THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in **Viva China Holdings Limited**, you should at once hand this circular and the accompany proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular will remain on the website of the Stock Exchange at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of posting and the Company's website at www.vivachina.hk.

VIVA CHINA

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)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO PROPOSED ACQUISITION OF THE REMAINING 49% INTEREST IN LIONROCK CAPITAL PARTNERS QILE LIMITED AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at 2/F, PopOffice, 9 Tong Yin Street, Tseung Kwan O, New Territories, Hong Kong on Wednesday, 18 January 2023 at 11:00 a.m. or any adjournment thereof is set out on page EGM-1 to EGM-3 of this circular. Whether or not you are able to attend and vote at the EGM, you are requested to complete the enclosed proxy form and return it to the branch share registrar of the Company, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjourned meeting(s) should you so wish, and in such event, the proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page EGM-3 of this circular for measures being taken to prevent and control the spread of the COVID-19 pandemic, including but not limited to:

- compulsory temperature check before entering the EGM Venue, and those with a body temperature of over 37.3 degrees Celsius or with the flu-like symptoms or is otherwise unwell will not be admitted to the EGM Venue;
- wearing of surgical face mask is compulsory at any time within the EGM Venue; and
- signing of health declaration form before admission to the EGM Venue.

Any person who declines any of the aforementioned precautionary measures will not be admitted to the EGM Venue. The Company reminds the Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

30 December 2022

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

In this circular, 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
"Announcement"	the announcement of the Company dated 17 November 2022 in relation to the Acquisition
"Board"	the board of Directors
"Bossini"	Bossini International Holdings Limited (stock code: 592)
"Bossini Group"	Bossini and its subsidiaries
"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"

"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
"Enlarged Group"	the Group upon Completion
"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, which for the purpose of this circular and unless context suggests otherwise, excludes the Target Group
"HKFRS"	Hong Kong Financial Report Standards
"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
"Latest Practicable Date"	22 December 2022 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"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)
"Mr. Herrero"	Mr. Victor Herrero, a non-executive Director
"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 circular and unless context suggests otherwise, excludes Hong Kong, the Macau Special Administrative Region of the PRC 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 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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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 England 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
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

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)

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
Ms. LYU Hong

Independent non-executive Directors:
Mr. LI Qing
Mr. PAK Wai Keung, Martin
Mr. WANG Yan

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
2/F, PopOffice
9 Tong Yin Street
Tseung Kwan O
New Territories
Hong Kong

30 December 2022

To the Shareholders

Dear Sir or Madam,

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

1. INTRODUCTION

On 17 November 2022, as set forth in the Announcement, 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 GBP 110,000,000 (equivalent to approximately HK$960,300,000).

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition, the Agreement and the transactions contemplated thereunder; (ii) the financial information and other information of the Company; (iii) the financial information and other information of the Target; (iv) other information under the GEM Listing Rules; and (v) the notice of the EGM.

2. 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 Latest Practicable Date, Viva China Consumables held 510 Target Shares, representing 51% of the issued share capital of the Target.

As at the Latest Practicable Date, 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 Latest Practicable Date, 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. Herrero and Mr. Lee Kwok Ming (as an independent non-executive director of Bossini), as the limited partners of LionRock, who collectively made approximately 5% of the total contributions in LionRock.

The Acquisition

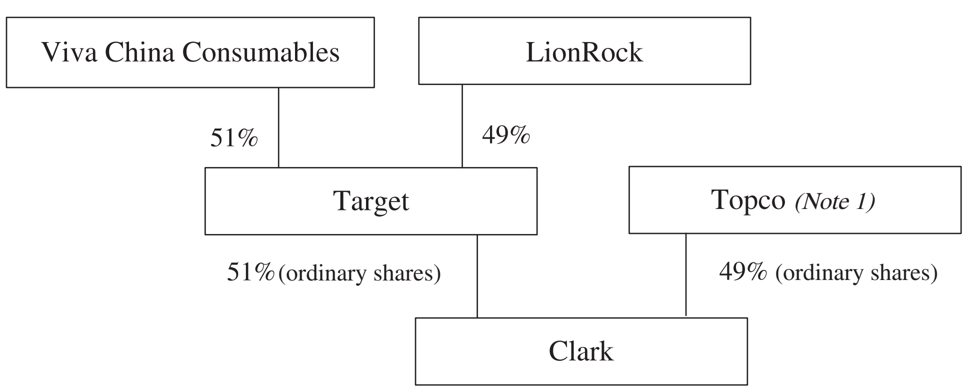
Pursuant to the Agreement, Viva China Consumables conditionally agreed to purchase, and LionRock conditionally agreed to sell, the Sale Shares, representing 49% issued share capital of the Target as at the date of the Agreement, for a consideration of GBP110,000,000 (equivalent to approximately HK$960,300,000).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

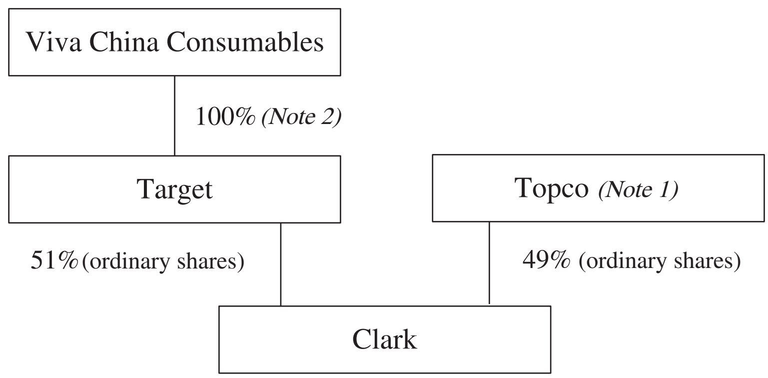
Viva China Consumables undertakes in the Agreement that (a) to the extent permitted by law, it shall as soon as practicable cause Clark and the Target to declare and distribute the Minimum Clark Dividends, provided that such declarations are in compliance with the relevant laws and regulations applicable 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 Latest Practicable Date and (ii) immediately upon Completion:

(i) as at the date of the Latest Practicable Date



(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 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. Please refer to Appendix V to this circular for further details of the valuation. 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 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 is 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.

None of the condition has been fulfilled and/or waived as at the Latest Practicable Date.

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 days 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 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.

3. 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 Latest Practicable Date, 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 and as at the Latest Practicable Date, 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. Herrero and Mr. Lee Kwok Ming (as an independent non-executive director of Bossini), as the limited partners of LionRock, who collectively made approximately 5% of the total contributions in LionRock.

In addition, the Company indirectly holds 271,201,543 ordinary shares of Li Ning Company Limited, representing approximately 10.31% of the entire issued share capital of Li Ning Company Limited as at Latest Practicable Date. The representatives of our Group has significant influence on Li Ning Company Limited's financial and operating policy decisions. Li Ning Company Limited is an associated company of the Company.

Bossini is an indirect non-wholly owned subsidiary of the Company where the Company is interested in approximately 56.41 % of the entire issued share capital Bossini as Latest Practicable Date.

Clark, trading as "Clarks", is a British based, international shoe wholesaler and retailer. Clark is headquartered in UK. As at 2 July 2022, the Clark Group had 577 directly-operated stores primarily located in the UK, the Republic of Ireland, the US, 2,845 wholesale customers primarily situated in Europe, Middle East, Africa and the US, and various online sales platforms.

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) *GBP in millions*	**52 weeks to 29 January 2022 (audited)** *GBP in millions*
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 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 third quarter of 2021 and it is expected there will be a steady growth in 2023.

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

4. 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, which is principally engaged in the retail and distribution of casual wear garments. In July 2022, the Previous Acquisition completed and the Group indirectly acquired the controlling stake of Clark.

As far as Clark is concerned, Clark encountered financial difficulties at the initial stage of COVID-19 which provided investors with a good investment opportunity to invest in Clark. The General Partner captured this opportunity and took the role to explore and negotiate the deal and introduced such investment opportunity to the Group. The General Partner therefore also became one of the major investors (other than the Group) in Clark. At the time when the Group assessed this opportunity, in view of the uncertainty of the ongoing impact of COVID-19 and global economy, the Group's internal risk management and external market conditions, the Company intended to adopt a prudent approach with a view to maintain flexibility of its working capital during the period of uncertainty. The Group therefore decided to share its risk with the General Partner by co-investing with LionRock and taking only the controlling stake, as opposed to the entire interest, in the Target so as to enable the Group to efficiently utilize its financial resource to maximize its returns.

After the announcement of the Previous Acquisition in the first quarter of 2021, the Company started preparing the completion of the Previous Acquisition. In the meantime, since 2021, the management of Clark Group has reviewed its business direction and implemented certain cost control measures, coupled with the gradual recovery of sales activities from the outbreak of COVID-19 in 2021, the financial performance of the Clark Group has been improving since the third quarter of 2021.

In the course of the preparation of the completion of the Previous Acquisition, the Company was aware that Clark achieved a global revenue of GBP926.2 million with the UK (including Republic of Ireland) and US markets comprising approximately 82.5% of Clark's revenue for the 52 weeks ended 29 January 2022.

In the meantime, in the first half of 2022, the Board also noted that many countries, including the UK and the US, had gradually removed pandemic-related restrictive measures. The Board was of the view that the removal or the commencement of the removal or relaxation of such restrictive measures would be of benefit to the recovery of the global retail business, including the Consumables Business.

Against this background, 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 after the peak of the pandemic and recovery of market sentiments. 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.

After the completion of the Previous Acquisition in July 2022, the Board noted that the trends of Clark's business improvement and the world's recovery from pandemic continued. The Board therefore considered that the global retail market was picking up and the performance of the business of Clark would further improve. Given the improved financial performance and the potential of the Clark Group and also the removal or gradual relaxation of pandemic control measures in different parts of the world, the Board therefore was of the view that it is good opportunity to proceed with the Acquisition as on one hand, the Acquisition is aligned with the Group's business plan and on the other hand, it provides an opportunity for the Group to increase further indirect equity interest of Clark at a reasonable price. The Board was 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. 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 Latest Practicable Date, 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.

5. FINANCIAL IMPACTS OF THE ACQUISITION

Upon Completion, the Target will become a wholly-owned subsidiary of the Company. The financial impacts of the Acquisition are summarized below:

Assets and liabilities

As extracted from the interim report 2022 of the Company, the unaudited consolidated total assets and total liabilities of the Group as at 30 June 2022 were approximately HK$8,808.2 million and HK$1,320.2 million respectively. The unaudited net asset value attributable to the equity holders of the Company as at 30 June 2022 was approximately HK$7,373.4 million. As set out in Appendix IV to this circular, assuming the Completion had taken place on 30 June 2022, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group would increase to approximately HK$16,743.3 million and HK$6,251.0 million respectively. The unaudited pro forma net asset value attributable to the equity holders of the Enlarged Group would increase to approximately HK$8,656.9 million.

Earnings

As extracted from the annual report 2021 of the Company, the profit attributable to the equity holders of the Company was approximately HK$4,562.6 million. As set out in Appendix IV to this circular, assuming the Completion had taken place on 1 January 2021, the unaudited pro forma profit attributable to the equity holders of the Enlarged Group for the year ended 31 December 2021 would increase to approximately HK$5,284.0 million.

Gearing

As extracted from the interim report 2022 of the Company, the gearing ratio of the Group was approximately 0 as at 30 June 2022. The Group defines gearing ratio as ratio of net debt over equity plus net debt in which net debt represents total bank and other borrowings less cash and bank balances (including restricted bank balances). As set out in Appendix IV to this circular, assuming the Completion had taken place on 30 June 2022, the gearing ratio of the Enlarged Group upon Completion would be approximately 0.

6. GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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.

7. THE EGM

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the relevant matters in relation to the Acquisition. To the best of the Directors' knowledge having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition which is different from other Shareholders and thus no Shareholder is required to abstain from voting at the EGM.

The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be the close of business on Thursday, 12 January 2023. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 12 January 2023. A proxy form is also enclosed. Whether or not you intend to attend and vote at the EGM, please complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish and in such event, the proxy shall be deemed to be revoked.

8. RECOMMENDATIONS

The Directors consider that the terms of the Acquisition and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

9. GENERAL

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
VIVA CHINA HOLDINGS LIMITED
LI Ning
Chairman and Chief Executive Officer

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group, together with the accompanying notes, for each of the years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2022 are disclosed in the annual reports of the Company for the years ended 31 December 2019 (pages 108-208), 31 December 2020 (pages 109-220) and 31 December 2021 (pages 110-220) and the interim report of the Company for the six months ended 30 June 2022 (pages 17-53), respectively. These consolidated financial statements are incorporated by reference into this circular.

The said financial information of the Group are available on the Company's website at www.vivachina.hk under "Investor Relations" and website of the Stock Exchange at www.hkexnews.hk as below:

- The annual report of the Company for the year ended 31 December 2019 published on 27 March 2020, available on:

  https://www1.hkexnews.hk/listedco/listconews/gem/2020/0327/2020032701143.pdf

- The annual report of the Company for the year ended 31 December 2020 published on 22 March 2021, available on:

  https://www1.hkexnews.hk/listedco/listconews/gem/2021/0322/2021032201170.pdf

- The annual report of the Company for the year ended 31 December 2021 published on 18 March 2022, available on:

  https://www1.hkexnews.hk/listedco/listconews/gem/2022/0318/2022031801236.pdf

- The interim report of the Company for the six months ended 30 June 2022 published on 12 August 2022, available on:

  https://www1.hkexnews.hk/listedco/listconews/gem/2022/0812/2022081201446.pdf

2. WORKING CAPITAL SUFFICIENCY

The Directors are satisfied, after due and careful enquiry and based on the information currently available to the Directors, that after taking into account the effects of the Transaction, the Enlarged Group business prospects and the financial resources available to the Enlarged Group, including cash generated from operations, the existing cash and bank balances and available banking facilities of the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

3. INDEBTEDNESS STATEMENT

Indebtedness and Contingent Liabilities

As at 31 October 2022, being the most recent practicable date for the purpose of this indebtedness statement, the Enlarged Group had the following indebtedness:

	As at 31 October 2022
	HK$'000
The Group:	
Bank loans – secured and guaranteed *(Note i)*	14,636
Lease liabilities	423,716
	438,352
The Clark Group:	
Bank loans – secured and guaranteed *(Note ii)*	308,125
Bank loans – unsecured *(Note iii)*	39,532
Lease liabilities	1,295,090
	1,642,747
The Enlarged Group	2,081,099

Notes:

i. The Group's bank loans are secured by certain property, plant and equipment and financial assets at fair value through other comprehensive income.

ii. The secured bank loans represent GBP201,640,000 (equivalent to HK$1,835,932,000) revolving credit facility with GBP36,295,000 (equivalent to HK$330,468,000) drawn at 31 October 2022. The loan balance is deducted from pre-paid transactions costs related to financing of GBP2,454,000 (equivalent to HK$22,343,000).

The Clark Group has granted standard fixed and floating securities to its main banking partners attaching to and affecting the assets of its material subsidiaries. The above facilities expire in and repayable by June 2027.

iii. The unsecured bank loans are money market loans held in Japan totaling GBP4,342,000 (equivalent to HK$39,532,000) which are repayable on demand.

Other than the aforementioned indebtedness, as at 31 October 2022, the Group had contingent liabilities of approximately HK$4,417,000, being the bank guarantees given in lieu of utility and property rental deposits.

As at 31 October 2022, the Clark Group had contingent liabilities of approximately HK$196,766,000 as outlined below:

1. GBP20,252,000 (equivalent to HK$184,394,000) vendor financing facility with GBP20,252,000 (equivalent to HK$184,394,000) utilised at 31 October 2022.

2. GBP1,417,000 (equivalent to HK$12,902,000) of guarantee facility with GBP1,359,000 (equivalent to HK$12,372,000) utilised at 31 October 2022 which relate to arrangements with landlords, HMRC and insurance cover.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 October 2022, the Enlarged Group did not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages or charges, contingent liabilities or guarantees outstanding.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is a multi-brand operator principally engaged in design and development, branding and sales of sports and lifestyle apparel and footwear ("**Multi-brands Apparels and Footwears segment**"), and provision of sports experience through (i) management and operation of sports parks, sports centres and ice-skating rinks under sports destination development business, and (ii) management and operation of an e-sports club, coordination of sports events, and sports-related marketing services under sports team and event management business ("**Sports Experience segment**").

Multi-brands Apparels and Footwears

The Multi- brands Apparels and Footwears segment generated revenue of HK$851.2 million and recorded an operating loss of HK$312.6 million for the year ended 31 December 2021 (2020: revenue of HK$439.0 million and operating loss of HK$93.5 million), and generated revenue of HK$485.9 million and recorded an operating loss of HK$248.4 million for the six months ended 30 June 2022 (the corresponding period in 2021: revenue of HK$425.5 million and operating loss of HK$89.1 million).

In view of the immense market potential of the apparel consumer market in the PRC, the Group acquired Bossini in late July 2020 to generate economies of the scale (including but not limited to marketing, supply chain solutions and distribution channels) and benefits such as market coverage with the Group's sports and lifestyle consumables. After the acquisition, Bossini has integrated some young and unique elements catering for Generation Z and launched "Bossini.X", a brand with brand new positioning. The Group believes that Bossini has the potential to further promote its brand in China, however, "Bossini.X" is a brand new product line and positioning, more investments in channels and market testing are required in the future to lay the foundation for the new development of such brand.

The Group's luxury trendy brand, LNG, continues to gain its inspiration from the "young generation" which represents user bases of e-sports, animation and fashion, and create fashion brands featuring gorgeous visuals and high quality to cater for youngsters of the next generation. During the year, a number of physical stores were opened in high-end shopping areas in the first-tier cities such as Chongqing, Shanghai, Shenzhen and Nanjing, with the aim to explore the huge business opportunities from the prime consumer groups. Moreover, the LNG brand cooperates with other youthful fashion brands and launches authorised products from time to time.

In January 2022, the Group completed the acquisition of the entire issued share capital of Sitoy AT Holdings Company Limited which owns a century-old Italian luxury leader label brand, Amedeo Testoni and its diffusion line i29. Amedeo Testoni is principally engaged in wholesale and retail of leatherware, fashion garments and apparel. Through this acquisition, the Group has added high-end luxury brands to its asset portfolio and expanded existing business scale by extending its multi-brand footwear and apparel consumables network to Europe, Japan and South Korea.

In early July 2022, the Group has acquired 51% equity interest of LionRock Capital Partners QiLe Limited ("**Target**"). The Target controlled the Clark Group (by reason of a 51% shareholding and the right to appoint a majority of directors to the board). The Target became an indirect non-wholly owned subsidiary of the Company and the financial results of the Target and its subsidiaries were consolidated into the financial results of the Group since July 2022.

The Clark Group operates under the "Clarks" brand as global footwear wholesaler and retailer, selling directly to consumers through wholesale and distributor relationships, its high street full price and outlet stores and websites. Clark achieved a global revenue of GBP1.4 billion, GBP0.8 billion and GBP0.9 billion with the United Kingdom and Republic of Ireland, and the United States of America market comprising approximately 84.5%, 80.3% and 82.5% of Clark's revenue for the 52 weeks ended 1 February 2020, 30 January 2021 and 29 January 2022 respectively. For the 52 weeks ended 30 January 2021, Clark recorded a revenue of GBP778.9 million and a gross profit of GBP367.5 million. Clark recorded an operating loss of GBP150.6 million for the same period. For the 52 weeks ended 29 January 2022, the Clark Group recorded a revenue of GBP926.2 million with an increase of 19% as compared to the same period in 2021, and an operating profit of GBP53.0 million for the same period.

After the pandemic, the Board believes 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. 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 the Transaction will achieve synergy between Clark and the Multi-brands Apparels and Footwears Business in the marketing, supply chains solutions and distribution channels and further extend the Group's market territories worldwide.

Sports Experience

Sports Experience segment comprises operation, service provision and investment of sports destinations (including sports parks, sports centres and ice-skating rinks), sports competitions and events as well as an e-sports club. The Sports Experience segment generated revenue of HK$530.4 million and recorded an operating profit of HK$23.6 million for the year of 2021 (2020: revenue of HK$380.0 million and operating loss of HK$18.3 million), and generated revenue of HK$262.9 million and recorded an operating profit of HK$6.4 million for the six months ended 30 June 2022 (the corresponding period in 2021: revenue of HK$269.9 million and operating profit of HK$14.3 million). With the impact from Beijing Winter Olympics and the Chinese e-sport team's victory in the 11th League of Legends global finals, the topics on winter sports and e-sports continues to heat up, plus the recovery of the Sports Experience segment from the epidemic, the revenue and result of Sports Experience segment was largely improved compared with prior year, especially for the ice-skating rinks business and the E-sports business.

The Board believes that the Healthy China initiative, a national policy to increase investments in e-sports in first-tier cities, the positioning of Shanghai as a worldwide capital of e-sports and a number of large-scale traditional sports events, including 2021 FIFA Club World Cup and 2022 Beijing Olympic Winter Games in the coming years to be ushered in China, which are expected to drive a new national upsurge in sports, will help the Group to continuously expand the sports industry, including expanding the network of sports destinations, organising investment in sports events and enriching the business layout of sports consumer goods, so as to create a multi-faceted and multi-angle sports experience for the masses.

The Group will continue to concentrate its main resources on the core business of "Multi-brands Apparels and Footwears" and will further expand its brand operation team, set up professional online and offline channel operation divisions, invest in competitive supply chain business which can create the most powerful force for business development of the Group in the PRC market with target of achieving rapid growth for the Group's "Multi-brands Apparels and Footwears" business.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is management discussion and analysis extracted from the annual reports of the Group of each of the three financial years ended 31 December 2019, 2020 and 2021.

For the Year Ended 31 December 2019

Financial Review

Results

For the year ended 31 December 2019, the Group's consolidated revenue was HK$625.0 million (2018: HK$1,134.6 million), representing a decrease of 44.9%. The decrease in revenue was mainly due to the decrease in sales of construction materials. Gross profit of the Group for the year was HK$123.2 million (2018: HK$166.7 million), representing a decrease of HK$43.5 million or 26.1% as compared to the previous year which was in line with the decrease in revenue but with lower percentage of decrement.

The Group's other income and other gains-net for the year amounted to HK$890.6 million (2018: HK$24.5 million). Other income and other gains-net during the year was mainly attributable to the gain on disposal of 6.8% of Li Ning Co Limited ("**Li Ning Co**") interest in an associate amounting to HK$817.4 million (2018: nil), and the fair value gain arising from lower interest rate of return of convertible notes to 8.5% per annum.

Selling and distribution expenses for the year amounted to HK$47.7 million (2018: HK$41.2 million), representing an increase of HK$6.5 million or 15.8% as compared to the year of 2018. The increase was mainly due to additional marketing and promotional expenditures and staff cost incurred as a result of the new businesses acquired after scaling down the sales of construction materials during the year, which was in line with our business expansion.

Administrative expenses and other operating expenses together with net impairment losses on financial assets ("**Administrative Expenses**") incurred in the year amounted to HK$355.8 million (2018: HK$154.0 million), which represents an increase of HK$201.8 million or 131.0% as compared to the year of 2018. The increase is mainly due to the one-off operating expenses and non-cash items, including impairment loss of trade receivables and other receivables of HK$82.5 million, impairment loss of goodwill and intangible assets of HK$31.4 million, impairment loss of investment in a joint venture of HK$17.4 million, amortisation of intangible assets of HK$12.5 million, depreciation of right-of-use assets and fixed assets of HK$12.7 million.

Finance costs for the year amounted to HK$118.3 million (2018: HK$83.7 million), which represents an increase of 41.3%. The increase in finance costs was primarily attributable to (i) no interest expense was capitalised into properties under development during the year while there was capitalisation of interest expense in prior year; and (ii) interest expense in relation to the new adoption of HKFRS 16 Leases.

The Group held 263,405,000 ordinary shares of Li Ning Co Limited ("**Li Ning Co**") and the convertible securities which carrying right of conversion into approximately 137,797,000 ordinary shares of Li Ning Co whereas the Group held approximately RMB204.2 million registered and paid-up capital of CITIC Land Co., Ltd ("**CITIC Land**") as at 31 December 2019, representing 16.3% equity interests in Li Ning Co and 29% equity interests in CITIC Land, respectively as well as 48.4% and 7.5% on the Group's total assets as at 31 December 2019, respectively.

Investment costs of Li Ning Co and CITIC Land as at year ended 31 December 2019 were HK$1,956.3 million and HK$357.4 million respectively. Dividend received from Li Ning Co was HK$40.0 million during the year ended 31 December 2019.

Li Ning Co's principal activities include brand development, design, manufacture, sale and distribution of sport-related footwear, apparel, equipment and accessories in the PRC.

CITIC Land's principal activities include property development and operation; property management; hotel investment and management; construction project and facilities contracting and equipment installations; decoration units; landscaping; property development consultancy.

Li Ning Co and CITIC Land are accounted for as associates of the Group. The Group has adopted the provision contained in HKAS 28 whereby it is permitted to include the attributable share of associate's results based on the financial statements drawn up to a non-coterminous period end where the difference must be no greater than three months. During the year, the Group shared the results of Li Ning Co based on its adjusted financial results for the twelve months ended 30 September 2019 adjusted by any significant events or transactions for the period from 1 October 2019 to 31 December 2019. There is no non-coterminous period end for other associates and joint ventures.

Li Ning Co's adjusted net profit for the year amounted to HK$1,492.3 million (2018: HK$778.6 million), representing a year-on-year increase of 91.7%. This was mainly attributable to the increase in revenue and gross profit margin, control over expense ratio and growth in gains from investment in wealth management products and share of gain in relation to the disposal of a piece of land parcel held by Double Happiness.

Li Ning Co will continue to promote the strategy of "Single Brand, Multicategories, Diversified Channels", strengthen and improve the core business focuses, remain devoted to create LI-NING's experience value, and focus on enhancing efficiency in order to achieve healthy and sustainable profit growth for the Company in the future. Backed by various favorable policies to support the development of the sports industry and the consumption upgrade driven by national economic growth, consumption concept of the general public has changed gradually with more and more consumers giving great consideration to product innovation and brand value. Along with the increasingly mature consumption concept, consumption demand of people will become more refined and diverse, which will pose even more challenges to the brand and product competitiveness in the market. The global economy as well as the operation and financial performance of Li Ning Co have also been affected inevitably, and the outbreak of COVID-19 is posing severe challenges for the overall outlook for 2020. In the long run, people will become more concern about their health and daily workout habits after this epidemic, hence more potentials of the industry will be released.

Investment in Li Ning Co aligns with the Group's strategy to expand its business scope along the sports value chain in the PRC. The long term commitment to build an integrated platform allows the Group to create synergies and reap crossover benefits among its various business components to the greatest extent in the long run, enabling the Group to explore further strategic development opportunities, including sports marketing and sponsorship opportunities. Meanwhile, aligned utilisation of resources in hand, including the sports talents or sports events and sports destinations network, would be promoted between Li Ning Co and the Group for growing their businesses together as well as possibly expanding the markets for certain types of sports in China.

CITIC Land's net profit for the year amounted to HK$10.9 million (2018: net loss HK$13.8 million). The turnaround was mainly attributable to the gain on disposal of certain properties during the year.

By leveraging the Group's existing sports resources and the "CITIC Land" brand's reputation, the Group can strengthen its execution capability in sports destinations development in the PRC via the redevelopment project in central business district in Beijing.

During the year, the Group shared the profits less losses of associates and joint ventures amounting to HK$342.1 million (2018: HK$182.3 million). The increase was mainly due to the increase in contributions from Li Ning Co and Double Happiness of HK$85.7 million and HK$63.8 million respectively in the current year.

During the year, the Group has recorded a net profit attributable to equity holders of HK$834.4 million comparing to a net profit attributable to equity holders of HK$77.0 million for the year 2018. The significant increase was mainly due to the gain on disposal of 6.8% interest in an associate (Li Ning Co) of HK$817.4 million and the increase in share of net profits of associates and joint ventures of HK$159.8 million, but partially offset by the decrease in gross profit and increase in Administrative Expenses and finance costs in the current year.

Segment

Sports Destinations Development

Sports destinations development segment mainly comprises operation of sports parks, sports centres and ice-skating rinks; property development for sales and investment; and sales of construction materials. Due to adjustment in corporate strategy, the Group focused on developing and investing in sports destinations and related opportunities with enormous growth prospect in China. Meanwhile, it has largely scaled down the sales of construction materials and has fine-tuned its operation policy to asset-light policy during the year.

The sports destinations development segment generated revenue totalling HK$268.6 million (2018: HK$771.3 million) for the year ended 31 December 2019, which represents a decrease of HK$502.7 million or 65.2% as compared to the year of 2018. The decrease in sports destinations development segment's revenue was mainly attributable to a decrease in sales of construction materials, but partially net off by the increase in operating revenue of sports parks and sports centres. The operating revenue of sports parks recorded an encouraging growth of 229.8% during the year as compared to the prior year, driven by the increase in sports training fees, venue facilities hiring income and sales of merchandise through the operation of new sports parks and sports centres. The segment revenue was mainly derived from the operations of sports park and sports centres, and sales of goods as the Group continues to expand the sports destinations network. Operation of ice-skating rinks will generate revenue to the sports destinations development segment in the year of 2020. Taking into account the expenses incurred for potential projects, this segment reported an operating loss of HK$70.7 million (2018: operating profit of HK$10.2 million) during the year which represented a decrease of HK$80.9 million. The decrease was mainly due to the decrease in sales of construction materials, community development consultancy service income and other one-off operating expenses compared with the prior year.

The Group's long-term strategy is to build a comprehensive sports destinations network and it has been dedicating its effort to promote a sportive and healthy lifestyle in the community. Echoing the PRC government's strategy to promote nationwide physical fitness, the Group actively seeks cooperation with different prospective contracting parties, including local governments, property development and construction companies, and established financial institutions by asset-light means. The Group has been selecting suitable cooperation opportunities to invest in and operate potential sports destinations projects, including sports parks and sports centres, and sports-related commercial opportunities.

In March 2019, the Group acquired 100% of the issued shares in Joy Top Management Limited, the operator of three of the sports destinations. During the year, two sports destinations, namely Nantong Li Ning Sports Centre (located in Gangzha District of Nantong City in Jiangsu Province) and Tianjin Li Ning Sports Centre (located in Xiqing District of Tianjin Municipality) commenced operation. Both sports destinations are committed to promoting national fitness across their respective neighborhoods, whilst bringing new sources of revenue for the Group starting from the second quarter of 2019.

In December 2019, the Group completed the acquisition of the entire issued share capital of Rise Mode Investments Limited with 13 ice-skating rinks, at a consideration of HK$290.0 million. Upon the completion of the transaction, the business of the acquisition target is included in the sports destinations development segment.

Sports

The sports segment currently encompasses coordination and investment of sports competitions and events, management and operation of an esports club, sports talent management, and sports-related marketing and consultancy services. For the year ended 31 December 2019, our sports segment generated revenue totalling HK$356.4 million (2018: HK$363.3 million), representing a slight decrease of 1.9%. The decrease in sports segment's revenue was mainly due to the decrease in revenue generated from sports content production and distribution but partially off set by additional revenue generated by esports business. The sports segment recorded an operating profit of HK$22.9 million (2018: operating profit of HK$51.9 million). The decrease in operating profit was mainly due to the decrease in gross profit and increase in operating expenses mainly generated by esports business acquired during the year.

It is the Group's strategy to drive the establishment of an integrated sports platform by leveraging the existing resources of its sports business. During the year, the Group continued its effort to capture and maximise the commercial values of its sports resources, and encourage social participation in sporting activities through commercial management of popular sports events and competitions, operation of an esports club, sports talent management, as well as provision of sports-related marketing and consultancy services.

In April 2019, the Group acquired 100% equity interest in 上海益書網絡科技有限公司 (Shanghai Yishu Network Technology Co., Ltd.*) for 80% ownership of "Snake Esports" which was rebranding as "LNG Esports" during the year. Upon the completion of the transaction, the esports business of the acquisition target is included in the sports segment.

Financial Position

As at 31 December 2019, the net assets value of the Group has decreased to HK$3,059.6 million from HK$3,934.5 million as at 31 December 2018. The decrease was mainly due to the net effect of the payment of a special dividend of HK$1,667.1 million and the gain on disposal of 6.8% interest in an associate (Li Ning Co) amounting to HK$817.4 million during the year.

The total non-current assets of the Group has decreased from HK$3,867.7 million as at 31 December 2018 to HK$3,671.7 million as at 31 December 2019, which represents a decrease of HK$196.0 million. The decrease was mainly brought about by the disposal of partial interest in an associate (Li Ning Co) and the disposal of a subsidiary which held investment properties, but partially offset by the increase in goodwill and intangible assets arose from the acquisition of subsidiaries and the increase in recognition of right-of-use assets due to new adoption HKFRS 16 Leases during the year.

Current assets of the Group recorded an increase by HK$1.5 million from HK$1,193.3 million as at the beginning of the year to HK$1,194.8 million as at the end of the year. The key components of the current assets at the reporting date were cash and bank balances included restricted bank balances of HK$652.6 million (2018: HK$380.7 million), stock of properties, and trade debtors and bills receivable. The increase in the Group's cash and bank balance was mainly due to the proceeds from bank loans and the consideration received from the disposal of a subsidiary but partially offset by the payment of special dividend during this year.

The total current liabilities of the Group as at 31 December 2019 were HK$327.6 million, representing an increase of HK$36.6 million or 12.6% from that as at 31 December 2018. As at 31 December 2019, the key components of non-current liabilities were bank loan of HK$1,256.0 million and non-current lease liabilities of HK$169.3 million, while prior year's key components of non-current liabilities were the carrying amounts of the liability component of the convertible notes of HK$819.6 million and non-current deferred income of HK$10.0 million. The convertible notes were replaced by new bank loan with lower costs in December 2019.

Liquidity and Financial Resources

The Group recorded a net cash inflows in operations for the current year of HK$41.3 million, representing an increase of HK$182.5 million compared to last year (2018: net cash outflows of HK$141.2 million). The increase in operating cash inflows was mainly due to the increase in collection of trade debtors and bills receivable, compared to last year. A net cash inflows in investing activities of HK$1,595.1 million for the current year (2018: HK$57.4 million), representing an increase of HK$1,537.7 million compared to last year. The investing cash inflows in 2019 was mainly due to the proceeds from partial disposal of interest in an associate and the proceeds from disposal of a subsidiary during the year, while the investing cash inflows in 2018 was mainly due to the proceeds from disposal of investment properties and dividend received from associates. A net cash outflows from financing activities of HK$1,354.2 million for the current year (2018: HK$20.2 million), representing an increase of HK$1,334.0 million compared to last year. The financing cash outflows in 2019 was mainly due to the dividend paid and redemption of convertible notes but partially offset by the proceeds from bank loan during the year. The HK$778.0 million convertible notes were repaid fully by the new bank loan proceeds. As a result, the cash and cash equivalent of the Group as at 31 December 2019 increased by HK$268.6 million from the beginning of the year.

The Group had banking facilities of HK$1,648.5 million (2018: HK$460.0 million), of which HK$1,256.0 million has been utilised (2018: HK$40.0 million have been utilised) as at 31 December 2019. The Group's gearing ratio was approximately 0.20 (2018: 0.11) as at 31 December 2019. The Group defines gearing ratio as ratio of net debt over equity plus net debt in which net debt represents total bank and other borrowings less cash and bank balances (including restricted bank balances). The current ratio (ratio of current assets to current liabilities) of the Group as at 31 December 2019 was approximately 3.6 (2018: 4.1). The Group's gearing level and liquidity position has been maintained at a healthy level as at the reporting date. It is the Group's strategy to maintain a healthy and effective gearing ratio in a range of 0 to 1.

Financial Management Policy and Foreign Currency Risk

The Group's finance division at its headquarters in Hong Kong manages the financial risks of the Group. One of the key objectives of the Group's treasury policies is to manage its exposure to fluctuations in foreign currency exchange rates. It is the Group's policy not to engage in any speculative activities. As the Group operates primarily in Hong Kong and the PRC, most of the revenue and trading transactions are settled in either HK$ or RMB. Accordingly, the majority of the Group's net current assets were denominated in either HK$ or RMB. Deposits placed in various banks are mainly denominated in these two currencies. The Group maintains its proportion of deposits in RMB and HK$ in line with its future business and investment plans. The policies in place to manage foreign currency risk have been followed by the Group for several years and are considered to be effective with the current foreign currency risk still manageable. The Group has assessed its foreign exchange rate risk exposure and has not entered into any foreign exchange hedging arrangement during the year and as at the reporting date.

Charge on Assets

As at 31 December 2019, interests in an associate with carrying amount of approximately HK$1,065.1 million (2018: HK$875.7 million) had been charged as security for a bank borrowing of a subsidiary.

Commitments for Property Development/Capital Expenditure

As at 31 December 2019, the Group had commitments totalling HK$590.1 million in relation to capital contribution to the Sports Cultural Industry Fund, associates and joint ventures and for property development in the PRC which were contracted but not provided for (2018: HK$616.9 million).

Material Transactions

The Group entered into the following material transactions:

(a) On 25 March 2019 the Group announced the sale of 6.8% of the total issued share capital in Li Ning Co by way of placing. The placing completed on 27 March 2019 and all the relevant sale shares were placed with net proceeds of HK$1,719.7 million received. The placing represented an opportunity to realise part of the investment by the Group in Li Ning Co.

As a result of the placing, the Group recorded a gain from partial sale of investment in an associate which contributed to the significant increase in the Group's attributable to owners for the reporting period as compared to the corresponding period in 2018. The Group also derecognised the carrying value of the associate proportionate to the percentage reduced, reclassify a proportionate amount of the exchange fluctuation reserve previously recognised to the consolidated financial statement. For details, please refer to the announcements of the Company dated 25 March, 28 March, 9 April 2019 and the circular of the Company dated 6 May 2019.

(b) On 9 April 2019, the Board declared a special dividend of HK$0.148 per share of the Company to the shareholders, amounting to approximately HK$1,311.9 million in total, following the placing as a gesture of rewarding their constant support to the Company, and approved a payment of an equivalent amount of dividends declared by the Company to the holders of the outstanding convertible bonds issued by the Company in November 2013, on an as-converted basis, amounting to approximately HK$355.2 million in total. Such payments were made on 10 May 2019. The remaining proceeds in the amount of approximately HK$52.6 million from the placing was applied as working capital of the Group.

(c) In April 2019, the Group completed the acquisition of 100% equity interest in 上海益書網絡科技有限公司 (Shanghai Yishu Network Technology Co., Ltd.*) (which holds 80% equity interest in 上海內盛網絡科技有限公司 (Shanghai Neisheng Network Technology Co., Ltd.*)) at a consideration of RMB89.2 million. Following the acquisition, the Group holds 80% ownership of "Snake Esports" with a League of Legends ("**LOL**") team serving as a backbone of League of Legends Pro League (LPL), the most established and professional event under the leading Chinese e-sports series LOL. In May 2019, "Snake Esports" has been formally renamed as "LNG Esports" with a fresh team logo. The Group expects to leverage its extensive sports resources and managerial experience to providing more professional practices for the business model and long-term development of LNG as well as the Chinese esports industry at large, in addition to creating value and commercial opportunities for sustainable development.

(d) In December 2019, the Group completed the disposal of the entire issued share capital in Shenyang Zhao Huan Modern Construction Industry Park Limited（沈陽兆寰現代建築產業園有限公司）, a wholly-owned subsidiary of the Group at a consideration of RMB87.0 million. The net proceeds arising from the disposal will be used for working capital of the Group.

(e) In December 2019, the Group completed the acquisition of the entire issued share capital of Rise Mode Investments Limited at a consideration of HK$290.0 million. Following the acquisition, Rise Mode Investments Limited became a wholly-owned subsidiary of the Group. Rise Mode Investments Limited and its subsidiaries are principally engaged in the business of management and operation of ice-skating rinks in the PRC. It currently operates 13 ice-skating rinks across the PRC, particularly in first- and second-tier cities such as Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Hangzhou, Suzhou and Wuhan, etc. The acquisition is a strategic initiative in line with the Group's business strategy of sports destinations development, and will further diversify and enrich the sports destinations portfolio of the Group.

Employees and Remuneration Policies

Staff remuneration comprised of monthly salaries, mandatory provident fund contributions, medical benefits, housing benefits, education allowances and discretionary share options issued based on their contribution to the Group. Staff costs (including the Directors' remuneration) for the year ended 31 December 2019 amounted to HK$92.6 million (2018: HK$76.2 million). The Group also engages professional consultants to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 31 December 2019, the Group employed 659 full-time employees (2018: 355) and their remuneration was calculated with reference to the market rates.

For the Year Ended 31 December 2020

Financial Review

Results

For the year ended 31 December 2020, the Group's consolidated revenue was HK$819.0 million (2019: HK$625.0 million), representing an increase of 31.0%. Revenue from "sports and lifestyle consumables" business was significantly increased by HK$439.0 million, which was mainly due to the acquisition of Bossini Group in late July 2020. However, "sports experience" business recorded a decrease in revenue amounting to HK$245.0 million as outbreak of COVID-19 resulted in the closure of sports parks, sports centres and ice-skating rinks during February to March 2020 and postponement and cancellation of sports competitions and events. Moreover, the Group has also faded out the construction materials business which led to a decrease in revenue of HK$187.4 million. Gross profit of the Group for the year ended 31 December 2020 was HK$330.8 million (2019: HK$123.2 million), representing an increase of HK$207.6 million or 168.5% as compared to the previous year. Increase in gross profit was mainly contributed by the sports and lifestyle consumables business through the acquisition of Bossini Group.

The Group's other income and other gains – net for the year amounted to HK$1,359.1 million (2019: HK$890.6 million). Other income and other gains – net during the period was mainly attributable to the gain on disposal of 2.85% (2019: 6.8%) of the total issued share capital in Li Ning Co amounting to HK$1,023.0 million (2019: HK$817.4 million), gain on bargain purchase of HK$245.3 million (2019: HK$ nil) and government grants of HK$33.2 million (2019: HK$20.3 million).

Selling and distribution expenses for the year amounted to HK$224.4 million (2019: HK$47.7 million), representing a significant increase of HK$176.7 million or 370.4% as compared to the year of 2019. The increase was attributable to the expenses from i) Bossini Group which was acquired in late July 2020 and ii) ice-skating rinks business which was acquired in December 2019.

Administrative expenses and other operating expenses together with net impairment gains/(losses) on financial assets (the "**Administrative Expenses**") incurred for the year amounted to HK$453.4 million (2019: HK$355.8 million) which represented an increase of HK$97.6 million or 27.4% as compared to the year of 2019. The increase in Administrative Expenses was primarily attributable to i) the impairment loss on goodwill and intangible assets of HK$130.1 million (2019: HK$31.4 million) due to the unpredictable poor performance of the business and slower pace of generic growth as a result of outbreak of COVID-19 and ii) expenses of Bossini Group amounting to HK$124.3 million were included in the Group's consolidated financial statements since late July 2020; but the increase was partially offset by i) decrease in impairment loss of trade receivables and other receivables of HK$82.2 million and ii) the absence of impairment loss of investment in a joint venture (2019: HK$17.4 million) in the current year.

Finance costs for the year ended 31 December 2020 amounted to HK$65.1 million (2019: HK$118.3 million). The decrease in finance costs was primarily attributable to the re-financing by redemption of convertible notes in December 2019 which bore a higher interest rate.

The Group held approximately 331,202,000 ordinary shares of Li Ning Co Limited ("**Li Ning Co**") and approximately RMB204.2 million registered and paid-up capital of CITIC Land Co., Ltd ("**CITIC Land**") as at 31 December 2020, representing 13.3% equity interests in Li Ning Co and 29% equity interests in CITIC Land, respectively as well as 35.1% and 5.7% on the Group's total assets as at 31 December 2020, respectively.

Investment costs of Li Ning Co and CITIC Land as at year ended 31 December 2020 were HK$1,699.5 million and HK$381.5 million respectively. Dividend received from Li Ning Co was HK$56.0 million during the year ended 31 December 2020.

Li Ning Co's principal activities include brand development, design, manufacture, sale and distribution of sport-related footwear, apparel, equipment and accessories in the PRC.

CITIC Land's principal activities include property development and operation; property management; hotel investment and management; construction project and facilities contracting and equipment installations; decoration units; landscaping; property development consultancy.

Li Ning Co and CITIC Land are accounted for as associates of the Group. The Group has adopted the provision contained in HKAS 28 whereby it is permitted to include the attributable share of associate's results based on the financial statements drawn up to a non-coterminous period end where the difference must be no greater than three months. During the year, the Group shared the results of Li Ning Co based on its adjusted financial results for the twelve months ended 30 September 2020 adjusted by any significant events or transactions for the period from 1 October 2020 to 31 December 2020. There is no non-coterminous period end for other associates and joint ventures.

Li Ning Co's adjusted net profit for the year amounted to HK$1,771.4 million (2019: HK$1,492.3 million), representing a year-on-year increase of 18.7%. This was mainly attributable to the increase in revenue and gross profit margin together with better control over expense of Li Ning Co.

Li Ning Co will continue to promote the strategy of "Single Brand, Multicategories, Diversified Channels", strengthen and improve the core business focuses, remain devoted to create LI-NING's experience value, and focus on enhancing efficiency in order to achieve healthy and sustainable profit growth in the future. Backed by various favorable policies to support the development of the sports industry and the consumption upgrade driven by national economic growth, consumption concept of the general public has changed gradually with more and more consumers giving great consideration to product innovation and brand value. Along with the increasingly mature consumption concept, consumption demand of people will become more refined and diverse, which will pose even more challenges to the brand and product competitiveness in the market.

Investment in Li Ning Co aligns with the Group's strategy to expand its business scope along the sports value chain in the PRC. The long term commitment to build an integrated platform allows the Group to create synergies and reap crossover benefits among its various business components to the greatest extent in the long run, enabling the Group to explore further strategic development opportunities, including sports marketing and sponsorship opportunities. Meanwhile, aligned utilisation of resources in hand, including the sports talents or sports events and sports destinations network, would be promoted between Li Ning Co and the Group for growing their businesses together as well as possibly expanding the markets for certain types of sports in China.

CITIC Land's net profit for the year amounted to HK$12.4 million (2019: HK$10.9 million).

By leveraging the Group's existing sports resources and the "CITIC Land" brand's reputation, the Group can strengthen its execution capability in sports destinations development in the PRC via the redevelopment project in central business district in Beijing.

During the year, the Group shared the profits less losses of associates and joint ventures amounting to HK$266.4 million (2019: HK$342.1 million). The decrease was mainly due to the decrease in contributions from i) Li Ning Co of HK$13.0 million due to the reduction of shareholding in Li Ning Co and ii) Double Happiness of HK$61.3 million due to the absence of one-off gain in the current year.

During the year, the Group has recorded a net profit attributable to equity holders of HK$1,192.4 million comparing to a net profit attributable to equity holders of HK$834.4 million for the year 2019. The increase was mainly due to the gain on disposal of partial interest in an associate (Li Ning Co) of HK$1,023.0 million (2019: HK$817.4 million) and gain on bargain purchase from the acquisition of Bossini of HK$245.3 million, but partially offset by the decrease in share of profits of associates and joint venture amounting to HK$75.7 million in the current year.

Segment

Sports and lifestyle consumables

The Group launched the "sports and lifestyle consumables" business at the end of 2019 to capture opportunities in sports life-related consumer products market in China.

In the third quarter of 2020, the Group completed the acquisition of approximately 66.5% of the entire issued share capital of Bossini. Bossini Group is engaged in the retail and distribution of casual wear garments and is a well-known apparel brand in the industry. Thereafter, Bossini became a non-wholly-owned subsidiary of the Group, which bring new sources of revenue for the Group starting from the third quarter of 2020.

Apart from the acquisition of Bossini Group, the Group officially launched a new series of apparel and footwear under the "LNG" brand. The target customers of the "LNG" brand are youngsters. Apart from the existing distributors and e-commerce platform such as T-mall, JD.com, Wechat Mini Program, the Group is in discussion with some other distributors to expand its distribution network. The Group is cautiously monitoring the market and has commenced operation of the physical retail stores in the first quarter of 2021.

The sports and lifestyle consumables segment generated revenue of HK$439.0 million and recorded an operating loss of HK$93.5 million for the year ended 31 December 2020.

Sports Destinations Development

Currently, sports destinations development segment mainly comprises operation of sports parks, sports centres and ice skating rinks; provision of community development consultancy; and property development for sales and investment.

The Group has been dedicating its effort to promote a sportive and healthy lifestyle in the community. Echoing the PRC government's strategy to promote nationwide physical fitness, the Group actively seeks cooperation with different prospective contracting parties, including local governments, property development and construction companies, and established financial institutions. The Group has been selecting suitable cooperation opportunities to invest in and operate potential sports destinations projects, including sports centres and sports parks, and sports-related commercial opportunities that promote healthier living and sports awareness in the PRC.

The sports destinations development segment generated revenue of HK$169.2 million (2019: HK$268.6 million) for the year ended 31 December 2020, which represented a decrease of HK$99.4 million or 37.0% as compared to the year of 2019. The decrease in sports destinations development segment's revenue was mainly attributable to a significant scale down of construction materials business as a result of adjustment in corporate strategy, which led to a decrease in sales of construction materials, but partially net off by the increase in operating revenue of sports parks, sports centres and ice-skating rinks as the Group continues to expand the sports destinations network. The Group's strategy is to expand its sports destinations network, and expects that more sports destinations and facilities will be operated by the Group. Taking into account lower than expected revenue due to the business lockdown as a result of outbreak of COVID-19 which all sports parks, sports centres and ice-skating rinks were closed from February to March 2020 and they have gradually resumed normal operation since April 2020, this segment reported an operating loss of HK$12.3 million during the year (2019: operating loss of HK$70.7 million).

Sports team and event management

The sports team and event management segment continued its business which encompasses coordination and investments of sports competitions and events, management and operation of an e-sports club, sports talent management, and sports-related marketing and consultancy services. For the year ended 31 December 2020, our sports segment generated revenue of HK$210.9 million (2019: HK$356.4 million), which represents a decrease of HK$145.5 million or 40.8% as compared to the year of 2019. The decrease in sports team and event management segment's revenue was mainly due to the postponement or cancellation of sports competitions and events as a result of outbreak of COVID-19. The sports segment recorded an operating loss of HK$6.0 million (2019: operating profit of HK$22.9 million), which represented a decrease of 126.2%.

Financial Position

Net assets value of the Group has increased from HK$3,059.6 million as at 31 December 2019 to HK$4,531.3 million as at 31 December 2020. The increase was mainly due to the gain on disposal of partial interest in an associate (Li Ning Co) amounting to HK$1,023.0 million during the year.

The total non-current assets of the Group has increased from HK$3,671.7 million as at 31 December 2019 to HK$3,975.2 million as at 31 December 2020, which represents an increase of HK$303.5 million. The increase was mainly resulted from the increase in right-of-use assets and investment properties arisen from the acquisition of Bossini Group, but partially offset by the disposal of partial interest in an associate (Li Ning Co) during the year.

Current assets of the Group recorded an increase by HK$1,680.0 million from HK$1,194.8 million as at the beginning of the year to HK$2,874.8 million as at the end of the year. The key components of the current assets at the reporting date were cash and bank balances included restricted bank balances of HK$1,861.1 million (2019: HK$652.6 million), trade debtors and bills receivable. The increase in the Group's cash and bank balance was mainly due to the consideration received from the disposal of partial interest in an associate but partially offset by the payment of special dividend during this year.

The total current liabilities of the Group as at 31 December 2020 were HK$694.9 million, representing an increase of HK$367.3 million or 112.1% from that as at 31 December 2019. As at 31 December 2020, the key components of non-current liabilities were bank loan of HK$1,256.0 million (2019: HK$1,256.0 million) and non-current lease liabilities of HK$273.5 million (2019: HK$169.3 million).

Liquidity and Financial Resources

The Group recorded a net cash inflows in operations for the current year of HK$294.4 million, representing an increase of HK$253.1 million compared to last year (2019: net cash inflow of HK$41.3 million). The increase in operating cash inflows was mainly due to the continuous collection of trade debtors. A net cash inflows in investing activities of HK$1,401.6 million for the current year (2019: HK$1,595.1 million), representing an decrease of HK$193.5 million compared to last year. The cash inflows from investing activities in 2019 and 2020 was mainly due to the proceeds from disposal of partial interest in an associate. A net cash outflows from financing activities of HK$501.2 million for the current year (2019: HK$1,354.2 million), representing a decrease of HK$853.0 million compared to last year. The financing cash outflows in 2020 and 2019 was mainly due to the dividend payment and payment of lease liabilities. As a result, the cash and cash equivalent of the Group as at 31 December 2020 increased by HK$1,208.2 million from the beginning of the year.

The Group had banking facilities of HK$1,256.0 million (2019: HK$1,648.5 million), all of which has been utilised (2019: HK$1,256.0 million) as at 31 December 2020. The Group's gearing ratio was approximately 0 (2019: 0.20) as at 31 December 2020. The Group defines gearing ratio as ratio of net debt over equity plus net debt in which net debt represents total bank and other borrowings less cash and bank balances (including restricted bank balances). The current ratio (ratio of current assets to current liabilities) of the Group as at 31 December 2020 was approximately 4.1 (2019: 3.6). The Group's gearing level and liquidity position has been maintained at a healthy level as at the reporting date. It is the Group's strategy to maintain a healthy and effective gearing ratio in a range of 0 to 1.

Financial Management Policy and Foreign Currency Risk

The Group's finance division at its headquarters in Hong Kong manages the financial risks of the Group. One of the key objectives of the Group's treasury policies is to manage its exposure to fluctuations in foreign currency exchange rates. It is the Group's policy not to engage in any high-risk investment activities. As the Group operates primarily in Hong Kong and the PRC, most of the revenue and trading transactions are settled in either HK$ or RMB. Accordingly, the majority of the Group's net current assets were denominated in either HK$ or RMB. Deposits placed in various banks are mainly denominated in these two currencies. The Group maintains its proportion of deposits in RMB and HK$ in line with its future business and investment plans. The policies in place to manage foreign currency risk have been followed by the Group for several years and are considered to be effective with the current foreign currency risk still manageable. The Group has assessed its foreign exchange rate risk exposure and has entered into forward currency contracts to mitigate foreign currency risk during the year and as at the reporting date.

Charge on Assets

As at 31 December 2020, interests in an associate with carrying amount of approximately HK$1,315.7 million (2019: HK$1,065.1 million) had been charged as security for a bank borrowing of a subsidiary.

Commitments for Property Development/Capital Expenditure

As at 31 December 2020, the Group had commitments totalling HK$27.4 million in relation to capital contribution to the Sports Cultural Industry Fund, associates and joint ventures and for property development in the PRC which were contracted but not provided for (2019: HK$590.1 million).

Material Transactions

The Group entered into the following material transactions:

(a) On 1 April 2020, the Group announced the sale of 2.85% of the total issued share capital in Li Ning Co by way of placing (the "**Placing**"). The Placing was completed on 3 April 2020 and all the relevant sale shares were placed with net proceeds of HK$1,493.5 million received. The Group's equity interests in Li Ning Co have decreased from approximately 16.3% to approximately 13.5% immediately after the completion of Placing. The Placing represented an opportunity to realise part of the investment by the Group in Li Ning Co. For details, please refer to the announcements of the Company dated 1 April 2020 and the circular of the Company dated 13 May 2020.

(b) On 14 May 2020, Dragon Leap Development Limited (a company with 80% shares held by the Group, "**Dragon Leap**") entered into an agreement which conditionally agreed to acquire 1,093,091,098 shares of Bossini, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 592), representing approximately 66.6% of the entire issued share capital of Bossini as at 14 May 2020. The consideration for the transaction was HK$46,620,000. The acquisition was completed in July 2020 and thereafter, Bossini became a non-wholly owned subsidiary of the Group. Following completion, Dragon Leap owns approximately 66.6% of the entire issued share capital of Bossini and is required to make a mandatory unconditional cash offer for all the issued shares of Bossini (other than those already owned or agreed to be acquired by Dragon Leap and parties acting in concert with it) and an offer to cancel all outstanding share options of Bossini (collectively, the "**Offers**"). The Offers were closed on 14 August 2020 and the Group holds approximately 66.5% of the total number of issued shares of Bossini immediately after the close of the Offers.

Bossini and its subsidiaries are principally engaged in the retail and distribution of casual wear garments. Over the past two decades, Bossini has rapidly established an extensive international operating platform and distribution network that extended to a total of 287 directly managed stores and 799 export franchised stores in 30 different countries and regions as at 31 December 2019. With the established operating track record of the Group in the PRC over the last decade, its core businesses have laid a solid foundation for the Group in the sports-related sector market in the PRC. The Group believes that the apparel consumer market in the PRC has immense market potentials given the increasing public awareness of health and well-being lifestyle of the population across all ages. With the profound experience possessed by the management team of the Group and also the long established household name of Bossini in the region, the Board believes that there would be much synergy between the business of Bossini and that of the Group in penetrating the PRC markets for Bossini's products, and the crossover of intergroup products and sales after completion of the acquisition. Further details of the above were set out in the Company's announcements dated 14 May 2020, 30 June 2020, 21 July 2020, 24 July 2020 and 14 August 2020, and the circular of the Company dated 24 June 2020 and the composite and response document relating to the Offers dated 24 July 2020.

(c) Pursuant to a loan agreement (the "**Loan Agreement**") entered into between Viva China Consumables Limited ("**Viva China Consumables**" or the "**Lender**", formerly known as Viva China Entertainment Holdings Limited), a wholly owned subsidiary of the Company and LionRock Capital GP Limited acting in its capacity as the general partner (the "**General Partner**") of LionRock Capital Partners QiLe L.P. (the "**Borrower**" or "**LionRock**") on 28 September 2020, the Lender has agreed to provide a facility of GBP54,000,000 (the "**Facility**") to the Borrower at an interest rate of 4% per annum for financing the acquisition or subscription of equity interests in a target company by LionRock Capital Partners QiLe Limited (the "**SPV**"), a company wholly owned by LionRock.

The Group completed the sale of shares by way of Placing with net proceeds of approximately HK$1,493.5 million. The Group wishes to fully utilize its financial resources. Given the Borrower is in need of financing for making certain investment and the interest income expected to be generated from the loan agreement is higher than depositing the cash of the Group into commercial banks, the Group decided to provide financial assistance to the Borrower which allows the Group to maximize the return of its financial resources. In addition, the General Partner is an experienced private equity firm in Asia's consumer sector with investments in a wide range of businesses including consumer products, sports and food and beverages. The Group considered that this would provide a good opportunity for the Group to establish business relationship with the General Partner and also to review the investment of the Borrower and explore participation if appropriate opportunities suitable for the Group shall arise.

On 15 March 2021, the Lender entered into a subscription agreement (the "**Agreement**") with the Borrower and the SPV pursuant to which the Lender conditionally agreed to subscribe for 510 shares of the SPV at a subscription price of GBP51,000,000 (the "**Subscription Price**", and the "**Subscription**", respectively) and acquire a shareholder's loan (the "**Purchase Shareholder's Loan**") from the Borrower at a consideration of GBP51,000,000 (the "**Consideration**", and the "**Shareholder's Loan Transaction**", respectively). The Consideration payable by the Lender to the Borrower shall be deemed to be satisfied at completion of the Subscription (the "**Completion**") by setting off an amount equal to the Consideration against an outstanding amount of GBP 51,000,000 which has been drawn down and remains outstanding under the Loan Agreement (the "**Outstanding Amount**"). Upon consummation of the Shareholder's Loan Transaction at Completion, the Outstanding Amount shall be deemed to have been irrevocably and unconditionally repaid in full by the Borrower to the Lender in accordance with the terms of the Loan Agreement and all unpaid interest which has been accrued pursuant to the Loan Agreement shall be deemed irrevocably and unconditionally waived by the Lender. The Subscription Price payable by the Lender to the target at Completion shall be setting off an amount equal to the Subscription Price against the Purchase Shareholder's Loan, and the Purchase Shareholder's Loan owed by the SPV to the Lender (being the new lender of the Purchase Shareholder's Loan as from the consummation of the Shareholder's Loan Transaction) shall be deemed fully paid and satisfied in full and are the Purchase Shareholder's Loan shall be terminated.

The SPV holds a majority interest in C&J Clark (No 1) Limited ("**Clark**") which is principally engaged in wholesaling and retailing of shoes and trading in the brand name "Clarks". Upon Completion, the target and its subsidiaries (including Clark) will become indirect non-wholly owned subsidiaries of the Company.

For details of the Loan Agreement, please refer to the announcements of the Company dated 28 September 2020. For details of the Agreement, please refer to the announcements of the Company dated 14 January 2021 and 15 March 2021.

As at 31 December 2020, the outstanding amount of loan was HK$271,874,000 (equivalent to GBP25,726,000). As at the Latest Practicable Date, the outstanding amount of loan was HK$575,663,000 (equivalent to GBP53,550,000).

Employees and Remuneration Policies

Staff remuneration comprised of monthly salaries, mandatory provident fund contributions, medical benefits, housing benefits, education allowances and discretionary share options issued based on their contribution to the Group. Staff costs (including the Directors' remuneration) for the year ended 31 December 2020 amounted to HK$199.8 million (2019: HK$92.6 million). The Group also engages professional consultants to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 31 December 2020, the Group employed approximately 2,300 full-time employees (2019: 700) and their remuneration was calculated with reference to the market rates. Significant increase in staff cost and headcount was mainly due to the acquisition of Bossini in late July 2020.

For the Year Ended 31 December 2021

Financial Review

Results

For the year ended 31 December 2021, the Group's consolidated revenue was HK$1,381.6 million (2020: HK$819.0 million), representing an increase of 68.7%. The increase in revenue was mainly contributed by i) the Group's multi-brands and footwears business through the organic growth of LNG brand and the acquisition of Bossini International Holdings Limited ("**Bossini**", together with its subsidiaries, the "**Bossini Group**") in late July 2020, and ii) the recovery of sports experience segment from the pandemic. Gross profit of the Group for the year ended 31 December 2021 was HK$572.4 million (2020: HK$330.8 million), representing an increase of HK$241.6 million or 73.0% as compared to the previous year, which was in line with the increase in revenue.

The Group's other income and other gains – net for the year amounted to HK$4,548.1 million (2020: HK$1,359.1 million). Other income and other gains net – during the period was mainly attributable to i) the gain on disposal of partial interest in an associate (Li Ning Co) amounting to HK$3,338.8 million (2020: HK$1,023.0 million), ii) the deemed dilution gain arising from the decrease of 0.5% shareholding in an associate (Li Ning Co) amounting to HK$978.0 million (2020: nil), iii) fair value gain on investment properties of HK$74.8 million (2020: fair value loss of HK$1.4 million), iv) fair value gain on financial assets/liabilities at fair value through profit or loss HK$20.1 million (2020: HK$3.6 million), v) the gain on disposal of a subsidiary of HK$52.9 million (2020: nil), vi) government grants of HK$34.1 million (2020: HK$33.2 million), vii) interest income of HK$13.2 million (2020: HK$18.3 million), and viii) royalty income of HK$12.1 million (2020: HK$4.5 million).

Selling and distribution expenses for the year amounted to HK$572.4 million (2020: HK$224.4 million), representing a significant increase of HK$348.0 million or 155.1% as compared to the year of 2020. The increase was mainly attributable by i) the expenses from Bossini Group which was acquired in late July 2020, ii) increase in selling expenses' staff cost due to expansion of multi-brand apparel and footwear consumable goods business, and iii) impairment loss on property, plant and equipment and right-of-use assets amounted to HK$87.2 million in current year.

Administrative expenses and other operating expenses together with reversal of impairment loss/(impairment loss) on financial assets-net (the "**Administrative Expenses**") incurred for the year amounted to HK$493.6 million (2020: HK$453.4 million) which represented an increase of HK$40.2 million or 8.9% as compared to the year of 2020. The increase in Administrative Expenses was mainly contributed by i) the administrative expenses from Bossini Group which was acquired in late July 2020 with an increment of HK$113.6 million in current year, and ii) increase in share option expenses (excluding Bossini Group) by HK$28.3 million. The increase is offset by the absence of impairment on intangible assets in current year (2020: HK$130.1 million).

Finance costs for the year ended 31 December 2021 amounted to HK$37.0 million (2020: HK$65.1 million). The decrease in finance costs was primarily attributable to i) the decrease in interest rate in the current year and ii) bank loans were fully settled in June 2021.

The Group held approximately 271,202,000 ordinary shares of Li Ning Co Limited ("**Li Ning Co**") as at 31 December 2021, representing 10.4% equity interests in Li Ning Co and 38.1% on the Group's total assets as at 31 December 2021.

Investment costs of Li Ning Co as at year ended 31 December 2021 was HK$1,362.9 million. Dividend received from Li Ning Co was HK$67.4 million during the year ended 31 December 2021.

Li Ning Co's principal activities include brand development, design, manufacture, sale and distribution of sport-related footwear, apparel, equipment and accessories in the PRC.

Li Ning Co is accounted for as associates of the Group. The Group has adopted the provision contained in HKAS 28 whereby it is permitted to include the attributable share of associate's results based on the financial statements drawn up to a non-coterminous period end where the difference must be no greater than three months. During the year, the Group shared the results of Li Ning Co based on its adjusted financial results for the twelve months ended 30 September 2021 adjusted by any significant events or transactions for the period from 1 October 2021 to 31 December 2021. There is no non-coterminous period end for other associates and joint ventures.

Li Ning Co's adjusted net profit for the year amounted to HK$4,119.5 million (2020: HK$1,771.4 million), representing a year-on-year increase of 132.6%. This was mainly attributable to the increase in revenue and net profit margin.

Li Ning Co will continue to promote the strategy of "Single Brand, Multicategories, Diversified Channels", strengthen and improve the core business focuses, remain devoted to create LI-NING's experience value, and focus on enhancing efficiency in order to achieve healthy and sustainable profit growth in the future. Backed by various favorable policies to support the development of the sports industry and the consumption upgrade driven by national economic growth, consumption concept of the general public has changed gradually with more and more consumers giving great consideration to product innovation and brand value. Along with the increasingly mature consumption concept, consumption demand of people will become more refined and diverse, which will pose even more challenges to the brand and product competitiveness in the market.

Investment in Li Ning Co aligns with the Group's strategy to expand its business scope along the sports value chain in the PRC. The long term commitment to build an integrated platform allows the Group to create synergies and reap crossover benefits among its various business components to the greatest extent in the long run, enabling the Group to explore further strategic development opportunities, including sports marketing and sponsorship opportunities. Meanwhile, aligned utilisation of resources in hand, including the sports talents or sports events and sports destinations network, would be promoted between Li Ning Co and the Group for growing their businesses together as well as possibly expanding the markets for certain types of sports in China.

During the year, the Group shared the profits less losses of associates and joint ventures amounting to HK$492.6 million (2020: HK$266.4 million). The increase was mainly due to the increase in contribution of Li Ning Co and Double Happiness of HK$220.8 million and HK$17.9 million, respectively, due to the increase in revenue and net profit margin in the current year.

During the year, the Group has recorded a net profit attributable to equity holders of HK$4,562.6 million comparing to a net profit attributable to equity holders of HK$1,192.4 million for the year 2020, representing a significant increase of 3,370.2 million. The increase was mainly due to i) the gain on disposal of partial interest in an associate (Li Ning Co) of HK$3,338.8 million (2020: HK$1,023.0 million) and ii) the deemed dilution gain arising from the decrease of 0.5% shareholding in an associate (Li Ning Co) amounting to HK$978.0 million (2020: nil).

Segment

Multi-brands Apparels and Footwears Consumable Goods Business

The apparel consumer market in the PRC has immense market potential, especially the young new consumer groups that admire personal characteristics and possess huge consumption potentials, which will lead the trend and become an important force promoting the post-epidemic consumption. In addition to the huge consumption power arising from rapid growth of the new consumer groups, in the first year of the "14th Five-year Plan", the central government has greatly promoted the new economic development pattern and consumption model for national economic circulation, further accelerated the building of the domestic market, and driven the national consumption in 2021.

Bossini, a well-known lifestyle apparel brand of the Group, has integrated some young and unique elements catering for Generation Z and launched "Bossini.X", a brand with brand new positioning. The Group believes that Bossini has the potential to further promote its brand in China, however, "Bossini.X" is a brand new product line and positioning, more investments in channels and market testing are required in the future to lay the foundation for the new development of such brand.

The Group's luxury trendy brand, LNG, continues to gain its inspiration from the "young generation" which represents user bases of e-sports, animation and fashion, and create fashion brands featuring gorgeous visuals and high quality to cater for youngsters of the next generation. During the year, a number of physical stores were opened in high-end shopping areas in the first-tier cities such as Chongqing, Shanghai, Shenzhen and Nanjing, with the aim to explore the huge business opportunities from the prime consumer groups. Moreover, the LNG brand cooperates with other youthful fashion brands and launches authorised products from time to time.

In January 2022, the Group completed the acquisition of the entire issued share capital of Sitoy AT Holdings Company Limited which owns a century-old Italian luxury leader label brand, Amedeo Testoni and its diffusion line i29. Amedeo Testoni is principally engaged in wholesale and retail of leatherware, fashion garments and apparel. Through this acquisition, the Group has added high-end luxury brands to its asset portfolio and expanded existing business scale by extending its multi-brand footwear and apparel consumables network to Europe, Japan and South Korea.

On 15 March 2021, the Group announced that we conditionally agreed to subscribe for the majority share interest and acquire a shareholder's loan of LionRock Capital Partners QiLe Limited (the "**SPV**") which holds a majority interest in C&J Clark (No 1) Limited ("**Clark**"). Clarks brand has a history of nearly two hundred years. Its main markets cover the United Kingdom, and with the presence in the United States and the Greater China region. Upon completion of such transaction, the SPV and its subsidiaries (including Clark) will become indirect non-wholly owned subsidiaries of the Company. The presence of the Group's consumables business will be further expanded and synergy with our current consumables business will be created.

The multi-brands apparels and footwears segment generated revenue totaling HK$851.2 million (2020: HK$439.0 million) for the year, which represents an increase of HK$412.2 million or 93.9% as compared to the year of 2020. The increase was contributed by i) the organic growth of LNG brand, and ii) acquisition of Bossini Group in late July 2020. This segment reported an operating loss of HK$312.6 million (2020: operating loss of HK$93.5 million).

Sports Experience

Sports experience segment comprises operation, service provision and investment of sports destinations (including sports parks, sports centres and ice-skating rinks), sports competitions and events as well as an e-sports club.

For sports experience, it is the Group's strategy to drive the establishment of an integrated sports platform by leveraging on the existing resources of its sports business. The Group will therefore continue its effort to capture and maximize the commercial values of the sports resources under our management, and encourage social participation in sporting activities through commercial management of popular sports events and competitions, operation of an e-sports club, sports talent management. In the meantime, the Group has been selecting suitable cooperation opportunities to invest in and operate potential sports destination projects, including sports parks, sports centres and ice-skating rinks that promote healthier living and sports awareness in the PRC. We hope to capitalise on this opportunity where nationwide physical fitness is becoming more popular and to engage more people in more diversified sports experience by operating sports destinations that are open to the public, which is expected to benefit the medium to long term development of our business.

The sports experience segment generated revenue totaling HK$530.4 million (2020: HK$380.0 million) for the year, which represents a significant increase of HK$150.4 million or 39.6% as compared to the year of 2020. This segment reported an operating profit of HK$23.6 million during the period (2020: operating loss of HK$18.3 million). With the impact from Beijing Winter Olympics and the Chinese e-sport team's victory in the 11th League of Legends global finals, the topics on winter sports and e-sports continues to heat up, plus the recovery of the sports experience segment from the epidemic, the revenue and result of sports experience segment was largely improved compared with prior year, especially for the ice-skating rinks business and the E-sports business.

Financial Position

Net assets value of the Group has increased from HK$4,531.3 million as at 31 December 2020 to HK$7,754.4 million as at 31 December 2021. The increase was mainly due to i) the gain on disposal of partial interest in an associate (Li Ning Co) amounting to HK$3,338.8 million and ii) the deemed dilution gain arising from the decrease of 0.5% shareholding in an associate (Li Ning Co) amounting to HK$978.0 million, but the gains were partially offset by the special dividend payment of HK$1,504.1 million during the year.

The total non-current assets of the Group has increased from HK$3,975.2 million as at 31 December 2020 to HK$5,261.9 million as at 31 December 2021, which represents an increase of HK$1,286.7 million. The increase was mainly resulted from the deemed dilution gain arising from the decrease of 0.5% shareholding in an associate (Li Ning Co) amounting to HK$978.0 million.

Current assets of the Group recorded an increase by HK$973.5 million from HK$2,874.8 million as at the beginning of the year to HK$3,848.3 million as at the end of the year. The key components of the current assets at the reporting date were cash and bank balances included restricted bank balances and deposits with banks with maturity period over three months of HK$2,537.1 million (2020: HK$1,861.1 million), trade debtors and bills receivable. The increase in the Group's cash and bank balance was mainly due to the consideration received from the disposal of partial interest in an associate but partially offset by the payment of special dividend during this year.

The total current liabilities of the Group as at 31 December 2021 were HK$896.3 million, representing an increase of HK$201.5 million or 29.0% from that as at 31 December 2020. As at 31 December 2021, the key component of non-current liabilities was non-current lease liabilities of HK$362.6 million (2020: HK$273.5 million).

Liquidity and Financial Resources

The Group recorded a net cash outflow in operations for the current year of HK$37.7 million (2020: net cash inflow of HK$294.4 million). The change in operating cash flow was mainly due to the increase in inventory level. A net cash inflows in investing activities of HK$3,594.1 million for the current year (2020: HK$1,401.6 million). The cash inflows from investing activities in 2020 and 2021 was mainly due to the proceeds from disposal of partial interest in an associate. A net cash outflows from financing activities of HK$2,888.4 million for the current year (2020: HK$501.2 million), representing an increase of HK$2,387.2 million compared to last year. The net cash outflow from financing activities in the year of 2021 was mainly attributable to i) repayment of bank loan together with loan interest, totaling HK$1,272.1 million and ii) special dividend payment to shareholders amounting to HK$1,504.1 million. As a result, the cash and cash equivalent of the Group as at 31 December 2021 increased by HK$672.2 million from the beginning of the year.

The Group had banking facilities of approximately HK$205.9 million (2020: HK$1,256.0 million), of which approximately HK$12.8 million has been utilised (2020: approximately HK$1,256.0 million) as at 31 December 2021. The Group's gearing ratio was close to zero (2020: same) as at 31 December 2021. The Group defines gearing ratio as ratio of net debt over equity plus net debt in which net debt represents total bank and other borrowings less cash and bank balances (including restricted bank balances). The current ratio (ratio of current assets to current liabilities) of the Group as at 31 December 2021 was approximately 4.3 (2020: 4.1). The Group's gearing level and liquidity position has been maintained at a healthy level as at the reporting date. It is the Group's strategy to maintain a healthy and effective gearing ratio in a range of 0 to 1.

Financial Management Policy and Foreign Currency Risk

The Group's finance division at its headquarters in Hong Kong manages the financial risks of the Group. One of the key objectives of the Group's treasury policies is to manage its exposure to fluctuations in foreign currency exchange rates. It is the Group's policy not to engage in any speculative activities. As the Group operates primarily in Hong Kong and the PRC, most of the revenue and trading transactions are settled in either HK$ or RMB. Accordingly, the majority of the Group's net current assets were denominated in either HK$ or RMB. Deposits placed in various banks are mainly denominated in these two currencies. The Group maintains its proportion of deposits in RMB and HK$ in line with its future business and investment plans. The policies in place to manage foreign currency risk have been followed by the Group for several years and are considered to be effective with the current foreign currency risk still manageable. The Group has assessed its foreign exchange rate risk exposure and has entered into forward currency contracts to mitigate foreign currency risk during the year and as at the reporting date.

Charge on Assets

As at 31 December 2021, no asset has been charged as security. As at 31 December 2020, interests in an associate with carrying amount of approximately HK$1,315.7 million had been charged as security for a bank borrowing of a subsidiary.

Contingent Liabilities

As at 31 December 2021, the Group held bank guarantees given in lieu of utility and property rental deposits totaling HK$1.0 million (2020: HK$5.4 million).

Commitments for Capital Expenditure

As at 31 December 2021, the Group had commitments totaling HK$121.8 million in relation to capital contribution, acquisition of associates and joint ventures and for the purchase of property, plant and equipment which were contracted but not provided for (2020: HK$27.4 million).

Employees and Remuneration Policies

Staff remuneration comprised of monthly salaries, mandatory provident fund contributions, medical benefits, housing benefits, education allowances and discretionary share options issued based on their contribution to the Group. Staff costs (including Directors' remuneration) for the year ended 31 December 2021 amounted to HK$389.1 million (2020: HK$199.8 million). The Group also engages professional consultants to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 31 December 2021, the Group employed approximately 2,900 full-time employees (2020: 2,300) and their remuneration was calculated with reference to the market rates.

Material Transactions

The Group entered into the following material transactions:

(a) On 18 May 2021, the Group announced the sale of 2.4% of the total issued share capital in Li Ning Co by way of placing. The placing was completed on 21 May 2021 and all the relevant sale shares were placed with net proceeds of HK$3,786.9 million received. The Group's equity interests in Li Ning Co have decreased from approximately 13.3% to approximately 10.9% immediately after the completion of placing. The placing represented an opportunity to realise part of the investment by the Group in Li Ning Co. For details, please refer to the announcements of the Company dated 18 May 2021.

(b) Pursuant to a loan agreement (the "**Loan Agreement**") entered into between Viva China Consumables Limited ("**Viva China Consumables**" or the "**Lender**", formerly known as Viva China Entertainment Holdings Limited), a wholly owned subsidiary of the Company and LionRock Capital GP Limited acting in its capacity as the general partner (the "**General Partner**") of LionRock Capital Partners QiLe L.P. (the "**Borrower**" or "**LionRock**") on 28 September 2020, the Lender has agreed to provide a facility of GBP54,000,000 (the "**Facility**") to the Borrower at an interest rate of 4% per annum for financing the acquisition or subscription of equity interests in a target company by LionRock Capital Partners QiLe Limited (the "**SPV**"), a company wholly owned by LionRock.

On 15 March 2021, the Lender entered into a subscription agreement (the "**Agreement**") with the Borrower and the SPV pursuant to which the Lender conditionally agreed to subscribe for 510 shares of the SPV at a subscription price of GBP51,000,000 (the "**Subscription Price**", and the "**Subscription**", respectively) and acquire a shareholder's loan (the "**Purchase Shareholder's Loan**") from the Borrower at a consideration of GBP51,000,000 (the "**Consideration**", and the "**Shareholder's Loan Transaction**", respectively). The Consideration payable by the Lender to the Borrower shall be deemed to be satisfied at completion of the Subscription (the "**Completion**") by setting off an amount equal to the Consideration against an outstanding amount of GBP51,000,000 which has been drawn down and remains outstanding under the Loan Agreement (the "**Outstanding Amount**"). Upon consummation of the Shareholder's Loan Transaction at Completion, the Outstanding Amount shall be deemed to have been irrevocably and unconditionally repaid in full by the Borrower to the Lender in accordance with the terms of the Loan Agreement and all unpaid interest which has been accrued pursuant to the Loan Agreement shall be deemed irrevocably and unconditionally waived by the Lender. The Subscription Price payable by the Lender to the SPV at Completion shall be setting off an amount equal to the Subscription Price against the Purchase Shareholder's Loan, and the Purchase Shareholder's Loan owed by the SPV to the Lender (being the new lender of the Purchase Shareholder's Loan as from the consummation of the Shareholder's Loan Transaction) shall be deemed fully paid and satisfied in full and the Purchase Shareholder's Loan shall be terminated.

The SPV holds a majority interest in C&J Clark (No 1) Limited ("**Clark**") which is principally engaged in wholesaling and retailing of shoes and trading in the brand name "Clarks". Upon Completion, the SPV and its subsidiaries (including Clark) will become indirect non-wholly owned subsidiaries of the Company.

For details of the Loan Agreement, please refer to the announcement of the Company dated 28 September 2020. For details of the Agreement, please refer to the announcements of the Company dated 14 January 2021, 15 March 2021 and 25 November 2021.

As at 31 December 2021, the outstanding amount of loan principal was HK$563,774,000 (equivalent to GBP53,550,000).

(c) On 5 February 2021, Bossini, a non-wholly owned subsidiary of the Company with its shares listed on the Main Board of the Stock Exchange (stock code: 592), proposed to raise gross proceeds of approximately HK$296 million before expense by way of a rights issue of 821,916,697 ordinary shares at a price of HK$0.360 per rights share on the basis of one (1) rights share for every two (2) existing shares held by the qualifying shareholders. The market price on the date which the terms of the subscription were fixed was HK$0.47.

The rights issue was completed on 13 April 2021 and total 821,916,697 rights shares were issued with net proceeds of approximately HK$294 million raised. Total 648,138,406 rights shares were allocated to Dragon Leap Developments Limited (a non-wholly owned subsidiary of the Company, "**Dragon Leap**") and the aggregate interest of the Company in Bossini was increased from approximately 66.54% to approximately 70.65% immediately after the completion of the rights issue.

Details of the above were set out in Bossini's announcements dated 5 February 2021 and 12 April 2021.

(d) On 16 March 2021, Viva China Yangzhou Community Development Holdings Limited (the "**Seller**"), a non-wholly owned subsidiary of the Company, entered into the share purchase agreement (the "**Share Purchase Agreement**") with Yangzhou City Huacheng Property Development Limited (the "**Buyer**"), pursuant to which the Seller agreed to sell and the Buyer agreed to acquire the entire issued share capital in Yangzhou Viva Property Development Limited ("**Yangzhou Property**") at a consideration of RMB313.69 million (the "**Transaction**").

In March 2021, the Seller has transferred 90% issued share capital of Yangzhou Property to the Buyer in accordance with the terms of the Share Purchase Agreement. The Transaction had been completed after the transfer of remaining 10% issued share capital of Yangzhou Property to the Buyer in October 2021.

For details, please refer to the announcement of the Company dated 16 March 2021.

(e) On 27 October 2021, Li Ning Co, Viva China Development Limited (the "**Vendor**", a wholly-owned subsidiary of the Group) and J.P. Morgan Securities plc and Nomura International (Hong Kong) Limited (the "**Placing Agents**") entered into the placing and subscription agreement, pursuant to which (i) the Vendor has agreed to place, through the Placing Agents, on a fully-underwritten basis, an aggregate of 120,000,000 Li Ning Co's shares held by the Vendor (the "**Top-up Placing Shares**"), at the price of HK$87.50 per Top-up Placing Share (the "**Top-up Placing Price**"); and (ii) the Vendor has agreed to subscribe for 120,000,000 new Li Ning Co's shares (the "**Top-up Subscription Shares**") at the price of HK$87.50 per Top-up Subscription Share (the "**Top-up Subscription Price**") which is equivalent to the Top-up Placing Price (the "**Top-up Placing and Subscription**").

The placing of the Top-up Placing Shares held by the Vendor (the "**Top-up Placing**") was completed on 1 November 2021 and the subscription of the Top-up Subscription Shares by the Vendor (the "**Top-up Subscription**") was completed on 3 November 2021.

On 27 October 2021, the Group held 271,201,543 Li Ning Co's shares, representing approximately 10.9% of the issued shares of Li Ning Co. The Group's shareholding in Li Ning Co was decreased from approximately 10.9% to 6.1% upon completion of the Top-up Placing and was restored to approximately 10.4% upon completion of the Top-up Subscription. The deemed dilution gain arising from the Top-up Placing and Subscription with a decrease of 0.5% shareholding in Li Ning Co was approximately HK$978.0 million.

The Group has applied to the Stock Exchange for a waiver from strict compliance with the very substantial disposal and very substantial acquisition requirements in respect of the Top-up Placing and the Top-up Subscription under Chapter 19 of the GEM Listing Rules, and the Stock Exchange has granted the aforesaid waiver.

For details, please refer to the announcements of the Company dated 28 October 2021 and 3 November 2021.

(f) On 3 November 2021, Ample Fame Investments Limited (the "**Purchaser**", a wholly-owned subsidiary of the Company), the Company (as the Purchaser guarantor), Sitoy International Limited (the "**Vendor**") and Sitoy Group Holdings Limited (the "**Vendor Guarantor**") entered into the share purchase agreement in relation to the acquisition of Sitoy AT Holdings Company Limited (the "**Sitoy ATH**") (the "**SPA**"). The acquisition was completed in early January 2022, at the consideration of HK$1 and the post-closing payment of EUR2,538,000 (approximately HK$22,413,000). Pursuant to the SPA, the inter-company loans due to the Vendor Guarantor amounted to RMB41,137,000 (approximately HK$50,352,000) as at 31 December 2021 will be repaid by the subsidiaries of Sitoy ATH to the Vendor Guarantor. Sitoy ATH became a wholly-owned subsidiary of the Company and the financial results were consolidated into the financial results of the Group since January 2022.

Sitoy ATH and its subsidiaries own a century-old Italian luxury leader label brand, Amedeo Testoni (formerly known as "a. testoni") and its diffusion line i29 and are principally engaged in wholesale and retail of leatherware, fashion garments and apparel.

For details, please refer to the announcement of the Company dated 3 November 2021.

(g) On 30 December 2021, Rapid City Limited ("**Rapid City**", a wholly owned subsidiary of Bossini), Shine Wealthy Limited ("**Shine Wealthy**", an independent purchaser) entered into two provisional sale and purchase agreements (the "**Provisional Agreements**") for the sale and purchase of two properties held by Rapid City at the aggregate consideration of HK$184,729,500. Pursuant to the terms of the Provisional Agreements, Rapid City and Shine Wealthy entered into the formal agreements on 13 January 2022. The transaction was completed on 15 March 2022.

Details of the above were set out in Bossini's announcements dated 30 December 2021.

For the six months ended 30 June 2022

Finance Review

Results

During the six months ended 30 June 2022, the Group's consolidated revenue increased from HK$695.4 million in the corresponding period in prior year to HK$748.8 million this year, representing an increase of 7.7%. The increase in revenue was mainly contributed by the expansion of multi-brand apparel and footwear business, including the acquisition of Viva China Premium Brands Limited (formerly known as Sitoy AT Holdings Company Limited, "**VC Premium**", together with its subsidiaries, the "**Testoni Group**") in early January 2022. Gross profit in the period under review was HK$245.0 million (the corresponding period in 2021: HK$277.6 million), representing a decrease of HK$32.6 million or 11.7% as compared to the corresponding period in prior year. The reduction in gross profit was mainly contributed by the decrease in gross profit margin of the Group's multi-brand apparel and footwear business.

The Group's other income and other (losses)/gains – net in the first half of 2022 amounted to a loss of HK$21.1 million (the corresponding period in 2021: gain of HK$3,452.9 million). Other income and other (losses)/gains – net during the period was mainly attributable to i) government grants of HK$22.9 million (the corresponding period in 2021: HK$19.4 million), ii) fair value loss on financial assets at fair value through profit or loss of HK$46.1 million (the corresponding period in 2021: fair value gain of HK$9.1 million), and iii) foreign exchange loss of HK$17.7 million (the corresponding period in 2021: foreign exchange gain of HK$9.8 million). No gain on disposal of partial interest in an associate and a subsidiary was recognised in current period (the corresponding period in 2021: HK$3,338.8 million and HK$52.9 million respectively).

Selling and distribution expenses for the first half of 2022 amounted to HK$324.5 million (the corresponding period in 2021: HK$215.5 million), representing an increase of HK$109.0 million as compared to the corresponding period in prior year. The increase was mainly attributable by i) the expenses from Testoni Group which was acquired in early January 2022, ii) increase in selling expenses' staff cost due to expansion of multi-brand apparel and footwear business, and iii) impairment loss on property, plant and equipment and right-of-use assets amounted to HK$19.7 million in current period.

Administrative expenses and other operating expenses including impairment loss/ reversal of impartment loss on financial assets – net (the "**Administrative Expenses**") incurred in the reporting period amounted to HK$280.8 million (the corresponding period in 2021: HK$246.5 million) which represented an increase of HK$34.3 million as compared to the same period in prior year. The increase in Administrative Expenses was mainly contributed by i) increase in staff cost in current period, ii) expenses from Testoni Group which was acquired in early January 2022 and iii) impairment loss on financial assets of HK$1.0 million (the corresponding period in 2021: reversal of impairment loss of HK$9.2 million).

Finance costs for the period amounted to HK$13.1 million (the corresponding period in 2021: HK$25.9 million). The significant decrease in finance cost was primarily attributable to the settlement of bank loans amounted to HK$1,256.0 million in June 2021.

Li Ning Co is accounted for as one of the associates of the Group. The Group has adopted the provision contained in HKAS 28 whereby it is permitted to include the attributable share of associate's results based on the financial statements drawn up to a non-coterminous period end where the difference must be no greater than three months. During the period, the Group shared the results of Li Ning Co based on its adjusted financial results for the six months ended 31 March 2022 and adjusted for any significant events or transactions for the period from 1 April 2022 to 30 June 2022. There is no non-coterminous period end for other associates and joint ventures.

There was no other material change on the investment in associates and joint ventures in the current period.

During the six months ended 30 June 2022, the Group shared the profits less losses of associates and joint ventures amounting to HK$305.0 million (the corresponding period in 2021: HK$185.8 million). The increase was mainly attributable to the increase in contribution of Li Ning Co and Double Happiness of HK$113.4 million and HK$7.3 million, respectively, due to the increase in revenue and net profit margin in the current period.

During the six months ended 30 June 2022, the Group has recorded a net loss attributable to equity holders of HK$31.7 million comparing to the net profit attributable to equity holders of HK$3,378.8 million for the corresponding period in 2021, representing a decrease of HK$3,410.5 million. The decrease was mainly attributable to the absence of i) net gain on disposal of partial interest in an associate (the corresponding period in 2021: HK3,338.8 million); and ii) gain on disposal of a subsidiary in the current period (the corresponding period in 2021: HK$52.9 million), which were non-recurring gains.

Segment

Multi-brand Apparel and Footwear Business

The apparel consumer market in the PRC has immense market potential, especially the young new consumer groups that admire personal characteristics and possess huge consumption potentials, which will lead the trend and become an important force promoting the post-epidemic consumption.

Bossini, a well-known lifestyle apparel brand of the Group, has integrated some young and unique elements catering for Generation Z and launched "**bossini.X**", a brand with brand new positioning. The Group believes that Bossini has the potential to further promote its brand in China. However, since "**bossini.X**" is a new brand, more investments in channels and market testing are required in the future to lay the foundation for the new development of such brand.

The Group's luxury trendy brand, LNG, continues to gain its inspiration from the "**young generation**" which represents user bases of e-sports, animation and fashion, and create fashion brands featuring gorgeous visuals and high quality to cater for youngsters of the next generation. Moreover, the LNG brand cooperates with other youthful fashion brands and launches crossover products from time to time.

In addition to the steady development of existing brands, the Group has also further expanded its multi-brand apparel and footwear business through the acquisition of brands with development potential. In January 2022, the Group completed the acquisition of the entire issued share capital of VC Premium which owns a century-old Italian luxury leader label brand, Amedeo Testoni and its diffusion line i29. Amedeo Testoni is principally engaged in wholesale and retail of leatherware, fashion garments and apparel. Through this acquisition, the Group has added high-end luxury brands to its asset portfolio and expanded existing business scale by extending its multi-brand footwear and apparel consumables network to Europe, Japan and South Korea.

On 2 July 2022, the Group completed the subscription of shares and acquisition of the shareholder's loan of LionRock Capital Partners QiLe Limited (the "**SPV**") which holds a majority interest in C&J Clark (No 1) Limited ("**Clark**"). Clarks brand has a history of nearly two hundred years. Its main markets cover the United Kingdom, and with the presence in the United States and the Greater China region. Following the completion of the acquisition, the SPV and its subsidiaries (including Clark) become indirect non-wholly owned subsidiaries of the Company. The presence of the Group's consumables business will be further expanded and synergy with our current consumables business will be created.

The multi-brand apparel and footwear segment generated revenue totaling HK$485.9 million (the corresponding period in 2021: HK$425.5 million) for the period, which represents an increase of HK$60.4 million as compared to the corresponding period in prior year. The increase was contributed by the expansion of multi-brand apparel and footwear business, including the acquisition of Testoni Group in early January 2022. This segment reported an operating loss of HK$248.4 million (the corresponding period in 2021: HK$89.1 million).

Sports Experience

Sports experience segment comprises operation, service provision and investment of sports destinations (including sports parks, sports centres and ice-skating rinks), sports competitions and events as well as an e-sports club.

For sports experience, it is the Group's strategy to drive the establishment of an integrated sports platform by leveraging on the existing resources of its sports business. The Group will therefore continue its effort to capture and maximize the commercial values of the sports resources under our management, and encourage social participation in sporting activities through commercial management of popular sports events and competitions, operation of an e-sports club, sports talent management. In the meantime, the Group has been selecting suitable cooperation opportunities to invest in and operate potential sports destination projects, including sports parks, sports centres and ice-skating rinks that promote healthier living and sports awareness in the PRC. We hope to capitalise on this opportunity where nationwide physical fitness is becoming more popular and to engage more people in more diversified sports experience by operating sports destinations that are open to the public, which is expected to benefit the medium to long term development of our business.

The sports experience segment generated revenue totaling HK$262.9 million (the corresponding period in 2021: HK$269.9 million) for the period, which represents a decrease of HK$7.0 million or 2.6% as compared to the corresponding period in prior year. Due to the outbreak of pandemic in China during the first half of 2022, part of the Group's sports parks, sports centres and ice-skating rinks temporarily suspended their operation in response to the national pandemic prevention measures, therefore, the revenue of this segment was lower in the first half of 2022. This segment reported an operating profit of HK$6.4 million during the period (the corresponding period in 2021: HK$14.3 million).

Financial Position

Net assets of the Group as at 30 June 2022 was HK$7,488.1 million compared to HK$7,754.4 million as at 31 December 2021. The decrease was mainly resulted from the comprehensive loss recorded due to i) outbreak of pandemic in various cities in mainland China and Hong Kong which has certain impact on the Group's businesses and ii) depreciation of RMB and GBP against HK$ during the first half of the year.

Total non-current assets of the Group decreased from HK$5,261.9 million as at 31 December 2021 to HK$5,216.8 million as at 30 June 2022. The decrease was mainly contributed by the decrease in investment in associates (Li Ning Co and Double Happiness) due to depreciation of RMB against HK$ during the first half of the year. The decrease was partially offset by the acquisition of Testoni Group with total non-current assets amounting to approximately HK$44.0 million as at acquisition date.

Net current assets of the Group at the end of the reporting period decreased by HK$258.2 million or 8.7% as compared to that as at 31 December 2021. As at 30 June 2022, the Group had cash and bank balances, included restricted bank balances and bank deposits with maturity period over three months, totaling HK$2,424.8 million (As at 31 December 2021: HK$2,540.8 million).

Liquidity and Financial Resources

During the first half of 2022, the Group's net cash outflow from operating activities was HK$298.7 million compared to net cash outflow from operating activities of HK$29.2 million during the corresponding period in 2021. The increase in operating cash outflow was mainly due to the operating loss incurred during the period, plus the increase in trade debtors and bills receivable. The net cash inflow from investing activities was mainly attributable to i) the proceeds received from the disposal of held-for-sales assets and ii) dividends received from an associate during the period. The net cash outflow from financing activities was mainly attributable to repayment of lease liabilities during the period.

During the six months ended 30 June 2022, 43,109,667 ordinary shares with nominal value totalling HK$2,156,000 were issued upon exercise of certain share options for consideration totalling HK$28.7 million.

Total cash and bank balances included restricted bank balances and bank deposits with maturity period over three months as at 30 June 2022 was HK$2,424.8 million (As at 31 December 2021: HK$2,540.8 million). The Group has banking facilities of approximately HK$206.0 million (As at 31 December 2021: approximately HK$205.9 million), of which approximately HK$16.6 million has been utilised as at 30 June 2022 (As at 31 December 2021: approximately HK$12.8 million). The Group's gearing ratio was approximately 0 as at 30 June 2022 (As at 31 December 2021: 0). The Group defines gearing ratio as ratio of net debt over equity plus net debt, in which net debt represents total bank and other borrowings less cash and cash equivalents (including restricted bank balances and bank deposits with maturity period over three months). The current ratio (ratio of current assets to current liabilities) of the Group as at 30 June 2022 was about 4.0 (As at 31 December 2021: 4.3). The directors consider the Group's gearing level and liquidity position were very healthy as at the reporting date. It is the Group's strategy to maintain a healthy and effective gearing ratio in a range of 0 to 1.

Financial Management and Policy and Foreign Currency Risk

The Group's finance division at its headquarters in Hong Kong manages the financial risks of the Group. One of the key objectives of the Group's treasury policies is to manage its exposure to fluctuations in foreign currency exchange rates. It is the Group's policy not to engage in any speculative activities. As the Group operates primarily in mainland China and Hong Kong, most of the revenue and trading transactions are settled in either HK$ or RMB. Accordingly, the majority of the Group's net current assets were denominated in either HK$ or RMB. Deposits placed in various banks are mainly denominated in these two currencies. The Group maintains its proportion of deposits in RMB and HK$ in line with its future business and investment plans. The policies in place to manage foreign currency risk have been followed by the Group for several years and are considered to be effective with the current foreign currency risk still manageable. The Group has assessed its foreign exchange rate risk exposure and has entered into forward currency contracts to mitigate foreign currency risk during the period under review and as at the reporting date.

Charge on Assets

As at 30 June 2022, property, plant and equipment and financial assets at fair value through other comprehensive income with carrying amount of approximately HK$9.4 million and HK$8.4 million respectively, had been charged as security for bank borrowings of subsidiaries of the Group.

No asset has been charged as security as at 31 December 2021.

Contingent Liabilities

As at 30 June 2022, the Group held bank guarantees given in lieu of utility and property rental deposits totaling HK$3.5 million (31 December 2021: HK$1.0 million).

Employees and Remuneration Policies

Staff remuneration comprised of monthly salaries, mandatory provident fund contributions, medical benefits, housing benefits, education allowances and discretionary share options issued based on their contribution to the Group. Staff costs (including Directors' remuneration) for the six months ended 30 June 2022 amounted to HK$250.7 million (the corresponding period in 2021: HK$188.2 million). The Group also engages professional consultants to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2022, the Group employed approximately 3,900 full-time employees (31 December 2021: 2,900) and their remuneration was calculated with reference to the market rates.

Material Transactions

The Group entered into the following material transactions:

(a) Pursuant to a loan agreement (the "**Loan Agreement**") entered into between Viva China Consumables Limited ("**Viva China Consumables**" or the "**Lender**", formerly known as Viva China Entertainment Holdings Limited), a wholly owned subsidiary of the Company and LionRock Capital GP Limited acting in its capacity as the general partner (the "**General Partner**") of LionRock Capital Partners QiLe L.P. (the "**Borrower**" or "**LionRock**") on 28 September 2020, the Lender has agreed to provide a facility of GBP54,000,000 (the "**Facility**") to the Borrower at an interest rate of 4% per annum for financing the acquisition or subscription of equity interests in a target company by LionRock Capital Partners QiLe Limited (the "**SPV**"), a company wholly owned by LionRock.

On 15 March 2021, the Lender entered into a subscription agreement (the "**Agreement**") with the Borrower and the SPV pursuant to which the Lender conditionally agreed to subscribe for 510 shares of the SPV at a subscription price of GBP51,000,000 (the "**Subscription Price**", and the "**Subscription**", respectively) and acquire a shareholder's loan (the "**Purchase Shareholder's Loan**") from the Borrower at a consideration of GBP51,000,000 (the "**Consideration**", and the "**Shareholder's Loan Transaction**", respectively). The Consideration payable by the Lender to the Borrower shall be deemed to be satisfied at completion of the Subscription (the "**Completion**") by setting off an amount equal to the Consideration against an outstanding amount of GBP51,000,000 which has been drawn down and remains outstanding under the Loan Agreement (the "**Outstanding Amount**"). Upon consummation of the Shareholder's Loan Transaction at Completion, the Outstanding Amount shall be deemed to have been irrevocably and unconditionally repaid in full by the Borrower to the Lender in accordance with the terms of the Loan Agreement and all unpaid interest which has been accrued pursuant to the Loan Agreement shall be deemed irrevocably and unconditionally waived by the Lender. The Subscription Price payable by the Lender to the target at Completion shall be setting off an amount equal to the Subscription Price against the Purchase Shareholder's Loan, and the Purchase Shareholder's Loan owed by the SPV to the Lender (being the new lender of the Purchase Shareholder's Loan as from the consummation of the Shareholder's Loan Transaction) shall be deemed fully paid and satisfied in full and the Purchase Shareholder's Loan shall be terminated.

The SPV holds a majority interest in C&J Clark (No 1) Limited ("**Clark**") which is principally engaged in wholesaling and retailing of shoes and trading in the brand name "**Clarks**".

Following the shareholders' approval of the Agreement at the extraordinary general meeting of the Company dated 15 June 2022, all conditions under the Agreement have been fulfilled and the acquisition was completed on 2 July 2022. The SPV become an indirect non-wholly owned subsidiary of the Company and the results of the SPV and its subsidiaries were consolidated into the financial results of the Group since July 2022.

Further details of the above were set out in the Company's announcements dated 28 September 2020, 14 January 2021, 15 March 2021, 25 November 2021 and 4 July 2022, and the circular of the Company dated 26 May 2022.

As at 30 June 2022, the outstanding amount of loan principal was HK$509,796,000 (equivalent to GBP53,550,000).

(b) On 3 November 2021, Ample Fame Investments Limited (the "**Purchaser**", a wholly-owned subsidiary of the Company), the Company (as the Purchaser guarantor), Sitoy International Limited (the "**Vendor**") and Sitoy Group Holdings Limited (the "**Vendor Guarantor**") entered into the share purchase agreement in relation to the acquisition of VC Premium (the "**SPA**").

The acquisition was completed in early January 2022, at the consideration of HK$1 and the post-closing payment of EUR2,538,000. Pursuant to the SPA, the inter-company loans due to the Vendor Guarantor amounted to RMB41,137,000 as at 31 December 2021 would be repaid by the Group as part of the consideration. VC Premium became a wholly-owned subsidiary of the Group and the financial results were consolidated into the financial results of the Group since January 2022.

VC Premium and its subsidiaries own a century-old Italian luxury leader label brand, Amedeo Testoni (formerly known as "**a. testoni**") and its diffusion line i29 and are principally engaged in wholesale and retail of leatherware, fashion garments and apparel.

For details, please refer to the announcement of the Company dated 3 November 2021.

(c) On 30 December 2021, Rapid City Limited ("**Rapid City**", a wholly owned subsidiary of Bossini International Holdings Limited), Shine Wealthy Limited ("**Shine Wealthy**", an independent purchaser) and Knight Frank Hong Kong Limited (the "**Agent**") entered into two provisional sale and purchase agreements (the "**Provisional Agreements**") for the sale and purchase of two properties held by Rapid City at the aggregate consideration of HK$184,729,500. Pursuant to the terms of the Provisional Agreements, Rapid City and Shine Wealthy entered into the formal agreements on 13 January 2022. The transaction was completed on 15 March 2022.

Details of the above were set out in the announcement of Bossini International Holdings Limited dated 30 December 2021.

(d) On 30 June 2022, the Company submitted an application to the Stock Exchange in respect of the proposed transfer of listing of the Shares from GEM to the Main Board of the Stock Exchange, details of which have been set out in the announcement of the Company dated 30 June 2022.

6. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

* *for identification purpose only*

The following is the text of a report set out on pages IIA-1 to IIA-4, received from the Company's reporting accountant, CWK CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular. It is prepared and addressed to the directors of the Company pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

CWK
中遠環球

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF VIVA CHINA HOLDINGS LIMITED

Introduction

We report on the historical financial information of LionRock Capital Partners QiLe Limited (the "**Target**") set out on pages IIA-5 to IIA-28, which comprises the statements of financial position of the Target as at 31 December 2020, 31 December 2021 and 30 June 2022, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the period from 14 September 2020 (date of incorporation) to 31 December 2020, the year ended 31 December 2021 and the 6 months period ended 30 June 2022 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIA-5 to IIA-28 forms an integral part of this report, which has been prepared for inclusion in the circular of Viva China Holdings Limited (the "**Company**") dated 30 December 2022 (the "**Circular**") in connection with the proposed acquisition of shares of the Target by the Company.

Director's responsibility for the Historical Financial Information

The director of the Target is responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information, and for such internal control as the director determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion for the period from 14 September 2020 (date of incorporation) to 31 December 2020 and our qualified opinions for the year ended 31 December 2021 and the 6 months period ended 30 June 2022.

Opinion for the period from 14 September 2020 (date of incorporation) to 31 December 2020

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target as at 31 December 2020 and of its financial performance and its cash flows for the period from 14 September 2020 (date of incorporation) to 31 December 2020 in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information.

Basis for qualified opinion for the year ended 31 December 2021 and the 6 months period ended 30 June 2022

As explained in Note 7 to the Historical Financial Information, the Target has not prepared consolidated financial statements in accordance with Hong Kong Financial Reporting Standard 10 *Consolidated Financial Statements* issued by the HKICPA. In our opinion, there is insufficient information concerning the subsidiaries in these financial statements to give a true and fair view of the financial position of the Target and its subsidiaries (collectively referred to as the "**Group**") as at 31 December 2021 and 30 June 2022, and of the Group's financial performance and cash flows as a whole for the year and period then ended.

Qualified opinion for the year ended 31 December 2021 and the 6 months period ended 30 June 2022

In our opinion, except for the effects of the matter described in the paragraph headed "Basis for qualified opinion for the year ended 31 December 2021 and the 6 months period ended 30 June 2022" above, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target as at 31 December 2021 and 30 June 2022, and of its financial performance and cash flows for the year and period then ended in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 6 months period ended 30 June 2021 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The director of the Target is responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As explained in Note 7 to the Historical Financial Information, the Target has not prepared consolidated financial statements in accordance with Hong Kong Financial Reporting Standard 10 Consolidated Financial Statements issued by the HKICPA.

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIA-4 have been made.

CWK CPA Limited
Certified Public Accountants
Hong Kong
30 December 2022

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Target for the Track Record Period, on which the Historical Financial Information is based, were audited by CWK CPA Limited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**Underlying Financial Statements**").

The Historical Financial Information is presented in British Pounds Sterling ("**GBP**") except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	For the period from 14 September 2020 (date of incorporation) to 31 December 2020	For the year ended 31 December 2021	For the 6 months period ended 30 June 2021	2022
				2021	2022
	Note	*GBP*	*GBP*	*GBP*	*GBP*
				(unaudited)	
Revenue		–	–	–	–
Cost of sales		–	–	–	–
Gross profit		–	–	–	–
General and administrative expenses		(12,185)	(5,282)	(5,282)	(1,029)
Other income	*14*	–	8,657,534	3,616,438	4,958,904
Other gains (losses), net		438	(232)	199	(2,060)
(Loss)/profit before income tax		**(11,747)**	**8,652,020**	**3,611,355**	**4,955,815**
Income tax expense	*6*	–	–	–	–
(Loss)/profit and other comprehensive (expense) income for the period/year		**(11,747)**	**8,652,020**	**3,611,355**	**4,955,815**

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2020 GBP	As at 31 December 2021 GBP	As at 30 June 2022 GBP
Non-current asset				
Investment in a subsidiary	7	–	100,000,001	100,000,001
Current Assets				
Other receivable	8	50,000,000	–	–
Amount due from a subsidiary	10	–	8,657,534	13,616,438
		50,000,000	8,657,534	13,616,438
Total assets		**50,000,000**	**108,657,535**	**113,616,439**
Current liabilities				
Shareholder's loan	10	50,000,000	100,000,001	100,000,001
Amounts due to immediate holding company	10	9,237	16,106	17,922
Amounts due to related companies	10	1,141	1,155	2,428
Accruals		1,369	–	–
Total current liabilities		**50,011,747**	**100,017,262**	**100,020,351**
Net current liabilities		**(11,747)**	**(91,359,728)**	**(86,403,913)**
Total assets less current liabilities		**(11,747)**	**8,640,273**	**13,596,088**
Net (liabilities) assets		**(11,747)**	**8,640,273**	**13,596,088**
Capital and (deficits) reserves				
Share capital	9	–	–	–
Accumulated (losses) profits		(11,747)	8,640,273	13,596,088
Total capital and (deficit) reserves		**(11,747)**	**8,640,273**	**13,596,088**

STATEMENTS OF CHANGES IN EQUITY

	Share capital *(Note 9)* *GBP*	Accumulated (losses) profit *GBP*	Total *GBP*
At 14 September 2020 (date of incorporation)	–	–	–
Loss for the period	–	(11,747)	(11,747)
Total loss and other comprehensive expense	**–**	**(11,747)**	**(11,747)**
At 31 December 2020	**–**	**(11,747)**	**(11,747)**
Profit for the year	–	8,652,020	8,652,020
Total profit and other comprehensive income	–	**8,652,020**	**8,652,020**
As at 31 December 2021	–	**8,640,273**	**8,640,273**
Profit for the period	–	4,955,815	4,955,815
Total profit and other comprehensive income	**–**	**4,955,815**	**4,955,815**
As at 30 June 2022	**–**	**13,596,088**	**13,596,088**
As at 1 January 2021	**–**	**(11,747)**	**(11,747)**
Profit for the period	–	3,611,355	3,611,355
Total profit and other comprehensive income	**–**	**3,611,355**	**3,611,355**
As at 30 June 2021 (unaudited)	**–**	**3,599,608**	**3,599,608**

STATEMENTS OF CASH FLOWS

	For the period from 14 September 2020 (date of incorporation) to 31 December	For the year ended 31 December	For the 6 months period ended 30 June	
	2020	**2021**	**2021**	**2022**
	GBP	*GBP*	*GBP*	*GBP*
			(unaudited)	
Net cash flows generated (used in) operating activities				
(Loss) profit for the period/year	(11,747)	8,652,020	3,611,355	4,955,815
Less: Preference share coupon	–	(8,657,534)	(3,616,438)	(4,958,904)
Operating cash flows before movements in working capital	(11,747)	(5,514)	(5,083)	(3,089)
Increase in amounts due to immediate holding company	10,378	6,883	6,452	3,089
Increase (decrease) in accruals	1,369	(1,369)	(1,369)	–
Net cash generated from operating activities	–	–	–	–
Net increase in cash and cash equivalents	–	–	–	–
Cash and cash equivalents at beginning of the period/year	–	–	–	–
Cash and cash equivalents at end of the period/year	–	–	–	–

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

LionRock Capital Partners QiLe Limited (the "**Target**") was incorporated in the British Virgin Islands on 14 September 2020. The address of the Target's registered office is Ogier Global (BVI) Limited of Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola VG 1110, British Virgin Islands.

The principal business activity of the Target since its incorporation is investment holding. The immediate holding company of the Target is LionRock Capital Partners QiLe L.P. ("**LionRock L.P.**"), a limited partnership established in the British Virgin Islands. There is no ultimate holding company of the Target.

The financial statements are presented in GBP, which is also the functional currency of the Target.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the Track Record Period

All relevant amendments to HKFRSs that are effective during the Track Record Period have been adopted by the Target consistently throughout the Track Record Period, to the extent they become effective as required by the relevant standards. The director of the Target has assessed that the application of all relevant amendments to HKFRSs has had no material impact to the Target's financial positions and performance and/or on the disclosures set out in the Historical Financial Information.

2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Target has applied the Amendments to HKAS 1 and HKAS 8 during the Track Record Period. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the Track Record Period had no impact on the Historical Financial Information.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the Target has not early applied the following new and amendments to HKFRS Standards that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to HKFRSs mentioned below, the director of the Target anticipates that the application of all other new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Target but may affect the disclosures of the Target's significant accounting policies.

3. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of Historical Financial Information

The Historical Financial Information have been prepared in accordance with HKFRSs, except for the failure to present consolidated financial statements in accordance with HKFRS10 *Consolidated Financial Statements* issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

The director of the Target has given careful consideration in preparing the Historical Financial Information, in light of the fact that the Target's current liabilities exceeded its current assets and total assets by GBP11,747 as at 31 December 2020. At the time of approving the Historical Financial Information, LionRock L.P. agreed to provide continuing financial support to the Target so as to enable it to meet its liabilities as and when they fall due and to enable it to carry on its operation for the twelve months from the date of this report, or until the completion of the sale and purchase of Shareholder's loan and subscription of shares in the Target by Viva China Consumables, whichever earlier. The director of the Target believes that the Target will continue as a going concern. Consequently, the director of the Target has prepared the Historical Financial Information on a going concern basis.

The Target was incorporated on 14 September 2020. Accordingly, the corresponding comparative amounts shown for the statements of profit or loss and other comprehensive income, statements of changes in equity, statements of cash flows and related notes cover the period from 14 September 2020 to 31 December 2020 and therefore may not be comparable with amounts shown for the year from 1 January 2021 to 31 December 2021.

The Historical Financial Information have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Other income

Dividend earned from preference shares subscription is recognised when the Target has the obligation to receive cash from the issuer.

Investment in a subsidiary

Investment in a subsidiary is accounted for at cost less impairment. Cost includes direct attributable costs of investment.

Foreign currencies

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the periods in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the periods. Taxable profit differs from loss before income tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each of the reporting period.

Financial instruments

Financial assets and financial liabilities are recognised when the Target becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Target manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Target may irrevocably designate a financial asset that are required to be measured at the amortised cost as measured at fair value through profit or loss ("**FVTPL**") if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Target performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including other receivable), which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Target's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Target recognises lifetime ECL.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target has reasonable and supportable information that demonstrates otherwise.

The Target regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target, in full (without taking into account any collaterals held by the Target).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Target writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target in accordance with the contract and the cash flows that the Target expects to receive, discounted at the effective interest rate determined at initial recognition.

For collective assessment, the Target takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Derecognition of financial assets

The Target derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Target to deliver cash or other financial assets or the Target has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Target's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Target's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including shareholder's loan, amounts due to immediate holding company and related companies are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Target derecognises financial liabilities when, and only when, the Target's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Target makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The following is the critical judgement that the directors of the Target have made in the process of applying the Target's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Going concern basis

These financial statements have been prepared on a going concern basis, the validity of which depends upon the successful transactions to be undertaken by the Target. Details are explained in Note 3.1 to the financial statements.

5. DIRECTOR'S REMUNERATION

	For the period from 14 September 2020 (date of incorporation) to 31 December 2020	For the year ended 31 December 2021	For the 6 months period ended 30 June 2021	
	2020	**2021**	**2021**	**2022**
	GBP	*GBP*	*GBP* (unaudited)	*GBP*
Fees	–	–	–	–
Other emoluments	–	–	–	–
Total	**–**	**–**	**–**	**–**

6. INCOME TAX EXPENSE

The Target was established under the International Business Companies Acts of British Virgin Islands ("**BVI**") and is exempt from BVI income taxes.

7. INVESTMENT IN A SUBSIDIARY

	As at 31 December 2020	As at 31 December 2021	As at 30 June 2022
	GBP	*GBP*	*GBP*
At cost	–	100,000,001	100,000,001

Details of the subsidiary held by the Target at the end of each of the reporting period are set out below:

Name of subsidiary	incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion ownership interest and voting power held by the Target			Principal activities
		GBP	31/12/2020	31/12/2021	30/06/2022	
C&J Clark (No 1) Limited ("**Clark**")	United Kingdom	51,051	–	51%	51%	Footwear wholesale and retail

On 19 February 2021, the Target subscribed for 100,000,000 preference shares in the capital of Clark at GBP 100,000,000 (the "**Clark Shares Subscription Price**") in the aggregate. The Clark Shares Subscription Price payable by the Target was funded by the Shareholder's Loan advanced by LionRock L.P.. On 9 April 2021, LionRock L.P. transferred all ordinary shares of Clark, representing 51% of shareholding in Clark, held by it to the Target. Following which, the Target has obtained control over Clark in accordance with HKFRS10, Clark became a non-wholly owned subsidiary of the Target.

Consolidated financial statements have not been prepared in accordance with HKFRS 10 *Consolidated Financial Statements* issued by the HKICPA, as in the opinion of the director of the Target it would cause delay out of proportion to the value to members of the Target.

8. OTHER RECEIVABLE

	As at 31 December 2020	**As at 31 December 2021**	**As at 30 June 2022**
	GBP	*GBP*	*GBP*
Due from escrowed account	50,000,000	–	–

On 15 October 2020 and 19 February 2021, the Target borrowed the first GBP 50 million and the second GBP 50 million (collectively referred as "**Shareholder's loan**"; and refer to Note 10 for the terms of the Shareholder's loan), respectively from LionRock L.P., the immediate holding company, and such funds were directly advanced by LionRock L.P. to an escrowed account kept by Goodwin Procter (UK) LLP, a third-party lawyer. Details of the settlement and other details of this other receivable and the Shareholder's loan are set out in Notes 10 and 12b, respectively.

9. SHARE CAPITAL

The Target was incorporated on 14 September 2020 and there is no par value for the ordinary shares.

	Issued number of shares	**Share capital**
		GBP
As at 14 September 2020 (date of incorporation), 31 December 2020, 31 December 2021 and 30 June 2022	1	–

10. AMOUNT DUE FROM A SUBSIDIARY, SHAREHOLDER'S LOAN, AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY AND RELATED COMPANIES

Balances with related parties:

	As at 31 December 2020 *GBP*	As at 31 December 2021 *GBP*	As at 30 June 2022 *GBP*
Due from a subsidiary			
Non-trade			
– Preference share coupon receivable	–	8,657,534	13,616,438
Due to immediate holding company			
Non-trade			
– Shareholder's loan	50,000,000	100,000,001	100,000,001
– Payable	9,237	16,106	17,922
	50,009,237	100,016,107	100,017,923
Due to related companies			
Non-trade			
– Payable	1,141	1,155	2,428
Total	**50,010,378**	**100,017,262**	**100,020,351**

Transaction with related party was as follows:

Relationship	Nature of transactions	For the period from 14 September 2020 (date of incorporation) to 31 December 2020 *GBP*	For the year ended 31 December 2021 *GBP*	For the 6 months period ended 30 June 2021 *GBP* (unaudited)	For the 6 months period ended 30 June 2022 *GBP*
Subsidiary *(note)*	Preference share coupon	–	8,657,534	3,616,438	4,958,904

Note: On 19 February 2021, the Target subscribed for 100 million preference shares of Clark with a par value of £1.00 per share. The preference shares carry a coupon rate of 10% per annum.

The Shareholder's loan was advanced by LionRock L.P., representing the first GBP 50 million as set out in Note 8 as at 31 December 2020 and an additional GBP 50 million was advanced during the year ended 31 December 2021 and remained outstanding as at 31 December 2021 and 30 June 2022. The loans were denominated in GBP, unsecured, interest free and repayable on demand. It is expected that upon the completion of acquisition of the Target by a subsidiary of Viva China Holdings Limited, the Shareholder's loan would be deemed to have been irrevocably and unconditionally settled in full in accordance with the relevant transaction agreement.

The amounts due to immediate holding company and related companies are unsecured interest free and repayable on demand.

11. CAPITAL RISK MANAGEMENT

The Target manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target's overall strategy remains unchanged from prior period.

The capital structure of the Target consists of shareholder's loan, amounts due to immediate holding company and related companies disclosed in Note 10 and equity comprising issued share capital and deficits.

12. FINANCIAL INSTRUMENTS

12a. Categories of Financial Instruments

	As at 31 December 2020 *GBP*	As at 31 December 2021 *GBP*	As at 30 June 2022 *GBP*
Financial assets			
At amortised cost	50,000,000	8,657,534	13,616,438
Financial liabilities			
At amortised cost	50,010,378	100,017,262	100,020,351

12b. Financial Risk Management Objectives and Policies

The Target's major financial instruments include other receivable, amount due from a subsidiary, shareholder's loan, amounts due to immediate holding company and related companies. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Target manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Credit risk and impairment assessment

Credit risk refers to the risk that the Target's counterparties default on their contractual obligations resulting in financial losses to the Target. The Target's credit risk exposures are primarily attributable to other receivable.

Other receivable

For other receivable, the management of the Target makes periodic individual assessment on the recoverability of other receivable based on the settlement records and also the forward-looking information. The management of the Target believes that there is no significant increase in credit risk of these amounts since initial recognition and assessed the impairment based on 12m ECL. The balance was fully settled through the capital injection in a subsidiary during the year ended 31 December 2021. For the period ended 31 December 2020, the Target assessed the ECL for other receivable are insignificant and thus no loss allowance is recognised.

Amount due from a subsidiary

For amount due from a subsidiary, the management of the Target makes periodic individual assessment on the recoverability of the balance with a subsidiary based on the financial feasibility and also the forward-looking information. The management of the Target believes that there is no significant increase in credit risk of these amounts since initial recognition and assessed the impairment based on 12m ECL. For the year ended 31 December 2021 and 6 months period ended 30 June 2022, the Target assessed the ECL for amount due from a subsidiary is insignificant and thus no loss allowance is recognised.

Liquidity risk

The following table details the Target's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

	Weighted average interest rate	On demand or less than 1 month	Total undiscounted cash flows	Carrying amount
	%	*GBP*	*GBP*	*GBP*
As at 31 December 2020				
Shareholder's loan	–	50,000,000	50,000,000	50,000,000
Amounts due to immediate holding company	–	9,237	9,237	9,237
Amounts due to related companies	–	1,141	1,141	1,141
		50,010,378	50,010,378	50,010,378
As at 31 December 2021				
Shareholder's loan	–	100,000,001	100,000,001	100,000,001
Amounts due to immediate holding company	–	16,106	16,106	16,106
Amounts due to related companies	–	1,155	1,155	1,155
		100,017,262	100,017,262	100,017,262
As at 30 June 2022				
Shareholder's loan	–	100,000,001	100,000,001	100,000,001
Amounts due to immediate holding company	–	17,922	17,922	17,922
Amounts due to related companies	–	2,428	2,428	2,428
		100,020,351	100,020,351	100,020,351

13. MAJOR NON-CASH TRANSACTIONS

On 19 February 2021, the Clark Shares Subscription Price was funded by another GBP 50 million of the Shareholder's loan advanced by LionRock L.P. and such funds of GBP 100 million in aggregate were directly advanced by LionRock L.P. to an escrowed account kept in Goodwin Procter (UK) LLP, a third party to the Target, as set out in Note 8. On the same date, Goodwin Procter (UK) LLP settled the Clark Shares Subscription Price directly with Clark on behalf of the Target.

14. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are under common control or joint control in the controlling shareholder' families. Members of key management and their close family member of the Target are also considered as related parties.

Name of related party	**Nature of relationship**
LionRock L.P.	Immediate holding company of the Target
Clark	Subsidiary of the Target
LionRock Capital Partners L.P.	Related company of the Target

(a) Balances with related parties were as follows:

	As at 31 December 2020 *GBP*	**As at 31 December 2021** *GBP*	**As at 30 June 2022** *GBP*
Asset			
Clark			
Non-trade			
Preference share coupon receivable	–	8,657,534	13,616,438
Liabilities			
LionRock L.P.			
Non-trade			
Shareholder's loan *(note)*	50,000,000	100,000,001	100,000,001
Payable balance	9,237	16,106	17,922
LionRock Capital Partners L.P.			
Non-trade			
Payable balance	1,141	1,155	2,428
	50,010,378	100,017,262	100,020,351

Note: It is expected that upon the completion of acquisition of the Target by a subsidiary of Viva China Holdings Limited, the Shareholder's loan would be deemed to have been irrevocably and unconditionally settled in full in accordance with the relevant transaction agreement.

(b) Transaction with related party was as follows:

Relationship	Nature of transaction	For the period from 14 September 2020 (date of incorporation) to 31 December 2020	For the year ended 31 December 2021	For the 6 months period ended 30 June	
				2021	2022
		GBP	*GBP*	*GBP* (unaudited)	*GBP*
Subsidiary *(note)*	Preference share coupon *(non-trade)*	–	8,657,534	3,616,438	4,958,904

Note: On 19 February 2021, the Target subscribed for 100 million preference shares of Clark with a par value of £1.00 per share. The preference shares carry a coupon rate of 10% per annum.

15. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target in respect of any period subsequent to 30 June 2022. On 4 August 2022, dividend of GBP10,000 per share was declared and paid to shareholders.

16. EVENTS AFTER REPORTING PERIOD

On 2 July 2022, the very substantial acquisition in relation to the subscription of shares in and acquisition of purchase shareholder's loan to the Target was completed. Following the completion, the Target will become an indirect non-wholly owned subsidiary of Viva China Holdings Limited.

The following is the text of a report set out on pages IIB-1 to IIB-3, received from the Company's reporting accountant, CWK CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular. It is prepared and addressed to the directors of the Company pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

CWK
中遠環球

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF VIVA CHINA HOLDINGS LIMITED

Introduction

We report on the historical financial information of C&J Clark (No 1) Limited ("**Clark**") and its subsidiaries (together, the "**Clark Group**") set out on pages IIB-4 to IIB-107, which comprises the consolidated statements of financial position of the Clark Group as at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the 52 weeks periods ended 1 February 2020, 30 January 2021, 29 January 2022 and the 22 weeks period ended 2 July 2022 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIB-4 to IIB-107 forms an integral part of this report, which has been prepared for inclusion in the circular of Viva China Holdings Limited (the "**Company**") dated 30 December 2022 (the "**Circular**") in connection with the proposed acquisition of shares of the Target by the Company.

Directors' responsibility for the Historical Financial Information

The directors of Clark are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Clark Group as at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022 and of the financial performance and cash flows of the Clark Group for the Track Record Period in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Clark Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 22 weeks period ended 3 July 2021 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 3.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

CWK CPA Limited
Certified Public Accountants
Hong Kong
30 December 2022

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of C&J Clark (No 1) Limited for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in British Pounds Sterling ("**£**") and all values are rounded to the nearest £0.1 million except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	52 weeks to 1 February 2020 £m	52 weeks to 30 January 2021 £m	52 weeks to 29 January 2022 £m	22 weeks to 3 July 2021 £m (unaudited)	22 weeks to 2 July 2022 £m
Continuing operations						
Revenue	*5*	1,370.7	778.9	926.2	346.5	398.8
Cost of sales		(721.2)	(411.4)	(463.3)	(181.9)	(202.6)
Gross profit		649.5	367.5	462.9	164.6	196.2
Distribution expenses		(387.8)	(279.3)	(231.7)	(81.1)	(106.8)
Administrative expenses		(209.8)	(257.3)	(173.2)	(78.5)	(64.8)
Other income	*6*	7.1	52.3	17.5	12.8	4.3
Finance costs	*10*	(23.3)	(21.0)	(26.6)	(11.3)	(11.2)
Impairment losses reversed (recognised)	*7*	33.8	(1.1)	(10.9)	(0.7)	31.2
Profit (loss) before taxation	*7*	69.5	(138.9)	38.0	5.8	48.9
Income tax (expense) credit	*11*	(16.3)	(11.7)	15.0	12.9	(8.5)
Profit (loss) for the period from continuing operations		53.2	(150.6)	53.0	18.7	40.4
Discontinued operation						
Profit for the period from discontinued operation	*8*	0.2	–	–	–	–
Profit (loss) for the period	*7*	53.4	(150.6)	53.0	18.7	40.4

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	52 weeks to 1 February 2020 £m	52 weeks to 30 January 2021 £m	52 weeks to 29 January 2022 £m	22 weeks to 3 July 2021 £m (unaudited)	22 weeks to 2 July 2022 £m
Profit (loss) for the period		53.4	(150.6)	53.0	18.7	40.4
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of foreign operations		(2.2)	0.7	(5.1)	(10.3)	10.1
Effective portion of changes in fair value of cash flow hedges, net of income tax	28	(7.5)	(11.8)	9.4	2.2	10.0
Items that will not be reclassified subsequently to profit or loss:						
Actuarial gain (loss) on pension schemes, net of income tax	24	40.4	(105.6)	64.7	58.5	16.0
Other comprehensive income (loss) for the period, net of income tax		30.7	(116.7)	69.0	50.4	36.1
Total comprehensive income (loss) for the period		84.1	(267.3)	122.0	69.1	76.5

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	1 February 2020 *£m*	30 January 2021 *£m*	29 January 2022 *£m*	2 July 2022 *£m*
Non-current assets					
Intangible assets	*13*	56.5	48.9	37.8	35.3
Property, plant and equipment	*14*	183.6	145.6	127.1	127.9
Right-of-use assets	*15*	208.3	71.0	48.5	92.8
Investment in a joint venture	*16*	–	–	–	–
Deferred tax assets	*22*	0.7	0.3	0.3	0.3
Derivative financial instruments	*23*	0.9	–	0.4	0.6
Retirement benefit surplus	*24*	127.7	9.9	111.7	136.5
Total non-current assets		577.7	275.7	325.8	393.4
Current assets					
Inventories	*17*	352.1	316.0	268.4	363.1
Trade and other receivables	*18*	110.5	78.6	80.1	111.6
Derivative financial instruments	*23*	10.7	0.2	1.9	14.9
Tax recoverable		1.2	0.6	0.7	–
Bank balances and cash	*19*	36.6	98.2	161.0	108.1
Total current assets		511.1	493.6	512.1	597.7
Total assets		1,088.8	769.3	837.9	991.1
Current liabilities					
Trade and other payables	*20*	243.0	251.8	229.9	265.8
Provisions	*21*	–	–	–	1.4
Loans and borrowings	*26*	13.5	7.7	6.3	5.6
Lease liabilities	*27*	63.9	31.9	31.4	36.6
Derivative financial instruments	*23*	1.1	9.8	0.5	0.4
Contract liabilities		3.9	3.2	3.8	2.5
Tax payable		2.4	3.1	4.1	7.9
Total current liabilities		327.8	307.5	276.0	320.2
Net current assets		183.3	186.1	236.1	277.5

	Notes	1 February 2020 £m	30 January 2021 £m	29 January 2022 £m	2 July 2022 £m
Non-current liabilities					
Trade and other payables	*20*	–	0.2	106.5	111.0
Provisions	*21*	13.8	14.7	10.9	25.4
Deferred tax liabilities	*22*	18.3	3.1	5.4	14.9
Derivative financial instruments	*23*	4.4	0.4	–	–
Loans and borrowings	*26*	55.7	187.3	55.0	55.3
Lease liabilities	*27*	260.7	115.3	97.5	101.2
Total non-current liabilities		352.9	321.0	275.3	307.8
Total liabilities		680.7	628.5	551.3	628.0
Net assets		408.1	140.8	286.6	363.1
Equity					
Share capital	*25*	–*	–*	–*	–*
Share premium		–	–	23.8	23.8
Other reserves		15.1	15.1	15.1	15.1
Cash flow hedge reserve		3.9	(7.9)	1.5	11.5
Retained earnings		389.1	133.6	246.2	312.7
Total equity		408.1	140.8	286.6	363.1

* *Represent amount less than £100,000.*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Share capital	Cash flow hedge reserve *(Note a)*	Other reserves *(Note b)*	Retained earnings	Total equity
		£m	*£m*	*£m*	*£m*	*£m*
At 2 February 2019		–	11.4	15.1	297.1	323.6
Total comprehensive income for the period						
Profit for the period		–	–	–	53.4	53.4
Actuarial gain on pension schemes	*24*	–	–	–	40.4	40.4
Exchange differences on translation of foreign operations		–	–	–	(2.2)	(2.2)
Effective portion of changes in fair value of cash flow hedges	*28*	–	(7.5)	–	–	(7.5)
Total comprehensive income for the period		–	(7.5)	–	91.6	84.1
Transactions with owners, recorded directly in equity						
Equity-settled share-based payment transactions		–	–	–	0.4	0.4
At 1 February 2020		–	3.9	15.1	389.1	408.1

		Share capital	Cash flow hedge reserve *(Note a)*	Other reserves *(Note b)*	Retained earnings	Total equity
		£m	*£m*	*£m*	*£m*	*£m*
At 1 February 2020		–	3.9	15.1	389.1	408.1
Total comprehensive income for the period						
Loss for the period		–	–	–	(150.6)	(150.6)
Actuarial loss on pension schemes	*24*	–	–	–	(105.6)	(105.6)
Exchange differences on translation of foreign operations		–	–	–	0.7	0.7
Effective portion of changes in fair value of cash flow hedges	*28*	–	(11.8)	–	–	(11.8)
Total comprehensive loss for the period		–	(11.8)	–	(255.5)	(267.3)
At 30 January 2021		–	(7.9)	15.1	133.6	140.8

		Share capital	Share premium	Cash flow hedge reserve (Note a)	Other reserves (Note b)	Retained earnings	Total equity
		£m	£m	£m	£m	£m	£m
At 30 January 2021		–	–	(7.9)	15.1	133.6	140.8
Total comprehensive income for the period							
Profit for the period		–	–	–	–	53.0	53.0
Actuarial gain on pension schemes	*24*	–	–	–	–	64.7	64.7
Exchange differences on translation of foreign operations		–	–	–	–	(5.1)	(5.1)
Effective portion of changes in fair value of cash flow hedges	*28*	–	–	9.4	–	–	9.4
Total comprehensive income for the period		–	–	9.4	–	112.6	122.0
Transactions with owners, recorded directly in equity							
Share issuance		–	23.8	–	–	–	23.8
At 29 January 2022		–	23.8	1.5	15.1	246.2	286.6

		Share capital	Share premium	Cash flow hedge reserve *(Note a)*	Other reserves *(Note b)*	Retained earnings	Total equity
		£m	*£m*	*£m*	*£m*	*£m*	*£m*
At 29 January 2022		–	23.8	1.5	15.1	246.2	286.6
Total comprehensive income for the period							
Profit for the period		–	–	–	–	40.4	40.4
Actuarial gain on pension schemes	*24*	–	–	–	–	16.0	16.0
Exchange differences on translation of foreign operations		–	–	–	–	10.1	10.1
Effective portion of changes in fair value of cash flow hedges	*28*	–	–	10.0	–	–	10.0
Total comprehensive income for the period		–	–	10.0	–	66.5	76.5
At 2 July 2022		–	23.8	11.5	15.1	312.7	363.1

		Share capital	Share premium	Cash flow hedge reserve *(Note a)*	Other reserves *(Note b)*	Retained earnings	Total equity
		£m (unaudited)	*£m* (unaudited)	*£m* (unaudited)	*£m* (unaudited)	*£m* (unaudited)	*£m* (unaudited)
At 30 January 2021		–	–	(7.9)	15.1	133.6	140.8
Total comprehensive income for the period							
Profit for the period		–	–	–	–	18.7	18.7
Actuarial gain on pension schemes	*24*	–	–	–	–	58.5	58.5
Exchange differences on translation of foreign operations		–	–	–	–	(17.4)	(17.4)
Effective portion of changes in fair value of cash flow hedges	*28*	–	–	2.2	–	–	2.2
Total comprehensive income for the period		–	–	2.2	–	59.8	62.0
Transactions with owners, recorded directly in equity							
Share issuance		–	23.8	–	–	–	23.8
At 3 July 2021		–	23.8	(5.7)	15.1	193.4	226.6

Notes

(a) Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

(b) Other reserves

Other reserves represents the merger reserve for the 52 weeks period ended 1 February 2020, 30 January 2021, 29 January 2022 and the 22 weeks period ended 3 July 2021 and 2 July 2022 arising from the adoption of merger accounting during the period ended 31 January 1998 in relation to Clark reconstruction which followed the demerger of the Factory Outlet Centres.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	52 weeks to 1 February 2020 £m	52 weeks to 30 January 2021 £m	52 weeks to 29 January 2022 £m	22 weeks to 3 July 2021 £m (unaudited)	22 weeks to 2 July 2022 £m
Net cash flows generated from (used in) operating activities	30	116.8	(12.3)	152.0	(3.0)	(20.4)
Interest received		2.5	2.3	0.2	0.1	1.3
Interest paid		(9.9)	(12.0)	(8.9)	(3.5)	(5.2)
Taxation (paid) refunded		(0.8)	0.8	(4.7)	(0.4)	(1.8)
Net cash flows generated from (used in) operating activities		108.6	(21.2)	138.6	(6.8)	(26.1)
Cash flows generated from (used in) investing activities						
Proceeds on disposal of property, plant and equipment		1.5	–	–	–	–
Purchase of property, plant and equipment		(20.0)	(4.0)	(2.5)	(1.4)	(2.8)
Purchase of intangible assets		(11.5)	(2.8)	(3.0)	(0.3)	(2.2)
Net cash used in investing activities		(30.0)	(6.8)	(5.5)	(1.7)	(5.0)
Cash flows generated from (used in) financing activities						
Drawdown of loans and borrowings		–	139.2	3.4	53.7	112.1
Repayment of loans and borrowings		(1.3)	–	(132.4)	(144.6)	(116.0)
Repayment of lease liabilities		(88.8)	(42.7)	(39.1)	(16.4)	(17.2)
Transaction cost of new financing agreement		–	–	(1.7)	(1.7)	(2.6)
Transaction cost of preference share issued		–	–	(3.1)	(3.1)	–
Preference share issued		–	–	100.0	100.0	–
Net cash (used in) generated from financing activities		(90.1)	96.5	(72.9)	(12.1)	(23.7)
Net (decrease) increase in cash and cash equivalents represented by cash at bank and in hand		(11.5)	68.5	60.2	(20.6)	(54.8)
Opening cash and cash equivalents		36.3	23.1	90.5	90.5	154.7
Effect of exchange rate fluctuations on cash held		(1.7)	(1.1)	4.0	(1.0)	2.6
Closing cash and cash equivalents represented by cash at bank and in hand		23.1	90.5	154.7	68.9	102.5

	Notes	52 weeks to 1 February 2020 £m	52 weeks to 30 January 2021 £m	52 weeks to 29 January 2022 £m	22 weeks to 3 July 2021 £m (unaudited)	22 weeks to 2 July 2022 £m
Analysis of balance of cash and cash equivalents						
Bank balances and cash	*19*	36.6	98.2	161.0	75.7	108.1
Less: Bank overdrafts included in loans and borrowings under current liabilities	*26*	(13.5)	(7.7)	(6.3)	(6.8)	(5.6)
Cash and cash equivalents as stated in the consolidated statements of cash flows		23.1	90.5	154.7	68.9	102.5

1. GENERAL INFORMATION

C&J Clark (No 1) Limited ("**Clark**") was incorporated in England as a private company limited by shares on 1 April 1997. Prior to 19 February 2021, C & J Clark Limited (the "**Topco**"), a private company limited incorporated in England, is Clark's immediate holding company. On 19 February 2021, LionRock Capital Partners QiLe L.P. ("**LionRock L.P.**") acquired 51% of Clark's shareholding from Topco and LionRock Capital Partners QiLe Limited ("**Target**") subscribed for 100,000,000 preference shares in the capital of Clark at British Pounds Sterling ("**£**") 100,000,000. After completion of the transactions contemplated under the investment agreement and the subscription agreement and on 9 April 2021, LionRock L.P. transferred all ordinary shares it held in Clark to the Target. As a result, the Target holds a majority of the shares of Clark, and Clark became a non-wholly owned subsidiary of the Target.

The registered office of Clark is 40 High Street, Street, Somerset, BA16 0EQ, the United Kingdom.

Clark is an investment holding company. The principal activities of its principal subsidiaries are selling footwear globally to consumers through wholesale and distributor relationships, and its high street full price and outlet stores and websites, operating under the "Clarks" brand.

The Historical Financial Information are presented in £, which is also the functional currency of Clark and rounded to the nearest £0.1 million ("m") except when otherwise indicated.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the Track Record Period

All relevant amendments to HKFRSs that are effective during the Track Record Period have been adopted by Clark and its subsidiaries (together, the "**Clark Group**") consistently throughout the Track Record Period, to the extent they become effective as required by the relevant standards. The directors of Clark have assessed that the application of all relevant amendments to HKFRSs has had no material impact to the Clark Group's financial positions and performance and/or on the disclosures set out in the Historical Financial Information.

2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Clark Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time during the Track Record Period. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the consolidated financial statements taken as a whole.

The application of the amendments in the Track Record Period had no impact on the Historical Financial Information of the Clark Group.

2.2 Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The Clark Group has applied the amendments for the first time during the Track Record Period. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Clark Group given that it applies hedge accounting to its benchmark interest rate exposures.

The application of the amendments in the Track Record Period had no material impact on the Historical Financial Information of the Clark Group.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the Clark Group has not early applied the following new and amendments to HKFRS Standards that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of Clark anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation.*

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Clark Group's outstanding liabilities as at 2 July 2022, the application of the amendments will not result in reclassification of the Clark Group's liabilities.

3. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of Historical Financial Information

The Historical Financial Information have been prepared in accordance with HKFRSs. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

The directors of Clark have, at the time of approving the consolidated financial statements, a reasonable expectation that the Clark Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost except for derivative financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Clark Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Clark and entities controlled by the Clark Group. Control is achieved when the Clark Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Clark Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Clark Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Clark Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Clark Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Clark Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Clark Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Clark Group obtains control over the subsidiary and ceases when the Clark Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Clark Group gains control until the date when the Clark Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Clark Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Clark Group are eliminated in full on consolidation.

Revenue

The Clark Group's revenue relates to the supply of products direct to consumers within stores, online or through third party sales concessions, and to wholesale customers. Revenue also includes royalties from franchisees.

Revenue is income arising from the sale of goods and services in the ordinary course of the Clark Group's activities, net of value added taxes. Revenue from contracts with customers is recognised when control of goods is transferred to the customer at an amount that reflects the consideration to which the Clark Group expects to be entitled in exchange for those goods. For the majority of revenue streams, there is a low level of judgement applied in determining the transaction price or the timing of transfer of control.

Revenue is recognised as follows:

Sales

Sales are recognised when the performance obligations have been satisfied and the goods have been transferred to the customer and the customer has control.

The following five step process is applied before revenue is recognised:

- Identify contracts with customers;
- Identify the separate performance obligation;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Sales incentives, cash discounts and product returns are considered in determining consideration, as are incentives granted to distributors or consumers, such as cooperative advertising, coupons and discounts.

Sales incentives, cash discounts, provisions for returns and incentives granted to customer are recorded simultaneously to the recognition of sales if they can be estimated in a reasonable reliable manner, based mainly on statistics compiled from past experience and contractual conditions.

Retail, online and gift card sales are generally settled in cash at the time of purchase. Wholesale revenues are generally settled in cash, net of discounts, with typical payment terms approximating 45 days. Most products are sold with a right to exchange or full refund typically within 28 days and subject to the discretion of the sales outlet.

Sale of goods – wholesale

Sales are recognised when the performance obligations have been satisfied, the goods have been transferred to the customer and the customer has control. The performance obligation is the sale of goods to the wholesaler. Revenue allocated to the goods is recognised at a point in time upon the goods have been shipped to the wholesaler's specific location.

Sale of goods – retail

Sales are recognised when the performance obligations have been satisfied, the goods have been transferred to the customer and the customer has control. The performance obligation is the sale of goods to the customer. Revenue allocated to the goods is recognised at a point in time when the product is sold to the customer in store and the customer is deemed to have control. Retail sales are usually in cash or by credit card.

Sale of goods – online

Sales are recognised when the performance obligations have been satisfied, the goods have been transferred to the customer and the customer has control. The performance obligation is the sales of goods to the customer. Revenue allocated to the goods is recognised at a point in time upon dispatch of goods when the customer is deemed to have control.

Sale of gift vouchers

Revenue from the sale of gift vouchers is initially recognised as a liability to the customer. This is released to revenue as the vouchers are redeemed. An element of breakage is recognised upfront on gift voucher sales based on historical data. The value of unexpired gift cards is not considered to be material.

Sale with a right of return/exchange

For a sale of products with a right of return/exchange for dissimilar products, the Clark Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the Clark Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);

(b) a refund liability; and

(c) an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers.

Loyalty scheme

Within the United States, the Clark Group operates a loyalty programme wherein customers earn points based upon the amount spent on purchases of products, which can be redeemed for gift vouchers once a specified number of points is attained. Points issued represent a separate performance obligation providing a material right. The portion of the total transaction price allocated to the points is determined based on the value of the points to the customer when redeemed, adjusted for expected redemption rates (breakage). The consideration related to points earned is deferred and recognised as a contract liability. Revenue is recognised as the earned vouchers are redeemed by the customers.

Royalty income

Royalty income is chargeable based on the sales of the franchises, which is recognised when the sales generated from licenses occur. Revenues are allocated to the license and this is recognised overtime as per the license agreement. Clark Group determined that any initial franchise fees are a separate performance obligation, but they are only deferred and recognised over time where they are material. The royalty income is immaterial to the Clark Group throughout the Track Record Period.

Other income

Leases for which the Clark Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Income received under operating leases is accounted for on a straight-line basis over the term of the relevant lease, and included within administrative costs unless material, and other income if material. Income from sublease is recognised over the lease term on a systematic basis.

Profit/(loss) on the sale of property is recognised on completion during the Track Record Period. Income from sales of Property, Plant and Equipment is shown net of the asset carrying value and included within administration costs unless material, and other income if material.

Income from insurance recoveries is recognised once receipt of monies is virtually certain. Insurance receipts are accounted for as a net position against the costs the insurance recovery relates to, unless the insurance recoveries are received in a future period, in which case the income will be disclosed separately.

Government grants

Government grants are not recognised until there is reasonable assurance that the Clark Group will comply with the conditions attaching to them and that the grants will be received. Government grants received in relation to the UK Job Retention Scheme are recognised under the accrual model and are classified as a revenue-based grant. The grant income is recognised in other income on a systematic basis over the periods in which the related costs from the grant is intended to compensate.

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in these consolidated financial statements using the equity method of accounting.

The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Clark Group for like transactions and events in similar circumstances.

Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Clark Group's share of the profit or loss and other comprehensive income.

When Clark Group's share of losses of a joint venture exceeds the Clark Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Clark Group's net investment in the joint venture), the Clark Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Clark Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Clark Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Non-current assets held for sale and discontinued operations

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When Clark Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Clark Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When Clark Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Clark Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in profit or loss.

As disclosed in Note 8 to the Historical Financial Information, the decision was taken to exit the Turkish market. Due to the challenging landscape for Clark in Turkey, the board of Clark did not see an opportunity to make profits or grow Clark. All stores and the Clark's office in Turkey were closed in 2019. The directors classified the operations relating to the Turkish market as discontinued operations and the results of discontinued operations were presented separately in the consolidated statement of profit or loss and other comprehensive income.

Employee benefits

Short term employee benefits

Clark Group accounts for employee benefits under HKAS 19.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which Clark Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Profit or Loss in the periods during which services are rendered by employees.

The Clark Group operated a Long Term Incentive Plan until 52 weeks period ended 2 February 2019 under which cash benefits accrued subject to the achievement of financial performance targets. Liabilities recognised in respect of the Long Term Incentive Plan are measured at the present value of the estimated future cash outflows expected to be made by the Clark Group in respect of services provided by employees up to the reporting date.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Clark Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted.

Clark Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the year-end date on AA credit rated corporate bonds denominated in the currency of, and having maturity dates approximating to the terms of Clark Group obligations. A valuation is performed by a qualified actuary using the projected unit credit method. Clark Group recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on the net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the Statement of Profit or Loss in the period in which it occurs.

Re-measurement of the net defined benefit liability/asset is recognised in Other Comprehensive Income ("**OCI**").

Clark Group has considered the impact of HK(IFRIC) 14 on the defined benefit pension scheme surplus recognised and determined that the Clark Group has an unconditional right to a refund and therefore it recognises an asset measured as the amount of the surplus at the balance sheet date. The surplus is calculated as the fair value of the plan assets less the present value of the defined benefit obligation, less any associated costs, such as taxes.

Share based payments

Equity-settled share based payments

Since 2002, the Clark Group has operated a Share Incentive Plan. Under the scheme employees are given a free matching share in C&J Clark Limited for each share purchased at market value. This has been accounted for under HKFRS 2 as an equity-settled share based payment. The scheme has been closed in the 52 weeks period ended 30 January 2021; the final shares are expected to vest in during the 52 weeks period ended 3 February 2024.

Under the standard the matching shares qualify as equity-settled share-based payments to be recognised at the date of grant. The fair value of a matching share is equal to the market value of share purchased on commencement of the vesting period. The cost of the share-based payments must be spread over the period until the shares are owned by the employee (the vesting period). The vesting period for the matching share is three years, the Clark Group adopts the accounting treatment for graded vesting which is required by HKFRS 2:IG11. At the end of each reporting period, the entity revises its estimates of the number of shares that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Cash-settled share based payments

Clark also operated a cash settled Long-Term Incentive Plan, which commenced in 52 weeks period ended 1 February 2020. The scheme closed during the 52 weeks period ended 30 January 2021. Vesting is subject to the achievement of financial performance targets, which are set in accordance with the financial objectives and shareholder value creation expected over the term of the plan. The scheme has been accounted for under HKFRS 2 as a cash-settled share based payment.

The award is delivered in cash with actual pay-outs being adjusted in line with the movement in Clark's share price over the term of the awards. A liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the period. The valuation of this scheme was completed using a Monte Carlo model.

Restructuring costs

A provision for restructuring costs is recognised only when the general recognition criteria for provisions are met. In this context, a constructive obligation to restructure arises only when an entity:

(a) has a detailed formal plan for the restructuring identifying at least:

  (i) the business or part of a business concerned;

  (ii) the principal locations affected;

  (iii) the location, function, and approximate number of employees who will be compensated for terminating their services;

(iv) the expenditures that will be undertaken; and

(v) when the plan will be implemented;

and

(b) has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the periods. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Clark Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Clark Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Clark Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Clark Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Clark Group recognises the right-of-use assets and the related lease liabilities, the Clark Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Clark Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Clark Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the periods

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairments. Such cost includes costs directly attributable to making the asset capable of operating as intended. The Clark Group's policy is to write off the difference between the cost of each item of property, plant and equipment and its residual value over its estimated useful life on a straight-line basis. Assets under construction are not depreciated.

Depreciation is recognised so as to write off the cost of assets other than freehold land and properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. Under this policy it becomes impractical to estimate average lives exactly. However, the total lives range from approximately 30 to 50 years for buildings, 15 to 20 years for plant, 5 to 15 years for shop-fits and office-fits and 3 to 7 years for computer hardware and other equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, for example land is treated separately from buildings. All items of property, plant and equipment are tested for impairment where there are indications that the carrying value may not be recoverable. Any impairment losses are recognised immediately in profit or loss. An impairment loss recognised for all assets is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Intangible assets

Software

Where software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset.

An internally-generated intangible asset arising from development is recognised when both of the below are met:

- It is probable that expected future economic benefits will flow to the entity;

- and the cost of the asset can be measured reliably.

Capitalised software costs include external direct costs of goods and services, as well as internal payroll related costs for employees who are directly associated with the project. The policy to capitalise intangible assets is applied consistently to a similar classes of assets on meeting the development criteria.

Capitalised software development costs are amortised on a straight line basis over their expected useful lives, normally between 3 and 5 years. Computer software under development is held at cost less any recognised impairment loss. Any impairment in value is recognised within profit or loss.

Trademarks

Acquired trademarks are initially recognised at cost and amortised on a straight line basis over the expected useful life of 20 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, Clark Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Clark Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Inventories

Inventories are valued on a weighted average cost basis and carried at the lower of cost or net realisable value. Cost includes the direct expenditure and other direct import costs incurred in bringing inventories to their present location and condition. Certain purchases of inventories may be subject to cash flow hedges for foreign exchange risk. Clark Group applies a basis adjustment for those purchases in a way that cost is initially established by reference to the hedged exchange rates and not the spot rate at the day of purchase.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Clark Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Clark Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Clark Group as a lessee

The Clark Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Clark Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives receivable;

- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; and

- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Clark Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever Clark Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'administrative expenses' in profit or loss (see Note 7).

Lease modifications

Clark Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the lessee shall account for the remeasurement of the lease liability by:

(a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognise in profit or loss any gain or loss relating to the partial or full termination of the lease.

(b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

When the modified contract contains a lease component and one or more additional lease or non-lease components, Clark Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. Clark Group has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, Clark Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Clark Group as a lessor

Clark Group enters into lease agreements as a lessor with respect to some of its stores. Clark Group also rents equipment to retailers necessary for the operation of franchise stores.

Leases for which Clark Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When Clark Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on Clark Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, Clark Group applies HKFRS 15 to allocate the consideration under the contract to each component.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial instruments held by the Clark Group are classified in accordance with the provisions of HKFRS 9.

The Clark Group's financial instruments comprise:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Loans and borrowings
- Derivative financial instruments

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at amortised cost using the effective interest method. Amortised cost is reduced by impairment losses calculated under the expected credit loss method. Evidence of impairment may include historic and forward-looking indications that the debtor is, or will, experience significant financial difficulty, default or delinquency in payment and can include situations where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Trade and other receivables do not contain any significant financing component, and are therefore recognised at face/nominal value.

Impairment of financial assets subject to impairment assessment under HKFRS 9

Impairment provisions for current trade receivables are recognised based on the simplified approach within HKFRS 9 using a provision matrix in the determination of the lifetime expected credit losses ("**ECL**"). Current trade receivables are grouped by those that share similar credit risk characteristics. During this process the probability of the non-payment of the trade receivables is assessed based on the number of days that they have been past due. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account, with the loss being recognised within administrative costs in the Consolidated Statement of Profit or Loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

For all other financial assets, Clark Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, Clark Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Clark Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, Clark Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Clark Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless Clark Group has reasonable and supportable information that demonstrates otherwise.

(ii) Definition of default

For internal credit risk management, Clark Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Clark Group, in full (without taking into account any collaterals held by Clark Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

Clark Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under Clark Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. Clark Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to Clark Group in accordance with the contract and the cash flows that Clark Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Derecognition of financial assets

Clark Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire. If Clark Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, Clark Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If Clark Group retains substantially all the risks and rewards of ownership of a transferred financial asset, Clark Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Clark are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for Clark Group to deliver cash or other financial assets or Clark Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Clark's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Clark's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and loans and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

Clark Group derecognises financial liabilities when, and only when, Clark Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in-hand, current balances with banks and similar institutions and highly liquid investments which are readily convertible into known amounts of cash and are held at amortised cost.

Loans and borrowings

Loans and borrowings are initially recognised at fair value. Subsequent to initial recognition, loans and borrowings are stated at amortised cost using the effective interest method.

Derivative financial instruments

Clark Group enters into forward exchange contracts to manage its exposure to foreign exchange rate risks. Forward exchange contracts are recognised initially at fair value at the date a forward exchange contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss (FVTPL) immediately unless the forward exchange contract is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

Clark Group designates certain derivatives as hedging instruments for cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedging relationship Clark Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, Clark Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non- contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, Clark Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;

- the effect of credit risk does not dominate the value changes that result from that economic relationship;

and

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Clark Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, Clark Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, Clark Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flow hedges

The Clark Group designates forward exchange contracts as hedging instruments in respect of foreign currency risk in cash flow hedges.

At the inception of the hedge relationship, the Clark Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Clark Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Clark Group actually hedges and the quantity of the hedging instrument that the Clark Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Clark Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Clark Group designates the full change in the fair value of a forward exchange contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward exchange contracts.

The effective portion of changes in the fair value of the forward exchange contracts that are designated and qualify as cash flow hedges is recognised in OCI and accumulated in the reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'finance costs' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, and is included in administrative expenses. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in OCI and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect OCI. Furthermore, if the Clark Group expects that some or all of the forecast transaction is no longer highly likely to occur in the future, that amount is considered ineffective, and immediately reclassified to profit or loss.

Foreign currencies

Foreign currency transactions, being transactions denominated in a currency other than an individual Clark Group entity's functional currency, are translated at the weekly average foreign exchange rates, which approximates to the exchange rates prevailing at the transaction dates. Where a material transaction occurs, the spot rate is used or a hedged rate of exchange, if the transaction is expressly hedged by a derivative financial instrument and that hedge had been deemed effective.

In the case of transactions within subsidiaries, transactions are translated into Clark's presentational currency using a monthly average rate of exchange. Monetary assets and liabilities denominated in foreign currencies at the year-end date are retranslated to the presentational currency at the foreign exchange rate ruling at that date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, or measured at the hedged rates where the non-monetary transaction was originally hedged by a derivative financial instrument and that hedge has been deemed effective.

Foreign exchange differences arising on translation are recognised in profit or loss except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to OCI. Foreign exchange differences arising on consolidation are recognised in OCI.

Provisions

A provision is recognised when the Clark Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date and are discounted to present value where the effect is material. Note 21 contains details of the period end provision.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Clark Group's accounting policies, which are described in Note 3.2, the directors of Clark are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the Track Record Period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

a) Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment annually or more frequently if events or changes give an indicator of impairment. When an asset review is conducted the recoverable amount is determined based on value in use calculations. The value in use method is performed at the cash generating unit level – which is generally the store level – and requires Clark Group to determine the period over which to assess future cashflows, the value of the cash flows and their growth, nature and value of overhead to allocate to the cash generating unit and the discount rate assumptions.

To calculate the value in use the discounted cash flow was calculated using the following inputs: pre-tax weighted average cost of capital ("**WACC**") benchmarked against a global peer group of mid-market retailers and shoe brands; forecast store contribution; territory and store class specific growth rates. The discounted cash flows are sensitive to changes in the revenue growth rate applied (which impacts the forecast store contribution).

b) Incremental borrowing rate determined for leases

The determination of the incremental borrowing rate used to measure lease liabilities involves a degree of estimation uncertainty. Management has concluded that the interest rate implicit in the leases cannot always be readily determined therefore the leases held have been discounted by the incremental borrowing rate ("**IBR**"), being the rate of interest that Clark Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain assets of a similar value to the right-of-use assets in a similar economic environment. This involves assumptions and estimates, which would affect the carrying value of the lease liabilities and corresponding right-of-use assets. To determine the IBR, Clark Group uses entity-specific synthetic credit ratings for each operating territory in order to determine the appropriate set of market data to use as a starting point, and adjusts this for conditions specific to each lease such as its term and security. For details on the carrying value of leases, please refer to Note 15.

c) Valuation for post-retirement benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. A sensitivity analysis is included within Note 24.

5. REVENUE

The revenue of Clark Group derives from its activities in the shoe trading.

Continuing operations

a. Disaggregation of revenue from contracts with customers

	Revenue by geographical area of origin				
	52 weeks to 1 February 2020	**52 weeks to 30 January 2021**	**52 weeks to 29 January 2022**	**22 weeks to 3 July 2021**	**22 weeks to 2 July 2022**
	£m	*£m*	*£m*	*£m* (unaudited)	*£m*
United Kingdom ("**UK**") and Republic of Ireland ("**ROI**")	558.9	314.3	375.4	132.3	149.3
Americas	599.9	311.0	389.0	155.0	197.2
Europe	87.6	54.3	60.9	19.2	18.2
Asia Pacific	124.3	99.3	100.9	40.0	34.1
	1,370.7	778.9	926.2	346.5	398.8
Timing of revenue recognition					
At point in time	1,370.7	778.9	926.2	346.5	398.8

For sales of shoe products to the wholesale customers, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery).

For sales of shoe products to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail stores.

All transaction price is allocated to the only one performance obligation. There is no unsatisfied or partially unsatisfied performance obligation as at each of the 52 weeks period ended 1 February 2020, 30 January 2021 and 29 January 2022 and 22 weeks period ended 3 July 2021 and 2 July 2022.

For online sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. When the customer initially purchases the goods online, the transaction price received by Clark Group is recognised as a contract liability until the goods have been delivered to the customer.

b. Information about major customers

There were no individual customers that contributed more than 10% of revenue in any of the periods presented.

6. OTHER INCOME

	52 weeks to 1 February 2020	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
	£m	*£m*	*£m*	*£m* (unaudited)	*£m*
Continuing operations					
Bank interest income	0.8	0.3	0.2	0.1	0.3
Pension Scheme	1.7	2.0	–	–	0.7
	2.5	2.3	0.2	0.1	1.0
Government grants *(Note a)*	–	18.5	5.3	4.4	0.2
Royalty income	3.1	3.0	4.1	1.0	0.6
Rates rebates	–	–	7.0	6.5	0.2
Gain on lease modification and early termination of lease arrangements *(Note b)*	1.5	26.8	0.2	0.1	2.3
Others	–	1.7	0.7	0.7	–
	7.1	52.3	17.5	12.8	4.3

Note a:

During the Track Record Period, the Clark Group received government grants in the form of the Coronavirus Job Retention Scheme ("**CJRS**"), a scheme put in place to help UK businesses through the COVID-19 situation. Under the CJRS, grant income may be claimed in respect of certain costs to Clark Group of furloughed employees. During the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 3 July 2021, Clark Group claimed £16.4m, £4.7m and £4.1m (unaudited), respectively (52 weeks period ended 1 February 2020 and 22 weeks period ended 2 July 2022: nil) through this scheme.

The CJRS income reflects the costs incurred for the period ended 30 January 2021 that are eligible to be included in CJRS grant claims to the extent Clark Group considers there to be reasonable certainty that the grant will be received. Other territories offered government employment support in relation to COVID-19, Clark Group claimed £1.6m, £0.4m and £0.1m (unaudited) during the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 3 July 2021, respectively (52 weeks period ended 1 February 2020 and 22 weeks period ended 2 July 2022: nil), relating to employees in the Americas and £0.5m, £0.2m, £0.2m (unaudited) and £0.2m during the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 3 July 2021 and 2 July 2022, respectively (52 weeks period ended 1 February 2020: nil), in relation to employees in Europe. Government grants have been recognised within other income.

Note b:

The amount represents the gain on early termination of leases and lease modification arising from rental concessions that occurred as a direct consequence of COVID-19 pandemic in several jurisdictions. Such rent concessions were not qualified as COVID-19-related rent concessions and such changes in lease payments were constituted as lease modifications. The management assessed that the lease modification is not accounted for as a separate lease, the Clark Group remeasured the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in the consolidated statements of profit or loss and other comprehensive income.

7. PROFIT (LOSS) BEFORE TAXATION

a. Profit (loss) for the period from continuing operations has been arrived at after charging (crediting):

	52 weeks to 1 February 2020 £m	52 weeks to 30 January 2021 £m	52 weeks to 29 January 2022 £m	22 weeks to 3 July 2021 £m (unaudited)	22 weeks to 2 July 2022 £m
Depreciation of property, plant and equipment	26.5	25.4	22.6	8.5	4.9
Depreciation of right-of-use assets	49.6	37.9	20.1	7.3	6.2
Amortisation of intangible assets	12.0	13.1	15.3	6.9	6.0
Total depreciation and amortisation	88.1	76.4	58.0	22.7	17.1
Cost of inventories recognised as expense	615.7	346.6	391.7	155.8	163.8
Write down of inventories recognised as an expense	4.4	2.8	1.8	0.2	0.7
Provisions recognised (reversed) on inventories	4.5	3.7	(3.1)	(0.3)	1.7
Impairment loss recognised (reversed) on property, plant and equipment *(Note 14)*	2.5	9.0	(0.7)	–	(6.5)
Impairment loss (reversed) recognised on right-of-use assets *(Note 15)*	(36.3)	(16.7)	15.6	–	(25.4)
Impairment loss recognised (reversed) on trade receivables *(Note 18)*	–	8.8	(4.0)	0.7	0.7
(Gain) loss on disposal of property, plant and equipment	(0.3)	1.3	1.9	0.8	9.2
Loss on disposal of intangible assets	–	0.3	0.6	–	–
Share-based payment – expenses	0.4	–	–	–	–
Auditor's remuneration					
Fees payable to the Clark's Group auditor for the audit of their annual audit	1.3	1.1	1.3	0.3	0.3

b. Employment benefit expense:

	52 weeks to 1 February 2020 £m	52 weeks to 30 January 2021 £m	52 weeks to 29 January 2022 £m	22 weeks to 3 July 2021 £m (unaudited)	22 weeks to 2 July 2022 £m
Continuing operations					
Wages and salaries	236.1	180.3	142.7	61.2	63.3
Social security costs	28.0	23.1	20.9	13.1	6.9
Pension current service cost – defined benefit scheme (see Note 24)	0.8	0.5	0.2	0.1	0.2
Pension contributions – defined contribution scheme (see Note 24)	11.9	13.4	9.6	5.4	4.7
	276.8	217.3	173.4	79.8	75.1

8. DISCONTINUED OPERATIONS

As per the board statement dated 19 December 2018, the decision was taken to exit the Turkish market. Due to the challenging landscape for Clark in Turkey, the board of Clark did not see an opportunity to make profits or grow Clark. All stores and the Clark's office in Turkey were closed in 2019. Financial information in respect to this has been included below.

	52 weeks to 1 February 2020 £m
Revenue	0.9
Cost of sales	(0.6)
Gross profit	0.3
Distribution expenses	(1.0)
Administrative expenses	0.7
Other income	0.2
Profit before taxation	0.2
Income tax expense	–
Profit for the period	0.2

9. RESTRUCTURING COSTS

Organisational changes and restructuring linked to the transformation plan were implemented in December 2019 and May 2020 with further actions being phased across the second half of 2020 and into 2021.

	52 weeks to 1 February 2020 *£m*	52 weeks to 30 January 2021 *£m*	52 weeks to 29 January 2022 *£m*	22 weeks to 3 July 2021 *£m* (unaudited)	22 weeks to 2 July 2022 *£m*
Continuing operations					
Restructuring costs charged to administrative expenses in consolidated statements of profit or loss					
Redundancies	9.6	20.9	8.7	7.7	–
Consultancy fees	3.0	10.3	0.1	–	–
Salaries, contractor fees and recruitment	2.8	1.0	0.1	–	–
Site closure costs	–	0.3	–	–	–
Others	0.3	–	–	–	–
	15.7	32.5	8.9	7.7	–

10. FINANCE COSTS

	52 weeks to 1 February 2020 *£m*	52 weeks to 30 January 2021 *£m*	52 weeks to 29 January 2022 *£m*	22 weeks to 3 July 2021 *£m* (unaudited)	22 weeks to 2 July 2022 *£m*
Continuing operations					
Interest payable on bank loans and overdrafts measured at amortised cost	4.5	6.5	7.4	3.5	2.8
Preference share coupon	–	–	9.4	3.7	4.2
Net interest payable to C&J Clark Limited	0.4	0.9	–	–	–
Amortisation of financing fees	0.9	0.8	1.4	0.7	1.8
Interest on lease liabilities	16.8	11.6	6.4	2.7	2.4
Others	0.7	1.2	2.0	0.7	–
	23.3	21.0	26.6	11.3	11.2

11. INCOME TAX EXPENSE (CREDIT)

	52 weeks to 1 February 2020 *£m*	52 weeks to 30 January 2021 *£m*	52 weeks to 29 January 2022 *£m*	22 weeks to 3 July 2021 *£m* (unaudited)	22 weeks to 2 July 2022 *£m*
Continuing operations					
Current tax:					
UK	0.6	0.2	1.1	–	0.1
Other jurisdictions	2.1	0.6	5.7	1.2	5.1
	2.7	0.8	6.8	1.2	5.2
(Over) under provision in prior periods:					
UK	(0.4)	–	–	–	(0.9)
Other jurisdictions	(0.3)	0.6	(1.0)	–	2.0
	(0.7)	0.6	(1.0)	–	1.1
Total current taxation	2.0	1.4	5.8	1.2	6.3
Deferred tax charge (credit):					
Current period	13.6	11.0	(19.2)	(14.1)	2.2
Attributable to changes in tax rate	0.5	(1.1)	(1.6)	–	–
Others	0.2	0.4	–	–	–
Total deferred taxation *(Note 22)*	14.3	10.3	(20.8)	(14.1)	2.2
Total income tax charge (credit)	16.3	11.7	(15.0)	(12.9)	8.5

The income tax expense for the periods can be reconciled to the profit (loss) before taxation per the consolidated statements of profit or loss as follows:

	52 weeks to 1 February 2020	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
	£m	*£m*	*£m*	*£m* (unaudited)	*£m*
Profit (loss) before taxation	69.5	(138.9)	38.0	5.8	48.9
Tax at the UK corporation tax rate of 19%	13.2	(26.4)	7.2	1.1	9.3
Tax effect of difference tax rates of subsidiaries operating in other jurisdictions	6.4	(4.3)	4.0	0.2	0.6
Tax effect of expenses not deductible for tax purpose	0.2	0.3	0.2	0.3	0.3
Tax effect of deductible temporary differences not recognised	(1.9)	6.8	–	1.2	(3.7)
Tax losses of prior periods recognised in current period	–	–	(27.8)	(16.6)	–
Temporary differences and tax losses of prior periods not recognised	–	30.6	–	–	–
Utilisation of tax losses previously not recognised	(6.5)	–	(0.8)	–	–
Other adjustments in respect of prior periods	(0.4)	0.7	(1.0)	–	1.1
Others	5.3	4.0	3.2	0.9	0.9
Income tax expense (credit) for the period (relating to continuing operations)	16.3	11.7	(15.0)	(12.9)	8.5

The Clark Group's income tax charge for the 52 weeks period ended 1 February 2020 and 30 January 2021 and 22 weeks period ended 2 July 2022 are £16.3m, £11.7m and £8.5m, respectively, while income tax credit for the 52 weeks period ended 29 January 2022 and 22 weeks period ended 3 July 2021 are £15.0m and £12.9m (unaudited), respectively. The effective tax rate for the 52 weeks period ended 1 February 2020, 30 January 2021 and 29 January 2022 and the 22 weeks period ended 3 July 2021 and 2 July 2022 are 23.5%, -8.4%, -39.5%, -222.4% (unaudited) and 17.4%, respectively.

During the 52 weeks periods ended 1 February 2020 and 29 January 2022 and 22 weeks period ended 3 July 2021 and 2 July 2022, the Clark Group made tax payments of £0.8m, £4.7m, £0.4m (unaudited) and £1.8m, respectively while the Clark Group received tax refund amounted to £0.8m for the 52 weeks period ended 30 January 2021. Tax payments continues to remain low due to the receipt of refunds in respect of earlier periods and a reduction to tax payments on account for the 52 weeks period ended 29 January 2022.

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of Clark in relation to the 52 weeks period ended 1 February 2020, 30 January 2021 and 29 January 2022 and 22 weeks period ended 3 July 2021 and 2 July 2022.

13. INTANGIBLE ASSETS

	Software costs	Trademark	Total
	£m	*£m*	*£m*
COST OR VALUATION			
At 2 February 2019	121.8	0.7	122.5
Additions	11.5	–	11.5
Exchange realignment	(0.2)	–	(0.2)
Disposals	(3.1)	–	(3.1)
Transfer from property, plant and equipment	3.2	–	3.2
At 1 February 2020	133.2	0.7	133.9
Additions	2.8	–	2.8
Exchange realignment	(1.3)	–	(1.3)
Disposals	(0.5)	–	(0.5)
Transfer from property, plant and equipment	3.6	–	3.6
At 30 January 2021	137.8	0.7	138.5
Additions	3.0	–	3.0
Exchange realignment	0.9	–	0.9
Disposals	(0.3)	–	(0.3)
Transfer from property, plant and equipment	1.5	–	1.5
At 29 January 2022	142.9	0.7	143.6
Additions	2.2	–	2.2
Exchange realignment	3.8	–	3.8
Disposals	(0.1)	–	(0.1)
At 2 July 2022	148.8	0.7	149.5

The trademark relates to the "Clarks" brand name.

Intangible assets which have been fully amortised and are still in use have a cost value of £59.5m, £47.1m, £45.7m and £46.5m as at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, respectively.

	Software Costs £m	Trademark £m	Total £m
AMORTISATION AND IMPAIRMENT			
At 2 February 2019	68.3	0.3	68.6
Charge for the period	11.9	0.1	12.0
Exchange realignment	(0.1)	–	(0.1)
Disposals	(3.1)	–	(3.1)
At 1 February 2020	77.0	0.4	77.4
Charge for the period	13.1	–*	13.1
Exchange realignment	(0.7)	–	(0.7)
Disposals	(0.2)	–	(0.2)
At 30 January 2021	89.2	0.4	89.6
Charge for the period	15.3	–*	15.3
Exchange realignment	1.2	–	1.2
Disposals	(0.3)	–	(0.3)
At 29 January 2022	105.4	0.4	105.8
Charge for the period	6.0	–*	6.0
Exchange realignment	2.4	–	2.4
Disposals	–*	–	–*
At 2 July 2022	113.8	0.4	114.2
NET BOOK VALUE			
At 1 February 2020	56.2	0.3	56.5
At 30 January 2021	48.6	0.3	48.9
At 29 January 2022	37.5	0.3	37.8
At 2 July 2022	35.0	0.3	35.3

* *Represent amount less than £100,000.*

14. Property, plant and equipment

	Land and buildings	Plant and equipment	Total
	£m	£m	£m
COST OR VALUATION			
At 2 February 2019	155.3	379.4	534.7
Additions	1.7	14.3	16.0
Transferred to intangible assets	–	(3.2)	(3.2)
Exchange realignment	(0.8)	(1.8)	(2.6)
Disposals	(12.9)	(24.4)	(37.3)
At 1 February 2020	143.3	364.3	507.6
Additions	0.6	3.9	4.5
Transferred to intangible assets	–	(3.6)	(3.6)
Exchange realignment	(3.1)	(3.4)	(6.5)
Disposals	(12.8)	(23.4)	(36.2)
At 30 January 2021	128.0	337.8	465.8
Additions	0.8	4.2	5.0
Transferred to intangible assets	–	(1.5)	(1.5)
Exchange realignment	1.5	2.0	3.5
Disposals	(2.2)	(8.9)	(11.1)
At 29 January 2022	128.1	333.6	461.7
Additions	0.3	1.4	1.7
Exchange realignment	7.4	12.8	20.2
Disposals	(11.4)	(7.6)	(19.0)
At 2 July 2022	124.4	340.2	464.6

	Land and buildings	Plant and equipment	Total
	£m	*£m*	*£m*
DEPRECIATION AND IMPAIRMENT			
At 2 February 2019	61.3	271.2	332.5
Charge for the period	6.3	20.2	26.5
Impairment loss recognised	–	2.5	2.5
Exchange realignment	(0.4)	(1.0)	(1.4)
Disposals	(11.7)	(24.4)	(36.1)
At 1 February 2020	55.5	268.5	324.0
Charge for the period	5.4	20.0	25.4
Impairment loss recognised	–	9.0	9.0
Exchange realignment	(1.4)	(1.9)	(3.3)
Disposals	(10.7)	(24.2)	(34.9)
At 30 January 2021	48.8	271.4	320.2
Charge for the period	6.7	15.9	22.6
Impairment loss reversed	–	(0.7)	(0.7)
Exchange realignment	0.6	1.1	1.7
Disposals	(1.9)	(7.3)	(9.2)
At 29 January 2022	54.2	280.4	334.6
Charge for the period	–*	4.9	4.9
Impairment loss reversed	–	(6.5)	(6.5)
Exchange realignment	6.5	7.1	13.6
Disposals	(4.7)	(5.2)	(9.9)
At 2 July 2022	56.0	280.7	336.7
NET BOOK VALUE			
At 1 February 2020	87.8	95.8	183.6
At 30 January 2021	79.2	66.4	145.6
At 29 January 2022	73.9	53.2	127.1
At 2 July 2022	68.4	59.5	127.9

* *Represent amount less than £100,000*

Impairment loss and subsequent reversal

To calculate the value in use the discounted cash flow was calculated using the following inputs: pre-tax WACC of 6.0% and 11.2% for 52 weeks period ended 1 February 2020 and 30 January 2021 and 10.1% for both 52 weeks period ended 29 January 2022 and 22 weeks period ended 2 July 2022, which benchmarked against a global peer group of mid-market retailers and shoe brands; budgeted store contribution for the 2021/22 financial year; and territory and store class specific growth rates per the medium-term forecast downside case. The relevant cash generating unit is determined to be a retail store, including its property, plant and equipment or right of use assets, and other equipment and assets held.

Property, plant and equipment items which have been fully depreciated and are still in use have a cost value of £156.6m, £162.4m, £187.9m and £201.0m as at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, respectively.

The useful economic lives of property plant and equipment held are included within the relevant accounting policy in Note 3.2.

15. RIGHT-OF-USE ASSETS

The net book value and depreciation charge for right-of-use assets by class of underlying assets is as follows:

	Retail stores	Leased office properties	Total
	£m	*£m*	*£m*
At 1 February 2020			
Carrying amount	178.3	30.0	208.3
At 30 January 2021			
Carrying amount	45.7	25.3	71.0
At 29 January 2022			
Carrying amount	25.9	22.6	48.5
At 2 July 2022			
Carrying amount	73.6	19.2	92.8
For the 52 weeks period ended 1 February 2020			
Depreciation charge	45.7	3.9	49.6
Impairment loss reversed	(36.3)	–	(36.3)
For the 52 weeks period ended 30 January 2021			
Depreciation charge	34.0	3.9	37.9
Impairment loss reversed	(16.7)	–	(16.7)
For the 52 weeks period ended 29 January 2022			
Depreciation charge	16.5	3.6	20.1
Impairment loss recognised	15.6	–	15.6
For the 22 weeks period ended 3 July 2021			
Depreciation charge (unaudited)	5.8	1.5	7.3
For the 22 weeks period ended 2 July 2022			
Depreciation charge	5.1	1.1	6.2
Impairment loss reversed	(25.4)	–	(25.4)

	52 weeks to 1 February 2020	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
	£m	*£m*	*£m*	*£m* (unaudited)	*£m*
Expense relating to short-term leases	5.9	4.2	4.8	3.3	4.3
Variable lease payments not included in the measurement of lease liabilities	3.9	9.9	11.2	2.8	2.7
Total cash outflow for leases	98.6	56.8	55.1	22.5	24.2
Additions (deductions) to right-of-use assets	9.5	(118.3)	13.9	7.3	15.1

Variable lease payments

Certain property leases contain variable payment terms that are linked to sales generated from stores. For certain stores included fixed and variable payment terms, the variable payment terms are with percentages ranging from 1% to 27% of sales. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Nature of lease activities

During the Track Record Period, Clark Group leases a number of offices and retail stores in multiple jurisdictions from which it operates. Lease contracts are normally entered into for fixed term of 3 months to 15 years during the Track Record Period, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Clark Group applies the definition of a contract and determines the period for which the contract is enforceable and assessment of likelihood of exercising the extension and termination options, if any. In these jurisdictions the periodic rent varies between being fixed over the lease term, and variable in relation to turnover. Where rental agreements include market rate escalations that are unknown at the time of the lease inception or HKFRS 16 adoption, the lease liability is remeasured when the change in cash payments takes effect.

During the Track Record Period, the Clark Group regularly entered into short-term leases for retail stores, plant and equipment.

Rent concessions

The rent concessions were not qualified as COVID-19-related rent concessions and such changes in lease payments were constituted as lease modifications.

16. INVESTMENT IN A JOINT VENTURE

Details of the Clark Group's material joint venture at the end of each reporting period are as follows:

	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*	*£m*
Cost of investment in a joint venture	0.1	0.1	0.1	0.1
Share of post-acquisition loss and other comprehensive expense	(0.1)	(0.1)	(0.1)	(0.1)
	–	–	–	–

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Clark Group			
			At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
Clarks Reliance Footwear Private Limited	Shoe retailing and wholesaling	India	50%	50%	50%	50%

Summarised financial information in respect of Clark Group's joint venture is set out below.

Clarks Reliance Footwear Private Limited

	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*	*£m*
Current assets	28.0	18.0	16.0	36.7
Non-current assets	0.5	0.4	0.5	1.4
Current liabilities	(17.3)	(13.3)	(23.2)	(52.2)
Non-current liabilities	(21.7)	(19.4)	(15.7)	(29.2)
Net liabilities	(10.5)	(14.3)	(22.4)	(43.3)
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	–	–	–	–
Current financial liabilities (excluding trade and other payables and provisions)	–	–	–	–
Non-current financial liabilities (excluding trade and other payables and provisions)	(21.7)	(19.4)	(15.7)	(29.2)

	52 weeks to 1 February 2020	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
	£m	*£m*	*£m*	*£m* (unaudited)	*£m*
Revenue	18.7	6.9	10.3	2.4	6.2
Loss for the period	(2.9)	(4.6)	(8.5)	(2.1)	(1.1)
The above loss for the period includes the following:					
Depreciation and amortisation	0.2	0.2	0.2	0.1	0.1
Finance costs and other similar charges	2.1	2.2	1.7	0.8	0.6
Income tax expense	–	–	–	–	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

Clarks Reliance Footwear Private Limited

	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*	*£m*
Net liabilities of a joint venture	10.5	14.3	22.4	43.3
Proportion of the Clark Group's ownership interest in a joint venture	50%	50%	50%	50%
Carrying amount of the Clark Group's interest in a joint venture	–	–	–	–
The unrecognised share of loss of a joint venture	1.4	2.3	4.3	0.6
Cumulative unrecognised share of loss of a joint venture	5.3	7.6	11.9	12.5

17. INVENTORIES

	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*	*£m*
Finished goods	352.1	316.0	268.4	363.1

As at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, included within inventories are below cost inventory provisions of £11.0m, £14.7m, £11.6m and £13.3m respectively.

18. TRADE AND OTHER RECEIVABLES

	At 1 February 2020 £m	At 30 January 2021 £m	At 29 January 2022 £m	At 2 July 2022 £m
Trade receivables	65.5	53.4	53.1	80.5
Less: Allowance for credit losses	(0.4)	(0.9)	(0.4)	(1.1)
	65.1	52.5	52.7	79.4
Amounts due from a joint venture	8.5	8.3	9.4	8.9
Less: Allowance for credit losses	–	(8.3)	(4.8)	(4.8)
	8.5	–	4.6	4.1
Prepayments	24.3	13.5	14.2	22.7
Other receivables	12.6	12.6	8.6	5.4
	110.5	78.6	80.1	111.6

The expected credit losses for trade and other receivables are £0.4m, £9.2m, £5.2m and £5.9m as at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, respectively, this includes £8.3m as at 30 January 2021, £4.8m as at 29 January 2022 and 2 July 2022 (1 February 2020: nil), which has been recognised during the Track Record Period in relation to the amounts owed from a joint venture (Clarks Reliance Footwear Private Limited), as a result of reduced revenue and trading uncertainty due to the COVID-19 pandemic. The expected credit loss on other receivables is not material.

Exposure to credit risk

The Clark Group applies the HKFRS 9 simplified approach to measuring expected credit losses for trade receivables. To measure lifetime expected credit losses on a collective basis, trade receivables are grouped based on ageing. The expected loss rates are based on the Clark Group's historical credit loss experience and relevant forward-looking factors. As part of credit risk management practices, the Clark Group groups the trade receivables by region as this closely reflects how the Clark Group manages credit risk. There has been no change in the estimation techniques or significant assumptions made during the Track Record Period in assessing the loss allowance for trade receivables. For amounts due from a joint venture and other receivables the 12-month ECL approach is applied.

The below table shows the ageing of the trade receivables (net of allowance for credit losses) in each period presented based on invoice due date:

	Not Due	1 to 60 days past due	61 to 90 days past due	91 to 120 days past due	121 or more days past due	Total
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Trade receivables at 1 February 2020	54.1	9.7	0.3	0.4	0.6	65.1
Trade receivables at 30 January 2021	37.0	9.9	0.9	0.9	3.8	52.5
Trade receivables at 29 January 2022	35.9	8.9	1.9	1.5	4.5	52.7
Trade receivables at 2 July 2022	66.5	9.4	1.0	0.2	2.3	79.4

As at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, included in the Clark Group's trade receivables balance are debtors with aggregate carrying amount of £11.0m, £15.5m, £16.8m and £12.9m which are past due as at the end of the respective reporting period. Out of the past due balances, £1.0m, £4.7m, £6.0m and £2.5m as at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, respectively, has been past due more than 90 days and is not considered as in default.

The table below reconciles the expected credit loss for trade receivables and amounts due from a joint venture as at the beginning of each period to that of the end of each period.

	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*	*£m*
Opening provision for allowance for expected credit losses of trade receivables and amounts due from a joint venture	0.4	0.4	9.2	5.2
Movement in the period	–	8.8	(4.0)	0.7
Closing provision for allowance for expected credit losses of trade receivables and amounts due from a joint venture	0.4	9.2	5.2	5.9

The following table shows the movement in expected credit losses that has been recognised for the respective financial assets:

	Loss allowance for assets assessed using lifetime expected credit losses	Loss allowance for assets assessed using 12-month expected credit losses	
	Trade receivables	**Amounts due from a joint venture**	**Total**
	£m	*£m*	*£m*
At 2 February 2019	0.4	–	0.4
Amounts written off	(0.2)	–	(0.2)
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	0.2	–	0.2
At 1 February 2020	0.4	–	0.4
Amounts written off	(1.5)	–	(1.5)
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	2.0	–	2.0
Changes in credit risk parameters	–	8.3	8.3
At 30 January 2021	0.9	8.3	9.2
Amounts written off	(0.3)	–	(0.3)
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	(0.2)	(3.5)	(3.7)
At 29 January 2022	0.4	4.8	5.2
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	0.7	–	0.7
At 2 July 2022	1.1	4.8	5.9

In determining the expected credit losses for trade receivables and amounts due from a joint venture, the directors of Clark have taken into account the historical default experience and the financial position of the counterparties, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

As part of the Clark Group's credit risk management, the Clark Group uses debtors' aging to assess the impairment for its customers in relation to its shoe trading operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

A change in credit risk is a measure of the change in the risk of a default occurring over the expected life of the financial instrument and that the risk of default in the future could change based on both internal and external events. Customer credit quality is assessed in line with strict credit rating criteria and credit limits are established where appropriate to determine if there is a significant increase in credit risk requiring assessment of a lifetime expected credit loss. Outstanding customer balances are regularly monitored and a review for indicators of impairment (evidence of financial difficulty of the customer, payment default, breach of contract etc.) is carried out at each reporting date.

Based on the historical, regional, and industry trends, a default is determined to have occurred and a write off is considered on one of the following occurring:

- A debt is outstanding for an unacceptable period of time (120 days beyond payment terms) without any communication or reason for non-payment being received.

- Legal action or instruction of a debt recovery firm is made to support with the collection process of an outstanding balance.

- There are discussions with a customer where they clearly state financial hardship and an inability to pay that increases the possibility of business failure or further action to recover the balance.

- The customers intention to enter or has entered liquidation or administration becomes known, therefore placing the debt at risk of non-payment.

- A period of contractual disagreement commences that may result in non-payment, legal action or agreed legal settlement of part of the balance.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

19. BANK BALANCES AND CASH

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Clark Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Details of impairment assessment of bank balances are set out in Note 28.

20. TRADE AND OTHER PAYABLES

	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*	*£m*
Trade payables	97.4	113.1	134.9	121.9
Amounts due to C&J Clark Limited	24.0	24.7	0.1	–
Other payables *(Note a)*	10.8	9.1	111.0	126.5
Accruals *(Note b)*	110.8	105.1	90.4	128.4
	243.0	252.0	336.4	376.8
Current	243.0	251.8	229.9	265.8
Non-current	–	0.2	106.5	111.0
	243.0	252.0	336.4	376.8

Note a:

On 19 February 2021, C&J Clark (No 1) Limited issued 100 million preference shares with a par value of £1.00 per share. The shares are redeemable at any time during the 12 months period beginning on the fifth anniversary of the adoption date (i.e., from 19 February 2026) with written consent of the investor and preference shareholder.

On redemption the preference shareholder will be paid by the sum of a) the subscription price of the preference share; b) the coupon arrears on the preference share being redeemed up to the redemption date; plus c) such additional amount (if any) as would result in the aggregate amount paid to the holders of the preference shares being at least equal to two times the subscription price on the shares redeemed. The preference shares have a coupon rate of 10% per annum.

The preference shareholder is entitled to (i) a perpetual non-discretionary coupon for a fixed or determinable amount at a fixed or determinable future date and (ii) redemption rights at or after a particular date for a fixed or determinable amount. The Clark Group contains contractual obligation to deliver cash or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Clark Group. The preference shares issued are classified as a financial liability measured at amortized costs.

Beginning on the fifth anniversary of the adoption date, after the consent by the investors and the preference shareholders, the Clark Group obligates to settle the total amount which is doubled from the original subscription price for such early redemption. The Clark Group would only accrue such shortfall in terms of amount between the doubled subscription amount and the accrued coupon when consent are made by the preference shareholders and the investors. The Clark Group has no binding obligation on such redemption as it requires the investor and preference shareholder to provide consent during the Track Record Period.

The preference shares contain non-embedded derivatives in which they are in fixed coupon payment where the cash flows are not linked with variables.

Note b:

Accruals consist of general business accruals including airfreight and employee related costs.

The below table shows the ageing of the trade payables in each period presented based on the invoice due date.

	Not Due	**1 to 60 days past due**	**61 to 90 days past due**	**91 to 120 days past due**	**121 or more days past due**	**Total**
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Trade payables as at 1 February 2020	59.6	31.8	2.0	1.0	3.0	97.4
Trade payables as at 30 January 2021	108.0	2.8	0.3	0.2	1.8	113.1
Trade payables as at 29 January 2022	91.2	7.7	1.3	0.6	34.1	134.9
Trade payables as at 2 July 2022	114.0	3.7	0.3	0.4	3.5	121.9

21. PROVISIONS

At 1 February 2020

	At 2 February 2019	**Provided in period**	**Released**	**Utilised**	**At 1 February 2020**
	£m	*£m*	*£m*	*£m*	*£m*
Dilapidation provision	1.1	0.2	(1.0)	–	0.3
Onerous lease provision	2.9	0.3	(0.1)	(1.8)	1.3
Restructuring provision	8.0	19.0	(0.2)	(19.5)	7.3
Others	4.8	2.0	(1.4)	(0.5)	4.9
	16.8	21.5	(2.7)	(21.8)	13.8

At 30 January 2021

	At 1 February 2020 £m	Provided in period £m	Released £m	Utilised £m	At 30 January 2021 £m
Dilapidation provision	0.3	0.3	–	–	0.6
Onerous lease provision	1.3	–	(1.3)	–	–
Restructuring provision	7.3	36.4	(2.7)	(35.1)	5.9
Others	4.9	7.3	(4.0)	–	8.2
	13.8	44.0	(8.0)	(35.1)	14.7

At 29 January 2022

	At 30 January 2021 £m	Provided in period £m	Released £m	Utilised £m	At 29 January 2022 £m
Dilapidation provision	0.6	–	(0.6)	–	–
Restructuring provision	5.9	–	–	(1.4)	4.5
Others	8.2	4.9	(6.7)	–	6.4
	14.7	4.9	(7.3)	(1.4)	10.9

At 2 July 2022

	At 29 January 2022 £m	Provided in period £m	Released £m	Utilised £m	At 2 July 2022 £m
Dilapidation provision	–	5.5	–	–	5.5
Restructuring provision	4.5	11.0	–	(4.0)	11.5
Others	6.4	3.4	–	–	9.8
	10.9	19.9	–	(4.0)	26.8

	At 1 February 2020 £m	At 30 January 2021 £m	At 29 January 2022 £m	At 2 July 2022 £m
Current	–	–	–	1.4
Non-current	13.8	14.7	10.9	25.4
	13.8	14.7	10.9	26.8

Dilapidation provision

A provision is recognised for expected costs required to restore leased properties to their original condition per the current closure plan. It is expected that these costs will be incurred at the end of the lease agreement.

Onerous lease provision

A provision for onerous leases is recognised where the Clark Group has a lease under which the unavoidable costs of meeting the obligations under the lease exceed the economic benefits expected to be received under it. An onerous lease provision is only recognised in respect of leases that are outside the scope of HKFRS 16.

Restructuring provision

A provision is recognised for expected costs arising from planned restructuring in order to exit certain market or maintain the solvency and liquidity of the Clark Group.

Others

Other provisions in all financial years comprise primarily sales returns given contractual terms agreed with wholesale partners and anticipated returns rates from retail and e-commerce customers. In addition, other provisions include estimated liabilities arising from any litigation underway.

22. DEFERRED TAX

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	Accelerated capital allowances £m	Holdover relief £m	Pension fair value and temporary differences £m	Inventory provision £m	Tax losses £m	Short-term temporary differences £m	Total £m
Provision at 2 February 2019	(10.7)	(4.2)	(14.0)	2.4	5.6	24.2	3.3
Exchange realignment	–	–	–	–	–	0.8	0.8
(Charge) credit in the profit or loss for the period	–	–	(2.1)	1.6	1.6	(15.4)	(14.3)
(Charge) credit in other comprehensive income	–	–	(9.3)	–	–	1.9	(7.4)
Provision at 1 February 2020	(10.7)	(4.2)	(25.4)	4.0	7.2	11.5	(17.6)
Exchange realignment	–	–	–	–	–	(0.1)	(0.1)
Credit (charge) in the profit or loss for the period	4.7	(0.5)	(2.0)	(1.1)	(6.3)	(5.1)	(10.3)
Credit in other comprehensive income	–	–	22.3	–	–	2.9	25.2
Provision at 30 January 2021	(6.0)	(4.7)	(5.1)	2.9	0.9	9.2	(2.8)
Credit (charge) in the profit or loss for the period	3.4	(1.5)	(4.2)	0.1	23.1	(0.1)	20.8
Charge in other comprehensive income	–	–	(20.9)	–	–	(2.2)	(23.1)
Provision at 29 January 2022	(2.6)	(6.2)	(30.2)	3.0	24.0	6.9	(5.1)
(Charge) credit in the profit or loss for the period	(0.9)	–	(1.5)	(0.1)	–	0.3	(2.2)
Charge in other comprehensive income	–	–	(4.1)	–	–	(3.2)	(7.3)
Provision at 2 July 2022	(3.5)	(6.2)	(35.8)	2.9	24.0	4.0	(14.6)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Clark Group intends to settle its current tax assets and liabilities on a net basis. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*	*£m*
Deferred tax assets	0.7	0.3	0.3	0.3
Deferred tax liabilities	(18.3)	(3.1)	(5.4)	(14.9)
	(17.6)	(2.8)	(5.1)	(14.6)

Unrecognised deferred tax

Deferred tax assets have not been recognised in respect of the following items (because it is not probable that future taxable profits will be available against which the Clark Group can utilise the benefits):

	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*	*£m*
Deductible temporary differences	106.2	110.1	79.3	49.3
Tax losses	126.9	296.4	183.8	183.8
	233.1	406.5	263.1	233.1

The Clark Group has unused tax losses of £158.9m, £301.9m, £280.9m and £281.1m, as at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, respectively, available for offset against future periods. A deferred tax asset has been recognised in respect of £32.0m, £5.5m, £97.1m and £97.3m, as at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, respectively, of such losses. No deferred tax asset has been recognised in respect of the remaining £126.9m, £296.4m, £183.8m and £183.8m, as at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, respectively, as it is not considered probable that there will be future taxable profits available. Included in the unrecognised tax losses are losses of £103.9m, £100.1m, £101.0m and £101.0m, as at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, respectively, that will expire in 2034 – 2036 (see table below). Other losses may be carried forward indefinitely.

The losses that will expire in 2034 – 2036 can be split as follows:

	At 1 February 2020 £m	At 30 January 2021 £m	At 29 January 2022 £m	At 2 July 2022 £m
Losses expected to expire in 2034	7.6	7.3	6.2	6.2
Losses expected to expire in 2035	55.8	53.8	54.9	54.9
Losses expected to expire in 2036	40.5	39.0	39.9	39.9
	103.9	100.1	101.0	101.0

No deferred tax liability is recognised on immaterial temporary differences relating to the unremitted earnings of overseas subsidiaries, as the Clark Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in joint venture are insignificant.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	At 1 February 2020 £m	At 30 January 2021 £m	At 29 January 2022 £m	At 2 July 2022 £m
Assets				
Forward exchange contracts				
– under hedge accounting	11.6	0.2	2.3	15.5
Liabilities				
Forward exchange contracts				
– under hedge accounting	5.5	10.2	0.5	0.4

Forward Exchange Contracts

The Clark Group uses forward exchange contracts to reduce exposure to foreign exchange rates. The derivatives used are designated as hedging instruments of the cash flow hedges and the portion of the gain or loss that is determined to be an effective hedge is recognised in OCI.

Material terms of the forward exchange contracts under cash flow hedge accounting are as follows:

At 1 February 2020

Notional amounts in millions ("m")	**Maturity**	**Exchange rates**
Sell Euro ("**EUR**") 5.0m, buy GBP	16 December 2020	£1:EUR 1.0964
Sell EUR 5.0m, buy GBP	25 November 2020	£1:EUR 1.0974
Sell EUR 5.0m, buy GBP	27 May 2020	£1:EUR 1.1054
Sell EUR 5.0m, buy GBP	29 April 2020	£1:EUR 1.1058
Sell EUR 5.0m, buy GBP	25 March 2020	£1:EUR 1.1075

At 30 January 2021

Notional amounts in millions ("m")	**Maturity**	**Exchange rates**
Sell EUR 5.0m, buy GBP	24 February 2021	£1:EUR 1.1450
Sell EUR 5.0m, buy GBP	24 March 2021	£1:EUR 1.1504
Sell EUR 5.0m, buy GBP	26 May 2021	£1:EUR 1.1577
Sell EUR 5.0m, buy GBP	28 April 2021	£1:EUR 1.1689
Sell GBP 4.0m, buy United States Dollar ("**USD**")	30 September 2021	£1:USD 1.2360

At 29 January 2022

Notional amounts in millions ("m")	**Maturity**	**Exchange rates**
Sell GBP 3.8m, Buy USD	25 February 2022	£1:USD 1.3028
Sell GBP 3.8m, Buy USD	4 March 2022	£1:USD 1.3029
Sell GBP 3.7m, Buy USD	15 March 2023	£1:USD 1.3477
Sell GBP 3.7m, Buy USD	24 May 2023	£1:USD 1.3478
Sell GBP 3.7m, Buy USD	29 March 2023	£1:USD 1.3480

At 2 July 2022

Notional amounts in millions ("m")	Maturity	Exchange rates
Sell Renminbi ("**RMB**") 39.0m, buy GBP	16 November 2022	£1:RMB 8.1541
Sell GBP 4.0m, buy USD	9 August 2023	£1:USD 1.2348
Sell GBP 4.0m, buy USD	16 August 2023	£1:USD 1.2355
Sell GBP 4.0m, buy USD	23 August 2023	£1:USD 1.2362
Sell GBP 4.0m, buy USD	14 June 2023	£1:USD 1.2633

During the 52 weeks period ended 1 February 2020, 30 January 2021, 29 January 2022 and 22 weeks period ended 3 July 2021 and 2 July 2022, £10.7m, £2.0m, £1.0m, £3.4m (unaudited) and £0.2m gains respectively were reclassified from the cash flow hedge reserve to profit or loss.

The change in the fair value of financial instruments recognised through the cash flow hedge reserve during 52 weeks period ended 1 February 2020, 30 January 2021 and 29 January 2022 were losses of £20.1m, losses of £16.7m and gains of £10.6m, recognised in OCI, respectively. For the 22 weeks period ended 3 July 2021 and 2 July 2022, there were losses of £0.8m (unaudited) and gains of £13.0m, recognised in OCI, respectively.

In all periods, hedge ineffectiveness resulted from amounts of currency for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur.

24. RETIREMENT BENEFITS

Defined contribution plans

Clark Group operates defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of Clark Group in funds under the control of trustees.

Forfeited contributions in respect of unvested benefits of employees leaving Clark Group's employment cannot be used to reduce ongoing contributions.

The total expense recognised in profit or loss of £11.9m, £13.4m, £9.6m, £5.4m (unaudited), £4.7m for the 52 weeks period ended 1 February 2020, 30 January 2021, 29 January 2022, 22 weeks period ended 3 July 2021 and 2 July 2022, respectively, which represents contributions payable to these plans by Clark Group at rates specified in the rules of the plans.

Defined benefit plans

Clark Group operates a defined benefit scheme in the UK, with two sections; the C&J Clark Pension Fund (the Fund) and the Clarks Flexible Pension Scheme (the Scheme). The Scheme is approved by Her Majesty's Revenue and Customs for tax purposes. A full actuarial valuation of the Fund and the Scheme was carried out by a qualified independent actuary. Clark Group also operates a single defined benefit scheme in the United States of America ("**USA**"); the C&J Clark Company Pension Plan (the Plan). A full actuarial valuation of the Plan was carried out by a qualified independent actuary. The defined benefit plans are administered by a separate fund that is legally separated from the entity. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the plan. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

During the Track Record Period cash contributions by the Clark Group into the main UK fund by way of deficit funding amounted to £12.3m, £12.5m, £19.6m and £5.8m for the 52 weeks period ended 1 February 2020, 30 January 2021 and 29 January 2022 and 22 weeks period ended 2 July 2022 in line with the payment plan and recompense for scheme expenses agreed with the Pension Trustees. The defined benefit plans also require contributions from employees. Contributions are in the following two forms; one is based on the number of years of service (up to 30 years of service) and the other one is based on a percentage from 6% to 10% of salary of the employees. Employees can also make discretionary contributions to the plans.

The defined benefit plans in both the UK and USA typically expose the entity to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. This is considered in more detail in the table below.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a high proportion of its investments in debt instruments with smaller amounts in equity securities and real estate. Due to the level of risk associated with each type of asset, the trustees of the pension fund consider it appropriate that a reasonable portion of the plan assets should be invested in debt instruments, while the long-term nature of the plan liabilities means that is considered appropriate that a portion of the investment portfolio is in equity securities and in real estate to leverage the return generated by the fund.

Interest risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

	At 1 February 2020	**At 30 January 2021**	**At 29 January 2022**	**At 2 July 2022**
	£m	*£m*	*£m*	*£m*
Change in benefit obligation for defined benefit sections				
Benefit obligation at the beginning of the period	1,154.1	1,232.5	1,302.6	1,176.4
Current service cost	0.8	0.5	0.2	0.2
Administration costs	1.2	3.9	1.9	0.8
Interest cost	31.1	21.7	19.5	11.3
Past service costs	0.4	0.3	0.7	–
Actuarial loss (gain)	116.5	112.9	(92.1)	(226.6)
Liabilities extinguished on settlement	–	(0.3)	–	–
Benefits paid	(70.6)	(64.2)	(59.2)	(22.8)
Exchange rate adjustment on US scheme	(1.0)	(4.7)	2.8	12.8
Benefit obligation at the end of the period	1,232.5	1,302.6	1,176.4	952.1
Analysis of benefit obligation for defined benefit sections				
Plans that are wholly or partly funded	1,232.3	1,302.5	1,176.3	952.0
Plans that are wholly unfunded	0.2	0.1	0.1	0.1
Total	1,232.5	1,302.6	1,176.4	952.1

	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	£m	£m	£m
Change in plan assets for defined benefit sections				
Fair value of plan assets at the beginning of the financial period	1,221.7	1,360.9	1,313.4	1,288.9
Expected return on plan assets	32.8	23.7	19.5	12.3
Actuarial gain (loss)	166.2	(15.0)	(6.5)	(206.5)
Employer contribution	12.3	12.5	19.6	5.8
Assets distributed on settlements	–	(0.3)	–	–
Benefits paid	(70.6)	(64.2)	(59.2)	(22.8)
Administration costs	(0.7)	(0.5)	(0.2)	(0.2)
Exchange rate adjustment on US scheme	(0.8)	(3.7)	2.3	12.0
Fair value of plan assets at the end of the period	1,360.9	1,313.4	1,288.9	1,089.5
Funded status	128.4	10.8	112.5	137.4
Unrecognised past service cost	–	–	–	–
Net amount recognised	128.4	10.8	112.5	137.4

	52 weeks to 1 February 2020	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
	£m	£m	£m	£m (unaudited)	£m
Components of pension cost					
Current service cost – defined benefit scheme	0.8	0.5	0.2	0.1	0.2
Administration costs	1.9	4.4	2.1	0.9	1.0
Contribution – defined contribution scheme	11.9	13.4	9.6	5.4	4.7
Cost	31.1	18.5	16.6	8.1	9.8
Expected return on plan assets	(32.8)	(20.5)	(16.6)	(8.1)	(10.8)
Past service cost	0.4	0.3	0.7	0.2	–
Gains on curtailments and settlements	–	(0.3)	–	–	–
Total pension cost recognised in the income statement	13.3	16.3	12.6	6.6	4.9
Actuarial gain (loss) immediately recognised	49.7	(127.9)	85.6	65.0	20.1

	At 1 February 2020 £m	At 30 January 2021 £m	At 29 January 2022 £m	At 2 July 2022 £m
Movement in surplus during the period				
Surplus in the scheme at the beginning of the financial period	67.6	128.4	10.8	112.5
Current service cost	(0.8)	(0.5)	(0.2)	(0.2)
Administration costs	(1.9)	(4.4)	(2.1)	(1.0)
Contributions	12.3	12.5	19.6	5.8
Past service costs/curtailments	(0.4)	(0.3)	(0.7)	–
Net return on assets	1.7	2.0	–	1.0
Actuarial gain (loss)	49.7	(127.9)	85.6	20.1
Exchange rate adjustment on US scheme	0.2	1.0	(0.5)	(1.0)
Surplus in the scheme at the end of the financial period	128.4	10.8	112.5	137.2
Unfunded unapproved retirement benefit scheme	(0.7)	(0.9)	(0.8)	(0.7)
Pension asset at the end of the financial period	127.7	9.9	111.7	136.5

Plan assets

The weighted average asset allocations at the period end were as follows:

	UK plan assets At 1 February 2020	UK plan assets At 30 January 2021	UK plan assets At 29 January 2022	UK plan assets At 2 July 2022	North America plan assets At 1 February 2020	North America plan assets At 30 January 2021	North America plan assets At 29 January 2022	North America plan assets At 2 July 2022
Asset category								
Equities	13.6%	5.5%	0.1%	0.1%	63.6%	67.2%	69.6%	73.3%
Bonds	74.3%	81.7%	92.3%	69.2%	35.3%	31.2%	29.7%	24.9%
Real Estate	4.7%	4.7%	5.1%	6.5%	–	–	–	–
Insurance contract	–	–	–	22.5%	–	–	–	–
Cash	7.4%	8.1%	2.5%	1.7%	1.1%	1.6%	0.7%	1.8%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*	*£m*
Actual return on plan assets	199.0	8.7	13.0	194.2

		UK At 1 February 2020	UK At 30 January 2021	UK At 29 January 2022	UK At 2 July 2022	North America At 1 February 2020	North America At 30 January 2021	North America At 29 January 2022	North America At 2 July 2022
Weighted average assumptions used to determine benefit obligations									
Discount rate		1.65%	1.40%	2.20%	3.65%	3.00%	2.75%	3.18%	4.76%
Rate of increase in pensions in payment		2.85%	2.95%	3.45%	3.05%	N/A	N/A	N/A	N/A
Rate of increase in pensions in deferment		2.00%	2.25%	2.90%	2.45%	N/A	N/A	N/A	N/A
Inflation assumption		2.90%	3.00%	3.60%	3.15%	2.50%	N/A	N/A	N/A

		UK At 1 February 2020	UK At 30 January 2021	UK At 29 January 2022	UK At 2 July 2022	North America At 1 February 2020	North America At 30 January 2021	North America At 29 January 2022	North America At 2 July 2022
Weighted average assumptions used to determine net pension cost for the period end									
Discount rate		1.65%	1.40%	2.20%	3.65%	3.00%	3.00%	2.75%	4.76%
Expected long-term return on plan assets		1.65%	1.40%	2.20%	3.65%	N/A	N/A	N/A	N/A
Rate of increase in pensions in payment		2.85%	2.95%	3.45%	3.05%	N/A	N/A	N/A	N/A
Rate of increase in pensions in deferment		2.00%	2.25%	2.90%	2.45%	N/A	N/A	N/A	N/A
Inflation assumption		2.90%	3.00%	3.60%	3.15%	2.50%	N/A	N/A	N/A

		UK At 1 February 2020	UK At 30 January 2021	UK At 29 January 2022	UK At 2 July 2022	North America At 1 February 2020	North America At 30 January 2021	North America At 29 January 2022	North America At 2 July 2022
Weighted average life expectancy for mortality tables used to determine benefit obligations									
Member age 65 (current life expectancy)	Male	22.1	22.3	22.3	22.3	20.6	20.5	20.6	20.6
	Female	24.0	24.0	24.2	24.2	22.6	22.4	22.6	22.6
Member age 45 (life expectancy at age 65)	Male	23.5	23.5	23.5	23.6	22.3	22.0	22.1	22.1
	Female	25.6	25.9	26.0	26.0	24.3	23.8	24.0	24.0

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Sensitivity analysis: Impact of change in key assumptions on actuarial value of liabilities

	UK At 1 February 2020 £m	UK At 30 January 2021 £m	UK At 29 January 2022 £m	UK At 2 July 2022 £m
Base case	1,104.9	1,177.0	1,056.1	843.6
0.5% decrease in discount rate	1,192.8	1,271.0	1,135.1	901.8
1 year increase in member life expectation	1,149.1	1,224.1	1,098.4	877.4
+0.5% change in inflation	1,173.1	1,254.2	1,122.5	888.1

	US At 1 February 2020 £m	US At 30 January 2021 £m	US At 29 January 2022 £m	US At 2 July 2022 £m
Base case	168.1	171.9	161.1	131.2
0.5% decrease in discount rate	181.3	185.1	172.7	139.4
1 year increase in member life expectation	173.4	177.3	166.3	135.3

25. SHARE CAPITAL

	Issued and fully paid At 1 February 2020 £	Issued and fully paid At 30 January 2021 £	Issued and fully paid At 29 January 2022 £	Issued and fully paid At 2 July 2022 £
100,000 Ordinary Shares of £0.001 each	100.00	100.00	–	–
51,051 A Ordinary shares of £0.001 each	–	–	51.05	51.05
49,049 B Ordinary shares of £0.001 each	–	–	49.05	49.05
	100.00	100.00	100.10	100.10

On 19 February 2021 an additional 100 Ordinary shares were issued, bringing the total number of ordinary shares to 100,100, with an aggregate nominal value of £100.10 (30 January 2021: £100.00, 1 February 2020: £100.00). On the same date, Ordinary Shares in Clark were designated as A Ordinary Shares and B Ordinary Shares with varied rights.

A Ordinary Shares confer one vote per share unless a Material Default is occurring in which case holders of A Ordinary Shares shall together be entitled to exercise 75% of the total voting rights attaching to all shares in Clark in respect of any resolution relating to a Rescue Issue. A Ordinary Shares rank second, behind Preference Shares, and *pari passu* with B Ordinary Shares on return of capital. The Board may determine to pay a dividend to the holder of A Ordinary Share (and B Ordinary Shares) after payment of the Preferred Dividend to the holders of the Preference Shares. The A Ordinary shares are not redeemable.

B Ordinary Shares confer one vote per share. B Ordinary Shares rank second, behind Preference Shares, and *pari passu* with A Ordinary Shares on return of capital. The Board may determine to pay a dividend to the holder of B Ordinary Shares (and A Ordinary Shares) after payment of the Preferred Dividend to the holders of the Preference Shares. The B Ordinary Shares are not redeemable.

26. LOANS AND BORROWINGS

Borrowings at amortised cost:

	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*	*£m*
Term Facilities and Private Placement	69.2	195.0	61.3	60.9
Current	13.5	7.7	6.3	5.6
Non-current	55.7	187.3	55.0	55.3
	69.2	195.0	61.3	60.9

Deducted from long-term loans are £1.1m, £0.2m, £1.4m and £2.6m for the 52 weeks period ended 1 February 2020, 30 January 2021, 29 January 2022 and 22 weeks period ended 2 July 2022, respectively of pre-paid transactions costs relating to financing.

	Currency	Nominal interest rate	Maturity	At 1 February 2020 £m	At 30 January 2021 £m	At 29 January 2022 £m	At 2 July 2022 £m
$231.9m Revolving Credit Facility	USD	London Interbank Offered Rate ("**LIBOR**") plus 3.4%	April 2022	–	132.4	–	–
$75m Private Placement	USD	5.40%	April 2022	56.8	–	–	–
$75.5m Private Placement (PRICOA)	USD	7.0% (2021: 5.8% Cash plus 1% Payment-in-kind ("**PIK**"))	May 2024 *(note)*	–	55.1	56.4	–
$25m Revolving Credit Facility	USD	LIBOR plus 1.75%	April 2020	5.8	–	–	–
$250m Asset-Based Lending Facilities	USD	Secured Overnight Financing Rate ("**SOFR**") plus 1.75%	June 2027 *(note)*	–	–	–	57.9
Japanese Yen ("**JPY**") 700m Debt Facility	JPY	1.08%	August 2022	4.9	4.9	4.5	4.3
JPY400m Debt Facility	JPY	1.04%	February 2020	2.8	–	–	–
JPY279m Debt Facility	JPY	1.08%	August 2022	–	2.8	1.8	1.3
				70.3	195.2	62.7	63.5

Note: Clark Group has signed a facility agreement with Bank of America, N.A on 21 June 2022, to obtain a new $250m Asset-Based Lending Facilities for refinancing purpose. As a result, the Private Placement is released earlier than maturity date.

The weighted average interest rates excluding the coupon on preference shares paid during the period were as follows:

	52 weeks to 1 February 2020	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
Term Facilities and Private Placement	4.4%	4.5%	5.8%	8.0%	5.8%

Terms shown above are for Clark Group's debt facilities.

The facilities are also subject to cross company guarantees within Clark Group. All are included within the above financial liabilities.

Further guarantees are provided in relation to £2m, USD5m and EUR1m overdraft facilities in the UK. Clark Group also provides an Indian Rupee ("**INR**") 1 billion corporate guarantee to support 50% of an INR2 billion loan facility for Clarks Reliance Footwear Private Limited, a 50% owned joint venture as at 29 January 2022 and 2 July 2022.

As at 2 July 2022, certain trade receivables and inventories with an estimated total carrying amount of £195.0m was pledged for Asset-Based Lending Facilities (1 February 2020, 30 January 2021 and 29 January 2022: nil).

27. LEASE LIABILITIES

	At 1 February 2020 £m	At 30 January 2021 £m	At 29 January 2022 £m	At 2 July 2022 £m
Maturity analysis				
Undiscounted lease liabilities				
Within one year	77.5	38.0	36.7	42.1
Within a period of more than one year but not exceeding two years	75.0	32.5	31.2	34.8
Within a period of more than two years but not exceeding five years	140.3	62.9	52.6	53.5
Within a period of more than five years	89.3	36.5	26.9	24.9
	382.1	169.9	147.4	155.3
Less: discounting using incremental borrowing rate	(57.5)	(22.7)	(18.5)	(17.5)
Total discounted lease liabilities	324.6	147.2	128.9	137.8
Less: Amount due for settlement with 12 months shown under current liabilities	(63.9)	(31.9)	(31.4)	(36.6)
Amount due for settlement after 12 months shown under non-current liabilities	260.7	115.3	97.5	101.2

28. CAPITAL COMMITMENTS

	At 1 February 2020 £m	At 30 January 2021 £m	At 29 January 2022 £m	At 2 July 2022 £m
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	0.7	0.1	0.8	3.1
Capital expenditure in respect of the acquisition of intangible assets contracted for but not provided in the consolidated financial statements	–	–	–	2.8
	0.7	0.1	0.8	5.9

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. Carrying amount of financial instruments

	At 1 February 2020 £m	At 30 January 2021 £m	At 29 January 2022 £m	At 2 July 2022 £m	Fair value hierarchy level
Derivative financial instruments (under non-current and current assets)					
Forward exchange contracts	11.6	0.2	2.3	15.5	2
Financial assets measured at amortised cost					
Trade and other receivables	86.2	65.1	65.9	88.9	N/A
Bank balances and cash	36.6	98.2	161.0	108.1	N/A
Derivative financial instruments (under non-current and current liabilities)					
Forward exchange contracts	5.5	10.2	0.5	0.4	2
Financial liabilities measured at amortised cost					
Loans and borrowings	69.2	195.0	61.3	60.9	N/A
Trade and other payables	132.2	146.9	246.0	248.4	N/A

During the 52 weeks period ended 1 February 2020, 30 January 2021, 29 January 2022 and 22 weeks period ended 3 July 2021 and 2 July 2022, £10.7m, £2.0m, £1.0m, £3.4m (unaudited) and £0.2m gains respectively were reclassified from the cash flow hedge reserve to profit or loss.

Interest payable on loans and borrowings measured at amortised cost totalled £5.5m, £7.3m, £1.1m and £3.0m as at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, respectively.

The change in the fair value of financial instruments recognised through the cash flow hedge reserve during 52 weeks period ended 1 February 2020, 30 January 2021 and 29 January 2022 were losses of £20.1m, losses of £16.7m and gains of £10.6m, recognised in OCI, respectively. For the 22 weeks period ended 3 July 2021 and 2 July 2022, there were losses of £0.8m (unaudited) and gains of £13.0m, recognised in OCI, respectively.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows:

Fair value hierarchy

Level 1: fair values derived from quoted prices in active markets for identical assets/liabilities.

Level 2: fair values derived from observable inputs other than quoted prices.

Level 3: fair values derived from valuation techniques that include inputs that are not based on observable data.

There were no transfers between levels during the Track Record Period. Refer to b) below for the determination of fair values of financial assets and liabilities and Note 3.2 for financial assets and liabilities.

b. Financial instruments measured at fair value

Forward Exchange Contracts

The fair value of forward exchange contracts are categorised as level 2 fair value hierarchy and are estimated using discounted cash flow.

Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at each reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Financial Risk Management

The financial risks of the Clark Group primarily relate to fluctuations in currency risk, interest rate risk and credit risk.

Capital Risk Management

The Clark Group manages its capital to ensure that entities in the Clark Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance and sustaining the future development of the Clark Group.

The capital structure of the Clark Group consists of net debt (loans and borrowings after deducting bank balances and cash and lease liabilities disclosed in Notes 26 and 27 respectively) and equity of the Clark Group (comprising share capital, share premium, other reserves, cash flow hedge reserve and retained earnings).

The Clark Group reviews the capital structure on a periodic basis as part of the overall risk management strategy. As part of this review, the group considers the cost of capital and the risks associated with each class of capital.

Credit risk

Credit risk is the risk of financial loss to Clark Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Clark Group is exposed to credit risk on trade and other receivables and bank balances. Clark Group ensures that the banks used for financing hold an acceptable risk rating by independent parties. Trade receivables and other receivables consist of a large number of customers. Clark Group does not have any significant credit risk exposure to any single counterparty. Under the general approach for expected credit losses there is to be assessment of whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12-month expected credit losses. This determination is made at the end of each financial period. Thus, the basis of the loss allowance for a specific financial asset could change year on year. For trade receivables which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For financial assets measured at amortised cost other than trade receivables the general approach under HKFRS 9 is followed.

Customer credit risk is managed centrally according to established policies, procedures and controls. Management typically monitor credit risk from a regional perspective but credit risk is also monitored on a customer basis as needed. Customer credit quality is assessed in line with strict credit rating criteria and credit limits are established where appropriate. Outstanding customer balances are regularly monitored and a review is carried out at each reporting date for indicators of impairment, for example: evidence of financial difficulty of the customer, payment default, breach of contract etc.

Management has assessed all of the Clark Group's financial assets to be in Stage 1, where credit risk has not increased since initial recognition, based on consideration of the credit quality of the respective counterparties. Banking relationships are generally limited to those banks that are members of the Clark Group's core relationship group. These banks are selected for their credit status, global reach and their ability to meet the businesses' day-to-day banking requirements. The credit ratings of these institutions are monitored on a continuing basis. Clark Group has not historically recorded a provision or incurred writes-offs on the bank balances. As such Management consider the risk of impairment occurring low.

The Clark Group's maximum exposure to credit risk, being the carrying amount of financial assets, is summarised as follows:

	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*	*£m*
Trade and other receivables *(Note 18)*	86.2	65.1	65.9	88.9
Bank balances	36.6	98.2	161.0	108.1
	122.8	163.3	226.9	197.0

The tables below detail the credit risk exposures of the Clark Group's financial assets and contract assets, which are subject to ECL assessment:

Financial assets measured at amortised cost	Notes	External credit rating	Internal credit rating	12-month ("12m") or lifetime ECL	At 1 February 2020		At 30 January 2021		At 29 January 2022		At 2 July 2022	
					ECL rate	Gross carrying amount	ECL rate	Gross carrying amount	ECL rate	Gross carrying amount	ECL rate	Gross carrying amount
						£m		*£m*		*£m*		*£m*
Trade receivables	*18*	N/A	Low risk	Lifetime ECL	0.2% – 5.5%	65.5	1.1% – 3.4%	53.4	0.0% – 2.2%	53.1	0.6% – 4.9%	80.5
Amounts due from a joint venture	*18*	N/A	1 February 2020: Low risk 30 January 2021: Doubtful 29 January 2022: High risk 2 July 2022: High risk	12m ECL	0.0%	8.5	100.0%	8.3	50.7%	9.4	54.0%	8.9
Bank balances and cash	*19*	1 February 2020: AA- to BBB+ 30 January 2021: AA to BBB+ 29 January 2022: AA+ to BBB+ 2 July 2022: AA+ to BBB+	N/A	12m ECL	0.0%	36.6	0.0%	98.2	0.0%	161.0	N/A	108.1

Currency risk

The Clark Group is exposed to currency risk as a result of the Clark Group's international nature and business activities due to mismatch between currencies in which sales, purchases, receivables and borrowings are denominated.

The carrying amounts of the Clark Group's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are as follows:

	Assets				Liabilities			
	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*
USD	57.3	88.8	125.6	74.5	(132.7)	(191.2)	(127.4)	(161.6)
EUR	19.9	23.2	29.8	21.6	(3.1)	(8.4)	(13.0)	(11.9)
RMB	8.5	9.5	9.4	9.6	(0.7)	(1.6)	(0.3)	(0.8)
Canadian Dollar ("**CAD**")	8.1	4.3	6.2	17.3	(0.3)	(0.3)	(1.9)	(0.8)
JPY	6.1	9.3	15.8	5.9	(8.0)	(8.1)	(5.5)	(5.8)
Others	8.8	8.4	6.9	6.2	(0.3)	(0.1)	(0.4)	(1.2)

The Treasury function manages currency exposure on cash flows relating to the Clark Group's trading operations by entering forward dated forward exchange contracts and structured instruments maturing at key points based on detailed forecasts of future transaction flows. Clark Group considers that the hedged items are the forecast sales and purchases to the point of the settlement of the resulting receivable or payable.

The main currencies in order of transactional value are USD, EUR, RMB, CAD and JPY. Income and expenditure flows in the same currency are offset as far as possible through natural hedging, and the Clark Group hedges the net exposure.

The following tables indicate the periods in which the cash flows associated with cash flow hedging instruments are expected to occur:

	At 1 February 2020			
	1 year or less	**1 to < 2years**	**2 to < 5years**	**Expected cash flows**
	£m	*£m*	*£m*	*£m*
Derivative – net settlement				
Forward exchange contracts				
Assets – notional value	280.1	84.4	1.1	365.6
Liabilities – notional value	(84.8)	(146.5)	–	(231.3)
	195.3	(62.1)	1.1	134.3

	At 30 January 2021		
	1 year or less	1 to < 2years	Expected cash flows
	£m	*£m*	*£m*
Derivative – net settlement			
Forward exchange contracts			
Assets – notional value	14.0	1.1	15.1
Liabilities – notional value	(229.0)	(7.7)	(236.7)
	(215.0)	(6.6)	(221.6)

	At 29 January 2022		
	1 year or less	1 to < 2 years	Expected cash flows
	£m	*£m*	*£m*
Derivative – net settlement			
Forward exchange contracts			
Assets – notional value	75.5	55.6	131.1
Liabilities – notional value	(18.3)	–	(18.3)
	57.2	55.6	112.8

	At 2 July 2022		
	1 year or less	1 to < 2 years	Expected cash flows
	£m	*£m*	*£m*
Derivative – net settlement			
Forward exchange contracts			
Assets – notional value	140.8	24.0	164.8
Liabilities – notional value	(28.0)	–	(28.0)
	112.8	24.0	136.8

The following table represents an analysis of effects of changes in fair value of forward exchange contracts under hedge accounting on OCI and profit or loss:

	52 weeks to 1 February 2020				
	Total fair value gains or losses recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item where hedge ineffectiveness is recognised	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
	£m	*£m*		*£m*	
Forward currency risk					
Forward exchange contracts	(20.1)	0.5	Finance costs	10.7	Administrative expenses

	52 weeks to 30 January 2021				
	Total fair value gains or losses recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item where hedge ineffectiveness is recognised	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
	£m	*£m*		*£m*	
Forward currency risk					
Forward exchange contracts	(16.7)	1.2	Finance costs	2.0	Administrative expenses

	52 weeks to 29 January 2022				
	Total fair value gains or losses recognised in OCI	Hedge ineffectiveness recognised in profit or loss	Line item where hedge ineffectiveness is recognised	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
	£m	*£m*		*£m*	
Forward currency risk					
Forward exchange contracts	10.6	0.9	Finance costs	1.0	Administrative expenses

	22 weeks to 3 July 2021				
	Total fair value gains or losses recognised in OCI *£m* (unaudited)	**Hedge ineffectiveness recognised in profit or loss** *£m* (unaudited)	**Line item where hedge ineffectiveness is recognised**	**Amount reclassified from OCI to profit or loss** *£m* (unaudited)	**Line item in the statement of profit or loss**
Forward currency risk					
Forward exchange contracts	(0.8)	–	Finance costs	3.4	Administrative expenses

	22 weeks to 2 July 2022				
	Total fair value gains or losses recognised in OCI *£m*	**Hedge ineffectiveness recognised in profit or loss** *£m*	**Line item where hedge ineffectiveness is recognised**	**Amount reclassified from OCI to profit or loss** *£m*	**Line item in the statement of profit or loss**
Forward currency risk					
Forward exchange contracts	13.0	–	Finance costs	0.2	Administrative expenses

For the 52 weeks period ended 1 February 2020, the total fair value losses recognised in OCI of £20.1m above is shown gross of deferred taxation of £1.9m and reclassifications to profit or loss of £10.7m. The net amount included within OCI is a loss of £7.5m.

For the 52 weeks period ended 30 January 2021, the total fair value losses recognised in OCI of £16.7m above is shown gross of deferred taxation of £2.9m and reclassifications to profit or loss of £2.0m. The net amount included within OCI is a loss of £11.8m.

For the 52 weeks period ended 29 January 2022, the total fair value gains recognised in OCI of £10.6m above is shown gross of deferred taxation of £2.2m and reclassifications to profit or loss of £1.0m. The net amount included within OCI is a gain of £9.4m.

For the 22 weeks period ended 3 July 2021, the total fair value losses recognised in OCI of £0.8m (unaudited) above are shown gross of deferred taxation of £0.4m (unaudited) and reclassifications to profit or loss of £3.4m (unaudited), respectively. The net amount included within OCI is a gain of £2.2m (unaudited).

For the 22 weeks period ended 2 July 2022, the total fair value gains recognised in OCI of £13.0m, above are shown gross of deferred taxation of £3.2m and reclassifications to profit or loss of £0.2m, respectively. The net amount included within OCI is a gain of £10.0m.

In all periods, hedge ineffectiveness resulted from amounts of currency for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur.

Foreign currency sensitivity analysis

The Group is mainly exposed to USD and EUR fluctuations.

The following table details the Clark Group's sensitivity to a 10 per cent increase and decrease in currency units against the relevant foreign currencies. 10 per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period-end for a 10 per cent change in foreign currency rates. A positive number below indicates an increase in profit and other equity where currency units strengthens 10 per cent against the relevant currency. For a 10 per cent weakening of currency units against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	USD				EUR			
Impact on	52 weeks to 1 February 2020	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 2 July 2022	52 weeks to 1 February 2020	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 2 July 2022
	£m	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*
Profit and loss	7.5	10.2	0.2	8.7	(1.7)	(1.5)	(1.7)	(1.0)

Interest rate risk

The Clark Group is exposed to interest rate risk principally in relation to borrowings, lease liabilities and bank deposits denominated in GBP, USD, JPY and EUR. The Clark Group manages this risk by maintaining an appropriate mix between fixed and floating rate borrowings.

All bank balances carry interest at floating market rates.

Under the Revolving Credit Facility, interest rates are based upon LIBOR appropriate to the tenor of the loan. Under the Asset-Based Lending Facilities, interest rates are based upon SOFR or Sterling Overnight Index Average ("**SONIA**") appropriate to the tenor of the loan. The interest rates on facilities in the UK are based on the UK base rate for GBP borrowings and the relevant LIBOR or SONIA rate for currency borrowings. The interest rates on the short-term facilities in the USA are based on LIBOR or SOFR and those in Japan are based on local rates.

The maturity of the Clark Group's loan and borrowings at each reporting period end was as follows:

	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*	*£m*
In one year or less or on demand	13.5	7.7	6.3	5.6
In more than one year but not more than two years	–	187.3	–	–
In more than two years but not more than five years	55.7	–	55.0	55.3
	69.2	195.0	61.3	60.9

At respective period end date the Clark Group had the following undrawn net committed borrowings facilities available:

	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*	*£m*
Expiring in one year	21.0	–	–	–
Expiring in more than one year but not more than two years	–	–	–	–
Expiring in more than two years but not more than five years	175.7	–	133.5	142.0
	196.7	–	133.5	142.0

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 10 per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 per cent higher and all other variables were held constant, the Clark Group's profit for the 52 weeks period ended 1 February 2020, 30 January 2021, 29 January 2022 and 22 weeks period ended 2 July 2022 would decrease by £0.3m, £0.3m, £0.1m and £0.2m, respectively. This is mainly attributable to the Clark Group's exposure to interest rates on its variable rate borrowings.

Liquidity risk

The cash at bank which equals cash and cash equivalents represents amounts held in bank accounts. In the management of the liquidity risk, the Clark Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Clark Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Clark Group monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Clark Group relies on bank borrowings as a significant source of liquidity. The undrawn net committed borrowings facilities available during the Track Record Period is shown in the table above.

Contractual maturity analyses for trade payables and lease liabilities are shown in Notes 20 and 27 respectively. Maturity analyses for forward exchange contracts and gross borrowings are shown in the tables laid out above.

c. Fair value of the Clark Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of Clark Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship and sensitivity of unobservable inputs to fair value
	1 February 2020	30 January 2021	29 January 2022	2 July 2022				
	£m	£m	£m	£m				
Forward exchange contracts	Assets: 11.6; Liabilities: 5.5	Assets: 0.2; Liabilities: 10.2	Assets: 2.3; Liabilities: 0.5	Assets: 15.5; Liabilities: 0.4	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

30. RECONCILIATION OF OPERATING PROFIT ITEMS TO OPERATING CASH FLOWS

	52 weeks to 1 February 2020	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
	£m	*£m*	*£m*	*£m* (unaudited)	*£m*
Profit (loss) before taxation	**69.5**	**(138.9)**	**38.0**	**5.8**	**48.9**
Finance costs	23.3	21.0	26.6	11.3	11.2
Interest income	(2.5)	(2.3)	(0.2)	(0.1)	(1.0)
Depreciation of property, plant and equipment	26.5	25.4	22.6	8.5	4.9
Depreciation of right-of-use assets	49.6	37.9	20.1	7.3	6.2
Gain on lease modification and early termination of lease arrangements	(1.5)	(26.8)	(0.2)	(0.1)	(2.3)
Impairments losses (reversed) recognised	(33.8)	1.1	10.9	0.7	(31.2)
Amortisation of intangible assets	12.0	13.1	15.3	6.9	6.0
Write down of inventories	4.4	2.8	1.8	0.2	0.7
Provisions recognised (reversed) on inventories	4.5	3.7	(3.1)	(0.3)	1.7
(Gain) loss on disposal of intangible assets and property, plant and equipment	(0.3)	1.6	2.5	0.8	9.2
Difference between pension charge and cash contributions	(9.3)	(7.3)	(16.6)	(11.1)	(4.6)
Decrease (increase) in inventories	7.7	24.2	43.2	6.5	(68.3)
Decrease (increase) in trade and other receivables	16.5	28.5	5.3	(3.4)	(26.1)
(Decrease) increase in trade and other payables	(58.7)	(14.2)	8.5	(41.4)	21.2
(Decrease) increase in provisions	(9.3)	1.3	(4.1)	4.4	16.1
Increase (decrease) in contract liabilities	1.4	0.5	(1.0)	(0.8)	(1.3)
Unrealised exchange loss (gain)	16.8	16.1	(17.6)	1.8	(11.7)
Net cash flow generated from/(used in) operating activities	116.8	(12.3)	152.0	(3.0)	(20.4)

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

1 February 2020

	At 2 February 2019 £m	Financing and operating cash flows £m	Lease remeasurements £m	Exchange movements £m	Interest expense £m	New leases £m	Disposals/ expirations £m	At 1 February 2020 £m
Loans and borrowing (exclude bank overdrafts)	55.5	(1.3)	–	1.5	–	–	–	55.7
Lease liabilities	390.2	(88.8)	9.4	(1.6)	16.8	18.1	(19.5)	324.6
Total liabilities from financing activities	445.7	(90.1)	9.4	(0.1)	16.8	18.1	(19.5)	380.3

30 January 2021

	At 1 February 2020 £m	Financing and operating cash flows £m	Lease remeasurements £m	Exchange movements £m	Interest expense £m	New leases £m	Disposals/ expirations £m	At 30 January 2021 £m
Loans and borrowing (exclude bank overdrafts)	55.7	139.2	–	(7.6)	–	–	–	187.3
Lease liabilities	324.6	(42.7)	(116.9)	(1.2)	11.6	4.3	(32.5)	147.2
Total liabilities from financing activities	380.3	96.5	(116.9)	(8.8)	11.6	4.3	(32.5)	334.5

29 January 2022

	At 30 January 2021 £m	Financing and operating cash flows £m	Lease remeasurements £m	Exchange movements £m	Interest expense £m	New leases £m	Disposals/ Expirations £m	At 29 January 2022 £m
Loans and borrowing (exclude bank overdrafts)	187.3	(130.7)	–	(1.6)	–	–	–	55.0
Lease liabilities	147.2	(39.1)	7.2	0.8	6.4	8.1	(1.7)	128.9
Total liabilities from financing activities	334.5	(169.8)	7.2	(0.8)	6.4	8.1	(1.7)	183.9

2 July 2022

	At 29 January 2022 £m	Financing and operating cash flows £m	Lease remeasurements £m	Exchange movements £m	Interest expense £m	New leases £m	Disposals/ expirations £m	At 2 July 2022 £m
Loans and borrowing (exclude bank overdrafts)	55.0	(6.5)	–	6.8	–	–	–	55.3
Lease liabilities	128.9	(17.2)	5.3	8.6	2.4	35.3	(25.5)	137.8
Total liabilities from financing activities	183.9	(23.7)	5.3	15.4	2.4	35.3	(25.5)	193.1

3 July 2021

	At 30 January 2021	Financing and operating cash flows	Lease remeasurements	Exchange movements	Interest expense	New leases	Disposals/ expirations	At 3 July 2021
	£m	£m	£m	£m	£m	£m	£m	£m
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loans and borrowing (exclude bank overdrafts)	187.3	(92.6)	–	0.6	–	–	–	95.3
Lease liabilities	147.2	(16.4)	6.0	(1.4)	2.7	2.2	(1.1)	139.2
Total liabilities from financing activities	334.5	(109.0)	6.0	(0.8)	2.7	2.2	(1.1)	234.5

32. RELATED PARTY TRANSACTIONS

Relationships	Nature of balances/transactions	52 weeks to 1 February 2020	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
		£m	£m	£m	£m (unaudited)	£m
Immediate holding company (prior to 19 February 2021)	Interest expense *(note 10)*	0.4	0.9	–	–	–
	Amounts due to holding company	24.0	24.7	0.1	–	–
	Equity settled share-based payments	0.4	–	–	–	–
Immediate holding company (on or after 19 February 2021)	Preference share coupon *(note 10)*	–	–	9.4	3.7	4.2
	Other payables *(note 20)*	–	–	109.4	103.7	113.6
Intermediate holding company (on or after 19 February 2021)	Other receivables *(note 18)*	–	–	–	–	0.5
Joint venture *(Note)*	Trade sales	5.3	0.3	4.6	1.0	1.9
	Amounts due from a joint venture *(note 18)*	8.5	–	4.6	–	4.1

Note: As at 2 July 2022, the Clark Group had contingent liabilities of £32.6 million, representing (i) one billion-Rupee (equivalent to £10.5 million) bank guarantee held against the Clark Group's joint venture working capital facility; (ii) a USD25.0 million (equivalent to £20.7 million) vendor financing facility; and (iii) £1.4 million of guarantee facility.

33. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the directors of Clark and the directors of Topco, who collectively were the key management personnel of the Clark Group during the Track Record Period is set out below in aggregate for each of the categories specified in HKAS 24.

	52 weeks to 1 February 2020	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
	£m	*£m*	*£m*	*£m*	*£m*
				(unaudited)	
Fees	–	–	–	–	–
Other emoluments	2.2	1.3	1.0	0.7	0.5
Salaries, allowances and benefit in period	0.3	0.3	–	0.1	0.1
Retirement benefits	0.2	0.2	–	–	–
	2.7	1.8	1.0	0.8	0.6

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF CLARK

During the Track Record Period and as at the date of this report, Clark has direct shareholders' interests in the following principal subsidiaries:

			Proportion ownership interest held by Clark							
			Directly				Indirectly			
Subsidiaries	Principal activities	Country of incorporation	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022	At 1 February 2020	At 30 January 2021	At 29 January 2022	At 2 July 2022
			%	%	%	%	%	%	%	%
C. & J. Clark (Holdings) Limited	Investment holding	England	100	100	100	100	–	–	–	–
C & J Clark International Limited	Shoe trading	England	–	–	–	–	100	100	100	100
C. & J. Clark (Services) Limited	Shoe trading	England	–	–	–	–	100	100	100	100
Clarks Shoes Vertriebs GmbH	Shoe trading	Germany	–	–	–	–	100	100	100	100
C & J Clark Latin America, Inc	Shoe trading	USA	–	–	–	–	100	100	100	100
C. & J. Clark America, Inc.	Shoe trading	USA	–	–	–	–	100	100	100	100
C. & J. Clark Canada Limited	Shoe trading	Canada	–	–	–	–	100	100	100	100
Clarks Shoes Benelux BV	Shoe trading	Holland	–	–	–	–	100	100	100	100
C & J Clark China Trading Company Limited	Shoe trading	China	–	–	–	–	100	100	100	100
C & J Clark (S) Pte. Limited	Shoe trading	Singapore	–	–	–	–	100	100	100	100
C&J Clark (M) Sdn Bhd	Shoe trading	Malaysia	–	–	–	–	100	100	100	100
Clarks Shoes Iberia S.A	Shoe trading	Spain	–	–	–	–	100	100	100	100
Clarks Japan Company Limited	Shoe trading	Japan	–	–	–	–	100	100	100	100

35. MOVEMENTS IN CLARK'S RESERVES

	Share premium	Retained earnings	Total
	£m	*£m*	*£m*
At 2 February 2019	–	151.4	151.4
Profit for the period	–	2.4	2.4
Other comprehensive income for the period	–	–	–
Total comprehensive income for the period	–	2.4	2.4
At 1 February 2020	–	153.8	153.8
Loss for the period	–	(23.8)	(23.8)
Other comprehensive income for the period	–	–	–
Total comprehensive loss for the period	–	(23.8)	(23.8)
At 30 January 2021	–	130.0	130.0
Loss for the period	–	(1.3)	(1.3)
Other comprehensive income for the period	–	–	–
Total comprehensive loss for the period	–	(1.3)	(1.3)
Share issuance	23.8	–	23.8
At 29 January 2022	23.8	128.7	152.5
Loss for the period	–	(0.2)	(0.2)
Other comprehensive income for the period	–	–	–
Total comprehensive loss for the period	–	(0.2)	(0.2)
At 2 July 2022	23.8	128.5	152.3

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Clark Group, Clark or any of its subsidiaries have been prepared in respect of any period subsequent to the end of the Track Record Period.

37. EVENTS AFTER REPORTING PERIOD

In November 2022, subsequent to the 22 weeks period ended 2 July 2022, Clark Group has voluntarily recalled several styles of shoes to maintain the high standard of products' quality. Clark Group considered this to be an adjusting event and provision of £1.9 million related to the product recall event has been made by Clark Group for the 22 weeks period ended 2 July 2022 accordingly. The management is continuously assessing the impact of the recall event.

Clark is a company which was incorporated in the United Kingdom on 1 April 1997. As at the Latest Practicable Date, 51% of Clark is owned by LionRock Capital Partners QiLe Limited and 49% by C&J Clark Limited. The principal activities of Clark and its subsidiaries (together known as the "**Clark Group**") are the wholesaling and retailing of shoes and related accessories – all trading under the brand name "Clarks".

Set out below is the management discussion and analysis for the Clark Group for each of the 52 weeks period ended 1 February 2020, 30 January 2021 and 29 January 2022 and 22 weeks period ended 2 July 2022.

1. REVIEW OF THE FINANCIAL RESULTS OF THE CLARK GROUP

Revenue

The Clark Group recorded revenue of GBP1,370.7 million, GBP778.9 million, GBP926.2 million and GBP398.8 million during the 52 weeks period ended 1 February 2020, 30 January 2021 and 29 January 2022 and 22 weeks period ended 2 July 2022, respectively.

For the 52 weeks period ended 1 February 2020, the Clark Group revenue fell by 6.3% due to the decrease in sales in full price retail stores.

For the 52 weeks period ended 30 January 2021, there was a 43.2% fall in revenue driven by the impacts of COVID-19 which resulted in large declines in both wholesale and retail because of national lockdowns resulting in a rebalancing of inventory and seasonal demand. E-commerce has shown improved growth but could not offset the wholesale and retail declines. The UK&ROI revenue fell by 43.8% and the Americas fell by 48.2% given the heightened retail and wholesale channel mix. Asia pacific revenue fell by 20.1% where a stronger e-commerce mix and reduced lockdown impacts diluted the impacts.

For the 52 weeks period ended 29 January 2022, there was a strong recovery in direct-to-customer channels. The revenue was risen by 18.9% due to the change of operating environment in the major markets such as the UK&ROI and the US. Revenue has risen by 19.4% in the UK&ROI while the sales in the US market has improved by 25.1%.

For the 22 weeks period ended 2 July 2022, there was an increase of GBP52.3 million or 15.1% from GBP346.5 million for the 22 weeks period ended 3 July 2021 to GBP398.8 million, primarily due to the increase in sales from its directly-operated stores resulting from the recovery of sales activities from the outbreak of COVID-19. Revenue increased by 12.8% and 27.2% in UK&ROI and Americas, respectively.

Gross profit

In line with the revenue, gross profit fell from GBP469.5 million for the 52 weeks period ended 1 February 2020 to GBP367.5 million for the 52 weeks period ended 30 January 2021 and raised to GBP462.9 million for the 52 weeks period ended 29 January 2022. For the 22 weeks period ended 2 July 2022, gross profit improved from GBP164.6 million for the 22 weeks period ended 3 July 2021 to GBP196.2 million. The gross profit margin was 47.4%, 47.2%, 50.0% and 49.2% for the 52 weeks period ended 1 February 2020, 30 January 2021 and 29 January 2022 and 22 weeks period ended 2 July 2022, respectively.

Profit/(Loss) before taxation

For the 52 weeks period ended 1 February 2020, there was a GBP69.5 million profit before tax despite continued falls in revenues reflecting the benefits of store closures, improved gross profit margins and continued strong cost actions.

For the 52 weeks period ended 30 January 2021, there was a loss before tax of GBP138.9 million due to the COVID-19 impacts on revenue despite some strong cost management as well taking the benefits of some government funding opportunities. In addition, there was GBP29.1 million of costs associated with the refinancing and GBP32.5 million of reorganisation costs centred on simplifying the business model and reducing administrative costs.

For the 52 weeks period ended 29 January 2022 and 22 weeks period ended 2 July 2022, there was a profit before tax of GBP38.0 million and GBP48.9 million, respectively, due to the steady recovery with customer demand growing in the UK&ROI and the US markets.

Income tax (expense)/credit

There were tax charge of GBP16.3 million, GBP11.7 million and GBP8.5 million for the 52 weeks period ended 1 February 2020 and 30 January 2021 and 22 weeks period ended 2 July 2022, respectively. For the 52 weeks period ended 29 January 2022, tax credit of GBP15.0 million was recorded.

Profit/(Loss) for the period

Clark Group recorded profit for the period of GBP53.4 million, GBP53.0 million and GBP40.4 million for the 52 weeks period ended 1 February 2020 and 29 January 2022 and 22 weeks period ended 2 July 2022, respectively. For the 52 weeks period ended 30 January 2021, loss for the period of GBP150.6 million was recorded.

Financial position

The Clark Group's consolidation consists of the Clark Group as well as a joint venture operation in India. There are no other material investments and no material acquisitions or disposals of subsidiaries or joint ventures has occurred during the three-year period and the 22 weeks period ended 2 July 2022.

Total assets of the Clark Group were GBP1,088.8 million at 1 February 2020, GBP769.3 million at 30 January 2021, GBP837.9 million at 29 January 2022 and GBP991.1 million at 2 July 2022.

The Clark Group has obtained standard fixed and floating loans from its main banking partners attaching to and affecting the assets of its material subsidiaries. There are no material other charges over the assets of the Clark Group.

Non-current assets

Non-current assets of the Clark Group were GBP577.7 million, GBP275.7 million, GBP325.8 million and GBP393.4 million at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, respectively.

Non-current assets comprise mainly property, plant and equipment, right-of-use assets as defined under HKFRS 16 and a retirement benefit surplus. The fall-off during the 52 weeks period ended 30 January 2021 can be explained due to:

- a reduced retirement benefit surplus due to market conditions;
- lower right-of-use assets given the added break options arising following the Company voluntary arrangement (CVA) agreed with creditors in the UK&ROI; and
- COVID-19 related impairment of property, plant and equipment specifically of retail assets.

Non-current assets increased by GBP50.1 million during the 52 weeks period ended 29 January 2022 which was mainly due to (i) increase in retirement benefit surplus of GBP101.8 million in accordance to valuation performed by an independent valuer and (ii) the increase was partially off-set by decrease in intangible assets, property, plant and equipment and right-of-use assets of GBP11.1 million, GBP18.5 million and GBP22.5 million, respectively, from amortisation and depreciation charged during the period.

Non-current assets further increased by GBP67.6 million to GBP393.4 million during 22 weeks period ended 2 July 2022 mainly due to (i) increase in retirement benefit surplus of GBP24.8 million in accordance to valuation performed by an independent valuer and (ii) increase in right-of-use assets of GBP44.3 million from new and renewal of lease agreements during the period.

Current assets

Current assets of the Clark Group were GBP511.1 million, GBP493.6 million, GBP512.1 million and GBP597.7 million at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, respectively.

The majority of Clark's current assets are inventories of GBP352.1 million, GBP316.0 million, GBP268.4 million and GBP363.1 million at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, respectively. In addition, there are trade and other receivables mainly related to the large wholesale business which have fallen from GBP110.5 million at 1 February 2020 to GBP78.6 million at 30 January 2021 and increased to GBP80.1 million and GBP111.6 million at 29 January 2022 and 2 July 2022, respectively. The larger fall off during the 52 weeks period ended 30 January 2021 reflects the COVID-19 impacts on wholesale revenues. There is no significant change during the 52 weeks period ended 29 January 2022 and the significant increase during the 22 weeks period ended 2 July 2022 reflect recovery of wholesales activities from the outbreak of COVID-19.

Liabilities

Total liabilities of the Clark Group were GBP680.7 million, GBP628.5 million, GBP551.3 million and GBP628.0 million at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, respectively. The reductions during 1 February 2020 to 29 January 2022 partly reflected increased borrowings which were offset by the reduced lease liabilities because of the successful CVA in the UK&ROI region. The increase of total liabilities as at 2 July 2022 was mainly due to (i) increase in trade and other payables resulted from the increase in purchases of inventories and (ii) increase in lease liabilities resulted from new and renewal of lease agreements.

2. CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital structure and gearing

Net cash or net debt is defined as bank balances and cash less loans and borrowings. The net debt was GBP32.6 million as at 1 February 2020.

At 30 January 2021, the Clark Group net debt increased to GBP96.8 million with bank balances and cash of GBP98.2 million offset by long-term loans and borrowings of GBP187.3 million and short-term loans and borrowings of GBP7.7 million. This increase reflects the impacts of COVID-19 and increased drawings on facilities to protect liquidity.

The bank balances and cash were GBP161.0 million, short-term loans and borrowings were GBP6.3 million and long-term loans and borrowings were GBP55.0 million as at 29 January 2022, net cash was GBP99.7 million.

The bank balances and cash were GBP108.1 million, short-term loans and borrowings were GBP5.6 million and long-term loans and borrowings were GBP55.3 million as at 2 July 2022, net cash was GBP47.2 million.

The significant improvement of the operating was a favourable factor to the net cash position as at 29 January 2022 and 2 July 2022.

At 2 July 2022, the long-term loans and borrowings consisted of an assets-based lending facilities of GBP57.9 million and net-off with prepaid finance expense of GBP2.6 million, while the short-term loans and borrowings consisted of debt facilities of GBP5.6 million. The debt facilities and indebtedness at 31 October 2022 are shown in the indebtedness statement in Appendix I (3) – Financial information of the Group.

The gearing ratio is calculated as net debt divided by total equity. Across the period, the gearing ratio was 8.0% at 1 February 2020, 68.8% at 30 January 2021, and net cash position at 29 January 2022 and 2 July 2022.

Cash resources

Bank balances and cash improved from GBP36.6 million at 1 February 2020 to GBP98.2 million at 30 January 2021 and remained at a high level of GBP161.0 million at 29 January 2022 and GBP108.1 million at 2 July 2022.

For the 52 weeks period ended 1 February 2020, there was a net GBP10.2 million reduction in bank balances and cash given some added lease exit negotiations, pension deficit recovery payments and GBP31.5 million of capital expenditure on GBP20.0 million of property, plant and equipment and GBP11.5 million on intangible assets.

For the 52 weeks period ended 30 January 2021, there was a net GBP61.6 million increase in bank balances and cash due to a further net drawdown on debt facilities. Given strong cash management during COVID-19, capital expenditure was restricted to GBP6.8 million with GBP4.0 million of property, plant and equipment and GBP2.8 million on intangible assets.

For the 52 weeks period ended 29 January 2022, there was a net GBP62.8 million increase in bank balances and cash due to the turnaround in profitability. Capital expenditure was further restricted to GBP5.5 million, with GBP2.5 million of property, plant and equipment and GBP3.0 million on intangible assets.

For the 22 weeks period ended 2 July 2022, there was a net GBP52.9 million decrease in bank balances and cash mainly due to purchase of inventories. Capital expenditure was restricted to GBP3.9 million with GBP1.7 million of property, plant and equipment and GBP2.2 million on intangible assets.

3. FOREIGN EXCHANGE EXPOSURE

Over the period, the Clark Treasury function has managed currency exposure on cash flows relating to the Clark Group's trading operations by entering into forward dated foreign currency contracts and structured swap instruments maturing throughout future seasons based on detailed forecasts of future transaction flows.

There was a net financial derivative asset position of GBP6.1 million at 1 February 2020, net financial derivative liability position of GBP10.0 million at 30 January 2021, net financial derivative asset position of GBP1.8 million at 29 January 2022 and net financial derivative asset position of GBP15.1 million at 2 July 2022.

4. EMPLOYMENT AND REMUNERATION POLICY

As at 1 February 2020, Clark had 9,998 employees. Staff costs for the 52 weeks period ended 1 February 2020 were GBP276.8 million.

As at 30 January 2021, Clark had 6,264 employees. Staff costs for the 52 weeks period ended 30 January 2021 were GBP217.3 million.

As at 29 January 2022, Clark had 6,739 employees. Staff costs for the 52 weeks period ended 29 January 2022 were GBP173.4 million.

As at 2 July 2022, Clark had 7,114 employees. Staff costs for the 22 weeks period ended 2 July 2022 were GBP75.1 million.

Across the period, Clark has operated a bonus plan to reward the staff based on performance, and such remuneration policy is in line with prevailing market practice. Clark also provides training programs for its employees.

5. CONTINGENT LIABILITIES

As at 2 July 2022, Clark had contingent liabilities of approximately GBP32.6 million

1. 1 billion-Rupee (equivalent to GBP10.5 million) bank guarantee held against the Clark Group's Indian joint venture working capital facility.

2. A USD25.0 million (equivalent to GBP20.7 million) vendor financing facility.

3. GBP1.4 million utilised guarantee facilities at the balance sheet date which related to arrangements with landlords, HMRC and insurance cover.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the unaudited pro forma financial information of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") after the completion of (i) the acquisition of 51% equity interest of and purchase of shareholders' loan to the Target by the Group (the "**1st Clark Acquisition**") and (ii) the acquisition of 49% equity interest of the Target by the Group (the "**2nd Clark Acquisition**") (collectively the "**Clark Acquisitions**"). The Unaudited Pro Forma Financial Information presented on the basis set out below is prepared to illustrate the effect of the Clark Acquisitions on the financial information of the Group as if the Clark Acquisitions had taken place on 30 June 2022 for the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2022, and on 1 January 2021 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2021.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with those of the Group as set out in the published annual report of the Group for the year ended 31 December 2021 and the published interim report of the Group for the six months ended 30 June 2022.

The Unaudited Pro Forma Financial Information has been prepared by the Directors solely for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position, financial performance and cash flows of the Enlarged Group had the Clark Acquisitions taken place on 30 June 2022 or 1 January 2021, where applicable, or any future date. The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group, the financial information of the Target and the financial information of the Clark Group set out in Appendix I, Appendix IIA and Appendix IIB to this circular, respectively.

Accordingly, financial position, financial performance and cash flows of the Enlarged Group as shown in the unaudited pro forma consolidated statement of financial position, the unaudited pro forma statement of profit and loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows may not be indicative of the Enlarged Group's future financial position, financial performance and cash flows upon the completion of the Clark Acquisitions. Also, the fair values and carrying amounts of the identifiable net assets of the Target and the Clark Group as at the dates of completion of the Clark Acquisitions may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information. The actual amounts of the fair values of the identifiable net assets and gain from bargain purchase to be recorded in the consolidated financial statements of the Group upon the completion of the Clark Acquisitions may be materially different from the amounts presented in the Unaudited Pro Forma Financial Information and the differences may be significant.

(I) The Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 30 June 2022

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022	Pro forma adjustments: Audited statement of financial position of the Target as at 30 June 2022	Pro forma adjustments: Audited consolidated statement of financial position of the Clark Group as at 2 July 2022	Pro forma adjustments: Other adjustments in relation to the 1st Clark Acquisition	Pro forma adjustments: Other adjustments in relation to the 1st Clark Acquisition	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2022 (after the completion of the 1st Clark Acquisition)	Pro forma adjustment: Other adjustment in relation to the 2nd Clark Acquisition	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2022 (after the completion of the 2nd Clark Acquisition)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1(a)	*Note 2*	*Note 3*	*Note 4*	*Note 5*		*Note 9*	
Non-current assets								
Property, plant and equipment	143,505	–	1,217,608	43,328 *(Note 4(v))*		1,404,441		1,404,441
Investment properties	93,800	–	–			93,800		93,800
Right-of-use assets	321,678	–	883,456			1,205,134		1,205,134
Intangible assets	240,503	–	336,056	44,744 *(Note 4(v))*		621,303		621,303
Investment in a subsidiary	–	952,000	–	(952,000) *(Note 4(iv))*		–		–
Interests in associates and joint ventures	4,058,140	–	–			4,058,140		4,058,140
Prepayments, deposits and other receivables	301,766	–	–			301,766		301,766
Restricted bank balances	17,565	–	–			17,565		17,565
Financial assets at fair value through other comprehensive income	8,409	–	5,712			14,121		14,121
Retirement benefit surplus	–	–	1,299,480			1,299,480		1,299,480
Other non-current asset	2,481	–	–			2,481		2,481
Deferred tax assets	28,959	–	2,856			31,815		31,815
Total non-current assets	**5,216,806**	**952,000**	**3,745,168**			**9,050,046**		**9,050,046**
Current assets								
Inventories	330,202	–	3,456,712			3,786,914		3,786,914
Trade debtors and bills receivable	166,680	–	1,062,432			1,229,112		1,229,112
Prepayments, deposits and other receivables	146,250	129,628	–	(129,628) *(Note 4(viii))*		146,250		146,250
Financial assets at fair value through profit or loss	541,027	–	–	(541,027) *(Note 4(iv))*		–		–
Derivative financial instruments	–	–	141,848			141,848		141,848
Restricted bank balances	3,035	–	–			3,035		3,035
Deposits with banks with maturity period over three months	4,685	–	–			4,685		4,685
Cash and bank balances	2,399,533	–	1,029,112			3,428,645	(1,047,200) *(Note 9(i))*	2,381,445
Total current assets	**3,591,412**	**129,628**	**5,690,104**			**8,740,489**		**7,693,289**
Current liabilities								
Trade, bills and other payables	497,276	193	1,321,377			1,818,846		1,818,846
Contract liabilities	100,086	–	23,800			123,886		123,886
Accruals	143,163	–	1,222,368		150	1,365,681	700 *(Note 9(ii))*	1,366,381
Deferred income	800	–	–			800		800
Lease liabilities	124,314	–	348,432			472,746		472,746
Loans and borrowings	17,070	952,000	53,312	(952,000) *(Note 4(iv))*		70,382		70,382
Derivative financial instruments	–	–	3,808			3,808		3,808
Income tax payables	14,924	–	75,208			90,132		90,132
Total current liabilities	**897,633**	**952,193**	**3,048,305**			**3,946,281**		**3,946,981**
Net current assets/(liabilities)	**2,693,779**	**(822,565)**	**2,641,799**			**4,794,208**		**3,746,308**
Total assets less current liabilities	**7,910,585**	**129,435**	**6,386,967**			**13,844,254**		**12,796,354**

		Pro forma adjustments					Pro forma adjustment	
	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022	Audited statement of financial position of the Target as at 30 June 2022	Audited consolidated statement of financial position of the Clark Group as at 2 July 2022	Other adjustments in relation to the 1st Clark Acquisition		Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2022 (after the completion of the 1st Clark Acquisition)	Other adjustment in relation to the 2nd Clark Acquisition	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2022 (after the completion of the 2nd Clark Acquisition)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1(a)	*Note 2*	*Note 3*	*Note 4*	*Note 5*		*Note 9*	
Non-current liabilities								
Deferred income	6,099	–	–			6,099		6,099
Other payables	2,599	–	1,298,528	(1,081,628)		219,499		219,499
				(Note 4(iv) and (viii))				
Lease liabilities	361,872	–	963,424			1,325,296		1,325,296
Loans and borrowings	–	–	526,456			526,456		526,456
Deferred tax liabilities	51,964	–	141,848	32,878		226,690		226,690
				(Note 4(v))				
Total non-current liabilities	**422,534**	**–**	**2,930,256**			**2,304,040**		**2,304,040**
Net assets	**7,488,051**	**129,435**	**3,456,711**			**11,540,214**		**10,492,314**
Equity								
Equity attributable to equity holders of the Company								
Issued capital	483,218	–	–			483,218		483,218
Perpetual convertible bonds	810,621	–	–			810,621		810,621
Other reserves	1,242,728	4,515	324,169	(328,684)		1,242,728	360,328	1,603,056
							(Note 9(i))	
Retained earnings	4,836,873	124,920	3,132,542	(2,333,510)	(150)	5,760,675	(700)	5,759,975
							(Note 9(ii))	
	7,373,440	129,435	3,456,711			8,297,242		8,656,870
Non-controlling interests	114,611	–	–	3,128,361		3,242,972	(1,407,528)	1,835,444
				(Note 4(vi))			*(Note 9(i))*	
Total equity	**7,488,051**	**129,435**	**3,456,711**			**11,540,214**		**10,492,314**

(II) The Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group for the Year Ended 31 December 2021

				Pro forma adjustments					Pro forma adjustment	
	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2021	**Audited statement of profit or loss and other comprehensive income of the Target for the year ended 31 December 2021**	**Audited consolidated statement of profit or loss and other comprehensive income of the Clark Group for 52 week period ended 29 January 2022**	**Other adjustments in relation to the 1st Clark Acquisition**				**Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2021 (after the completion of the 1st Clark Acquisition)**	**Other adjustment in relation to the 2nd Clark Acquisition**	**Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2021 (after the completion of the Clark Acquisitions)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1(b)	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*		*Note 9*	
Revenue	**1,381,637**	**–**	**9,903,764**					**11,285,401**		**11,285,401**
Cost of sales	(809,255)	–	(4,954,021)					(5,763,276)		(5,763,276)
Gross profit	**572,382**	**–**	**4,949,743**					**5,522,125**		**5,522,125**
Other income and other gains – net	4,548,086	92,572	184,987	248,409 *(Note 4(vii) and (viii))*				5,074,054		5,074,054
Selling and distribution expenses	(572,425)	–	(3,045,338)					(3,617,763)		(3,617,763)
Administrative and other operating expenses	(502,742)	(57)	(1,441,403)		(5,133)	15,854		(1,933,481)	(700) *(Note 9(ii))*	(1,934,181)
Reversal of impairment loss on financial assets-net	9,166	–	42,772					51,938		51,938
Finance (cost)/income	(37,049)	–	(284,431)	91,133 *(Note 4(viii))*				(230,347)		(230,347)
Share of profits less losses of associates and joint ventures	492,571	–	–					492,571		492,571
Profit before income tax	4,509,989	92,515	406,330					5,359,097		5,358,397
Income tax	(35,735)	–	160,394			(3,963)		120,696		120,696
Profit for the year/period	**4,474,254**	**92,515**	**566,724**					**5,479,793**		**5,479,093**
Other comprehensive income:										
Items that may be reclassified subsequently to profit or loss, net of income tax of nil										
– Share of other comprehensive loss of an associate	(2,346)	–	–					(2,346)		(2,346)
– Reclassification adjustment upon partial disposal of an associate	(7,443)	–	–					(7,443)		(7,443)
– Release of exchange reserve upon disposal of a subsidiary	3,212	–	–					3,212		3,212
– Exchange differences on translation of foreign operations	159,360	–	(54,534)					104,826		104,826
– Reclassification adjustment for a foreign operation, deregistered during the year	(625)	–	–					(625)		(625)
– Effective portion of changes in fair value of cash flow hedges	–	–	100,513					100,513		100,513
– Actuarial gain on pension schemes	–	–	691,831					691,831		691,831
Other comprehensive income for the year/period, net of income tax	152,158	–	737,810					889,968		889,968
Total comprehensive income for the year/period	**4,626,412**	**92,515**	**1,304,534**					**6,369,761**		**6,369,061**

		Pro forma adjustments							Pro forma adjustment	
	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2021	Audited statement of profit or loss and other comprehensive income of the Target for the year ended 31 December 2021	Audited consolidated statement of profit or loss and other comprehensive income of the Clark Group for 52 week period ended 29 January 2022	Other adjustments in relation to the 1st Clark Acquisition				Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2021 (after the completion of the 1st Clark Acquisition)	Other adjustment in relation to the 2nd Clark Acquisition	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2021 (after the completion of the Clark Acquisitions)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1(b)	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*		*Note 9*	
Profit attributable to:										
Equity holders of the Company	4,562,639	92,515	566,724	339,542	(5,133)	3,093	(464,651)	5,094,729	189,228	5,283,957
Non-controlling interests	(88,385)	–	–			8,798	464,651	385,064	(189,928)	195,136
	4,474,254	**92,515**	**566,724**					**5,479,793**		**5,479,093**
Total comprehensive income attributable to:										
Equity holders of the Company	4,712,733	92,515	1,304,534	339,542	(5,133)	3,093	(1,010,557)	5,436,727	373,607	5,810,334
Non-controlling interests	(86,321)	–	–			8,798	1,010,557	933,034	(374,307)	558,727
	4,626,412	**92,515**	**1,304,534**					**6,369,761**		**6,369,061**

(III) The Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group for the Year Ended 31 December 2021

		Pro forma adjustments							Pro forma adjustment	
	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2021	Audited statement of cash flows of the Target for the year ended 31 December 2021	Audited consolidated statement of cash flows of the Clark Group for the 52 week period ended 29 January 2022	Other adjustments in relation to the 1st Clark Acquisition				Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2021 (after the completion of the 1st Clark Acquisition)	Other adjustment in relation to the 2nd Clark Acquisition	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2021 (after the completion of the Clark Acquisitions)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1(b)	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 8*		*Note 9*	
Cash flows from operating activities										
Profit before tax	4,509,989	92,515	406,330	339,542	(5,133)	15,854		5,359,097	(700)	5,358,397
Adjustments for:										
Finance costs	37,049	–	284,431	(91,133) *(Note 4(viii))*				230,347		230,347
Preference share dividend coupon	–	(91,133)	–	91,133 *(Note 4(viii))*				–		–
Share of profits less losses of associates and joint ventures	(492,571)	–	–					(492,571)		(492,571)
Net gain on partial disposal of interest in an associate	(3,338,753)	–	–					(3,338,753)		(3,338,753)
Deemed dilution gain on decrease of interest in an associate	(977,982)	–	–					(977,982)		(977,982)
Gain on bargain purchase	–	–	–	(339,542) *(Note 4 (vii))*				(339,542)		(339,542)
Interest income	(13,176)	–	(2,139)					(15,315)		(15,315)
Fair value gain on investment properties	(74,830)	–	–					(74,830)		(74,830)
Fair value gain on financial assets/ liabilities at fair value through profit or loss	(20,110)	–	–					(20,110)		(20,110)
Provision for inventories/(reversal of provision)	822	–	(33,148)					(32,326)		(32,326)
Net loss on disposal of property, plant and equipment	4,780	–	26,732					31,512		31,512
Depreciation	160,340	–	452,309			(18,091)		594,558		594,558
Amortisation of intangible assets	32,352	–	163,601			2,237		198,190		198,190
Gain on disposal of a subsidiary	(52,867)	–	–					(52,867)		(52,867)
Net gain from early termination of lease	(5,915)	–	(2,139)					(8,054)		(8,054)
Reversal of impairment loss on financial assets – net	(9,166)	–	(42,772)					(51,938)		(51,938)
Impairment/(reversal of impairment) on property, plant and equipment	16,048	–	(7,485)					8,563		8,563
Impairment on right-of-use assets	71,111	–	166,809					237,920		237,920
Unrealised exchange losses	–	–	(187,126)					(187,126)		(187,126)
Difference between pension charge and cash contributions	–	–	(177,502)					(177,502)		(177,502)
Equity-settled share option expenses	42,285	–	–					42,285		42,285
	(110,594)	1,382	1,047,901					933,556		932,856
(Increase)/decrease in inventories	(92,826)	–	484,389					391,563		391,563
(Increase)/decrease in trade debtors and bills receivable	(2,776)	74	56,672					53,970		53,970
Decrease/(increase) in prepayments, deposits and other receivables	18,092	(1,441)	–					16,651		16,651
Increase in other non-current asset	(590)	–	–					(590)		(590)
Increase in trade and other payables	180,153	–	90,890					271,043		271,043
Decrease in contract liabilities	(6,175)	–	–					(6,175)		(6,175)
Increase/(decrease) in accruals	9,848	(15)	(43,841)		5,133			(28,875)	700 *(Note 9(ii))*	(28,175)
Decrease in deferred income	(2,546)	–	(10,693)					(13,239)		(13,239)
Cash (used in)/generated from operations	(7,414)	–	1,625,318					1,617,904		1,617,904
Income tax paid	(30,326)	–	(50,257)					(80,583)		(80,583)
Net cash flows (used in)/generated from operating activities	**(37,740)**	**–**	**1,575,061**					**1,537,321**		**1,537,321**

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2021	Audited statement of cash flows of the Target for the year ended 31 December 2021	Pro forma adjustments: Audited consolidated statement of cash flows of the Clark Group for the 52 week period ended 29 January 2022	Pro forma adjustments: Other adjustments in relation to the 1st Clark Acquisition				Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2021 (after the completion of the 1st Clark Acquisition)	Pro forma adjustment: Other adjustment in relation to the 2nd Clark Acquisition	Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2021 (after the completion of the Clark Acquisitions)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1(b)	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 8*		*Note 9*	
Cash flows from investing activities										
Proceeds from disposal of property, plant and equipment	11,724	–	–					11,724		11,724
Net proceeds from disposal of a subsidiary, net of cash	364,186	–	–					364,186		364,186
Dividends received from associates	82,247	–	–					82,247		82,247
Net proceeds from partial disposal of partial interest in an associate	3,786,880	–	–					3,786,880		3,786,880
Interest received	13,176	–	2,139					15,315		15,315
Increase in deposit with banks with maturity period over three months	(4,284)	–	–					(4,284)		(4,284)
Increase in restricted bank balance	(3,121)	–	–					(3,121)		(3,121)
Purchases of items of property, plant and equipment	(90,439)	–	(26,732)					(117,171)		(117,171)
Purchases of intangible assets	(3,222)	–	(32,079)					(35,301)		(35,301)
Prepayment for the acquisition of property	(253,177)	–	–					(253,177)		(253,177)
Payment for financial asset at fair value through profit or loss	(298,485)	–	–				298,485	–		–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	–	–	–				955,961	955,961		955,961
Others	(11,427)	–	–					(11,427)		(11,427)
Net cash flows generated from/(used in) investing activities	**3,594,058**	**–**	**(56,672)**					**4,791,832**		**4,791,832**
Cash flows from financing activities										
Interest paid	(16,078)	–	(95,167)					(111,245)		(111,245)
Repayment of bank loans	(1,256,000)	–	(1,379,384)					(2,635,384)		(2,635,384)
Proceeds from issue of ordinary shares upon exercise of share options	32,450	–	–					32,450		32,450
Dividend paid to non-controlling shareholders	(45,180)	–	–					(45,180)		(45,180)
Special dividend paid to shareholders	(1,504,080)	–	–					(1,504,080)		(1,504,080)
Payment of lease liabilities	(169,114)	–	(418,092)					(587,206)		(587,206)
Capital contribution from non-controlling shareholders	69,580	–	–				770,805	840,385		840,385
Transaction with non-controlling interests	–	–	–					–	(1,047,200) *(Note 9(i))*	(1,047,200)
Transaction cost of new financing agreement	–	–	(18,178)					(18,178)		(18,178)
Transaction cost of preference share issue	–	–	(33,148)					(33,148)		(33,148)
Cash received in relation to preference shares and ordinary shares issued	–	–	1,069,290				(1,069,290)	–		–
Net cash flows used in financing activities	**(2,888,422)**	**–**	**(874,679)**					**(4,061,586)**		**(5,108,786)**
Net increase in cash and cash equivalents	**667,896**	**–**	**643,710**				955,961	**2,267,567**	**(1,047,200)**	**1,220,367**
Cash and cash equivalents at beginning of year/period	1,857,441	–	955,961				(955,961)	1,857,441		1,857,441
Effect of foreign exchange rate changes, net	4,326	–	28,764					33,090		33,090
Cash and cash equivalents at end of year/period	**2,529,663**	**–**	**1,628,435**					**4,158,098**		**3,110,898**

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Notes:

1. (a) The amounts have been extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 included in the published interim report of the Company for the six months ended 30 June 2022.

   (b) The amounts have been extracted from the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2021 included in the published annual report of the Company for the year ended 31 December 2021.

2. The amounts have been extracted from the accountant's report of the Target as at 30 June 2022 and for the year ended 31 December 2021 as set out in Appendix IIA to this circular. The accountant's report of the Target for the year ended 31 December 2021 contained a qualified opinion as the Target has not prepared consolidated financial statements in accordance with Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). For details of the audit qualification, please refer to Appendix IIA of this circular. In consideration that the financial information of the Target's subsidiaries, the Clark Group, has been included in the compilations of the Unaudited Pro Forma Financial Information (see Note 3 below), the Directors are of the opinion that the audit qualification does not have impact on the Unaudited Pro Forma Financial Information and the Unaudited Pro Forma Financial Information has been properly compiled in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

   Certain amounts extracted are reclassified to conform to the presentation of the consolidated financial statements of the Group. Such reclassification is just for the purpose of the illustration of Unaudited Pro Forma Financial Information.

   The functional currency and the presentation currency of the Target are British Pounds Sterling ("**£**"). For illustrative purpose, the assets, liabilities and equity of the Target as at 30 June 2022 are translated into HK$, the presentation currency of the Company, at the exchange £1 to HK$9.5200 (being the closing rate as at 30 June 2022, for the presentation currency translation purpose). The statement of profit or loss and other comprehensive income and the audited statement of cash flows of LionRock for the period ended 31 December 2021 are translated into HK$ at the exchange rate of £1 to HK$10.6929 (being the average rate for the year ended 31 December 2021, for the presentation currency translation purpose).

3. The amounts have been extracted from the accountant's report of the Clark Group as at 2 July 2022 and for the 52 week period ended 29 January 2022 as set out in Appendix IIB to this circular.

   Certain amounts extracted are reclassified to conform to the presentation of the audited consolidated financial statements of the Group. The impairment loss reversed/(recognised) on the non-financial assets was reclassified to selling and distribution expenses and administrative and other operating expenses. Such classification is just for the purpose of the illustration of Unaudited Pro Forma Financial Information.

   The functional currency and the presentation currency of Clark Group are British Pounds Sterling. For illustrative purpose, the assets, liabilities and equity of the Clark Group as at 2 July 2022 are translated into HK$, the presentation currency of the Company, at the exchange rate of £1 to HK$9.5200 (being the closing rate as at 30 June 2022, for the presentation currency translation purpose). The consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Clark Group for the 52 week period ended 29 January 2022 are translated into HK$ at the exchange rate of £1 to HK$10.6929 (being the average rate for the year ended 31 December 2021, for the presentation currency translation purpose).

4. Upon the completion of the 1st Clark Acquisition, the Target and the Clark Group (collectively referred to as the "**Target Group**") will become indirectly held non-wholly-owned subsidiaries of the Company. The identifiable assets and liabilities of the Target Group, will be accounted for by the Group at their fair values or other values in accordance with Hong Kong Financial Reporting Standard ("**HKFRS**") 3 (Revised) "Business Combination" ("**HKFRS 3**") and other applicable standards issued by the HKICPA upon completion of the 1st Clark Acquisition in future. The excess of the consideration for the 1st Clark Acquisition and the non-controlling interests in the Target Group over the fair values of the net identifiable assets of the Target Group acquired is recorded as goodwill in accordance with the similar accounting policy of the Group. If the consideration for the Clark Acquisition and the non-controlling interests in the Target Group are less than the fair values of the net identifiable assets of the Target Group acquired, the difference is recognised directly in profit or loss as a gain from bargain purchase.

For the purpose of preparing the Unaudited Pro Forma Financial Information, the Directors consider that the fair values of the identifiable assets and liabilities of the Target as at 30 June 2022 approximate their respective carrying amounts as at 30 June 2022. Accordingly, no separate valuation has been performed for the fair values of the identifiable assets and liabilities of the Target as at 30 June 2022.

For the purpose of preparing the Unaudited Pro Forma Financial Information, the Directors have estimated the fair values of the identifiable assets and liabilities of the Clark Group as at 2 July 2022 and 30 January 2021 respectively. The Company has appointed an independent professional qualified valuer to assess the fair value of certain acquired assets and liabilities of the Clark Group, among others, property, plant and equipment and brand name (the "**Valuation Report**") as at 2 July 2022. No separate valuation has been performed for the fair values of the identifiable assets and liabilities of the Clark Group as at 30 January 2021.

The Directors consider that i) the fair values of certain property, plant and equipment and brand name of the Clark Group as at 30 January 2021 and 30 June 2022 approximate their fair values as at 2 July 2022, and ii) the fair values of other identifiable assets and liabilities of the Clark Group as at 2 July 2022 and 30 January 2021 approximate their respective carrying amounts.

Assuming the 1st Clark Acquisition is completed on 30 June 2022 and 1 January 2021, the bargain purchase arising from the 1st Clark Acquisition is calculated as follows:

		As if the 1st Clark Acquisition had taken place on	
		30 June 2022	**1 January 2021**
	Note	*HK$'000*	*HK$'000*
Target Group			
Carrying amounts of the net assets of the Clark Group as at 2 July 2022/30 January 2021	*(i)*	3,456,711	1,487,284
Cash injection for subscribing A preference shares and ordinary shares of the Clark Group	*(ii)*	–	1,056,310
Carrying amounts/fair values of the net assets/(liabilities) of the LionRock as at 30 June 2022/1 January 2021	*(iii)*	129,435	(124)
Waiver of the Shareholder's loan owed by the LionRock to the Group and LionRock L.P. upon the Completion	*(iv)*	952,000	–
Fair value adjustments on the Clark Group:			
– Property, plant and equipment	*(v)*	43,328	43,328
– Brand name	*(v)*	44,744	44,744
– Deferred tax liabilities	*(v)*	(32,878)	(32,878)
Less: non-controlling interest attributable to C&J Clark Limited (49% shareholder of Clark Group)	*(vi)*	(1,720,833)	(755,814)
		2,872,507	1,842,850
Less: non-controlling interest attributable to LionRock (49% shareholder of the LionRock)	*(vi)*	(1,407,528)	(902,996)
Less: consideration by the Group	*(iv)*	(541,027)	(600,312)
Bargain purchase	*(vii)*	923,952	339,542

Notes:

(i) The carrying amounts of the net assets of the Clark Group as at 2 July 2022 and 30 January 2021 have been extracted from the audited consolidated statements of financial position of the Clark Group as at 2 July 2022 and 30 January 2021, respectively, as set out in Appendix IIB to this circular. The carrying amounts of the net assets of the Clark Group as at 30 January 2021 are translated into HK$ at the exchange rate of £1 to HK$10.5631 (being the closing rate as at 31 December 2020, for the presentation currency translation purpose).

(ii) Cash has been injected to the Clark Group for acquiring 51,051 ordinary shares in the capital of the Clark Group by LionRock L.P., representing approximately 51% of the ordinary shares in the capital of the Clark Group at £1 in the aggregate and subscribing for 100,000,000 A preference shares in the capital of the Clark Group at £100,000,000 by the Target on 19 February 2021. Details are set out in Note 7 in Appendix IIA to this circular. LionRock L.P. has transferred all ordinary shares of the Clark Group held by it to the Target on 9 April 2021.

(iii) The carrying amounts of the net liabilities of the Target as at 30 June 2022 and 1 January 2021 have been extracted from the audited statement of financial position of the Target as at 30 June 2022 and 31 December 2020 as set out in Appendix IIA to this circular.

(iv) On 28 September 2020, Viva China Consumables (as lender) and LionRock L.P. (as borrower) entered into the Loan Agreement pursuant to which Viva China Consumables agreed to lend up to £54,000,000 to LionRock L.P. to finance the acquisition or subscription of equity interests in a target company by the Target and any fees, costs, expenses, taxes incurred by the Target. As at 30 June 2022, £53,550,000 (the "**Outstanding Amount**") (equivalent to HK$509,796,000) has been drawn down and remains outstanding under the Loan Agreement. It is expected that the Outstanding Amount will remain outstanding under the Loan Agreement immediately before Completion of the 1st Clark Acquisition.

On 15 March 2021, Viva China Consumables, the Target and LionRock L.P. entered into the Agreement pursuant to which (i) Viva China Consumables agreed to purchase and LionRock L.P. agreed to sell and assign to Viva China Consumables the full benefit and advantage of the Purchase Shareholder's Loan at the Consideration and (ii) Viva China Consumables agreed to subscribe for the Subscription Shares from the Target and the Target agreed to allot and issue the Subscription Shares to Viva China Consumables, at the Subscription Price.

The parties agreed that the Consideration payable by Viva China Consumables to LionRock L.P. for its purchase of the Purchase Shareholder's Loan of the Target amounted to HK$485,520,000 (equivalent to £51,000,000) and other related costs and expenses incurred by the Target and LionRock L.P. in respect of the investment in Clark amounted to HK$24,276,000 (equivalent to £2,550,000) shall be deemed to be satisfied at Completion of the 1st Clark Acquisition by set off against the Outstanding Amount. Each of LionRock L.P. and Viva China Consumables agreed that upon the completion of the Clark Acquisition (i) the Outstanding Amount shall be deemed to have been irrevocably and unconditionally repaid in full by LionRock L.P. to Viva China Consumables in accordance with the terms of the Loan Agreement; and (ii) all unpaid interest which has accrued pursuant to the Loan Agreement amounted to HK$31,231,000 (equivalent to £3,281,000) shall be deemed irrevocably and unconditionally waived by Viva China Consumables.

The Subscription Price to subscribe for the Subscription Shares of the Target shall be payable by Viva China Consumables to the Target at Completion by setting off against the outstanding amount under the Purchase Shareholder's Loan. Each of the Target, Viva China Consumables and LionRock L.P. agreed that, upon Completion, (i) the Purchase Shareholder's Loan then owed by the Target to Viva China Consumables amounted to HK$485,520,000 (equivalent to £51,000,000) and the Remaining Shareholder's Loan owed by the Target to LionRock L.P. amounted to HK$466,480,000 (equivalent to £49,000,000) shall be deemed to have been irrevocably and unconditionally repaid in full; and (ii) all outstanding liabilities, indebtedness and obligations of the Target under the Purchase Shareholder's Loan and the Remaining Shareholder's Loan shall be deemed fully paid and satisfied in full and are irrevocably and unconditionally discharged, terminated and released.

As a result, the consideration by the Group to acquire 51% equity interest of the Target Group consists of the Outstanding Amount amounted to HK$509,796,000 pursuant to the Loan Agreement and the aforementioned waived unpaid interests amounted to HK$31,231,000.

(v) With reference to the Valuation Report, the Directors estimate the fair values of the property based on Direct Comparison Method, plant and equipment based on Replacement Cost Method, and brand name based on Relief from Royalty Method, respectively. Accordingly, the amounts of property, plant and equipment and brand name are adjusted to reflect their fair values.

The corresponding deferred income tax liabilities of HK$32,878,000 are measured at the tax rate of 25% that is expected to apply for the Clark Group when related taxable temporary differences are settled.

(vi) The Group will hold effectively 26.01% (indirectly through the Group's 51% interest in the Target, which holds 51% of interests in the Clark Group) of the issued share capital of the Clark Group after the completion of the 1st Clark Acquisition, and thereafter the Group will be able to consolidate the Target and the Clark Group. The amounts of non-controlling interests in the Target Group are HK$3,128,361,000 and HK$1,658,810,000 respectively assuming the 1st Clark Acquisition was completed on 30 June 2022 and 1 January 2021, which represent the aggregate interests attributable to LionRock L.P. (in the Target Group) and C&J Clark Limited (in Clark) (together, the "**Non-controlling Shareholders of the Target Group**"), respectively.

(vii) Gain on bargain purchase arising from the 1st Clark Acquisition is the excess of the fair values and other values of the net identifiable assets of the Target Group acquired over the consideration and the non-controlling interests in the Target Group. The gain on bargain purchase is mainly due to the fact that the Clark Group encountered difficulties in refinancing in 2020. Clark Group's shareholders were willing to exit from part of their investments at a large discount on considerations in order to solve liquidity issues and avoid bankruptcy.

The fair values and other values of the identifiable net assets of Target Group as at the date of completion of the 1st Clark Acquisition may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information. Accordingly, the actual amounts of the fair values of the identifiable net assets, non-controlling interests and gain from bargain purchase to be recorded in the consolidated financial statements of the Group upon the completion of the 1st Clark Acquisition may be materially different from the amounts presented above and the differences may be significant.

For the purpose of the unaudited pro forma consolidated statement of financial position of the Enlarged Group, reserves of the Target and the Clark Group (HK$328,684,000), retained earnings of the Target and the Clark Group (HK$2,333,510,000), the loans from LionRock L.P. of the Target (HK$952,000,000), the preference shares issued (HK$952,000,000) and related preference share coupon (HK$129,628,000) which was recorded in the trade and other payables of the Clark Group and other receivables of the Target (HK$129,628,000), the investment in a subsidiary of the Target (HK$952,000,000), and the financial assets at fair value through profit or loss of the Group as at 30 June 2022 (HK$541,027,000) were eliminated assuming that the completion of the 1st Clark Acquisition had taken place on 30 June 2022.

(viii) For the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group, the income of the preference share coupon of the Target and the finance cost of the Clark Group arising from the 10% coupon rate of the preference share for 52 week period ended 29 January 2022 amounted to HK$91,133,000 were eliminated assuming that the completion of the 1st Clark Acquisition had taken place on 1 January 2021.

For the purpose of the unaudited pro forma consolidated statement of financial position of the Enlarged Group, the other receivables of the preference share coupon of the Target from the Clark Group and the other payables of the Clark Group to the Target arising from the 10% coupon rate of the preference share as at 30 June 2022 amounted to HK$116,898,000 were eliminated assuming that the completion of the 1st Clark Acquisition had taken place on 30 June 2022.

This pro forma adjustment is expected to have a continuing effect on the unaudited consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Enlarged Group.

5. The adjustment represents the estimated professional fees and transaction costs for the 1st Clark Acquisition to be paid and have not yet been recorded in the consolidated financial statements of the Group in connection with the 1st Clark Acquisition. For the purpose of the unaudited pro forma statement of financial position, it is assumed that the Group will further bear HK$150,000 estimated transaction costs for the 1st Clark Acquisition excluding the amount of HK$4,983,000 transaction costs which has been included in the consolidated statement of financial position of the Group as at 30 June 2022. For the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, it is assumed that the Group will bear HK$5,133,000 estimated transaction costs for the 1st Clark Acquisition. Such estimated transaction costs may be changed upon the completion of the 1st Clark Acquisition in future. This pro forma adjustment is not expected to have a continuing effect on the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Enlarged Group.

6. The adjustment represents the depreciation of property, plant and equipment and amortisation expenses on the brand name of the Clark Group arising from the 1st Clark Acquisition as determined based on the fair value as set out in the Valuation Report; and the related deferred tax impact for the 52 week period ended 29 January 2022 assuming that the completion of the 1st Clark Acquisition had taken place on 1 January 2021. For the purpose of this Unaudited Pro Forma Financial Information, the Directors consider that there are no significant changes on the fair value of property, plant and equipment and brand name of the Clark Group between 31 January 2021 and 30 June 2022 and no separate valuation report as at 30 January 2021 was prepared. Had this report been prepared, the amounts of the adjusted depreciation and amortisation expenses for the compilation of the Unaudited Pro Forma Financial Information of the Enlarged Group may be different from the amounts presented in this unaudited pro forma consolidated statement of profit or loss and other comprehensive income.

For the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, with reference to the Valuation Report, the appreciation of the fair value of the property, plant and equipment amounted to HK$43,328,000 consists of appreciation of fair value of buildings amounted to HK$146,563,000 with remaining useful lives ranging from 34 to 40 years, increase of fair value of freehold land amounted to HK$20,460,000 and decrease of fair value of building, plant and equipment amounted to HK$123,695,000 with remaining useful lives ranging from 0 to 8 years. The brand name arising from the 1st Clark Acquisition amounted to HK$44,744,000 is amortised over 20 years on a straight-line basis. As a result, the adjustment represent a decrease of depreciation expenses of HK$18,091,000 and increase of amortization expenses of HK$2,237,000 for the year ended 31 December 2021 assuming that the completion of the 1st Clark Acquisition had taken place on 1 January 2021.

This pro forma adjustment is expected to have a continuing effect on the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Enlarged Group.

7. The amounts represent the adjustments to the share of profit and total comprehensive income of the Clark Group not attributable to equity holders of the Group for the 52 week period ended 29 January 2022 assuming that the completion of the 1st Clark Acquisition had taken place on 1 January 2021 for the purpose of the Unaudited Pro Forma Financial Information. This pro forma adjustment is expected to have a continuing effect on the consolidated statement of profit or loss and other comprehensive income of the Enlarged Group.

8. The adjustment represents the cash inflows from the 1st Clark Acquisition, net of cash acquired of the Enlarged Group, as if the completion of the 1st Clark Acquisition had taken place on 1 January 2021. The calculation is presented as follows:

	HK$'000
Payment made by the Group for the year ended 31 December 2021 (recorded as financial assets at fair value through profit or loss of the Group for the year ended 31 December 2021)	298,485
Add: Capital Contribution from LionRock L.P. for the year ended 31 December 2021	770,805
Less: Cash received in relation to the preference share and ordinary shares issued by the Clark Group	(1,069,290)
Add: Cash and cash equivalent of the Clark Group acquired as at 30 January 2021	955,961
Cash inflows from the 1st Clark Acquisition, net of cash acquired of the Enlarged Group	955,961

This pro forma adjustment is not expected to have a continuing effect on the consolidated statement of cash flows of the Enlarged Group.

9. On 17 November 2022, Viva China Consumables and LionRock L.P. entered into an agreement pursuant to which Viva China Consumables agreed to buy and LionRock L.P. agreed to sell 490 shares of the Target, representing 49% of the issued share capital of the Target, at consideration amounted to HK$1,047,200,000 (equivalent to £110,000,000). Upon completion of the 2nd Clark Acquisition, the Target will become an indirect wholly owned subsidiary of the Company.

(i) The following pro forma adjustment represents the effects of the 2nd Clark Acquisition were completed after the completion of the 2nd Clark Acquisition had taken place on 30 June 2022.

	HK$'000
Cash consideration	1,047,200
Less: Non-controlling interests attributable to the Target *(Note 4(iv))*	(1,407,528)
Amount to be recognised in other reserves – transactions with non-controlling interests	(360,328)

(ii) The adjustment represents the estimated professional fees and transaction costs to be paid in connection with the 2nd Clark Acquisition. For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the Group will bear HK$700,000 estimated transaction costs for the 2nd Clark Acquisition. Such estimated transaction costs may be changed upon the completion of the 2nd Clark Acquisition in future.

These pro forma adjustments are not expected to have a continuing effect on the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Enlarged Group.

10. (a) No other adjustment has been made to the unaudited pro forma consolidated statement of financial position of the Enlarged Group to reflect any trading results or other transactions entered into by the Group and the Target subsequent to 30 June 2022 or the Clark Group subsequent to 2 July 2022.

(b) No other adjustment has been made to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group to reflect any trading results or other transactions entered into by the Group and the Target subsequent to 31 December 2021, or the Clark Group subsequent to 29 January 2022.

B. REPORT FROM THE REPORTING ACCOUNTANT OF THE COMPANY ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report on the unaudited pro forma financial information received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Viva China Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Viva China Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), LionRock Capital Partners QiLe Limited (the "**Target**"), C&J Clark (No 1) Limited and its subsidiaries (the "**Clark Group**") (LionRock and the Clark Group are collectively referred to as the "**Target Group**") (the Group and the Target Group are collectively referred to as the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2022, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2021 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages IV-1 to IV-12 of the Company's circular dated 30 December 2022 (the "**Circular**"), in connection with the acquisition of 51% of shares of the Target completed in July 2022 and the proposed acquisition of the remaining 49% of shares of the Target by the Group (the "**Clark Acquisitions**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-12 of the Circular.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong SAR, China
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Clarks Acquisitions on the Group's financial position as at 30 June 2022 and the Group's financial performance and cash flows for the year ended 31 December 2021 as if the Clark Acquisitions had taken place at 30 June 2022 and 1 January 2021 respectively. As part of this process, information about the Group's financial position have been extracted by the Directors from the Group's financial information for the six months ended 30 June 2022, on which no audit or review report has been published and financial performance and cash flows have been extracted by the Directors from the Group's financial statements for the year ended 31 December 2021, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a listing document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Clark Acquisitions at 30 June 2022 or 1 January 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 December 2022

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as of 30 July 2022 on the 49% of share capital of the Target.

AVISTA Valuation Advisory Limited
Suite 2401-06, 24/F, Everbright Centre,
No.108 Gloucester Road,
Wan Chai, Hong Kong

30 December 2022

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

Dear Sirs/Madams,

Re: Valuation of the 49% Equity Interest in LionRock Capital Partners QiLe Limited

In accordance with your instructions, AVISTA Valuation Advisory Limited ("**AVISTA**" or "**we**") has conducted fair value valuation in connection with the fair value of the 49% equity interest in LionRock Capital Partners QiLe Limited ("**LionRock**" or the "**Target**") for Viva China Holdings Limited (the "**Company**", "**Viva China**" or "**you**") as of 30 July 2022 (the "**Valuation Date**"). We understand that the Company intends to enter into an agreement, which involves the acquisition of the 49% equity interest in LionRock from LionRock Capital Partners QiLe L.P. ("**LionRock LP**") (the "**Proposed Acquisition**").

It is our understanding that this appraisal is strictly addressed to the directors of the Company (the "**Directors**") and used for the Proposed Acquisition solely for your internal reference purpose. In addition, we acknowledge that this report may be made available to the Company for public documentation purpose and used as reference on the Company's circular dated 30 December 2022 (the "**Circular**"). This report (the "**Report**") does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions and explains the analysis methodology adopted in this appraisal process to calculate the value.

BASIS OF ANALYSIS

We have appraised the fair value of the 49% equity interest of the Target.

Fair value is 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.

COMPANY AND ACQUISITION BACKGROUND

Viva China is listed in Hong Kong (SEHK: 8032). It mainly operates through two segments, (i) multi-brand apparel and footwear segment; and (ii) sports experience segment engages in 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 Target is a company incorporated in the British Virgin Islands on 14 September 2020. It is an indirect non-wholly-owned subsidiary of the Company, where the Company and LionRock LP holds 51% and 49% equity interest in the Target, respectively. 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 United Kingdom ("**UK**") based international shoe wholesaler and retailer.

We understand that the Company intends to acquire the remaining 49% of the issued share capital of the Target as previously defined as the Proposed Acquisition.

Upon completion of the Proposed Acquisition, the Company's effective shareholding in the Target would increase from 51% to 100%.

The Proposed Acquisition, which is a connected transaction and fulfils the requirement for an exemption under the Rule 20.99 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**"), also constitutes a very substantial acquisition for the Company and is, therefore, subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As such, the Company engaged us as an independent valuer to assess the fair value of the 49% equity interest of the Target as of the Valuation Date.

SCOPE OF WORK

In conducting this valuation exercise, we have

- Co-ordinated with the Company's representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target, including the legal documents, financial statements, etc. made available to us;
- Discussed with the Company and the Target to understand the history, business model, operations, business development plan, etc. of the Target for valuation purpose;
- Carried out research in the sectors concerned and collected relevant market data from reliable sources for analysis;
- Studied the information of the Target made available to us and considered the bases and assumptions of our conclusion of value;
- Selected an appropriate valuation method to analyze the market data and derived the estimated fair value of the Target; and
- Compiled this Report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should have been provided to us. We relied on such data, records and documents in arriving at our opinion of value and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target and their authorized representatives.

ECONOMIC OVERVIEW

Overview of the Global Economy

Rising inflation and commodity price spikes worldwide showed no sign of abating in 2022Q2. Under the shock waves from Russia-Ukraine war and outbreak of Omicron subvariants, the road to global economic recovery remains unclear.

According to the latest forecast of the International Monetary Fund ("**IMF**"), the global economy is set to expand by 3.6% in 2022 and 2023. The IMF has marked down the short-term economic growth in 2022 from 6.1% in 2021, mainly due to weaker economic position than expected in the developing and emerging countries, contributed by soaring food and energy prices.

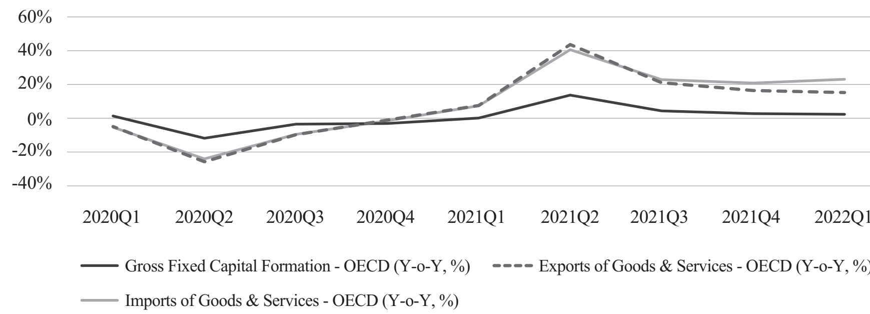
Downturns in China and Russia has led to contraction in global output. According to the data provided by Organization for Economic Co-operation and Development ("**OECD**"), the gross fixed capital formation in OECD countries up by 2.2% year-over-year ("**y-o-y**") in 2022Q1, indicating a slightly slower growth from 2.8% y-o-y in 2021Q4. Slight decline is also noted in the international trade in OECD countries. The exports and imports of goods of OECD countries expanded by 14.4% y-o-y and 23.9% y-o-y in 2022Q1, respectively, reflecting subdued growth in international trade activities.

Geopolitical fragmentation impedes the economic cooperation among countries and hinders global economic recovery. Monetary tightening, pandemic induced worker shortage and mobility restriction compounded supply bottlenecks greatly reduced business confidence in developing countries. In June 2022, the producer price index ("**PPI**") in OECD countries increased significantly by 21.9%, the 14th consecutive month to record a double-digit y-o-y growth while consumer price index ("**CPI**") surged 10.27% in June compared with a 7.8% rise in February.

Multiple major central banks including the United States Federal Reserves (the "**Fed**") and Bank of England ("**BoE**") made aggressive move in pushing up interest rates in 2022Q2 in order to tame inflation. The Fed would increase interest rate to a range of 2.25% to 2.5% in July 2022, which is significantly higher than the low level of 0.25% in 2021Q4. The European Central Bank ("**ECB**") kept interest rates the same but signaled plan of interest rate hike in July 2022 and ended the net asset purchases to fight record-high inflation.

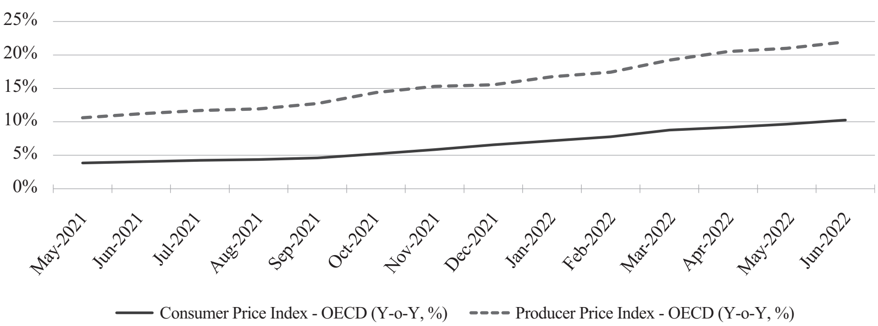
According to the IMF, the war in Ukraine and thus rising commodity prices are expected to affect global economy in 2022Q2, and the gross domestic product ("**GDP**") per capita is forecasted to reach the level of USD16,854 in 2027. In particular, the GDP per capita of advanced economies and emerging markets and developing economies ("**EMDE**") are forecasted to reach the level of USD67,708 and USD8,897, respectively.

Y-o-Y Growth in Gross Fixed Capital Formation and International Trade of OECD



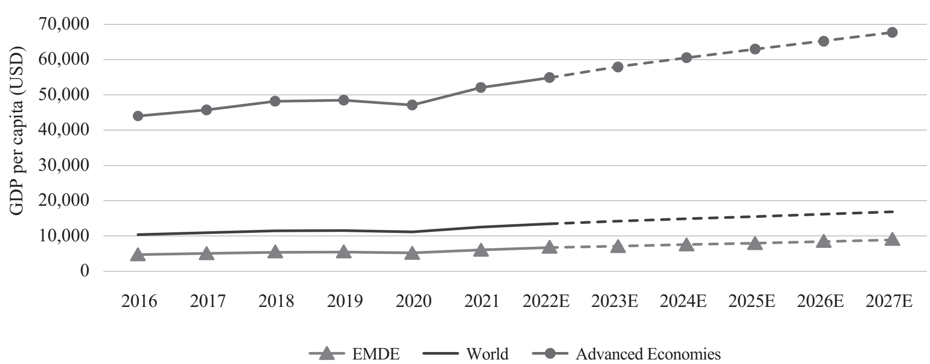
Source: OECD

Y-o-Y Growth in CPI and PPI of OECD



Source: OECD

GDP per capita of World, Advanced Economies and EMDE (2018 – 2027E)



Source: IMF

INDUSTRY OVERVIEW

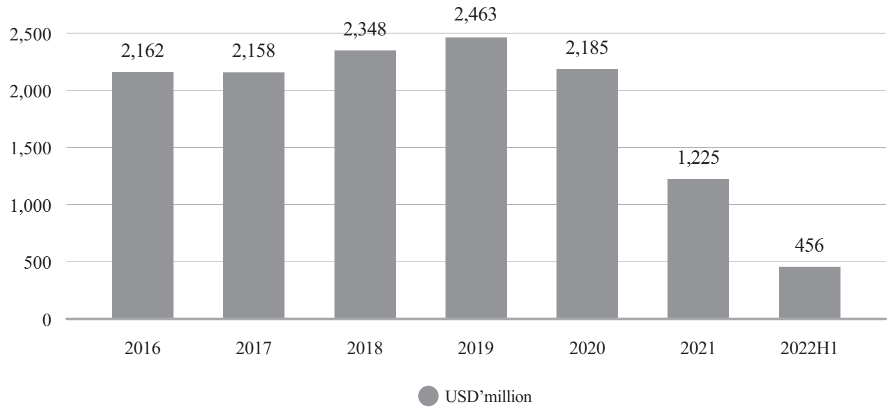
Overview of the UK Footwear Market

While commodity and machinery markets drive progressive recovery of the UK export market from the Coronavirus Disease ("**COVID-19**") pandemic, reported by the Office of National Statistics of the UK ("**ONS**"), export of footwear products continues to decline in 2022H1. According to International Trade Centre ("**ITC**"), a joint agency of the World Trade Organization and the United Nations, total value of footwear exports in 2022H1 amounts to USD456 million, representing a y-o-y decline of 27.0% from USD625 million in 2021H1. British Footwear Association suggests that one of the major reasons of such downtrend shall be due to the shortage in international shipment market. Surging freight cost and uncertain schedule materially halt the recovery of physical trade of the island country.

Under Brexit and the consequential trade arrangement, UK's trade with Ireland exhibits exponential growth. Total value of footwear exports from the UK to Ireland increased 131.8% y-o-y from USD22 million in 2021H1 to USD51 million in 2022H1, hence, following Netherlands, Ireland becomes the second largest importing country of the British footwear products. Besides, the United States ("**US**") also surpassed France, Belgium and Italy in terms of the total British footwear products import in 2022H1, according to ITC. The significance of the European Union countries in the UK footwear export market might be diminishing.

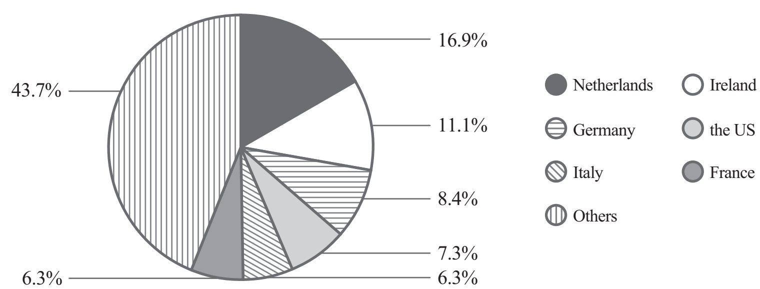
The downstream retail channels of the domestic footwear market in the UK may be no longer to take advantage from the COVID-19 business grant schemes which have been ended by 2022H1, stated by the Department for Business, Energy & Industrial Strategy of the UK ("**BEIS**"). BEIS concludes that businesses from wholesale and retail trade sector has received about 16% of the Cohort 2 schemes starting from August 2020. Based on the data published by ONS, UK domestic sales volumes from department stores and clothing stores sustainably increased by 6.4% and 4.5%, respectively, across December 2021 to June 2022.

Total Value of Footwear Exports from the UK (2016 – 2022H1)



Source: ITC

Importing Market for Footwear Exports from the UK (2022H1)



Source: ITC

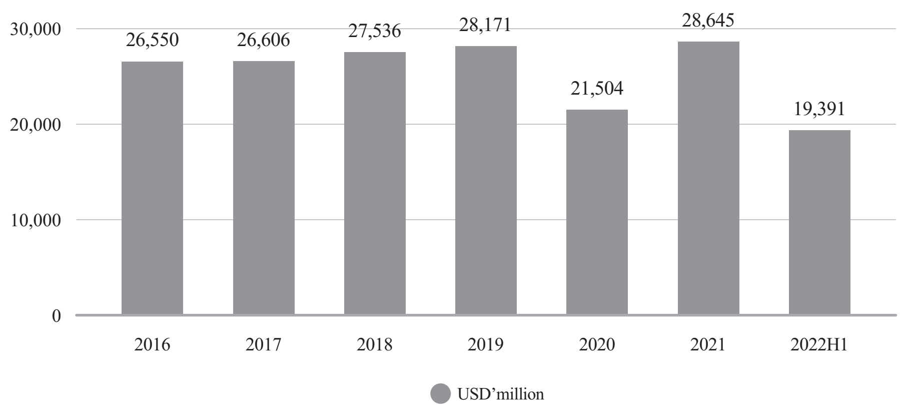
Overview of the US Footwear Market

With climbing interest rate and USD appreciation which shall be beneficial to import market, total value of footwear imports to the US increases from USD13,359 million in 2021H1 to USD19,391 million in 2022H1, representing a y-o-y growth of 45.2%, reported by ITC. On the other hand, ITC states that the total value of footwear exports from the US increases by 9.9% from USD608 million in 2021H1 to USD668 million in 2022H1. The US has shown its resilience in the consumable goods market with the continuous growth after the outbreak of the COVID-19.

Share of footwear product imports to the US from China gradually decreases from 42.9% in 2021 to 41.1% in 2022H1, reported by ITC, while the production recovery in China continues to be limited by restrictive measures in relation to the volatile pandemic. Significant share of supply has been shifted to South-East Asia countries including Vietnam, Indonesia and Cambodia, and Indian products are gaining market share overtime. Nevertheless, the amount of footwear imports from China remains substantial and significant, and it may not be replaced by its neighboring countries in short term.

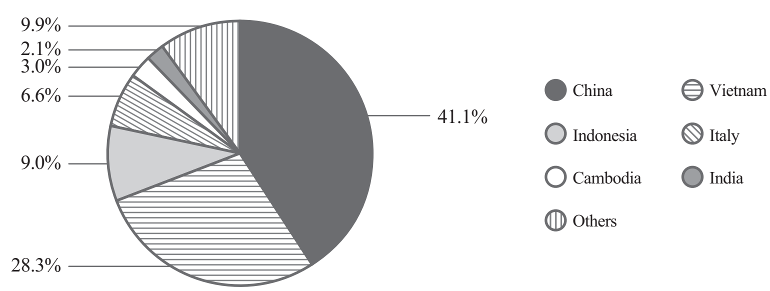
Similar to the UK, the US government is withdrawing the special subsidy schemes for small and medium enterprises in relation to the COVID-19 pandemic from 2022 onwards. Corresponding to the data released by the Census Bureau of the US, retail sales of domestic shoe stores reached USD40 million in 2021, which is higher than the pre-pandemic level of USD37 million in 2019. The encouraging figures may support the contractionary removal of the COVID-19 subsidies to mitigate the risk of overexpansion of retail businesses.

Total Value of Footwear Imports to the US (2016 – 2022H1)



Source: ITC

Supplying Market for Footwear Exports to the US (2022H1)



Source: ITC

LIMITATIONS OF THE REPORT

The Report is addressed strictly to the Directors for their internal reference only. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company and the Target).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Acquisition. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Acquisition and such remain the sole responsibility of the Directors and the management of the Company (the "**Management**").

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report, especially for the historical financial information of the Target of the trailing 12-months ("**LTM**") period ended 30 July 2022 provided by the Management, whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

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.

The outbreak of 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 assumptions. Consequently, higher degree of caution should be attached to our valuation than would normally be the case.

VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the region operated by the Target and specific competitive environments affecting the industry;

- the business risks of the Target;

- the selected comparable companies are engaging in business operations similar to the Target;
- the experience of the management team of the Target and support from its shareholders; and
- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target; and
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

VALUATION APPROACH

General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the equity interest of the Target, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuation of the Target.

Income Approach	The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset. The fundamental method for income approach is the discounted cash flow ("**DCF**") method. Under the DCF 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 equity value is calculated as the present value of the future free cash flow of a company 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.

Cost Approach	The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.
Market Approach	The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset. Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Selected Valuation Approach

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal regarding the fair value of the equity interest of the Target, we applied the Market Approach due to the following reasons:

- Cost Approach is not appropriate in current appraisal as it assumed the assets and liabilities of the Target are separable and can be sold separately. This methodology is more appropriate for the industries that its assets are highly liquid, like property development and financial institution. Thus, Cost Approach is not adopted in this valuation.

- Income Approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projections of the Target, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target. Given that improper assumptions will impose significant impact on the fair value, Income Approach is not adopted in this valuation.

- Fair value arrived from Market Approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target, their market values are good indicators of the industry of the Target. Therefore, Market Approach has been adopted in this valuation.

There are two methods commonly used in performing market approach, namely comparable transactions and comparable companies.

Comparable Transactions Method

The comparable transactions are selected for the Target with reference to the following selection criteria:

- The primary industry of the acquiree is being in industry of Textiles, Apparel and Luxury Goods, under Global Industry Classification Standard, as extracted from S&P Capital IQ;

- The principal business of the acquiree is provision of the manufacturing and sales of non-athletic footwear products under self-owned brands;

- The transaction was completed and announced between August 2021 and July 2022;

- The acquiree is profit-making in the LTM period as of the completion date of the corresponding transaction; and

- The financial information of the acquiree is available to the public.

Based on the above selection criteria, there was no comparable transaction with the acquiree engaging in similar businesses as the Target during the selected period. Given the fact that no recent comparable transaction can be identified, we consider that the comparable transactions method is not appropriate for the valuation of the 49% equity interest of the Target.

Comparable Companies Method

Comparable companies method is therefore selected as the primary method for the valuation of the 49% equity interest of the Target. By adopting comparable companies method, we have to select the appropriate comparable public companies. The selection of the comparable companies was based on the comparability of the overall industry sector. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The comparable public companies are selected with reference to the following selection criteria:

- The primary industry of the companies is being in industry of Textiles, Apparel and Luxury Goods, under Global Industry Classification Standard, as extracted from S&P Capital IQ;
- The principal business of the companies is provision of the manufacturing and sales of non-athletic footwear products under self-owned brands;
- The companies are listed in all major exchange markets in the US, Hong Kong or the UK;
- The companies are profit-making in the LTM period as of the Valuation Date; and
- The financial information of the companies is available to the public.

During our research process, as obtained on the best effort basis, we have identified an exhaustive list of nine comparable companies that engaged in the provision of the manufacturing and sales of non-athletic footwear products under self-owned brands. As mentioned above, since no two companies are ever exactly alike, the differences should not overshadow the similarities of the business nature of the companies. We consider these companies are comparable to the Target.

Details of the selected comparable companies are listed as follows:

#	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s)(1)
1)	Daphne International Holdings Limited ("**Daphne**")	SEHK: 210	HK	Daphne International Holdings Limited, an investment holding company, engages in the distribution, retailing, and licensing of footwear and accessories in Mainland China. The company offers footwear products, such as women's dress shoes, and casual shoes under the Daphne brand name through offline and online channels. It is also involved in the brand management and property holding businesses. The company was formerly known as Prime Success International Group Limited and changed its name to Daphne International Holdings Limited in June 2008. Daphne International Holdings Limited was founded in 1987 and is headquartered in Shanghai, China.	Relevant to the business of the Target: Footwear Products Manufacturing – Brand Business (100%)
2)	Deckers Outdoor Corporation ("**Deckers**")	NYSE: DECK	The US	Deckers Outdoor Corporation, together with its subsidiaries, designs, markets, and distributes footwear, apparel, and accessories for casual lifestyle use and high-performance activities. The company offers premium footwear, apparel, and accessories under the UGG brand name; sandals, shoes, and boots under the Teva brand name; and relaxed casual shoes and sandals under the Sanuk brand name. It also provides footwear and apparel for ultra-runners and athletes under the Hoka brand name; and fashion casual footwear using other plush materials under the Koolaburra brand. The company sells its products through department stores, domestic independent action sports and outdoor specialty footwear retailers, and larger national retail chains, as well as online retailers. It also sells its products directly to consumers through its retail stores and e-commerce websites, as well as distributes its products through distributors and retailers in the United States, Europe, the Asia-Pacific, Canada, Latin America, and internationally. As of March 31, 2022, it had 149 retail stores, including 75 concept stores and 74 outlet stores worldwide. The company was founded in 1973 and is headquartered in Goleta, California.	Relevant to the business of the Target: Wholesale (61.5%); Direct-to-Consumer (38.5%)

#	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s)[(1)]
3)	Le Saunda Holdings Limited ("**Le Saunda**")	SEHK: 738	HK	Le Saunda Holdings Limited, an investment holding company, trades and sells footwear and accessories in Mainland China, Hong Kong, and Macau. It designs, develops, manufactures, and retails ladies' and men's footwear, handbags, and fashionable accessories under the le saunda, le saunda MEN, LINEA ROSA, PITTI DONNA, and CNE brand names. The company also sells its products through online. It operated 389 stores, including 353 self-owned stores and 36 franchised stores. In addition, it is involved in the property holding business; provision of management services; holding and licensing of trademarks and names; and wholesale and trading of shoes. The company was founded in 1977 and is headquartered in Quarry Bay, Hong Kong.	Relevant to the business of the Target: Footwear Manufacturing (100%)
4)	Stella International Holdings Limited ("**Stella**")	SEHK: 1836	HK	Stella International Holdings Limited designs, develops, manufactures, and sells footwear products and leather goods in North America, the People's Republic of China, Europe, Asia, and internationally. It operates in two segments, Manufacturing; and Retailing and Wholesaling. The company is also involved in the holding of intellectual property rights; and the provision of secretary and accounting services. In addition, it manufactures and sells handbags. The company offers its products under the Stella Luna and What For brands names. Stella International Holdings Limited was founded in 1982 and is based in Kowloon, Hong Kong.	Relevant to the business of the Target: Manufacturing (99.0%); Retailing & Wholesaling (1.0%)
5)	Crocs, Inc. ("**Crocs**")	NasdaqGS: CROX	The US	Crocs, Inc., together with its subsidiaries, designs, develops, manufactures, markets, and distributes casual lifestyle footwear and accessories for men, women, and children. It offers various footwear products, including clogs, sandals, slides, flip-flops, boots, flats, wedges, platforms, socks, shoe charms, loafers, sneakers, and slippers under the Crocs brand name. The company sells its products in approximately 85 countries through wholesalers, retail stores, e-commerce sites, and third-party marketplaces. As of December 31, 2021, it had 193 outlet stores, 107 retail stores, 373 company-operated stores, 73 kiosks and store-in-stores, and 14 company-operated e-commerce sites. The company serves in the Americas, the Asia Pacific, Europe, the Middle East, and Africa. Crocs, Inc. was founded in 1999 and is headquartered in Broomfield, Colorado.	Relevant to the business of the Target: Footwear (100.0%)

#	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s)[(1)]
6)	Rocky Brands, Inc. (“**Rocky**”)	NasdaqGS: RCKY	The US	Rocky Brands, Inc. designs, manufactures, and markets footwear and apparel under the Rocky, Georgia Boot, Durango, Lehigh, Muck, XTRATUF, Servus, NEOS, Ranger, and licensed Michelin brand names in the United States, Canada, and internationally. It operates through Wholesale, Retail, and Contract Manufacturing segments. The Wholesale segment offers products in approximately 10,000 retail locations through a range of distribution channels comprising sporting goods stores, outdoor retailers, independent shoe retailers, hardware stores, catalogs, mass merchants, uniform stores, farm store chains, specialty safety stores, and specialty and online retailers. The Retail segment sells its products directly to consumers through its e-commerce websites, and Rocky outlet store in Nelsonville, Ohio, and retail stores. The Contract Manufacturing segment include private label sales and any sales to customers which are contracted to manufacture a specific footwear product for a customer and include sales to the US Military. It serves industrial and construction workers, as well as workers in the hospitality industry, such as restaurants or hotels; farmers and ranchers; consumers enamored with western influenced fashion; commercial military personnel; hunting, fishing, camping, and hiking enthusiasts; law enforcement, security personnel, and postal employees; and for the US military personnel. Rocky Brands, Inc. was founded in 1932 and is headquartered in Nelsonville, Ohio.	Relevant to the business of the Target: Work Footwear (54.5%); Western Footwear (17.0%); Outdoor Footwear (14.8%); Duty Footwear (7.7%); Military Footwear (4.4%)

#	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s)[(1)]
7)	Wolverine World Wide, Inc. ("**WWW**")	NYSE: WWW	The US	Wolverine World Wide, Inc. designs, manufactures, sources, markets, licenses, and distributes footwear, apparel, and accessories in the United States, Europe, the Middle East, Africa, the Asia Pacific, Canada and Latin America. The company operates through two segments, Wolverine Michigan Group and Wolverine Boston Group. It offers casual footwear and apparel; performance outdoor and athletic footwear and apparel; kids' footwear; industrial work boots and apparel; and uniform shoes and boots. The company sources, markets, and licenses a range of footwear styles, such as shoes, boots, and sandals under the Bates, Cat, Chaco, Harley-Davidson, Hush Puppies, Hytest, Keds, Merrell, Saucony, Sperry, Sweaty Betty, Wolverine, and Stride Rite brands. It also markets Merrell and Wolverine branded apparel and accessories, as well as licenses its brands for use on non-footwear products, including the Hush Puppies apparel, eyewear, watches, socks, handbags, and plush toys; Wolverine branded eyewear and gloves; and Keds, Saucony, and Sperry branded apparel. In addition, the company markets pigskin leather under the Wolverine Warrior Leather, Weather Tight, and All Season Weather Leathers trademarks for use in the footwear industry. Further, it operates brick and mortar retail stores, and eCommerce sites. The company sells its products to department stores, national chains, catalog and specialty retailers, independent retailers, uniform outlets, and mass merchant and government customers through retail stores, as well as through third-party licensees and distributors, and joint ventures. As of January 1, 2022, it operated 143 retail stores, as well as 65 consumer-direct eCommerce sites. Wolverine World Wide, Inc. was founded in 1883 and is based in Rockford, Michigan.	Relevant to the business of the Target: Wolverine Michigan Group (53.8%); Wolverine Boston Group (38.8%)

#	Company Name	Stock Code	Listing Location	Business Description	Revenue Contribution from Business Segment(s)[1]
8)	Steven Madden, Ltd. ("**Steven Madden**")	NasdaqGS: SHOO	The US	Steven Madden, Ltd. designs, sources, markets, and sells fashion-forward branded and private label footwear, accessories, and apparel for women, men, and children in the United States and internationally. Its Wholesale Footwear segment provides footwear under the Steve Madden, Steven by Steve Madden, Madden Girl, BB Dakota, Dolce Vita, DV Dolce Vita, Betsey Johnson, GREATS, Blondo, Anne Klein, Mad Love, Superga, Madden NYC, and COOL Planet brands, as well as private label footwear. The company's Wholesale Accessories/Apparel segment offers handbags, apparel, small leather goods, belts, soft accessories, fashion scarves, wraps, gifting, and other accessories under the Steve Madden, BB Dakota, Anne Klein, Betsey Johnson, Cejon, Madden NYC, and Dolce Vita brands, as well as private label handbag and accessories to department stores, mass merchants, off-price retailers, online retailers, specialty stores, and independent stores. Its Direct-to-Consumer segment operates Steve Madden and Superga full-price retail stores, Steve Madden outlet stores, and Steve Madden shop-in-shops, as well as digital e-commerce websites. The company's Licensing segment licenses its Steve Madden, Madden Girl, and Betsey Johnson trademarks. Its First Cost segment operates as a buying agent for footwear products under private labels for national chains, specialty retailers, and value-priced retailers. As of December 31, 2021, it owned and operated 214 brick-and-mortar retail stores that included 147 Steve Madden full-price stores, 66 Steve Madden outlet stores, and 1 Superga store, as well as 6 e-commerce websites. Steven Madden, Ltd. was incorporated in 1990 and is headquartered in Long Island City, New York.	Relevant to the business of the Target: Wholesale (73.2%); Direct-to-Consumer (26.1%)
9)	Dr. Martens plc ("**Dr. Martens**")	LSE: DOCS	The UK	Dr. Martens plc designs, develops, procures, markets, sells, and distributes footwear in Europe, the Middle East, Africa, the Americas, and the Asia-Pacific. Its product segments include originals, fusion, kids, and casual, as well as accessories. The company offers its products under the Dr. Martens brand name. Dr. Martens plc was founded in 1945 and is based in London, the United Kingdom.	Relevant to the business of the Target: Wholesale (50.7%); E-Commerce (28.9%); Retail (20.4%)

Source: S&P Capital IQ and Bloomberg

(1) Based on the latest annual financial data as of the Valuation Date from Bloomberg.

As over 50% of revenue of the above comparable companies are generated from the manufacturing and sales of non-athletic footwear products under self-owned brands, these comparable companies, together with the Target, are considered to be similarly subject to fluctuations in the economy and performance of the footwear industry, among other factors. Thus, we consider they are confronted with similar industry risks and rewards.

Adopted Valuation Multiples

After selecting the abovementioned comparable companies, we have to determine the appropriate valuation multiples for the valuation of Target, in which we have considered price-to-earnings ("**P/E**"), price-to-book ("**P/B**"), price-to-sales ("**P/S**"), enterprise value/sales ("**EV/S**") and enterprise value/earnings before interests, taxes, depreciation and amortization ("**EV/EBITDA**") multiples.

P/B multiple is considered not appropriate for the valuation of the Target because book value captures only the tangible assets of a company which, if a company creates any added market value (as reflected by a P/B multiple of larger than one), should have its own intangible competencies and advantages. These intangible company-specific competencies and advantages are not captured in the P/B multiple and so in general, the equity's book value has little bearing with its fair value. Thus, the P/B multiple is not a good measurement of the fair value of a company.

P/S and EV/S multiples are considered not appropriate for the valuation of the Target because they do not consider the profitability of the Target nor that of the comparable companies. As both P/S and EV/S multiples only focus on the sales amounts but not the margins, the result will be easily distorted if the cost structure is not being taken into account. Thus, P/S and EV/S multiples are not adopted in the valuation of the Target.

EV/EBITDA multiple use the market capitalization of a company as the starting point, considering the inclusion of the value of debt, minority interest, preferred shares and the exclusion of any cash and cash equivalents to represent enterprise value, which is then divided by EBITDA amount. Since EV/EBITDA multiple excludes depreciation and amortisation expenses, and therefore does not take into account the needs of capital expenditures required to maintain the business growth, it is not adopted in the valuation of the Target.

P/E multiple is one of the most commonly used valuation multiples. It relates the market value of the equity interest of the Target to its earnings, an important driver of shareholders' value. We consider that it is fair and reasonable to use the P/E multiple for assessing the value of the Target because net income is a more direct economic measurement of earning attributable to the equity value of the Target. In addition, the Target has been profit-making in the latest financial year. Hence, the P/E multiple is adopted in the valuation of the Target.

The P/E multiples of comparable companies of the Target are as follows:

No.	Company Name	Reporting Currency (in million)	Market Capitalization as of 30 July 2022	LTM Net Profit [1]	P/E Multiple Before LOMD	P/E Multiple Before LOMD (excluding outliers)[2]
1	Daphne	HKD	223	53	4.2x	4.2x
2	Deckers	USD	8,310	452	18.4x	18.4x
3	Le Saunda	RMB	267	3	89.5x	N/A
4	Stella	USD	774	90	8.6x	8.6x
5	Crocs	USD	4,411	700	6.3x	6.3x
6	Rocky	USD	240	23	10.3x	10.3x
7	WWW	USD	1,814	40	45.6x	N/A
8	Steven Madden	USD	2,504	256	9.8x	9.8x
9	Dr. Martens	GBP	2,597	181	14.3x	14.3x
					Maximum	18.4x
					Minimum	4.2x
					Median[2]	**9.8x**
					Lack of Marketability Discount ("LOMD")[3]	**35.0%**

Notes:

(1) Data sourced from Bloomberg and the financial statements of the comparable companies. The equity values of the comparable companies are computed based on the market capitalization of the companies as of 30 July 2022. LTM net profit data are based on the latest financial data of the comparable companies available as of the Valuation Date.

(2) To avoid distortion of selected multiples by abnormal data, P/E multiples of Le Saunda (89.5x) and WWW (45.6x) are considered as outliers and have been excluded for analysis purpose. Thereafter, we consider taking median of the available multiples is a fair and reasonable estimate of the P/E multiple for the valuation of the Target.

(3) LOMD reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

The P/E multiples adopted in the valuation were calculated from public listed companies, which represent marketable ownership interest. Fair value calculated using such P/E multiple, therefore, represent the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

LOMD is estimated based on the Black-Scholes put option pricing model which is a common and widely adopted method in estimating LOMD of an industry. A LOMD of 35.0% is considered appropriate and suitable for the valuation of the Target as we understand that the Target is a privately held company.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

Fair Value of Non-Marketable Interest = Fair Value of Marketable Interest x (1– LOMD)

Valuation Results

	GBP'000
LTM Consolidated Net Profit of the Target(1)	44,502
Median of P/E Multiple	9.8x
Estimated 100% Equity Value of the Target (marketable and minority basis)(2)	436,019
Less: LOMD (35%)	(152,607)
Estimated 100% Equity Value of the Target (non-marketable and minority basis)	283,412
Shareholding % of the Target to be Acquired	49.0%
Fair Value of 49% Equity Value of the Target	138,872

Notes:

(1) As of the Valuation Date, the best available LTM financial information of Clark and the Target covered up to 30 June 2022 according to the Management. These have therefore been adopted for the valuation. The consolidated net profit data is based on the consolidated financial statements of Clark for the year ended 29 January 2022, and the 5-month periods ended 30 June 2021 and 30 June 2022; and the financial statements of the Target on standalone basis for the year ended 31 December 2021, and the 6-month periods ended 30 June 2021 and 30 June 2022, provided by the Company.

(2) The amount does not equal to the multiple of LTM consolidated net profit of the Target and the adopted multiple illustrated above due to rounding.

CONCLUSION OF VALUE

Based on our investigation and analysis method employed, it is our opinion that as of the Valuation Date, the fair value of the 49% equity interest in the LionRock Capital Partners QiLe Limited is GBP138,872 thousand.

The conclusion of the fair value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in Viva China Holdings Limited nor the value reported.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited

Vincent C B Pang
CFA, FCPA(HK), FCPA (Aus.), MRICS, RICS Registered Valuer
Managing Partner

Analysed and Reported by:

Mandy H C Cheung
CFA, CPA(HK)
Senior Manager

Mankry Y L Cheung
CFA
Senior Analyst

Mandy M K Wong
Senior Analyst

Note: Mr. Vincent Pang is a member of CFA Institute and CPA Australia, a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS. Vincent has over 20-year experience in financial valuation and business consulting in Hong Kong and the PRC.

APPENDIX – GENERAL LIMITATIONS AND CONDITIONS

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

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.

- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the equity interest of the Target appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.

- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.

- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Proposed Acquisition, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.

- Prior written consent must be obtained from AVISTA Valuation Advisory Limited for publication of this Report. Except for disclosure in the Announcement and/or the Circular in relation to the Proposed Acquisition, no part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organisations with which they are affiliated or the designations awarded by those organisations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.

- We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organisations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were taken or deemed to have under such provisions of the SFO, (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

(A) Long Position in the Shares, underlying Shares and debentures of the Company

Name of Directors	Capacity	Number of Shares/ Underlying Shares held Personal interests	Corporate interests	Number of share options held[4]	Total interests	Approximate percentage of shareholdings as at the Latest Practicable Date
Mr. LI Ning	Beneficial owner	879,508,000[1]	–	7,000,000		
	Interest of controlled corporation	–	5,812,443,151[2]	–	6,698,951,151	69.20%
Mr. LI Chunyang	Beneficial owner	15,451,669	–	36,000,000	51,451,669	0.53%
Mr. LI Qilin	Beneficiary of trusts	3,680,022,769[3]	–	–		
	Beneficial owner	–	–	20,000,000	3,700,022,769	38.22%
Mr. MA Wing Man	Beneficial owner	1,544,000	–	6,000,000	7,544,000	0.08%
Mr. Herrero	Beneficial owner	23,168,000	–	40,000,000	63,168,000	0.65%
Mr. LI Qing	Beneficial owner	–	–	1,800,000	1,800,000	0.02%
Mr. PAK Wai Keung, Martin	Beneficial owner	–	–	1,800,000	1,800,000	0.02%
Mr. WANG Yan	Beneficial owner	–	–	1,800,000	1,800,000	0.02%

Notes:

1. Mr. Li Ning is interested in 879,508,000 Shares as beneficial owner, including 21,508,000 Shares and 858,000,000 Shares which may be issued on the basis of a full exercise of conversion rights at a conversion price of HK$0.325 per Share attaching to the convertible bonds issued to Mr. Li Ning by the Company.

2. Mr. Li Ning is deemed to be interested in the long positions of 5,812,443,151 Shares through his interests in Lead Ahead Limited ("**Lead Ahead**"), Victory Mind Assets Limited ("**Victory Mind**") and Dragon City Management (PTC) Limited ("**Dragon City**"), respectively as follows:

   (a) the long position of 2,132,420,382 Shares is held by Lead Ahead, which is owned as to 60% by Mr. Li Ning and 40% by Mr. Li Chun. Mr. Li Ning is also a director of Lead Ahead;

   (b) the long position of 1,680,022,769 Shares is held by Victory Mind, which is owned as to 57% by Ace Leader Holdings Limited ("**Ace Leader**") and 38% by Jumbo Top Group Limited ("**Jumbo Top**"). All shares of Ace Leader are held by TMF (Cayman) Ltd. ("**TMF**") in its capacity as trustee of a discretionary trust. Mr. Li Ning is the settlor of the trust and is therefore deemed to be interested in such 1,680,022,769 Shares. Mr. Li Ning is a director of each of Victory Mind and Ace Leader; and

   (c) the long position of 2,000,000,000 Shares is held by Dragon City in its capacity as trustee of a unit trust, the units of which are owned as to 60% by TMF and as to 40% by TMF, each as the trustee of separate discretionary trust. Mr. Li Ning is the 60% shareholder of Dragon City and a founder of the unit trust and is therefore deemed to be interested in such 2,000,000,000 Shares. Mr. Li Ning is a director of Dragon City.

3. See note 1(b) and note 1(c) under "3. Interests and short positions of substantial shareholders and other persons in the share capital of the Company" below.

4. The share options were granted on 18 January 2021 and are exercisable at HK$0.670 each during the period from 18 January 2022 to 17 January 2029 after vested according to the respective vesting schedules. Each share option entitles its holder to subscribe for one Share.

(B) Long Position in the shares, underlying shares and debentures of associated corporation of the Company – Bossini

Name of Directors	Capacity	Number of shares/ Underlying shares held Personal interests	Corporate interests	Number of share options held(2)	Total interests	Approximate percentage of shareholdings as at the Latest Practicable Date(3)
Mr. LI Ning	Interest of controlled corporation	–	1,393,582,122(1)	–	1,393,582,122(1)	56.41%
Mr. Herrero	Beneficial owner	–	–	5,045,450	5,045,450	0.20%

Notes:

1. Dragon Leap Consumables Limited was interested in 1,393,582,122 shares in Bossini. Dragon Leap Consumables Limited was a wholly-owned subsidiary of the Company. As such, Mr. Li Ning was deemed to be interested in the same 1,393,582,122 shares in Bossini by virtue of his interests in the Shares.

2. The share options were granted on 5 January 2021 and are exercisable at HK$0.456 each during the period from 1 January 2022 to 31 December 2026. Each share option entitles its holder to subscribe for one share of Bossini.

3. As at Latest Practicable Date, the total number of issued shares of Bossini was 2,470,358,091 shares.

Save as disclosed above, none of the Directors nor the chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, so far as was known to the Directors, the interests and short positions of the persons (other than the interests and short positions of the Directors or chief executive of the Company as disclosed above) in the Shares and/or underlying Shares of the Company which were notified to the Company and the Stock Exchange pursuant to provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company are set out below:

Substantial Shareholders	Capacity	Number of Shares/ Underlying Shares held	Approximate percentage of shareholdings as at the Latest Practicable Date
Mr. LI Chun(1)	Beneficial owner	60,000,000	
	Interest of controlled corporation	5,812,443,151	
		5,872,443,151	60.66%
Lead Ahead(2)(6)	Beneficial owner	2,132,420,382	22.03%
Victory Mind(3)(6)	Beneficial owner	1,680,022,769	17.35%
Ace Leader(3)(6)	Interest of controlled corporation	1,680,022,769	17.35%
Jumbo Top(3)	Interest of controlled corporation	1,680,022,769	17.35%

Substantial Shareholders	Capacity	Number of Shares/ Underlying Shares held	Approximate percentage of shareholdings as at the Latest Practicable Date
Dragon City[(4)(6)]	Trustee	2,000,000,000	20.66%
TMF[(3)(4)]	Trustee	3,680,022,769	38.02%
Other Persons			
Mr. ZHAO Jianguo[(5)]	Beneficial owner	293,000,000	
	Interest of spouse	700,000,000	
	Interest of controlled corporation	12,963,200	
		1,005,963,200	10.39%
Ms. LI Ying[(5)]	Beneficial owner	700,000,000	
	Interest of spouse	293,000,000	
	Interest of controlled corporation	12,963,200	
		1,005,963,200	10.39%

Notes:

1. Mr. Li Chun has personal interest in 60,000,000 Shares and is deemed to be interested in the long positions of 5,812,443,151 Shares through his interests in Lead Ahead, Victory Mind and Dragon City, respectively as follows:

   (a) the long position of 2,132,420,382 Shares is held by Lead Ahead, which is owned as to 60% by Mr. Li Ning and 40% by Mr. Li Chun;

   (b) the long position of 1,680,022,769 Shares is held by Victory Mind, which is owned as to 57% by Ace Leader and 38% by Jumbo Top. All shares of Jumbo Top are held by TMF in its capacity as trustee of a discretionary trust. Mr. Li Chun is the settlor of the trust and is therefore deemed to be interested in such 1,680,022,769 Shares. Mr. Li Qilin is a beneficiary of the trust and is also therefore deemed to be interested in such 1,680,022,769 Shares. Mr. Li Chun is a director of each of Victory Mind and Jumbo Top; and

   (c) the long position of 2,000,000,000 Shares is held by Dragon City in its capacity as trustee of a unit trust, the units of which are owned as to 60% by TMF and as to 40% by TMF, each as the trustee of separate discretionary trust. Mr. Li Qilin is a beneficiary of one of the said separate trusts and is also therefore deemed to be interested in such 2,000,000,000 Shares. Mr. Li Chun is taken to be interested in 40% of the shares of Dragon City and is therefore deemed to be interested in such 2,000,000,000 Shares. Mr. Li Chun is a director of Dragon City.

2. Lead Ahead is owned as to 60% by Mr. Li Ning and 40% by his brother, Mr. Li Chun.

3. See note 2(b) of Section (A) under "2. Interests and short positions of directors and the chief executive in the shares and underlying shares and debentures of the Company and its associated corporations" and note 1(b) above. For avoidance of doubt and double counting, it should be noted that Ace Leader, Jumbo Top and TMF are deemed to be interested in the 1,680,022,769 Shares which Victory Mind is interested in.

4. See note 2(c) of Section (A) under "2. Interests and short positions of directors and the chief executive in the shares and underlying shares and debentures of the Company and its associated corporations" and note 1(c) above. TMF is deemed to be interested in the 2,000,000,000 Shares which Dragon City is interested in.

5. Mr. Zhao Jianguo has personal interest in 289,666,667 Shares and the share options which are exercisable into 3,333,333 Shares. Ms. Li Ying, the spouse of Mr. Zhao, has personal interest in the convertible bonds in the principal amount of HK$227,500,000 which are convertible into 700,000,000 Shares. Double Essence Limited was interested in 12,963,200 Shares and is owned as to 50% by Mr. Zhao and 50% by Ms. Li respectively.

6. Mr. Li Ning is a director of Lead Ahead, Victory Mind, Ace Leader and Dragon City, which have interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors, no other person (other than the Directors or chief executive of the Company) had any interests or short position in the shares and/or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

4. DIRECTORS' INTERESTS IN ASSETS OF THE ENLARGED GROUP AND CONTRACTS

As at the Latest Practicable Date, the Target is owned as to 49% by LionRock. LionRock is a limited partnership. To the best knowledge, information and belief of the Directors after making all reasonable enquiries, Li Ning Sports (Hong Kong) Company Limited, an indirect wholly owned subsidiary of Li Ning Co, is a limited partner of LionRock and the total contribution of which is about 20.09% and Mr. Li Ning holds 3,991,813 shares of Li Ning Co (each a "**Li Ning Share**") as personal interest and he is deemed to be interested in 1,447,800 Li Ning Shares under the restricted share award scheme of Li Ning Co; and Mr. Herrero (a non-executive Director) is a limited partner of LionRock, who made less than 5% of the total contributions in LionRock.

Save as the above, none of the Directors had any direct or indirect interest in any asset which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Enlarged Group were made up) up to the Latest Practicable Date.

None of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Enlarged Group as at the Latest Practicable Date.

5. COMPETING INTERESTS

As at the Latest Practicable Date, according to the GEM Listing Rules, the following Directors have interests in the following businesses which are considered to compete or are likely to compete either directly or indirectly, with the businesses of the Group other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group:

Businesses which are considered to compete or likely to compete with the businesses of the Group

Name of Director	Name of Entity	Description of the Entity's Business	Nature of interest of the Director in the Entity
Mr. Li Ning	Li Ning Co	mainly engaged in brand marketing, research and development, design, manufacturing, distribution and retail of professional and leisure footwear, sport apparels, equipment and accessories under the LI-NING brand and other licensed brands	director and substantial shareholder (within the meaning of the SFO)
Mr. Li Qilin	Li Ning Co	as disclosed above	director and substantial shareholder (within the meaning of the SFO)

Note:

Mr. Li Chun, an elder brother of Mr. Li Ning, the father of Mr. Li Qilin and a substantial shareholder (within the meaning of the SFO) of the Company, is deemed to be interested in the shares and underlying shares of Li Ning Co held by the Company.

As the Board is independent of the board of the above-mentioned entity and none of the above Directors can control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of this entity.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

7. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (being contracts entered outside the ordinary course of business carried on or intended to be carried on by the Enlarged Group) having been entered into by any member of the Enlarged Group within the two years preceding the Latest Practicable Date:

(a) the Previous Agreement;

(b) the sale and purchase agreement dated 16 March 2021 entered into among Viva China Yangzhou Community Development Holdings Limited, Yangzhou City Huacheng Property Development Limited and Yangzhou Viva Property Development Limited ("**Viva Yangzhou**") in respect of the disposal of the entire issued capital of Viva Yangzhou;

(c) the provisional allotment acceptance form dated 31 March 2021 relating to provisional allotment of 546,919,623 shares of Bossini and the excess application form dated 31 March 2021 relating to an excess application of additional 130,858,154 shares of Bossini made by Dragon Leap Developments Limited, a subsidiary of the Company;

(d) the placing agreement dated 18 May 2021 and entered into between Viva China Development Limited and J.P. Morgan Securities (Asia Pacific) Limited in relation to the placing 60,000,000 shares in the share capital of Li Ning Co;

(e) the placing and subscription agreement dated 27 October 2021 entered into among Li Ning Co, Viva China Development Limited, J.P. Morgan Securities plc and Nomura International (Hong Kong) Limited in relation to the placing and subscribing 120,000,000 shares in the share capital of Li Ning Co;

(f) a share purchase agreement dated 3 November 2021 entered into among Ample Fame Investments Limited (a wholly owned subsidiary of the Company), Sitoy International Limited, the Company and Sitoy Group Holdings Limited in relation to the acquisition of the entire issued share capital of Sitoy AT Holdings Company Limited;

(g) the provisional sale and purchase agreements dated 30 December 2021 entered into among Rapid City Limited, Shine Wealthy Limited and Knight Frank Hong Kong Limited in respect of the sale and purchase of two properties held by Rapid City Limited (the "**Disposal**") at the aggregate consideration of HK$184,729,500. Formal agreement in relation to the Disposal dated 13 January 2022 was entered by Rapid City Limited and Shine Wealthy Limited; and

(h) the Agreement.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, the Enlarged Group was not engaged in any material litigation or arbitration of material importance and there was no material litigation or claim of material importance known to the Directors to be pending or threatened by or against any members of the Enlarged Group.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinion or advice, which are contained or referred to in this circular:

Name	Qualification
CWK CPA Limited	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50 of Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588 of Laws of Hong Kong)
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50 of Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588 of Laws of Hong Kong)
AVISTA Valuation Advisory Limited	Independent Valuer

As at the Latest Practicable Date, each of the above named experts:

(a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report or opinion or advice and the references to its names, in the form and context in which they appear;

(b) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(c) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

10. GENERAL INFORMATION

(a) The share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(b) The secretary of the Company is Ms. CHAN Tsz Ping, a certified public accountant of Hong Kong.

(c) The compliance officer of the Company is Mr. LI Ning.

(d) The audit committee of the Company reviews the Company's financial statements, annual reports, half-year reports, quarterly reports and risk management and internal control systems and to provide advice and comments thereon to the Board. As at the Latest Practicable Date, the audit committee of the Company consisted of three Independent Non-executive Directors, Mr. PAK Wai Keung, Martin (chairman of the Audit Committee), Mr. LI Qing and Mr. WANG Yan, and one Non-executive Director, Mr. MA Wing Man.

(i) Mr. PAK Wai Keung, Martin

Mr. Pak Wai Keung, Martin（白偉強先生）, aged 59, was appointed as an independent non-executive Director, the chairman of the audit committee and a member of the nomination committee of the Company on 13 February 2019. He is responsible for supervising and providing independent judgement on the Group's strategies, performance, resources and standard of conduct. He has accumulated over 25 years of experience in finance, accounting and corporate governance affairs. Mr. Pak graduated with a bachelor of commerce degree from the Murdoch University, Australia in 1991 and a master of corporate governance degree from The Hong Kong Polytechnic University in 2009. Mr. Pak is a fellow of the Hong Kong Institute of Certified Public Accountants, an associate of The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries).

Mr. Pak has been appointed as an independent non-executive director of Nan Nan Resources Enterprise Limited (Stock Code: 1229) and Dragon Mining Limited (Stock Code: 1712) which are companies listed on the Main Board of the Stock Exchange with effect from 19 September 2017 and 5 November 2018 respectively. Mr. Pak had been an independent non-executive director of China Huiyuan Juice Group Limited (previous stock code: 1886) since 12 June 2019. The trading in securities of such company had been suspended since 3 April 2018 and such company was subsequently delisted from the Main Board of the Stock Exchange on 18 January 2021. Mr. Pak had also served as an independent non-executive director of Convoy Global Holdings Limited (previous stock code: 1019) since 8 December 2017. The trading in securities of such company had been suspended since 7 December 2017 and such company was subsequently delisted from the Main Board of the Stock Exchange on 4 May 2021.

(ii) Mr. WANG Yan

Mr. Wang Yan（汪延先生）, aged 50, was appointed as an independent non-executive Director, the chairman of the remuneration committee, and a member of both the audit committee and the nomination committee of the Company on 1 July 2017. He is responsible for supervising and providing independent judgement on the Group's strategies, performance, resources and standard of conduct. From May 2003 to March 2021, he was a director of Sina Corporation ("**SINA**") (previous Nasdaq: SINA), which was previously listed on the Nasdaq Stock Market in the US and delisted on 23 March 2021 after privatisation. During the period from 1996 to March 2021, as the co-founder of SINA, Mr. Wang successively held the posts of chief executive officer and chairman. In May 2021, Mr. Wang has been appointed as an independent director of Weibo Corporation which is listed on the Nasdaq Stock Market in the US (Nasdaq: WB) and the Main Board of the Stock Exchange (stock code: 9898).

Mr. Wang obtained a bachelor degree in public law in July 1997 and a master degree in international relations in September 2020 from the Université Paris-Panthéon-Assas in France.

(iii) Mr. LI Qing

Mr. Li Qing（李勍先生）, aged 55, was appointed as an independent non-executive Director and a member of both the audit committee and the remuneration committee of the Company on 20 December 2019. He is responsible for supervising and providing independent judgement on the Group's strategies, performance, resources and standard of conduct. Mr. Li has accumulated over 20 years of experience in investment and asset management, merge and acquisition and business operation in Hong Kong and the PRC. Mr. Li graduated with an executive master of business administration degree from Guanghua School of Management of Beijing University（北京大學光華管理學院）in 2006.

Mr. Li has been appointed as the executive director of Crystal Clear Electronic Material Co., Ltd. (formerly known as Suzhou Crystal Clear Chemical Co., Ltd.) (SZSE: 300655), a company listed on the Shenzhen Stock Exchange, in July 2016 and is currently its chairman and chief strategy officer. He is currently the chairman of both Jiming Asset Management (Shanghai) Co., Ltd and Ma'anshan Jishipujiang Asset Management Co., Ltd. He was appointed as the president of HuaAn Funds Management Limited from May 2010 to September 2014 and a director of China Investment Information Services Limited, from July 2001 to July 2010.

(iv) Mr. MA Wing Man

Mr. Ma Wing Man (馬詠文先生), aged 57, has been a non-executive Director and a member of the audit committee of the Company since 2 June 2010. He is responsible for participating in strategic planning and advising on significant decision-making of the Group. Mr. Ma has over 30 years of experience in finance and administration. Mr. Ma has been employed by "Li Ning Foundation" as the financial controller since 2005. From 1992 to 2005, Mr. Ma had been employed first as accountant and later as financial and accounting manager of Jianlibao Holdings (H.K.) Company Limited, which was a wholesaler and retailer of Jianlibao drinks.

Mr. Ma graduated from Hong Kong Shue Yan College (predecessor of Hong Kong Shue Yan University) in 1989 with a diploma in business administration. In 1993, he obtained a diploma in accounting from the School of Professional and Continuing Education, the University of Hong Kong. In 1998, he obtained a professional diploma for financial controllers & finance directors of foreign investment & foreign enterprise in China, which was jointly awarded by the School of Management Zhongshan University, China and The Hong Kong Management Association. In 2003, he obtained a bachelor of business administration degree with honours in accounting from the Open University of Hong Kong.

(e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

11. DOCUMENTS ON DISPLAY

The following documents are on display and are published on the websites of the Stock Exchange (www.hkexnews.com) and the Company (www.vivachina.hk) for a period of 14 days from the date of this circular:

(a) the Agreement;

(b) the accountant's report on the historical financial information of the Target as set out in Appendix IIA to this circular;

(c) the accountant's report on the historical financial information of Clark as set out in Appendix IIB to this circular;

(d) the report on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(e) the valuation report prepared by AVISTA Valuation Advisory Limited for the Sales Shares as set out in Appendix V to this circular;

(f) the valuation report prepared by AVISTA Valuation Advisory Limited for the purpose of preparing the unaudited pro forma financial information of the Enlarged Group; and

(g) the written consents referred to in the paragraph headed "9. Experts and Consents" in this appendix.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Viva China Holdings Limited (the "**Company**") will be held at 2/F, PopOffice, 9 Tong Yin Street, Tseung Kwan O, New Territories, Hong Kong (the "**EGM Venue**") at 11:00 a.m. on Wednesday, 18 January 2023 for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT** the agreement (the "**Agreement**") dated 17 November 2022 entered by Viva China Consumables Limited ("**Viva China Consumables**") and LionRock Capital Partners QiLe L.P. in relation to the acquisition of the remaining 49% issued share capital of LionRock Capital Partners QiLe Limited (a copy of which has been presented to this meeting marked "A" and initialed by the chairman of the meeting for identification purpose), together with the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified. Any one director of the Company and secretary of the Company be and is hereby authorised to do all such acts and things and execute all such documents which he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions contemplated thereunder."

On behalf of the Board
VIVA CHINA HOLDINGS LIMITED
LI Ning
Chairman and Chief Executive Officer

Hong Kong, 30 December 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
Ms. LYU Hong

Independent non-executive Directors:
Mr. LI Qing
Mr. PAK Wai Keung, Martin
Mr. WANG Yan

Head office and principal place of business in Hong Kong:
2/F, PopOffice
9 Tong Yin Street
Tseung Kwan O
New Territories, Hong Kong

Notes:

1. Pursuant to the GEM Listing Rules, the above resolution is to be voted by poll at the above meeting.

2. A member entitled to attend and vote at the meeting is entitled to appoint one or, if he/she is the holder of two or more shares, more than one proxy to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company.

3. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the meeting will be the close of business on Thursday, 12 January 2023. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 12 January 2023.

4. In order to be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be).

5. Delivery of an instrument appointing a proxy should not preclude a shareholder from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. In the case of joint registered holders of a share of the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the above meeting personally or by proxy, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such share.

PRECAUTIONARY MEASURES FOR THE EGM

In view of the current COVID-19 pandemic situation, the Company will implement the following precautionary measures at the EGM to protect the Shareholders and other attendees from risk of infection:

1. At the entrance of the EGM Venue, a compulsory body temperature check will be conducted on every person attending the EGM. Any person with a body temperature of over 37.3 degrees Celsius, or any individual who has any flu-like symptoms or is otherwise unwell will not be admitted to the EGM Venue.

2. Every attendees will be required to sign and complete a health declaration form before admission to the EGM Venue.

3. Seating at the EGM Venue will be arranged so as to allow for appropriate social distancing. As a result, there will be limited capacity for Shareholders to attend the EGM. The Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding.

4. Every attendee is required to wear a surgical face mask at any time within the EGM Venue.

5. Any attendee who declines any of the abovementioned measures will not be admitted to the EGM Venue.

6. No food or beverages or gifts will be provided to the attendees at the EGM.

To the extent permitted under the laws of Hong Kong, the Company reserves the right to deny entry to the EGM venue or require any person to leave the EGM Venue in order to ensure the safety of the attendees at the EGM.

The Company would like to remind the Shareholders to consider appointing the Chairman of the EGM as his/her/its proxy to vote on the resolution at the EGM as an alternative to attending the EGM in person. In order to be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for holding the EGM.

Subject to the development of the COVID-19 situation, the Company may implement and/or adjust precautionary measures for the EGM at short notice as the public health situation changes, and may issue further announcement(s) on such measures as and when appropriate.