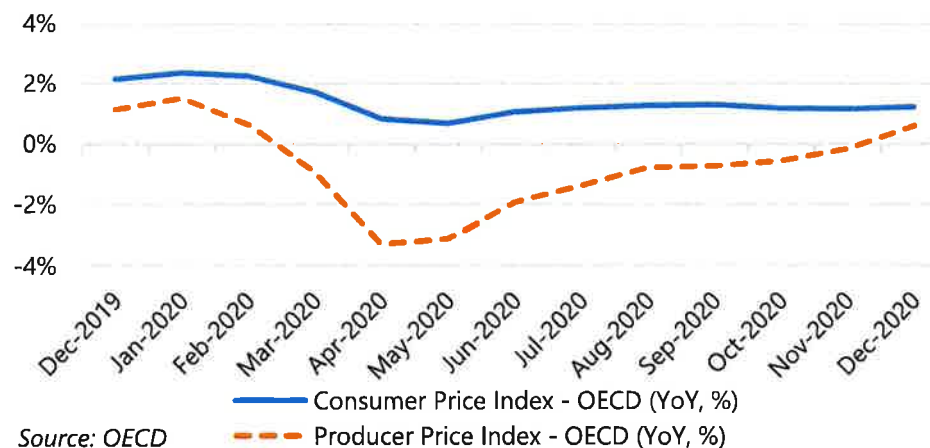
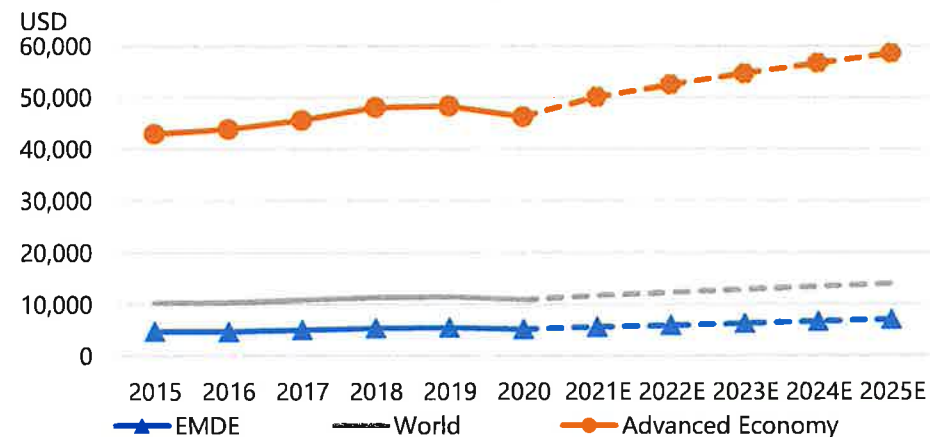


Figure 3: GDP per capita (2015 – 2025E)

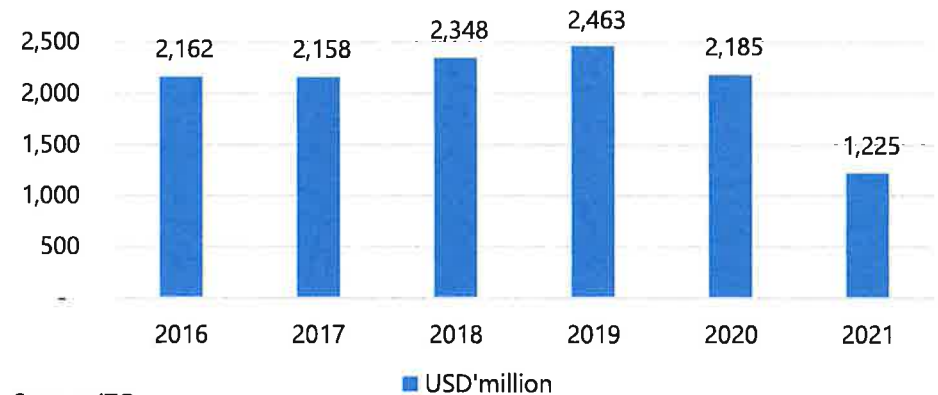


3.2 Industry Overview – the UK Footwear Market

Since the COVID-19 pandemic, global retail market has been taking a massive hit as lockdowns have led to hikes in unemployment rate and store closures. The economic downturn, as well as halts in production processes have also left footwear retail stores in a difficult situation. As reported by International Trade Centre (“ITC”), a joint agency of the World Trade Organization and the United Nations, total value of annual footwear exports from the UK has reached its historical high of USD2,463 million in 2019. The export value has dropped by 50.3% to USD1,225 million in 2021 under the impact of COVID-19. In 2021, the European Union remains to be the largest geographic segment for UK’s footwear exports and in particular, Germany has taken up 12.0% of the UK’s footwear exports, while the ratio has decreased from 21.0% in 2019 mainly due to the fact that Brexit has been effective from 31 January 2020 onwards.

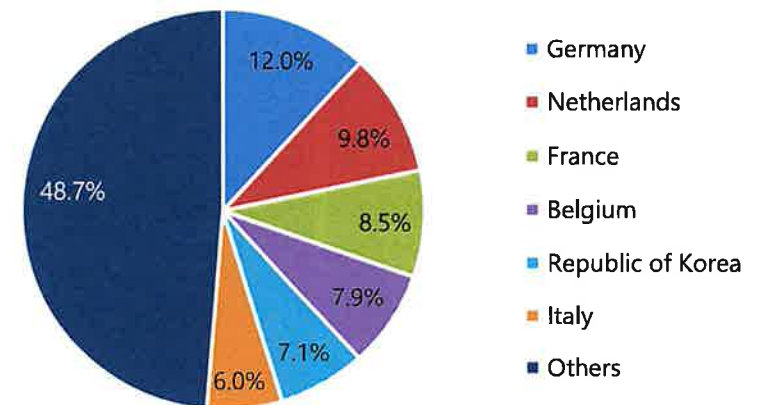
In order to support the retail industry under the impact of COVID-19, the UK government has imposed tax relief policies and has established funds and loan schemes to facilitate businesses. For example, retail businesses in England can enjoy a 100% relief from April 2020 to June 2021, 66% relief from July 2021 to March 2022 and 50% relief from April 2022 to March 2023 with capping at GBP110 thousand for their business rates bills. Omicron Hospitality and Leisure Grant led by the UK government also provides one-off cash grant up to GBP6,000 for each of hospitality, leisure and accommodation businesses having a rateable value below GBP15,000. These measures are considered to be an effective aid for the downstream retail channels of the domestic footwear market in the UK.

Figure 4: Total Value of Footwear Exports from the UK (2016 – 2021)



Source: ITC

Figure 5: Importing Market for Footwear Exports from the UK (2021)



Source: ITC

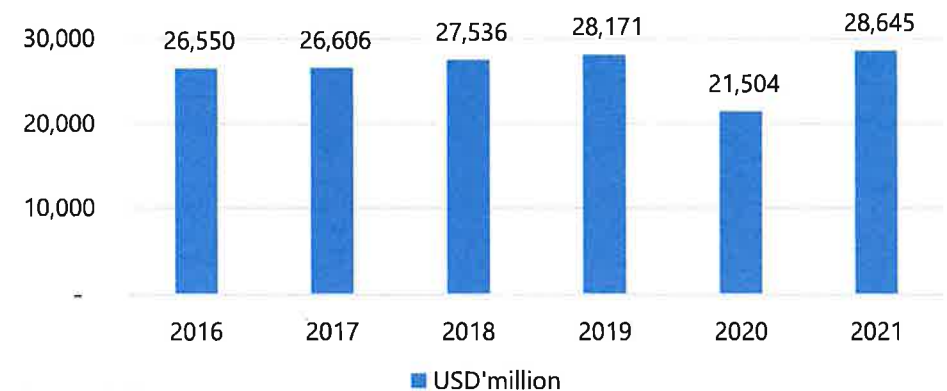
3.3 Industry Overview – the U.S. Footwear Market

Similar impact from the COVID-19 pandemic is exerted to the U.S. footwear market. According to ITC, total value of footwear exports from the U.S. decreased by 30.6% from USD1,635 million in 2019 to USD1,135 million in 2020 and has now gradually resumed normal operation with a slight growth from 2020, reaching USD1,147 million in 2021. Total value of footwear imports to the U.S. increased from USD21,504 million in 2020 to USD28,645 million in 2021, representing a YoY change of 33.2%. Despite the modest growth in this period, the U.S. remains as the largest importing country in the international footwear market, as reported by ITC.

More than 50% of the imported footwear products to the U.S. is sourced from China until 2019. In response to the development of the U.S.-Sino Trade War and the continuing geopolitical tension, portion of imported footwear products to the U.S. from China dropped from 57.9% in 2016 to 49.8% in 2019. Such ratio further decreased to 42.9% in 2021. Meanwhile, ratio of imported footwear products from Vietnam increase from 19.2% in 2016 to 27.3% in 2021, which may indicate the shift in geographic reliance of international sourcing of the U.S. footwear supply chain.

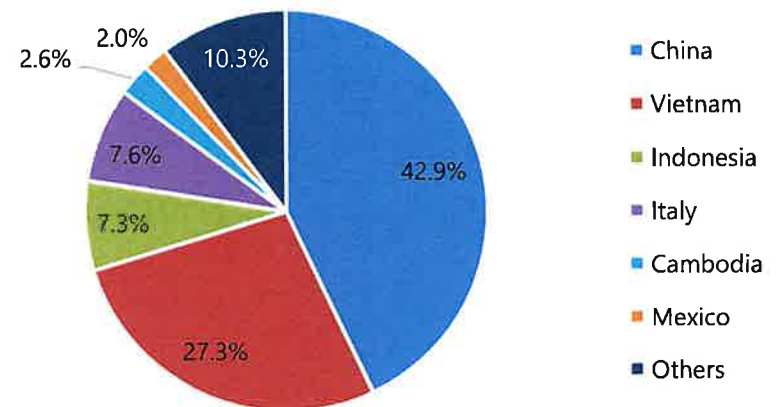
The U.S. government has also established timely aid for retail businesses to cope with the COVID-19 pandemic. Under the latest Employee Retention Credit scheme, employers in the U.S. experienced suspension of operation or material loss in gross revenue due to the COVID-19 pandemic are allowed to claim a refundable tax credit equal to 50% of qualified wages paid during 2020H2 and 2021H4 with capping at USD5,000 per employee. Such measure shall be able to maintain the continuity of local retail business and encourage household expenditures in the country.

Figure 6: Total Value of Footwear Imports to the U.S. (2016 – 2021)



Source: ITC

Figure 7: Supplying Market for Footwear Exports to the U.S. (2021)



Source: ITC

Section 4

Valuation of Intangible Assets of the Target

4.1 Identification of Intangible Assets

Background

The Target is a company incorporated in the British Virgin Islands on 14 September 2020. The Target is a wholly owned subsidiary of LionRock Capital Partners QiLe L.P., which is principally engaged in private equity investment in consumer and sports businesses. The principal business activity of the Target since its incorporation is acting as an investment holding company to invest in Clark. As such, we consider the intangible assets of the Target, if any, is solely attributable from Clark.

Definition/ Criteria of Intangible Assets

The Standard defines an intangible asset as an asset (other than a financial asset) that lacks physical substance (excluding goodwill). According to the Standard, such an asset is identifiable if it meets either of the following criteria:

- It is separable, that is, capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset, or liability, regardless of whether the entity intends to do so.
- It arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Identification Process

Through discussions with the Management and review of the Information provided by the Management, we have considered potentially separately identifiable intangible assets within the Target and Clark that may meet the recognition criteria and the required consideration.

Moreover, we have analyzed the business model of the Target and Clark, and their value drivers, as well as the legal and regulatory environment in which the Target and Clark operate to identify potential intangible assets.

We have also considered the potential intangible assets based upon our experience of similar valuation assignments and also considered those transactions involving comparable companies that have been required to disclose acquired intangible assets.

Based on the prescribed procedures, the Intangible Assets set out in the table on the following page have been identified and have been considered for valuation purposes.

Please also see the following pages for the detailed rationale regarding the identification of the Intangible Assets.

4.1 Identification of Intangible Assets (Cont'd)

Identification Process

Potential Intangible Assets	Criterion	Valued by AVISTA?	Valuation Approach
Brand Name	Separability	Yes	Relief from Royalty ("RFR")
Relationship with Retail / Outlet Customers	Separability	No	N/A
Relationship with Wholesalers	Separability	No	N/A
Backlog	Contractual	No	N/A
Non-compete Clause / Non-compete Agreement	Contractual	No	N/A
Unfavorable Lease	Contractual	Yes	Incremental Cash Flow Method
Technology	Separability	No	N/A
Inventory	Separability	No	N/A

4.1 Identification of Intangible Assets (Cont'd)

Identification Process (cont'd)

Marketing Related		
Intangible Assets Considered	Criterion	Valued by AVISTA?
Brand Name	Separability	Yes
Description	"Clarks" (the " Brand Name ")	
Rationale	Considering Clark has a long operating history and the Brand Name is well-known to the market, it is material to the business of Clark. It meets the separability criteria and therefore, is identified and valued as an intangible asset.	
Customer Related		
Intangible Assets Considered	Criterion	Valued by AVISTA?
Relationship with Retail / Outlet Customers	Separability	No
Description	Sales channels of Clark include retail and outlet stores. As of the Valuation Date, Clark owns multiple retail and outlet stores, which were mainly established in the U.S. and the UK.	
Rationale	Per discussion with the Management, retail and outlet customers are usually walk-in customers with no long-term relationship with Clark. Thus, it is considered that the value from relationship with retail and outlet customers is minimal and it is not separately identified and valued.	

4.1 Identification of Intangible Assets (Cont'd)

Identification Process (cont'd)

Customer Related		
Intangible Assets Considered	Criterion	Valued by AVISTA?
Relationship with Wholesalers (the " Wholesaler Relationship ")	Separability	No
Description	Wholesale represents Clark's key sales channel, delivering around 40% of Clark's total revenue in recent years.	
Rationale	Based on understanding from the Management and our further consideration, as profitability of Clark's wholesales channel is low, in which significant expenses would still be required to build up the businesses, making the value of the Wholesaler Relationship insignificant to be valued. Also, the Management confirmed that the contract terms between Clark and its wholesalers have no material deviation from the generally adopted terms in the market and there is no abnormal benefit which can be captured from the Wholesaler Relationship. Thus, the Wholesaler Relationship is not separately identified and valued.	
Contract Related		
Intangible Assets Considered	Criterion	Valued by AVISTA?
Backlog	Contractual	No
Description	N/A	
Rationale	Per discussion with the Management, there is no material outstanding backlog contract as of the Valuation Date.	

4.1 Identification of Intangible Assets (Cont'd)

Identification Process (cont'd)

Contract Related		
Intangible Assets Considered	Criterion	Valued by AVISTA?
Unfavorable Lease	Separability	Yes
Description	Unfavorable lease mainly represents the existing lease contracts with unfavorable terms in relation to the retail stores of Clark located in the U.S. and the UK as of the Valuation Date (the " Unfavorable Lease ").	
Rationale	Per discussion with the Management, Clark had a substantial amount of existing lease contracts that remained effective as of the Valuation Date, which were mainly related to the retail stores of Clark located in the U.S. and the UK. Given the declining trend in the retail property market in the U.S. and the UK due to the COVID-19 pandemic, the current level of rent in relation to the existing lease contracts is considered to be above market price in general. Hence, these existing lease contracts are considered as the Unfavorable Lease. The Unfavorable Lease meets the contractual criteria and therefore, are identified and valued.	
Intangible Assets Considered	Criterion	Valued by AVISTA?
Non-compete Clause/ Non-compete Agreement	Contractual	No
Description	N/A	
Rationale	Per discussion with the Management, there is no material non-compete clause/ non-compete agreement as of the Valuation Date.	

4.1 Identification of Intangible Assets (Cont'd)

Identification Process (cont'd)

Technology Related		
Intangible Assets Considered	Criterion	Valued by AVISTA?
Technology	Separability	No
Description	N/A	
Rationale	Per discussion with the Management, there is no material technology owned/ developed by Clark as of the Valuation Date.	
Others		
Intangible Assets Considered	Criterion	Valued by AVISTA?
Inventory	Separability	No
Description	N/A	
Rationale	Based on the nature of Clark's products as common products, we consider the difference between the historical cost (i.e. book value) and the ultimate selling price would represent a reasonable profit allowance for the future selling efforts. Market participant with similar products and brand would not pay a higher price than the historical cost. Hence, we consider that the inventory's historical cost would have no material difference from its fair value as of the Valuation Date and it is not separately identified and valued.	

4.2 Valuation Methodology

Overview

In the appraisal of intangible assets, regardless of its diversity, location, or technological complexity, there are three basic approaches to value. The descriptive titles typically attached to these approaches are cost, market, and income. For details about the methodology, please refer to Appendix 3 of the Report.

In normal circumstances, the appraiser is obliged to consider all three approaches, as any, or perhaps all, may provide reliable measures of value.

Valuation Methods Adopted for Intangible Assets

In this valuation, due to the characteristics of the Intangible Assets, we are unable to identify comparable transaction from public information. As such market approach is not applicable.

Based on the information provided by the Management, including the Financial Projection, and the nature of identified Intangible Assets, **income approach** is used for the valuations of the Intangible Assets. In particular, we adopted the following valuation approaches:

Intangible Assets	Valuation Method
Brand Name	RFR
Unfavorable Lease	Incremental Cash Flow Method

RFR

RFR assumes that the entity is not the owner of the related target asset and the entity will have to pay a royalty fee to the asset owner for the right of usage. Such royalty fee is considered as an inevitable cash outflow. When the entity has possessed the ownership of the target asset, it can avoid the royalty usage fee. The saved royalty fee is discounted to derive the present value of the target asset. RFR is applicable to intangible asset including brand name, patent, technology and know-how. It is applicable only when there are comparable asset that are operating voluntarily and independently by parties under similar situation.

Incremental Cash Flow Method

Incremental Cash Flow Method compares the difference of cash flow of entities with and without the ownership of the target asset. Incremental cash flow are usually reflected in two aspects. The first one is the price premium, i.e. the difference in value of assets with and without the target asset. The second one is the expense relief from owning the target asset. By discounting the incremental cash flow, we can derive the post-tax present value of the target asset. Incremental cash flow requires that the comparable asset's cash flow can be reliably estimated.

4.2 Valuation Methodology (Cont'd)

Tax Amortization Benefits Calculation

When applying the above income method to derive the fair value of the intangible asset, it is necessary to consider the tax amortization benefits, if applicable. The underlying principle of the concept is that the buyer of an asset will consider the present value of the tax amortization benefits resulting from the acquisition of the intangible asset when determining the consideration.

Tax amortization benefit is calculated as follows:

$$FV = PVC \times \frac{1}{\left(1 - \sum_{i=1}^n \left(PVF_i \times \frac{1}{TL} \times t\right)\right)}$$

Where:

FV = Fair value of the asset including tax amortization benefits

PVC = Present value of the contributions from the asset

TL = Remaining tax amortization period

PVF = Discount factor

T = Applicable income tax rate where the asset is located

4.3 Valuation of the Brand Name

Overview

Please refer to Section 4.1 of this Report for detailed description of the Brand Name.

Valuation Approach

Based on our understanding of the Brand Name, we have adopted RFR to assess the fair value of this intangible asset.

Assumptions

1. Revenue attributed to the Brand Name

The businesses of Clark are considered fully related to its Brand Name. Revenue attributable to the Brand Name was prepared by the Management based on the forecasted business performance of Clark.

2. Gross Royalty Rate

By using RFR, it requires to estimate an arm's-length royalty rate appropriate for the subject intangible asset. The royalty rate is estimated to be the amount that a licensor and licensee would negotiate if both had reasonably and voluntarily attempted to reach agreement.

With reference to the comparable royalty rates based on our research and rule of thumb, we adopted 3.1% as the applicable gross royalty rate by professional judgement.

3. Brand Name Maintenance Costs

Based on discussion with the Management, brand name maintenance costs are expected to be around 3.0% of revenue throughout the projection period.

4. Remaining Useful Life

Based on the Management's best estimation, useful life of the Brand Name is 20.0 years.

5. Income Tax

We adopted an applicable income tax rate of 25.6% according to the overall long-run effective tax rate of Clark to the pre-tax cash flow to arrive at the after-tax cash flow attributable to the Brand Name.

6. Discount Rate

In discounting the implied net cash flows of the Brand Name, we have included 4.0% risk premium to weighted average cost of capital ("**WACC**") of Clark, resulting in a discount rate of 21.7%, which reflects the inherent risk of the Brand Name being slightly higher than the overall business risk due to the uncertainty in the cash flow attributable to the Brand Name.

4.3 Valuation of the Brand Name (Cont'd)

Assumptions (Cont'd)

7. Tax Amortization Benefit

In calculating the tax amortization benefit, tax amortization year is assumed to be 20.0 years, being the lower of the assumed remaining useful life and 25.0 years according to the UK tax law.

Valuation Result

Based on the above assumptions, we derived the fair value of the Brand Name to be GBP6 million.

4.4 Valuation of the Unfavorable Lease in the U.S.

Overview

Please refer to Section 4.1 of this Report for detailed description of the Unfavorable Lease in the U.S..

Based on the below criteria, we have identified 149 lease contracts of Clark, which may have material impact to Clark's financial performance.

- a. Leased property located in the U.S.;
- b. Final renewal Start date of the lease contract is on or before the Valuation Date; and
- c. The lease contract is not turnover rent in nature.

As instructed by the Management, we have performed the lease valuation of all the identified leases.

Valuation Approach

Based on our understanding of the Unfavorable Lease in the U.S., we have adopted Incremental Cash Flow Method to assess the fair value of this intangible asset.

Assumptions (Cont'd)

1. Term Rent

In relation to the lease contracts identified as the Unfavorable Lease in the U.S., we determined the annual contractual rent payable based on the relevant terms of the lease contracts.

2. Market Rent

The market unit rents per month in 2022 are based on Cushman and Wakefield research report (the "**Cushwake Report**") on a gross floor area basis. We have cross-checked the property market rents from the Cushwake Report on a sampling basis to ensure the reasonableness of the adopted market unit rents. Among the 149 leases, a retail and an office leases located in Edmonton, Canada and Waltham, the U.S. are out of the Cushwake Report research scopes. Therefore, we conducted market research and performed data analysis on the property market rents by using market comparables. Appropriate adjustments have been made to arrive at the adopted unit rents per month in 2022.

For the monthly market rent afterwards, we make references to Cushwake Report where the annual growth rate of market rent in the U.S. is expected to range from 1.67% to 1.82% during 2023 to 2025. Annual growth rate of the market rent in the U.S. from 2026 onwards is expected to be 1.88% with reference to the long-term historical CPI growth rate in the U.S..

4.4 Valuation of the Unfavorable Lease in the U.S. (Cont'd)

Assumptions (Cont'd)

3. Remaining Useful Life

Based on the weighted average remaining lease term of the Unfavorable Lease in the U.S., remaining useful life of the Unfavorable Lease in the U.S. is 6.0 years.

4. Income Tax Expenses

We adopted the corporate income tax rate in the U.S. of 21.0% in 2022 and that of 24.4% from 2023 onwards. Since the derived annual market rent is lower than the annual term rent, the annual rent differential is at negative amount, and therefore no income tax expense is expected.

5. Discount Rate

In discounting the rent differential, we have adopted the national average capitalization rate of the retail properties in the U.S. of 6.17% based on the research published by CBRE Group as discount rate.

6. Exchange Rate

USD to GBP exchange rate of 0.7462 as of the Valuation Date is adopted for this intangible asset valuation, sourced from Bloomberg.

Valuation Result

Based on the above assumptions, we derived the fair value of the Unfavorable Lease in the U.S. to be GBP48 million.

4.5 Valuation of the Unfavorable Lease in the UK

Overview

Please refer to Section 4.1 of this Report for detailed description of the Unfavorable Lease in the UK.

Based on the below criteria, we have identified 93 lease contracts of Clark, which may have material impact to Clark's financial performance.

- a. Leased property located in the UK;
- b. The lease contract is not turnover rent in nature.

As instructed by the Management, we have performed the valuation of the 25 lease contracts on a sampling basis.

Valuation Approach

Based on our understanding of the Unfavorable Lease in the UK, we have adopted Incremental Cash Flow Method to assess the fair value of this intangible asset.

Assumptions (Cont'd)

1. *Term Rent*

In relation to the lease contracts identified as the Unfavorable Lease in the UK, we determined the annual contractual rent payable based on the relevant terms of the lease contracts.

2. *Market Rent*

We have conducted market research and perform data analysis on the property market rents by using market comparables. Appropriate adjustments have been made to arrive at the adopted unit rents per month in 2022.

For the monthly market rent afterward, we have made reference to CBRE research report (the "**CBRE Report**"), where the annual growth rate of market rent in the UK is expected to range from -0.63% to -0.98% during 2023 to 2025. The annual growth rate of the market rent in the UK from 2026 onwards is expected to be 1.81% with reference to the long-term historical CPI growth rate in the UK.

4.5 Valuation of the Unfavorable Lease in the UK (Cont'd)

Assumptions (Cont'd)

3. Remaining Useful Life

Based on the weighted average remaining lease term of the Unfavorable Lease in the UK, remaining useful life of the Unfavorable Lease in the UK is 5.0 years.

4. Income Tax Expenses

We adopted the corporate income tax rate in the UK of 19.0% in 2022 and that of 25.0% from 2023 onwards. Since the derived annual market rent is lower than the annual term rent, the annual rent differential is at negative amount, and therefore no income tax expense is expected.

5. Discount Rate

In discounting the rent differential, we have adopted the average capitalization rate of the high-street retail properties in the UK of 6.50% based on the research published by CBRE Group as discount rate.

Valuation Result

Based on the above assumptions, we derived the fair value of the Unfavorable Lease in the UK to be GBP13 million.

Section 5

Valuation of Tangible Assets of the Target

5.1 Tangible Assets Description

For the purpose of this valuation, the values of the Tangible Assets mainly comprise the values of Property and Plant and Equipment. The Tangible Assets are mainly located in the U.S. and the UK as of the Valuation Date. Brief descriptions of each Tangible Asset are as follows:

Property

Property includes shops, offices, factories, warehouses and mixed-use properties and vacant land located in the U.S. and the UK (the "**Property**"). Please refer to the tables in the following pages for the description of appraised properties. Clark also has shopfits with total net book value of GBP10.5 million as of the Valuation Date.

Plant and Equipment

Clark held different kinds of equipment (the "**Plant and Equipment**"). Major types of Plant and Equipment included plant and equipment, fixtures and fittings, computer hardware and computer software.

5.1 Tangible Assets Description (Cont'd)

Bournemouth Property	
Address	Clarks, 16 Commercial Road, Bournemouth, BH2 5LP, the UK
Floor Area (sq. ft.)	4,109
Land Expiry Date	Freehold
Registered Owner	C&J Clark International Limited (Co. Regn. No. 00141015)
Usage	Shop and Premises

Chester Property	
Address	1/3 Foregate Street, Chester, Cheshire, England, CH1 1HD, the UK
Floor Area (sq. ft.)	8,500
Land Expiry Date	Freehold
Registered Owner	C&J Clark International Limited (Co. Regn. No. 00141015)
Usage	Shop and Premises

5.1 Tangible Assets Description (Cont'd)

HQ Property	
Address	40 High St, Street, Somerset, England, BA16 0EQ, the UK
Floor Area (sq. ft.)	219,758
Land Expiry Date	Freehold
Registered Owner	C&J Clark International Limited (Co. Regn. No. 00141015)
Usage	Office and Premises

Kendal Land	
Address	Land at Watercreek Business Distribution Centre, Natland Road, Kendal, LA9 7LR, the UK
Site Area (acres)	50
Land Expiry Date	Freehold
Registered Owner	C&J Clark International Limited (Co. Regn. No. 00141015)
Usage	Vacant Land

5.1 Tangible Assets Description (Cont'd)

Kendal Property	
Address	Watercreek Business Distribution Centre, Natland Road, Kendal, LA9 7LR, the UK
Floor Area (sq. ft.)	219,296
Land Expiry Date	Freehold
Registered Owner	C&J Clark International Limited (Co. Regn. No. 00141015)
Usage	Factory and Premises

Maidstone Property	
Address	34 Week Street, Maidstone, Kent, England, ME14 1RP, the UK
Floor Area (sq. ft.)	6,861
Land Expiry Date	Freehold
Registered Owner	C&J Clark International Limited (Co. Regn. No. 00141015)
Usage	Shop and Premises

5.1 Tangible Assets Description (Cont'd)

Norwich Property	
Address	10 - 14 Brigg Street, Norwich, Norfolk, England, NR2 1QN, the UK
Floor Area (sq. ft.)	11,500
Land Expiry Date	Freehold
Registered Owner	C&J Clark International Limited (Co. Regn. No. 00141015)
Usage	Shop and Premises

Southampton Property	
Address	36 Above Bar Street, Southampton, Hampshire, England, SO14 7DR, the UK
Floor Area (sq. ft.)	4,894
Land Expiry Date	Leasehold (14 April 2119)
Registered Owner	C&J Clark International Limited (Co. Regn. No. 00141015)
Usage	Shop and Premises

5.1 Tangible Assets Description (Cont'd)

Westway Property	
Address	Westway Distribution Centre, Westway, Street, Somerset, BA16 0LN, the UK
Floor Area (sq. ft.)	553,211
Land Expiry Date	Freehold
Registered Owner	C&J Clark International Limited (Co. Regn. No. 00141015)
Usage	Distribution Warehouse and Premises

Winchester Property	
Address	114 High Street, Winchester, Hampshire, England, SO23 9AS, the UK
Floor Area (sq. ft.)	4,374
Land Expiry Date	Freehold
Registered Owner	C&J Clark International Limited (Co. Regn. No. 00141015)
Usage	Shop and Premises

5.1 Tangible Assets Description (Cont'd)

Hanover Property	
Address	355 Kindig Lane, Hanover, PA 17331, the U.S.
Floor Area (sq. ft.)	408,000
Land Expiry Date	Freehold
Registered Owner	C&J Clark America Inc. (Co. Regn. No. N/A)
Usage	Distribution Warehouse

Gravesend Property	
Address	10/11 Kempthorne Street Gravesend Kent, the UK
Floor Area (sq. ft.)	4,878
Land Expiry Date	Leasehold (25 March 2107)
Registered Owner	CJC (UK) Limited (Co. Regn. No. N/A)
Usage	Shop and Premises

5.2 Valuation Method of Tangible Assets

Overview

In the appraisal of property or tangible assets, there are three basic approaches to value. The descriptive titles typically attached to these approaches are market, income and cost. For details about the methodology, please refer to Appendix 3 of this Report.

In normal circumstances, the appraiser is obliged to consider all three approaches, as any, or perhaps all, may provide reliable measures of value.

Valuation Methods Adopted

In this valuation, based on the information provided by the Management and the nature of the Property and the Plant and Equipment, market approach and cost approach are used for property valuation. In particular, we adopted the following valuation approach(es):

Tangible Assets	Valuation Method
Property (excluding Shopfits)	Direct Comparison Method
Property – Shopfits	Depreciated Replacement Cost Method (“DRC”)
Plant and Equipment	DRC

Valuation Methods Adopted (Cont’d)

Direct Comparison Method

Direct comparison method is generally by comparing recent market evidence of similar properties located in the neighborhood area of the Property. Adjustments are made to reflect the differences in various aspects including market conditions, size, location, time, age, quality and any other relevant factors when comparing such sales against the property. This approach is commonly used to value properties where reliable sales evidence is available.

DRC

DRC is generally used in the absence of sufficient market data to arrive at the market value of a property by means of market-based evidence.

DRC is defined as “the current cost of replacing an asset with its modern equivalent asset less deduction for physical deterioration and all relevant forms of obsolescence and optimization”.

The application of the DRC method in real property valuation is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement (reproduction) of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interests is subject to the adequate potential profitability of the concerned business.

5.2 Valuation Method of Tangible Assets (Cont'd)

Valuation Methods Adopted (Cont'd)

DRC (Cont'd)

We have valued the Plant and Equipment by considering the cost of replacement (reproduction) or update to a current cost as of the Valuation Date from historical cost by applying an index factor in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from the condition, utility, age, wear and tear, or obsolescence present (physical, functional or economical), taking into consideration past and present maintenance policy and rebuilding history.

Cost of replacement is the estimated amount of money needed to acquire in like kind and in new condition, an asset or group of assets taking into consideration current prices of materials, manufactured equipment, labour, contractor's overhead, profit and fees, and all other attendant costs associated with its acquisition, but without provision for overtime or bonuses for labour and premium for materials.

5.3 Valuation of Property (Excluding Shopfits)

Overview

Please refer to Section 5.1 of this Report for detailed description of the Property (excluding Shopfits)

Valuation Approach

Based on our understanding of the Property (excluding Shopfits), we have adopted the market approach, namely direct comparison method, in the valuation to assess the fair value of the Property.

Primary Inputs and Key Assumptions

To obtain an understanding of the general condition of the Property (excluding Shopfits), we have relied on discussions and correspondence with the Management and information obtained during our interview with the Company.

To estimate the value of the Property (excluding Shopfits), we have applied the following key inputs:

We have made reference to the recent market evidence of similar properties located in the neighborhood area of the Property.

Appropriate adjustments were allowed to consider the difference in terms of time, location, size, trading potential, etc. between the Property and the comparables. We have therefore adopted the adjusted unit rate for valuing the Property (excluding Shopfits).

Please refer to the tables on the following page for the unit rates adopted for each of the Property and the valuation results.

5.3 Valuation of Property (Excluding Shopfits) (Cont'd)

Valuation Results

Property	Bournemouth Property	Chester Property	HQ Property	Kendal Land
Adopted Unit Rate	GBP229/sq.ft.	GBP511/sq.ft.	GBP32/sq.ft.	GBP10,431/acre
Floor Area/Site Area	4,109 sq.ft.	8,500 sq.ft.	219,758 sq.ft.	50 acres
Fair Value of the Property (GBP'million)	0.9	4.3	7.0	0.5

Property	Kendal Property	Maidstone Property	Norwich Property	Southampton Property
Adopted Unit Rate	GBP21/sq.ft.	GBP292/sq.ft.	GBP270/sq.ft.	GBP292/sq.ft.
Floor Area	219,296 sq.ft.	6,861 sq.ft.	11,500 sq.ft.	4,894 sq.ft.
Fair Value of the Property (GBP'million)	4.6	2.0	3.1	1.4

Property	Westway Property	Winchester Property	Hanover Property	Gravesend Property
Adopted Unit Rate	GBP40/sq.ft.	GBP461/sq.ft.	GBP63/sq.ft.	Retail portion: GBP192/sq.ft. Storage portion: GBP19/sq.ft.
Floor Area	553,211 sq.ft.	4,374 sq.ft.	408,000 sq.ft.	4,878 sq.ft.
Fair Value of the Property (GBP'million)	22.1	2.0	25.6	0.5

Source: AVISTA analysis

The total fair value of the Property (excluding Shopfits) is GBP74.0 million.

5.4 Valuation of Property – Shopfits and Plant and Equipment

Overview

Please refer to Section 5.1 of this Report for detailed description of Property – Shopfits and Plant and Equipment.

Valuation Methodology

Due to the nature of Property – Shopfits and Plant and Equipment, we have used the cost approach, namely DRC, in the valuation to assess the fair value of these tangible assets.

Primary Inputs and Major Assumptions

To obtain an understanding of the general condition of Property – Shopfits and Plant and Equipment, we have relied on discussions and correspondence with management and information obtained during our interview with the Company.

In arriving at a fair value of the tangible assets we have considered the below:

- Cost of replacement new of the replaceable assets;
- Historical cost and acquisition date;
- Inflation indices;
- Economic and functional obsolescence
- Accrued depreciation; and
- Age, condition, past maintenance and present and prospective serviceability in comparison with new units of like kind.

The following is the application of DRC to tangible assets:

1. Estimate the current cost of reproducing a new replica of the asset being valued using the same, or closely similar, materials; or estimate the replacement cost of the similar new assets by applying PPI of relevant countries sourced from OECD, Federal Reserve Bank of St. Louis, etc., to the original book cost to derived the replacement cost new of the tangible assets;
2. Estimate the accrued depreciation cost of the assets measured by comparing the remaining life of the subject assets at the Valuation Date with its expected total life, assumed 3 – 20 years. We also considered functional and economic obsolescence; and
3. Derived the fair value of the tangible assets by deducting the accrued depreciation cost from the replacement cost new of the assets.

Major factors considered in our valuation include the followings:

- | | |
|---|--------------|
| • Useful Life – Property – Shopfits: | 5 - 10 years |
| • Useful Life – Plant and Equipment: | 3 - 20 years |
| • Residual Value – Property – Shopfits: | 3% |
| • Residual Value – Plant and Equipment: | 3% |

5.4 Valuation of Property – Shopfits and Plant and Equipment (Cont'd)

Valuation Result

Based on the above assumptions, we derived the fair values as follows:

- The fair value of the Property (excluding Shopfits) to be GBP74.0 million;
- The fair value of the Property – Shopfits to be GBP8.3 million; and
- The fair value Plant and Equipment to be GBP51.3 million.

Therefore, the total fair value of the Tangible Assets of the Target to be GBP133.5 million¹.

Note:

1. The total amount above may not equal to the sum of the individual amounts listed due to rounding.

5.5 Tangible Assets Valuation Results Summary

Tangible Assets Valuation Results Summary

GBP (unless otherwise stated)

Description	Net Book Value	Fair Value	Percentage change
Property	70,979,458	82,271,300	15.9%
Plant and Equipment	55,619,738	51,276,300	-7.8%

Source: AVISTA analysis



Section 6

Valuation of Operating Lease Liabilities of the Target

6. Valuation of Operating Lease Liabilities of the Target

Overview

According to the instruction from the Management, contractual obligation of leases which meet below criteria would be considered in the valuation of the Operating Lease Liabilities of Target:

- a. Leased property located in the U.S. or the UK;
- b. The lease contract is not turnover rent in nature; and
- c. For the leased property located in the UK, suspended lease contract under Company Voluntary Arrangements (“**CVA**”) negotiation with no rental obligation as of the Valuation Date shall be excluded from the consideration of this valuation.

Also, the respective optional renewal periods of the lease contracts are assumed to be not exercised for this valuation purpose.

Based on the above criteria and as instructed by the Management, 149 and 93 lease contracts with leased property located in the U.S. and the UK, respectively, are considered in the valuation of the Operating Lease Liabilities of the Target.

Valuation Approach

We have adopted the DCF Method to derive the net present value of the Operating Lease Liabilities as of the Valuation Date. Specifically, the net present value of Operating Lease Liabilities was estimated as the present value of contractually determined stream of future cash flows by discounting at an applicable discount rate.

Assumptions

We have adopted the DCF Method to derive the net present value of the Operating Lease Liabilities of the Target as of the Valuation Date.

1. *Term Rent*

We determined the annual contractual rent payable based on the relevant terms of the lease contracts, which are provided by the Management.

2. *Remaining Term*

The respective remaining terms of the Operating Lease Liabilities of the Target are determined based on the relevant terms of the lease contracts without consideration of the unexercised optional renewal period as of the Valuation Date, if any.

3. *Exchange Rate*

USD to GBP exchange rate of 0.7462 as of the Valuation Date is adopted for the valuation of the Operating Lease Liabilities in the U.S., where the relevant term rents are stated in USD. Data sourced from Bloomberg.

6. Valuation of Operating Lease Liabilities of the Target (Cont'd)

Assumptions (Cont'd)

4. Discount Rate

Discount rate is derived based on the sum of (i) the corresponding risk-free rate in the UK and the U.S. for a period with length commensurate to the respective remaining term of the lease contacts; and (ii) respective applicable credit default spread of Clark in the UK and the U.S..

The risk-free rate in the UK is based on the yield of the UK Government Bonds, and that in the U.S. is based on the yield of the U.S. Treasury Strip Bonds, data sourced from Bloomberg.

Credit default spread of Clark in the UK is determined by adjusting Clark's borrowing rate of 6.5% in the UK, which is based on the existing private placement term loan of Clark (the "**Loan**"), with the corresponding risk-free rate in the UK for a period with length commensurate to the term of the Loan as of the Valuation Date. The derived credit default spread of Clark in the UK is 5.69% as of the Valuation Date.

Credit default spread of Clark in the U.S. is determined based on that in the UK, with adjustment of (i) country risk default spread differential of -0.51% between the U.S. and the UK, according to the empirical research and estimates published by Aswath Damodaran; and (ii) risk-free interest rate differential between the U.S. and the UK. The derive credit default spread of Clark in the U.S. is 5.19% as of the Valuation Date.

Valuation Result

Based on the above assumptions, we derived the net present values of the Operating Lease Liabilities of the Target in the UK and the U.S. to be GBP41 million and GBP72 million, respectively.



Section 7

Conclusion of Values

7. Conclusion of Values

In accordance with the purpose and scope of our engagement set out in Sections 2.1 & 2.2, and subject to the limitations of our work set out in Section 2.3, principal assumptions adopted in Section 2.4, limitations of inspection and area measurement set out in Section 2.5 and key information set out in Section 2.6, and further subject to the General Assumptions and Limiting Conditions set out in Appendix 1, based upon the methodology employed and key parameters adopted outlined in Sections 4 to 6, it is our opinion that the fair values of the Subject Assets and the net present value of the Operating Lease Liabilities as of the Valuation Date are concluded in the table opposite.

Our valuation is prepared in compliance with the requirements of International Valuation Standards published by The International Valuation Standards Council, with the conclusion of value relying extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. We have no obligation to update this Report or our conclusion of values for information that comes to our attention after the date of this Report.

We hereby certify that we have neither present nor prospective interests in the Company, the Target, Clark or the values reported.

This Report is solely for the use of management of the Company for the purpose stated herein and may not be shown or referred to in any communication to other parties, in whole or in part, without our prior written consent.

Valuation Results Summary

GBP'million (unless otherwise stated)

Valuation Date: 29 January 2022	Assumed Remaining Useful Life (Year)	Fair Values
Intangible Assets:		
- Brand Name	20.0	6
Tangible Assets:		
- Property		82
- Plant and Equipment		51
Unfavorable Lease:¹		
- U.S.	5.0	(48)
- UK	5.0	(13)
Valuation Date: 29 January 2022		Net Present Values
Operating Lease Liabilities¹		
- U.S.		(72)
- UK		(41)

Note 1: According to the instruction from the Management, part of the leases of the Target are excluded from the valuation scope of Unfavorable Lease and Operating Lease Liabilities.

Appendix 1

General Assumptions and Limiting Conditions

Appendix 1: General Assumptions and Limiting Conditions

This report was prepared based on the following general assumptions and limiting conditions:

- The conclusion of value arrived at herein is based on the prevailing or then prevailing economic environment, market conditions, and purchasing power of the currency stated in the report as of the Valuation Date, which is valid only for the stated purpose as of the Valuation Date.
- Financial statements and other related information provided by the Company or its representatives, in the course of this engagement, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. We have not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.
- If prospective financial information approved by management of the Company has been used in our work, we have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any other form of assurance on the prospective financial information or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.
- Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.
- We do not provide assurance on the achievability of the results forecasted or estimated by the Management because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted or estimated results is dependent on actions, plans, and assumptions of the Management.
- This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore the report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of AVISTA based on information furnished to them by the Company and other sources.

Appendix 1: General Assumptions and Limiting Conditions (Cont'd)

This report was prepared based on the following general assumptions and limiting conditions (Cont'd):

- Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such valuation specialists are connected or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of AVISTA.
- Future services regarding the subject matter of this report, including, but not limited to testimony or attendance in court, shall not be required of AVISTA unless previous arrangements have been made in writing.
- AVISTA is not an environmental consultant or auditor, and it takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report, wishing to know whether such liabilities exist, or the scope and their effect on the value of the subject assets/business, is encouraged to obtain a professional environmental assessment. AVISTA does not conduct or provide environmental assessments and has not performed one for the subject assets/business.
- AVISTA has not made a specific compliance survey or analysis of the subject business to determine whether it is subject to, or in compliance with the relevant laws and regulations and this valuation does not consider the effect, if any, of noncompliance.
- Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the subject business due to future national or local legislation, including any environmental or ecological matters or interpretations thereof.
- No change of any item in this appraisal report shall be made by anyone other than AVISTA and we shall have no responsibility for any such unauthorized change.

Appendix 2

Valuation Methodology of Business Enterprise Value

Appendix 2: Valuation Methodology of Business Enterprise Value

In the appraisal, regardless of its diversity, location, or technological complexity, there are three basic approaches to value. The descriptive titles typically attached to these approaches are cost, market, and income. In normal circumstances, the appraiser is obliged to consider all three approaches, as any, or perhaps all, may provide reliable measures of value.

Cost Approach

The cost approach estimates value by determining the current cost of replacing an asset with one of equivalent economic utility. An indication of value is developed by estimating the cost of reproduction or replacement new for the property, less an allowance for loss in value due to depreciation or obsolescence. This approach is most appropriate when applied to specific assets, such as land improvements, buildings, machinery and equipment, and certain intangible assets.

Market Approach

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.

There are two methods under the market approach, namely the "Comparable Transaction (Acquisition) Method" or the "Guideline Company Method".

Comparable Transaction (Acquisition) Method

In this method, one would identify and analyze purchases and sales of companies which operate a similar business as that of subject company. The price multiples implied in these purchases and sales transactions would be adjusted to reflect differences between the subject company and the comparable companies

Guideline Company Method

Under the guideline company method, the valuation of a company is determined with reference to certain key value indicators, such as multiples to revenue, pre-tax or post tax earnings, or book values, of publicly traded companies. In this regard, it is necessary to take into account factors such as differences in the size, growth potential, profitability, financial position, operational and business risks, management capabilities and expertise, as well as the liquidity of the shares of the company concerned.

Appendix 2: Valuation Methodology of Business Enterprise Value

Income Approach

In the income approach, value is dependent on the present value of future economic benefits such as cost savings, periodic income, or sale proceeds. Indications of value are developed by discounting future net cash flows available for distribution to their present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment.

Income Approach – Discounted Cash Flow (“DCF”) Method

In this method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the enterprise value is calculated as the present value of the future free cash flow less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

Definition of Free Cash Flow

The term *free cash flow* (“**FCF**”) can be represented by the following equation:

$$FCF = NOPLAT + DEPR - CAPEX - NWC$$

Where:

- FCF* = projected free cash flow available to equity and debt holders
- NOPLAT* = net operating profit and loss after tax
- DEPR* = depreciation and amortization expenses
- CAPEX* = capital expenditures
- NWC* = changes in net working capital (current assets net of current liabilities)

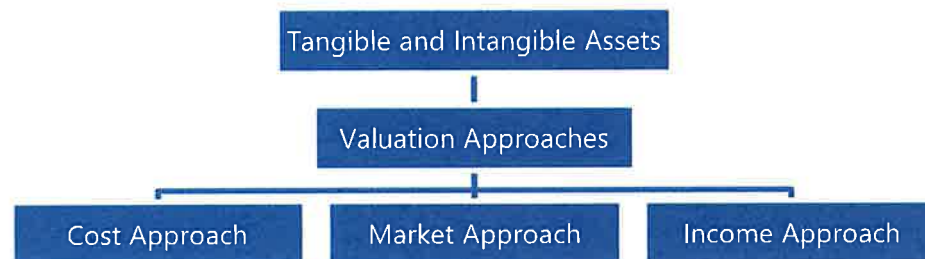
Appendix 3

General Valuation Methodology of Assets

Appendix 3: General Valuation Methodology of Assets

Tangible and Intangible assets

In appraising the value of tangible and intangible assets, regardless of the diversity, location or technological complexity, there are three basic valuation approaches, namely Cost, Market, and Income.



Cost Approach

Cost Approach provides a systematic framework for estimating the value of tangible or intangible asset based upon the economic theory that rational investor would purchase an existing asset for no more than the cost to create a comparable asset. For tangible asset valuation, cost approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

Market Approach

Market Approach is used to estimate value through the analysis of recent transactions of comparable assets. However, transaction prices of intangible assets are rarely available because intangible assets typically are transferred only as part of a transaction, not in piecemeal.

Furthermore, since intangible assets are unique to a particular enterprise, benchmark among enterprises is difficult.

Therefore, Market Approach is rarely used and considered appropriate in the valuation of intangible assets, unless exchange of individual assets that is comparable to the subject asset can be observed. Instead, Market Approach is more commonly used in valuing tangible assets.

Income Approach

The term "income" quantifies future benefits as expected future cash flows. It does not mean that Income Approach should only be used with forecasts of net income in financial reporting sense. Instead, Income Approach involves two general steps. The first one is to establish a forecast of future net cash flows expected to accrue directly or indirectly to an investor in return of the ownership of the asset or a group of assets. The second step involves discounting these estimated future net cash flows to their present value.

Appendix 4

Derivation of Discount Rate

Appendix 4: Derivation of Discount Rate

Discount Rate Derivation

A discount rate is the expected rate of return (or yield) that an investor would have to give up by investing in the subject investment instead of in available alternative investments that are comparable in terms of risk and other investment characteristics. When developing a discount rate to apply to the FCF from operation, the discount rate is the weighted average cost of capital.

WACC is computed with the below formula:

$$WACC = Ke * (Eq/IC) + Kd * (D/IC)$$

Where:

Ke = Cost of equity

Eq = Equity

IC = Invested capital (equity plus all interest bearing debt)

Kd = Tax adjusted cost of debt

D = Debt

The cost of equity of the business was developed through the application of the Capital Asset Pricing Model ("**CAPM**"), which is the most commonly adopted method of estimating the required rate of return for equity. CAPM states that the cost of equity is the risk-free rate plus a linear function of a measure of systematic risk ("**Beta**") times equity market premium in general. The guideline companies used in deriving the discount rate are companies engaged in similar business.

Following is the CAPM formula for derivation of Ke :

$$Ke = R_{rf} + MRP \times \text{Beta}$$

Where:

Ke = cost of equity

R_{rf} = risk-free rate

MRP = market risk premium, which is the return the market portfolio is expected to generate in excess of the risk-free rate

Beta = the "beta coefficient" that measures the relative risk of the asset being valued as compared to the risk of the market portfolio. It is computed by regressing returns on a comparable security on returns for the market index. It is a measure of the systematic risk of the asset.

- END OF REPORT -