
SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in our Shares are set out in the section headed “Risk Factors”. You should read the entire document carefully before you decide to [REDACTED] in the Shares.

OVERVIEW

We are a multi-brand operator principally engaged in (i) design and development, branding and sales of sports and lifestyle apparel and footwear, and (ii) provision of sports experience. We offer sports experience through (a) management and operation of sports parks, sports centres and ice-skating rinks under our sports destination development business, and (b) management and operation of e-sports clubs, coordination of sports events and sports-related marketing services under our sports team and event management business.

We have been engaged in sports related business since 2010 and embarked on our apparel and footwear business by acquiring a fashion brand trademark “LNG” from the LN Group in late 2019. Since we acquired the “LNG” trademark, which was originally designed by the LN Group, we re-designed the logo and developed the brand by connecting its name and style with our “LNG Esports” e-sports club to create synergies between the two businesses. We further expanded and diversified our apparel and footwear business by acquiring Bossini (the owner of “Bossini”, a well-known casual wear brand in Hong Kong and the PRC) in July 2020, Viva China Premium Brands (the owner of “Amedeo Testoni”, a luxury leatherware brand based in Italy) in January 2022 and the Clark Group (the owner of “Clarks”, a well-known British footwear brand with history of almost two centuries) in July 2022. As part of the rebranding exercise for Bossini, we created “bossini.X”, a streetwear label with sports elements targeting at youngsters and millennials in the PRC. To reinforce our footwear design, research and development capability, we established a shoe factory in the PRC in 2021. Our shoe factory produces footwear for our self-owned brands and provides footwear OEM services.

Under our sports destination development business, we operate sports parks and sports centres under the brand of “Li Ning Sports Park”(李寧體育園) and ice-skating rinks under the brand of “All Star Ice Skating Club”(全明星滑冰俱樂部) in the PRC. Under our sports team and event management business, we provide marketing services to sponsors at sports events in the PRC and manage e-sports clubs such as “LNG Esports”, which is currently one of the major e-sports clubs competing in the League of Legends Pro League.

We recorded substantial increase in revenue from HK\$819.0 million in FY2020 to HK\$6,900.4 million in FY2022, with a CAGR of 190.3%. Such increase was mainly contributed by our multi-brand apparel and footwear business through (i) the acquisitions of Bossini in July 2020, Viva China Premium Brands in January 2022 and the Clark Group in July 2022; and (ii) the growth of our footwear OEM business and “LNG” brand.

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OUR BUSINESS MODEL

We operate two business segments, being (i) multi-brand apparel and footwear business segment which primarily comprises design and development, branding and sale of sports and lifestyle apparel and footwear under multiple brands, and (ii) sports experience segment which comprises (a) sports destination development, and (b) sports team and event management.

The table below sets forth a breakdown of our revenue by business segment for the periods indicated:

	FY2020		FY2021		FY2022	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Multi-brand apparel and footwear (Note 1)	438,994	53.6	851,222	61.6	6,399,546	92.7
Sports experience						
– Sports destination development (Note 2)	169,153	20.7	269,365	19.5	244,076	3.5
– Sports team and event management (Note 3)	210,889	25.7	261,050	18.9	256,768	3.7
Sub-total of sports experience:	380,042	46.4	530,415	38.4	500,844	7.3
Total	819,036	100.0	1,381,637	100.0	6,900,390	100.0

Notes:

- Our apparel and footwear brands mainly include “Clarks”, “Bossini”, “bossini.X”, “LNG” and “Amedeo Testoni” during the Track Record Period. We acquired a majority stake in Bossini in July 2020 and our revenue attributable to “Bossini” (including “bossini.X”) was HK\$421.0 million, HK\$702.5 million and HK\$593.5 million, representing 51.4%, 50.8% and 8.6% of our total revenue, in FY2020, FY2021 and FY2022, respectively. We completed the First Clark Acquisition in July 2022 and our revenue attributable to “Clarks” in FY2022 was HK\$5,386.9 million, representing 78.1% of our total revenue for the year.
- Sports destination development mainly comprises operation of sports parks, sports centres and ice-skating rinks.
- Sports team and event management encompasses management and operation of e-sports clubs, coordination of sports events and sports-related marketing services.

We launched our multi-brand apparel and footwear business at the end of 2019 to capture opportunities in sports and lifestyle consumables market in China. In the third quarter of 2020, we acquired 66.5% of the issued share capital of Bossini which is a company that principally engages in retail and distribution of casual wear under the “Bossini” brand. Thereafter, Bossini became a non-wholly owned subsidiary of our Group and brought in new sources of revenue for our Group starting from the third quarter of 2020, leading to an increase in our revenue. In FY2022, our revenue increased significantly as a result of completion of the First Clark Acquisition in July 2022 and the consolidation of the Clark Group’s financial results thereafter. Clark Group is principally engaged in retail and wholesale of footwear under the “Clarks” brand.

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With the effect from Beijing Winter Olympics and the Chinese e-sport team’s victory in the 11th League of Legends global finals, the interest in winter sports and e-sports continued to heat up in the PRC. Coupled with the recovery of the sports experience segment from COVID-19, revenue from our sports experience segment improved in FY2021 compared to FY2020, especially for the ice-skating rinks business and the e-sports business, and decreased slightly in FY2022 compared to FY2021 due to the temporary closure of our sports destinations in response to the national pandemic prevention measures amidst the resurgence of COVID-19 during the year.

The table below sets forth a breakdown of our gross profit and gross profit margin by business for the periods indicated:

	FY2020		FY2021		FY2022	
	Gross profit profit HK\$'000	Gross profit margin %	Gross profit profit HK\$'000	Gross profit margin %	Gross profit profit HK\$'000	Gross profit margin %
Multi-brand apparel and footwear	<u>231,992</u>	52.8	<u>417,757</u>	49.1	<u>3,039,106</u>	47.5
Sports experience	<u>98,796</u>	26.0	<u>154,625</u>	29.2	<u>121,483</u>	24.3
Total	<u><u>330,788</u></u>	40.4	<u><u>572,382</u></u>	41.4	<u><u>3,160,589</u></u>	45.8

Our gross profit margin remained relatively stable at 40.4% and 41.4% in FY2020 and FY2021, respectively. It increased to 45.8% in FY2022 primarily due to the increase in contribution from our multi-brand apparel and footwear business, mainly resulting from the acquisition of the Clark Group, which attained a higher gross profit margin compared to our sports experience business. The gross profit margin of our multi-brand apparel and footwear business slightly decreased from 49.1% in FY2021 to 47.5% in FY2022, primarily due to (i) increase in revenue contribution from our shoe factory, which, at the early stage of its operation, attained a relatively lower gross profit compared to other streams of revenue; and (ii) increase in discount offered by “Bossini” and “LNG” in order to boost their sales in a competitive market. The decrease in gross profit margin from multi-brand apparel and footwear business was partially offset by the relatively higher gross profit margin attained by the Clark Group compared to those of Other Brands. The increase in overall gross profit margin was partially offset by the decrease in gross profit margin of sports team management business in FY2022 as a result of (i) the delay in recognition of revenue from e-sports tournaments pending confirmation by the organiser; and (ii) the increase in our costs for recruitment of e-sports athletes.

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Our Multi-brand Apparel and Footwear Business

We are principally engaged in design and development, branding and sales of sports and lifestyle apparel and footwear. We adopt a multi-brand strategy and manage five major apparel and footwear brands, namely “Clarks”, “Bossini”, “bossini.X”, “LNG” and “Amedeo Testoni”. We have an extensive sales network covering both online channels and offline channels. We use different distribution models, such as distributorship and partnership, to reach different regions of the world in a cost-efficient manner. We focus on the design and development of product and outsource most of the manufacturing process to our selected OEM suppliers. However, to reinforce our footwear design, research and development capability, we established a shoe factory in the PRC in 2021. Our shoe factory produces casual trainers and vulcanised shoes for our self-owned brands. It also provides footwear OEM services to LN Group and other footwear manufacturers.

Our Brands

For FY2020 and FY2021, “Bossini” accounted for a significant portion of our revenue from multi-brand apparel and footwear business. We completed the First Clark Acquisition in July 2022, and “Clarks” accounted for 84.2% of our total revenue from this business segment in FY2022. The table below sets forth a breakdown of our revenue from multi-brand apparel and footwear segment for the periods indicated:

	FY2020		FY2021		FY2022	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Clarks	-	-	-	-	5,386,883	84.2
Other Brands						
- Bossini	417,188	95.9	691,760	81.9	546,085	8.5
- LNG	17,968	4.1	90,552	10.7	84,095	1.3
- Amedeo Testoni	-	-	-	-	81,369	1.3
- bossini.X	-	-	4,098	0.5	45,270	0.7
Our shoe factory	-	-	56,876	6.7	225,707	3.5
Others (Note 1)	-	-	1,288	0.2	27,983	0.5
Total	435,156	100.0	844,574	100.0	6,397,392	100.0

Notes:

1. “Others” includes other ancillary brand and services, such as our self-owned lingerie brand “Neizhuang” and e-commerce services.
2. The above table does not include our rental income of HK\$3,838,000 in FY2020, HK\$6,648,000 in FY2021 and HK\$2,154,000 in FY2022 generated from the leasing of a self-owned property held under the Bossini Group.

Gross profit margin of “Bossini”, “LNG” and “bossini.X” decreased in FY2022 primarily due to (i) the temporary closure of retail stores and decrease in foot traffic amidst the resurgence of COVID-19 in 2022; and (ii) our corresponding measures to increase the discount offered by such brands to boost sales. The table below sets forth a breakdown of the gross profit and gross profit margin of our multi-brand apparel and footwear segment for the periods indicated:

	FY2020		FY2021		FY2022	
	Gross profit HK\$'000	Gross profit margin %	Gross profit/ (loss) HK\$'000	Gross profit margin %	Gross profit HK\$'000	Gross profit margin %
Clarks	-	-	-	-	2,672,617	49.6
Other Brands						
- Bossini	217,575	52.2	351,967	50.9	261,039	47.8
- LNG	10,579	58.9	60,238	66.5	34,420	40.9
- Amedeo Testoni	-	-	-	-	31,072	38.2
- bossini.X	-	-	2,680	65.4	18,385	40.6
Our shoe factory (Note 1)	-	-	(4,689)	-	7,555	3.3
Others (Note 2)	-	-	913	70.9	11,864	42.4
Total	228,154		411,109		3,036,952	

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Notes:

1. Our shoe factory produces footwear for our own brands and provides footwear OEM services. It commenced operation in March 2021 and recorded a gross loss during FY2021 primarily due to the relatively low production volume and operation efficiency, and hence, a higher fixed overhead cost at the start-up stage. In FY2022, it turned loss into profit as it increased its production volume and operation efficiency. For details of the gross profit/(loss) of our footwear OEM services, see section headed “Business – Provision of Footwear OEM Services – Our footwear OEM services” in this document.
2. “Others” includes other ancillary brand and services, such as our self-owned lingerie brand “Neizhuang” and e-commerce services. The decrease in gross profit margin in FY2022 when compared to that of FY2021 was primarily due to the increase in staff costs as we expanded our e-commerce team in the fourth quarter of 2021.
3. The above table does not include our rental income of HK\$3,838,000 in FY2020, HK\$6,648,000 in FY2021 and HK\$2,154,000 in FY2022 generated from the leasing of a self-owned property held under the Bossini Group.

Our Sales Channels

Directly-operated stores generate most of our revenue from the multi-brand apparel and footwear business during the Track Record Period. The only significant change in our sales mix was the growth of distributors and wholesalers as a result of our acquisition of the Clark Group. The Clark Group sells a significant portion of its products to other retailers through wholesaling. The table below provides a breakdown of our revenue by sales channel for the periods indicated:

	FY2020		FY2021		Viva Group		FY2022		The Group	
	The Group		The Group				Clark Group		The Group	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Offline channels										
- Directly-operated stores	334,552	76.9	601,184	76.3	580,460	74.0	2,496,510	46.3	3,076,970	49.9
- Distributors and wholesales	30,633	7.0	97,407	12.4	112,947	14.4	2,097,030	39.0	2,209,977	35.8
- Partnership stores	15,389	3.5	25,905	3.3	14,439	1.8	-	-	14,439	0.2
Sub-total of offline channels:	380,574	87.5	724,496	92.0	707,846	90.2	4,593,540	85.3	5,301,386	85.9
Online channels	54,582	12.5	63,202	8.0	76,956	9.8	793,343	14.7	870,299	14.1
Total	435,156	100.0	787,698	100.0	784,802	100.0	5,386,883	100.0	6,171,685	100.0

Note: The above table does not include (i) revenue from provision of footwear OEM services of HK\$56.9 million in FY2021 and HK\$225.7 million in FY2022; and (ii) rental income of HK\$3,838,000 in FY2020, HK\$6,648,000 in FY2021 and HK\$2,154,000 in FY2022 generated from the leasing of a self-owned property held under the Bossini Group.

For further details, see “Business – Our Multi-brand Apparel and Footwear Business”.

Our Sports Experience Business

Our sports experience business comprises (i) sports destination development business, and (ii) sports team and event management business. For details, see “Business – Our Sports Experience Business”.

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Our Sports Destination Development Business

Our sports destination development business comprises the management and operation of sports parks, sports centres and ice-skating rinks in the PRC. As at the Latest Practicable Date, we managed and operated (i) nine sports parks and sports centres under the brand of “Li Ning Sports Park”(李寧體育園) in different cities of the PRC, and (ii) eleven ice-skating rinks under the brand of “All Star Ice Skating Club”(全明星滑冰俱樂部) in selected first-tier and second-tier cities in the PRC. We operate our sports destinations through an asset-light model where we do not own the sports destinations and are not required to invest in the construction and development. We typically operate our sports parks and sports centres through an entrustment model where the owners (mostly local governments) entrust us with the management and operation of the sports park and sports centres, and lease ice-skating rinks at shopping malls from the landlords for our operation. Revenue generated from our sports destination development business primarily includes (i) entrance fees from visitors, (ii) tuition fees from provision of sports coaching and training on the site to institutions and individuals, (iii) service fees for hosting sports events on the site, (iv) rental income from leasing of units to retailers and restaurants, and (v) sales of consumables at the sports destinations.

The table below provides a breakdown of revenue generated from our sports destination development business segment for the periods indicated:

	FY2020		FY2021		FY2022	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Ice-skating rinks	88,789	52.5	145,704	54.1	130,474	53.5
Sports parks and sports centres	71,881	42.5	113,931	42.3	109,401	44.8
Others (Note 1)	8,483	5.0	9,730	3.6	4,201	1.7
Total	169,153	100.0	269,365	100.0	244,076	100.0

Notes:

1. “Others” primarily refers to the provision of sports rehabilitation services to sports teams and organisations.
2. The above table does not include subsidies received from local government for operation of sports parks and sports centres which are recognised as other income.

Our Sports Team and Event Management Business

We currently manage three e-sports clubs in the PRC that participate in professional e-sports tournaments. They are (a) “LNG Esports” which plays in the League of Legends Pro League, (b) “LNG.M TEAM” which plays in the Onmyoji Arena Pro League and (c) “LNG Academy” which plays in the League of Legends Development League. Our e-sports clubs generate revenue from (i) sharing of revenue from sponsorship fees and sales of live-broadcasting rights and/or live-viewing tickets of e-sports tournaments, which the organisers pay us based on factors such as our e-sports clubs’ performance and ranking, (ii) sponsorship fees, and (iii) transfer fees paid by other clubs for recruiting e-sports athletes from our clubs.

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The League of Legends Pro League is divided into two splits (i.e. spring and summer splits) each year comprising over 240 matches for each split with 16 to 17 participating teams. Our “LNG Esports” participated in 32, 38 and 38 matches with 10, 19 and 22 wins in FY2020, FY2021 and FY2022 respectively. The Onmyoji Arena Pro League is divided into three splits (i.e. spring, summer and autumn splits) each year with 10 participating teams. Our “LNG.M TEAM” participated in 22, 32 and 33 matches with 22, 15 and 23 wins in FY2020, FY2021 and FY2022 respectively. The League of Legends Development League is divided into two splits (i.e. spring and summer splits) each year with 24 to 26 participating teams. Our “LNG Academy” participated in 68, 89 and 79 matches with 49, 52 and 38 wins in FY2020, FY2021 and FY2022 respectively.

We also participate in the commercial operation and marketing activities of sports events in the PRC with a mission to promote sports culture and create value from sports activities. Leveraging on the reputation of our executive Director, chairman of our Board and chief executive officer, Mr. Li Ning, a former Olympic champion and a renowned sports icon, as well as our experience and extensive network in the sports industry and apparel and footwear industry, we work with reputable and influential sports events organisers, such as the CBA, and acquire the exclusive rights to market and operate their events. We connect sports and fashion brands with the events and provide them with tailored marketing opportunities and services, such as sponsorship and advertising. We generate revenue from the marketing service fees paid by the brands, which reflect the exposure and benefits they receive from the events.

During the Track Record Period, most of our revenue from sports team and event management business was generated from sports event management. The table below sets forth a breakdown of our revenue from sports team and event management business segment for the periods indicated:

	FY2020		FY2021		FY2022	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Sports event management	198,558	94.2	227,862	87.3	224,744	87.5
Sports team management	<u>12,331</u>	<u>5.8</u>	<u>33,188</u>	<u>12.7</u>	<u>32,024</u>	<u>12.5</u>
Total	<u>210,889</u>	<u>100.0</u>	<u>261,050</u>	<u>100.0</u>	<u>256,768</u>	<u>100.0</u>

Our sports event management business recorded a gross profit of HK\$65.8 million, HK\$65.3 million and HK\$65.5 million, with a gross profit margin of 33.1%, 28.6% and 29.1%, for FY2020, FY2021 and FY2022 respectively.

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Our sports team management business recorded a gross loss of HK\$18.7 million, HK\$6.0 million and HK\$33.4 million for FY2020, FY2021 and FY2022 respectively. The gross loss in FY2020 was primarily due to the increase in our costs for recruitment of famous e-sports athletes. We improved our e-sports team performance, especially our “LNG Esports” team which ranked highly in the League of Legends Pro League in 2021 and increased our revenue from e-sports tournaments, which is partially performance based. This reduced our gross loss to HK\$6.0 million in FY2021. Although our “LNG Esports” team achieved a higher overall ranking at the spring and summer splits in the League of Legends Pro League in FY2022 compared to FY2021, we recorded an increase in gross loss to HK\$33.4 million in FY2022 as a result of (i) the delay in recognition of revenue from e-sports tournaments pending confirmation by the organiser; and (ii) the increase in our costs for recruitment of e-sports athletes.

OUR ACQUISITIONS

In recent years, we acquired various companies that engage in the sales of apparel and/or footwear or sports-related business, which have now formed part of our Group. Further details of such acquisitions and their impact on our growth in revenue and gross profit during the Track Record Period are as follows:

Our Multi-brand Apparel and Footwear Business

It is our Group’s long term strategy to become a multi-brand operator in the lifestyle consumables and sports industries, and we are committed to integrating sports into lifestyle trends and leisure consumption. Since 2010, we have been principally engaged in sports-related business and expanded into sports and lifestyle consumables in 2019. After we bought “Snake Esports” e-sports club and “LNG” fashion brand trademark in 2019, we renamed such e-sports club as “LNG Esports” and transformed “LNG” into a streetwear brand with ACGN elements to appeal to e-sports fans and millennials. In 2020, to further expand our apparel and footwear business, we acquired “Bossini” (a well-known casual wear brand in Hong Kong and the PRC) and created “bossini.X”, a streetwear label with sports elements. By adopting multi-brand strategy for the sports and lifestyle consumables, we have gradually developed two main business segments, namely (i) multi-brand apparel and footwear and (ii) sports experience. As we continue to develop and expand our business, we acquired other lifestyle consumables brands, including “Amedeo Testoni” and “Clarks”.

LNG

We embarked on our apparel and footwear business by acquiring the trademark of a fashion brand “LNG” from LN Group at the consideration of RMB1,356,800 (inclusive of tax) in late 2019. Since we acquired the “LNG” trademark, which was originally designed by LN Group, we have been developing and operating the brand independently without any sharing of personnel, resources or facilities with LN Group other than the collaboration of cross-over products with LN Group’s “LI-NING” and the sales of products to a member of LN Group which is one of our distributors. We also connect the name and style of “LNG” with our “LNG Esports” e-sports club to create synergies between the two businesses.

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Bossini

We acquired 66.5% of the total issued share capital of Bossini in the third quarter of 2020. “Bossini” is a well-known casual wear brand in Hong Kong and the PRC. Following completion of such acquisition, the financial results of Bossini have been consolidated into our financial statements. As the Latest Practicable Date, we were interested in 56.41% of the total issued share capital of Bossini.

The acquisition of Bossini had led to a significant increase in the revenue and gross profit from our multi-brand apparel and footwear business. Revenue from our multi-brand apparel and footwear business increased by 93.9% from HK\$439.0 million in FY2020 to HK\$851.2 million in FY2021, and our gross profit from this business segment increased by 80.1% from HK\$232.0 million in FY2020 to HK\$417.8 million in FY2021. In FY2020 and FY2021, the Bossini Group accounted for 95.9% and 82.5% of our revenue from multi-brand apparel and footwear business for the respective year and 95.5% and 86.5% of our gross profit from this segment for the respective year. We completed the First Clark Acquisition in July 2022, and since then “Clarks” has represented a significant portion of our revenue from this business segment. As a result, in FY2022, the contribution from the Bossini Group to our revenue and gross profit of this segment has reduced to 9.3% and 9.3%, respectively.

Amedeo Testoni

We acquired the entire issued share capital of Viva China Premium Brands (formerly known as Sitoy AT Holdings Company Limited) in January 2022. Viva China Premium Brands and its subsidiaries are principally engaged in retail and distribution of leatherware under the brand of “Amedeo Testoni”, a century-old Italian luxury leatherware brand, and its diffusion line “i29”. Following completion of such acquisition and since January 2022, the financial results of Viva China Premium Brands and its subsidiaries have been consolidated into our financial statements.

“Amedeo Testoni” accounted for 1.3% of our revenue and 1.0% of our gross profit from the multi-brand apparel and footwear business segment for FY2022. Although “Amedeo Testoni” did not, and is not expected to, account for a significant portion of our revenue or gross profit, this acquisition can diversify our product and brand portfolio and enable us to tap into the high-end leatherware market.

Clarks

We completed the First Clark Acquisition (i.e. acquisition of 51.0% of the entire issued share capital of LionRock, being the holding company of the Clark Group) in July 2022 and the financial results of the Clark Group have been consolidated into our financial statements thereafter. Clark Group is principally engaged in retail and wholesale of footwear under the “Clarks” brand with a focus on the UK and the US markets.

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The First Clark Acquisition constitutes a very substantial acquisition of our Company under the GEM Listing Rules. The addition of “Clarks” has led to a significant increase in our revenue and gross profit from our multi-brand apparel and footwear business. For FY2022, our segment revenue increased by HK\$5,548.3 million or 651.8% and our segment gross profit increased by HK\$2,621.3 million or 627.5% when compared to FY2021. For the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the Clark Group recorded a total revenue of £778.9 million (HK\$8,022.7 million), £926.2 million (HK\$9,539.9 million) and £398.8 million (HK\$4,107.6 million), and a total gross profit of £367.5 million (HK\$3,785.3 million), £462.9 million (HK\$4,767.9 million) and £196.2 million (HK\$2,020.9 million), respectively. For further details, please refer to “Financial Information for the Clark Group” in this document.

In January 2023, we completed the Second Clark Acquisition and acquired the remaining 49% of the issued share capital of LionRock. For further details, please refer to the sections headed “Summary – Recent Development – The Second Clark Acquisition” and “History and Corporate Structure – Major Acquisition after the Track Record Period – Clark – Second Clark Acquisition” in this document.

Our Sports Experience Business

Joy Top Management Limited (operator of three sports parks and sports centres)

We acquired the entire issued share capital of Joy Top Management Limited, an operator of three sports parks and sports centres in the PRC (the “**Relevant Destinations**”), in March 2019. The Relevant Destinations accounted for 9.4%, 8.9% and 7.9% of the revenue and 8.5%, 5.0% and 9.1% of the gross profit from our sports experience business segment for FY2020, FY2021 and FY2022, respectively. This acquisition enriched our sports destinations portfolio and brought in additional revenue source for our sports destination development business.

Ice-skating rinks operation

We acquired the entire issued share capital of Rise Mode Investment Limited, an operator of thirteen ice-skating rinks in the PRC under the “All Star Ice Skating Club”(全明星滑冰俱樂部) brand, in December 2019. This acquisition diversified our sports destinations portfolio to ice-skating rinks and brought in new revenue sources for the sports destination development business.

Our ice-skating rinks operation accounted for 23.4%, 27.5% and 26.1% of the revenue and 29.5%, 42.0% and 53.0% of the gross profit from our sports experience business for FY2020, FY2021 and FY2022, respectively. Our ice-skating rinks operation recorded a 64.1% increase in revenue and a 123.3% increase in gross profit in FY2021, and remained relatively stable in FY2022. This operation contributed to the increase in our revenue from sports experience business segment from HK\$380.0 million in FY2020 to HK\$530.4 million in FY2021 by 39.6% and the corresponding increase in gross profit from HK\$98.8 million in FY2020 to HK\$154.6 million in FY2021 by 56.5%.

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LNG Esports

We acquired the entire equity interests in a company which held 80% of “Snake Esports” e-sports club (renamed to “LNG Esports” in late May 2019) in April 2019. Our e-sports business recorded a revenue of HK\$12.3 million, HK\$33.2 million and HK\$32.0 million, representing 3.2%, 6.3% and 6.4% of the revenue from our sports experience business for FY2020, FY2021 and FY2022, respectively. We recorded a gross loss of HK\$18.7 million, HK\$6.0 million and HK\$33.4 million for FY2020, FY2021 and FY2022, respectively, from our e-sports business. Although our e-sports business only accounted for a small amount of our revenue and recorded a gross loss during the Track Record Period, this acquisition helped us tap into the e-sports business industry and diversified our revenue sources. We also expect to create synergy with our “LNG” brand under our multi-brand apparel and footwear business.

OUR CUSTOMERS

Our customers are primarily (i) consumers and third-party retailers for our multi-brand apparel and footwear segment, (ii) local government, private enterprises and local residents for our sports destination development segment, (iii) sports events sponsors for our sports event management business, and (iv) e-sports tournament organisers for our e-sports team management business. Our five largest customers accounted for 27.2%, 25.1% and 16.2% of our total revenue for FY2020, FY2021 and FY2022, respectively, while our single largest customer accounted for 24.6%, 21.4% and 6.9% of our total revenue for these respective periods. The percentage level of revenue attributable to our five largest customers and our single largest customer recorded a continuous decrease during the Track Record Period primarily due to our business expansion and diversification through acquisitions and subsequent growth. For further details, see “Business – Our Customers”.

OUR SUPPLIERS

Our suppliers primarily comprise (i) OEM suppliers for our multi-brand apparel and footwear segment, (ii) utilities suppliers and coaches for our sports destination development segment, (iii) sports events organisers for our sports event management business, and (iv) e-sports club operators and talent management company in relation to recruitment of e-sports athletes for our e-sports team management business. Our five largest suppliers accounted for 32.2%, 29.2% and 17.5% of our total cost of sales for FY2020, FY2021 and FY2022, respectively, while our largest supplier accounted for 20.7%, 15.6% and 5.0% of our total cost of sales for these respective periods. The percentage level of purchase amount attributable to our five largest suppliers and our single largest supplier recorded a continuous decrease during the Track Record Period primarily due to our business expansion and diversification through acquisitions and subsequent growth. For further details, see “Business – Our Suppliers”.

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe that the following strengths have been the key contributors to our success and will continue to enable us to increase our market share and capture future growth opportunities: (i) well-positioned to capture the business opportunities in the apparel and footwear market; (ii) well-equipped to capture the growth opportunities in the policy-driven sports industry in the PRC; (iii) well-established reputation in the sports industry; and (iv) visionary and experienced management team. For further details, see “Business – Our Competitive Strengths”.

OUR BUSINESS STRATEGIES

We intend to further develop our multi-brand apparel and footwear business, together with the sports experience business, to grasp the market consumption opportunities by pursuing the following business strategies: (i) expand our apparel and footwear brand portfolio and product categories through internal development and acquisitions; (ii) expand our sales networks and marketing channels of our multi-brand apparel and footwear business as well as optimise our operation efficiency; (iii) enhance our sports destinations business by diversifying our sports coaching and training services; and (iv) develop our e-sports business and create synergy effects together with our “LNG” brand. For further details, see “Business – Our Business Strategies”.

COMPETITIVE LANDSCAPE

The apparel and footwear industry in the PRC is highly fragmented, with different players targeting at different market segments. We face competition from different players, both international and domestic. Our “Clarks” footwear business also faces fierce competition in the global footwear market which is highly competitive and fragmented. Major competitors are other fashion and casual footwear brands based in the US, the UK and other parts of Western Europe. We believe that our multi-brand strategy, supported by our omni-channel sales network and the brand recognition of “Clarks”, provides us with competitive advantages to design, develop, produce and distribute a wide range of apparel and footwear under different brands and to capture the business potential efficiently.

Sports related industry is widely defined and comprises various industries. The ones we operate in are (i) sports venues operation and management industry, (ii) e-sports clubs and e-sports influencer commercialisation industry, and (iii) sports marketing solution industry, in the PRC. The sports venues operation and management industry in the PRC is dominated by government authorities and other non-enterprise institutions, such as village committee and resident committee, and our major business competitors are enterprises who operate 16.0% of the total sports utilisation area in the PRC in 2021. Both the e-sports club and e-sports influencer commercialisation industry and the sports marketing solution industry in the PRC are fragmented, and our major competitors are other e-sports clubs and other marketing solution providers, respectively. We believe that our diversified sports destinations portfolio, well-established reputation in the sports industry, and business synergies between our multi-brand apparel and footwear segment and sports experience segment, provide us with competitive advantages to capture the market potential in the PRC sports related industry.

For more information of the industries we engage in, see “Industry Overview”.

SUMMARY

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED], Lead Ahead, Dragon City and Victory Mind will continue to be entitled to exercise or control the exercise of [REDACTED] of the voting power at general meetings of our Company. Each of Lead Ahead and Dragon City is owned as to 60% by Mr. Li Ning. Victory Mind is owned as to 57% by Ace Leader, all shares of which are held by 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 shares. As Lead Ahead, Dragon City and Victory Mind are controlled by Mr. Li Ning, Lead Ahead, Dragon City, Victory Mind and Mr. Li Ning are regarded as a group of Controlling Shareholders. For more information of our Controlling Shareholders, see “Relationship with our Controlling Shareholders”.

RELATIONSHIP WITH LI NING CO

Li Ning Co is a company listed on the Main Board of the Stock Exchange and is mainly engaged in brand marketing, research and development, design, manufacturing, distribution and retail of professional and leisure footwear, sport apparel, equipment and accessories under the LI-NING brand and other licensed brands.

Our Group has been sharing the results of LN Group and has accounted for such investment as “interest in an associate” of our Group in our consolidated financial statements since we acquired 25.23% of the issued share capital of Li Ning Co in December 2012. As at the Latest Practicable Date, we held 10.29% of the issued share capital of Li Ning Co. Mr. Li Ning, our executive Director, chairman of our Board and chief executive officer is also an executive director, and the executive chairman and joint chief executive officer of Li Ning Co while Mr. Li Qilin, our executive Director also serves as an executive director of Li Ning Co.

From time to time, we enter into various transactions with LN Group in the ordinary and usual course of business. LN Group was our largest customer for FY2020, FY2021 and FY2022, and we generated revenue from LN Group through provision of sports-related marketing services as well as sales of apparel and provision of footwear OEM services. For further details of our relationship with Li Ning Co, see section headed “Relationship with our Controlling Shareholders”.

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of our consolidated statements of profit or loss

The following table summarises the consolidated statements of profit or loss and other comprehensive income from the financial statements during the Track Record Period, details of which are set out in the Accountant’s Report of our Group in Appendix I to this document.

	FY2020	FY2021	FY2022
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	819,036	1,381,637	6,900,390
Cost of sales	<u>(488,248)</u>	<u>(809,255)</u>	<u>(3,739,801)</u>
Gross profit	330,788	572,382	3,160,589
Other income and other gains/(losses) – net	1,359,084	4,548,086	1,023,644
Share of profits less losses of associates and joint ventures	<u>266,393</u>	<u>492,571</u>	<u>543,322</u>
Profit for the year	<u><u>1,199,595</u></u>	<u><u>4,474,254</u></u>	<u><u>873,011</u></u>
Profit/(loss) attributable to:			
Equity holders of the Company	1,192,392	4,562,639	850,416
Non-controlling interests	<u>7,203</u>	<u>(88,385)</u>	<u>22,595</u>
	<u><u>1,199,595</u></u>	<u><u>4,474,254</u></u>	<u><u>873,011</u></u>

For further details, see “Financial Information for our Group – Results of Operations”.

SUMMARY

Other income and other gains/(losses) – net

Other income and other gains/(losses) – net mainly represented (i) gain on bargain purchase; (ii) net gain on disposal of partial interest in an associate; (iii) deemed dilution gain on decrease of interest in associate; (iv) fair value (loss)/gain on investment property; and (v) (loss)/gain on disposal of a subsidiary. The following sets forth a breakdown of our other income and other gains/(losses) – net for the periods indicated:

	FY2020 HK\$'000	FY2021 HK\$'000	FY2022 HK\$'000
Other income			
Government grants (<i>Note 1</i>)	33,187	34,092	52,895
Interest income	18,250	13,176	24,528
Others	<u>11,950</u>	<u>34,197</u>	<u>20,598</u>
	<u>63,387</u>	<u>81,465</u>	<u>98,021</u>
Other gains/(losses) – net			
Provisional gain on bargain purchase (<i>Note 2</i>)	245,300	–	956,346
Fair value gain on derivative financial instrument	–	–	23,039
Deemed dilution gain on decrease of interest in an associate (<i>Note 3</i>)	–	977,982	7,016
Net gain on disposal of partial interest in an associate (<i>Note 4</i>)	1,022,999	3,338,753	–
Fair value gain/(loss) on financial assets/liabilities at FVTPL	3,623	20,110	(46,103)
Foreign exchange gain/(loss)	27,855	(1,358)	(31,663)
Others	<u>(4,080)</u>	<u>131,134</u>	<u>16,988</u>
	<u>1,295,697</u>	<u>4,466,621</u>	<u>925,623</u>
Total	<u>1,359,084</u>	<u>4,548,086</u>	<u>1,023,644</u>

Notes:

- 1 During the Track Record Period, government grants mainly represented government subsidy for supporting sports parks operation and e-sports.
- 2 We had gain on bargain purchase of HK\$245.3 million arising from the acquisition of Bossini Group in FY2020 and of HK\$956.3 million arising from the acquisition of the Clark Group and “Amedeo Testoni” in FY2022.
- 3 We have deemed dilution gain on decrease of interest in an associate arising from the decrease of 0.5% shareholding in Li Ning Co amounting to HK\$978.0 million in FY2021.
- 4 During the Track Record Period, we disposed of certain issued shares in Li Ning Co which attained net gain of HK\$1,023.0 million and HK\$3,338.8 million in FY2020 and FY2021 respectively.

For further details, see “Financial Information for our Group – Results of Operations”.

SUMMARY

Profit for the year

Our profit for the year increased by HK\$3,274.7 million or 273.0% from HK\$1,199.6 million in FY2020 to HK\$4,474.3 million in FY2021 primarily due the increase in gain on disposal of partial interest in an associate, Li Ning Co, of HK\$2,315.8 million and the deemed dilution gain arising from the decrease of 0.5% shareholding in an associate, Li Ning Co, of HK\$978.0 million compared to nil in FY2020. As such, our net profit margin increased from 146.5% in FY2020 to 323.8% in FY2021.

Our profit for the year decreased from HK\$4,474.3 million in FY2021 to HK\$873.0 million in FY2022 mainly due to decrease in other income and other gain – net of HK\$3,454.1 million primarily resulting from absence of the non-recurring gain on disposal of partial interest in an associate, which amounted to HK3,338.8 million in FY2021.

During the Track Record Period, we would have recognised a loss for the year if we had excluded items such as “other income and gains/(losses) – net” and “share of profits less losses of associates and joint ventures”. Since 2020, without taking into account the abovementioned items, such loss was primarily due to the (i) operation loss from multi-brand apparel and footwear business which was mainly affected by the outbreak or resurgence of COVID-19 in the PRC and Hong Kong for FY2020, FY2021 and FY2022; (ii) slower pace of recovery from COVID-19 in the UK and the US for FY2022; and (iii) corporate and equity-settled share option expenses for FY2020, FY2021 and FY2022. As a result, we had accumulated losses as at 31 December 2020, 2021 and 2022 excluding the “other income and gains/(losses) – net” and “share of profits less losses of associates and joint ventures”. Excluding the results from the Clark Group, our Group was loss-making in FY2022.

Summary of consolidated statement of financial position

	As at 31 December		
	2020	2021	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets	3,975,162	5,261,870	8,796,617
Current assets	2,874,758	3,848,292	8,675,314
Current liabilities	694,864	896,323	4,428,192
Net current assets	2,179,894	2,951,969	4,247,122
Non-current liabilities	1,623,754	459,397	2,045,511
Net assets	4,531,302	7,754,442	10,998,228
EQUITY			
Equity attributable to equity holders of our Company	4,329,371	7,616,277	7,993,175
Non-controlling interests	201,931	138,165	3,005,053

SUMMARY

Net assets

Our net assets increased to HK\$7,754.4 million as at 31 December 2021 primarily due to the (i) profit for the year of HK\$4,474.3 million in FY2021; (ii) capital contributions received from non-controlling shareholders of HK\$69.6 million; (iii) equity-settled share option arrangements of HK\$42.3 million; and (iv) share issued upon exercise of share options of HK\$32.5 million. The increase in net assets was partially offset by the total dividend paid of HK\$1,549.3 million in FY2021.

Our net assets increased to HK\$10,998.2 million as at 31 December 2022 primarily due to the (i) increase in non-controlling interest arising from acquisition of subsidiaries of HK\$3,226.8 million; and (ii) profit for the year of HK\$873.0 million. The increase was partially offset by the exchange difference on translation of foreign operations of HK\$536.2 million.

Net current assets

Our net current assets increased to HK\$2,952.0 million as at 31 December 2021. The increase was primarily due to the (i) increase in cash and cash equivalents of HK\$672.2 million mainly due to the consideration received from the disposal of partial interest in Li Ning Co but partially offset by the payment of special dividend during this year; (ii) increase in financial assets at fair value through profit or loss of HK\$313.8 million mainly represented the amounts due from LionRock Capital. The increase in net current assets was partially offset by the increase in trade, bills and other payables of HK\$204.5 million.

Our net current assets then increased to HK\$4,247.1 million as at 31 December 2022, primarily due to the contribution from the Clark Group of HK\$5,920.2 million. The decrease in net current assets of the Viva Group was primarily due to decrease in (i) financial assets at fair value through profit or loss of HK\$587.1 million as it was settled as consideration payable for the First Clark Acquisition in July 2022; and (ii) decrease in cash and cash equivalent of the Viva Group of HK\$377.4 million mainly resulted from cash outflow from operation during FY2022.

Cash flow

The following table summarises, for the periods indicated, our consolidated statements of cash flows:

	FY2020	FY2021	FY2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows generated from/(used in) operating activities	294,379	(37,740)	74,908
Net cash flows generated from investing activities	1,401,558	3,594,058	969,463
Net cash flows used in financing activities	<u>(501,216)</u>	<u>(2,888,422)</u>	<u>(589,982)</u>
Net increase in cash and cash equivalents	<u>1,194,721</u>	<u>667,896</u>	<u>454,389</u>
Cash and cash equivalents at end of year	<u>1,857,441</u>	<u>2,529,663</u>	<u>2,930,189</u>

For further details, see “Financial Information for our Group – Liquidity and Capital Resources”.

SUMMARY

For FY2021, we had net cash flows used in operating activities primarily due to the operating loss from multi-brand apparel and footwear business which was mainly affected by the resurgence of COVID-19. In FY2021, our net cash flows used in operating activities was also caused by the increase in inventories level as at 31 December 2021 resulting from slower sales amidst COVID-19 and for the shoe factory. In order to improve our net operating cash position, we intend to implement several business plans to improve the profitability of our businesses. For further details, see “Financial Information for our Group – Liquidity and Capital Resources”.

MEASURES TO IMPROVE OUR PROFITABILITY

Going forward, we intend to implement the following business plans to improve the profitability of our business:

Multi-brand apparel and footwear business

- **Corporate organisation restructuring:** During the Track Record Period, we have undertaken the acquisitions of Bossini, Viva China Premium Brands and Clark. Following completion of these acquisitions, we will review our operation efficiency from time to time and restructure our corporate organisation as appropriate by sharing of similar business functions, such as procurement team and e-commerce team, among such companies and streamlining our back office to reduce our labour costs and increase our operation efficiency.
- **Review of product mix:** We will review our existing product mix and positioning with reference to the latest market trends. For example, with our efforts in creating a new image of “Bossini”, we created “bossini.X”, a streetwear label with sports elements, to target at youngsters and millennials from the middle-end fashion market in the PRC. For “Amedeo Testoni”, we intend to diversify its product portfolio by expanding its women’s collection.
- **Expansion of e-commerce:** Since the outbreak of COVID-19, lockdowns and social distancing measures have led to a change in consumer behaviour and expedited the development of online sales. To keep up with the market trend, we have (i) established an e-commerce team in early 2021 to oversee and manage our online sales channels and digital marketing strategies; (ii) established our presence on conventional third-party e-commerce platforms, such as T-mall and Taobao; and (iii) engaged KOLs and live-streamers to promote our brand recognition and sales on various social media platforms, such as Xiaohongshu and Douyin. Our expansion of online sales channel, which involves a lower fixed cost when compared to directly-operated stores, will help improve the profitability of our business.

SUMMARY

Sports experience business

- **Sports destination development business:**
 - **Introduction of intelligent management:** Labour cost is one of the major operating costs of sports destinations. To reduce labour costs and improve our customer experience, we plan to introduce intelligent management to our sports destinations, including online booking system, face recognition admission gate, digitalisation of membership and energy-saving lighting system. The introduction of technology also helps us to collect operation data in various aspects which could be useful in our ongoing business review.
 - **Expansion of sports training:** During the Track Record Period, revenue from provision of sports training constituted a substantial portion of our revenue from sports destination development business. With the support of favourable governmental policies that encourage the participation in sports as well as the increasing health awareness among the public, we plan to focus on providing training courses of different types of sports, including basketball, swimming, football and table tennis, to the general public to increase our revenue therefrom.
- **Sports team management business:**
 - **Improve our performance at e-sports tournaments:** Revenue from this business comprises, amongst others, (i) sharing of revenue from e-sports tournaments, a portion of which is calculated based on the performance and ranking of the e-sports club; and (ii) sponsorship fees. Going forward, we intend to improve the strength of our e-sports clubs which will improve our performance and ranking at e-sports tournaments and in turn increase our sharing of revenue at e-sports tournaments. Outstanding results of our e-sports clubs at tournaments can also attract resourceful sponsors to support our operation and increase the awareness and image of our “LNG” brand. For example, the achievements of our “LNG Esports” at the League of Legends Pro League in 2021 had led to an increase in our sponsorships fees in FY2022.
 - **Incubation of e-sports talents:** Talented e-sports athletes are crucial to the success and performance of an e-sports club. To incubate professional e-sports athletes to compete at tournaments, we are committed to nurturing e-sports athletes and operate “LNG Academy”, an e-sports club that focuses on training new players and providing them with opportunities to accumulate practical experiences at e-sports tournaments. In addition to the sharing of revenue from e-sports tournaments and sponsorship fees, we may also receive transfer fees by transferring our e-sports athletes to other e-sports clubs.
 - **Sports event management business:** During the Track Record Period, we partook in the operation of CBA and recorded a profit from this business segment. Leveraging on our success, we will continue to look for opportunities to participate in the marketing activities of different sports events and to introduce our self-owned brands as the sponsors to increase their brand awareness and sales.

SUMMARY

KEY FINANCIAL RATIO

The following table sets forth our key financial ratios as at each of the dates indicated:

	For the year ended/as at 31		
		December	
	2020	2021	2022
Gross Profit Margin (%)	40.4	41.4	45.8
Net Profit Margin (%)	146.5	323.8	12.6
Return on equity (%)	26.5	57.7	7.9
Return on total assets (%)	17.5	49.1	5.0
Current ratio (<i>times</i>)	4.1	4.3	2.0
Gearing ratio (<i>times</i>)	Net cash	Net cash	Net cash

For further details, see “Financial Information for our Group – Key Financial Ratios”.

DIVIDEND AND DIVIDEND POLICY

During the Track Record Period, special dividend of HK\$298.5 million, HK\$1,504.1 million and nil has been paid or declared by our Company to its then shareholders and holders of convertible bonds during FY2020, FY2021 and FY2022, respectively. The declaration of dividends is subject to the recommendation of our Board at its discretion. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders’ interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Cayman Companies Act. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

SUMMARY

REASONS FOR [REDACTED]

Our Directors are of the view that the GEM Listing has been useful to our Group in raising its market profile and gaining public recognition. After years of development, our Company has grown and become the largest company listed on GEM in terms of market capitalisation. To the best information and knowledge of our Directors, despite certain institutional investors being interested to invest in our Company, they have not been able to do so as they are not mandated to invest in companies listed on GEM. With the continuing development and business growth of our Group since the GEM Listing and considering that the Main Board is generally perceived by the [REDACTED] to have a more premium status, the Directors believe that the [REDACTED], if approved and proceeded, will be conducive to the future growth, financing flexibility and business development of our Group. Our Directors are of the view that the [REDACTED] would bring, among others, the following benefits to our Group:

- further promoting our corporate profile and recognition among the [REDACTED], which would result in an increase in the attractiveness of our Shares to the [REDACTED] and thus likely to help broaden our [REDACTED] base and enhance the [REDACTED] of our Shares;
- increasing our bargaining power in negotiations with suppliers and other business associates, who will have more confidence in our Group’s financial strength and credibility; and
- strengthening our position in the industry and enhancing our competitive strengths in recruiting and retaining key management staff and experienced personnel.

Given the above, our Directors are of the view that the [REDACTED] will be beneficial to our Group’s continued growth and will help create long-term value to our Shareholders as a whole.

We have applied to the [REDACTED] of the Stock Exchange for approval of the [REDACTED] on the basis that we satisfy both [REDACTED] of the Main Board Listing Rules as (i) our revenue for FY2022, being HK\$6,900.4 million, exceeds HK\$500.0 million and (ii) our market capitalisation, being HK\$14.5 billion as at the Latest Practicable Date, is expected to exceed HK\$4.0 billion at the time of the [REDACTED]. Our cash flows generated from operating activities substantially improved upon completion of the First Clark Acquisition and our net cash flows generated from operating activities during the Track Record Period amounted to HK\$331.5 million in total.

SUMMARY

The [REDACTED] will not involve any issue of new Shares by our Company. By leveraging on the successful [REDACTED], our Company may then consider doing [REDACTED] by [REDACTED] within one year after the [REDACTED] Subject to the development and financial positions of our Company at the relevant time, it is currently expected that proceeds from any of such [REDACTED] would be utilised for general working capital purpose of our Group. As at the Latest Practicable Date, there was no specific or concrete plan (in terms of timing, number of shares and parties) for such [REDACTED]. The shareholding percentage of our Controlling Shareholders in our Company would be maintained at more than 50% of our Company’s total issued share capital upon completion of any [REDACTED] mentioned above. Any such [REDACTED], if materialises, will be conducted in compliance with the applicable Main Board Listing Rules.

[REDACTED] EXPENSES

Our Directors estimate that the total amount of expenses in relation to the [REDACTED] is HK\$[REDACTED] million, which is expected to be charged to the profit or loss and comprising (i) professional parties expenses paid and payable to the Sole Sponsor, the reporting accountants, the legal advisers, the industry consultant and the internal control adviser of our Company; and (ii) non-professional parties expenses. Expenses in relation to the [REDACTED] are non-recurring in nature. During the Track Record Period, we incurred expenses of HK\$[REDACTED] million relating to the [REDACTED] and we expect to incur the remaining expenses of HK\$[REDACTED] million which is expected to be recognised as administrative expenses during the year ending 31 December 2023. The actual amount to be recognised in FY2023 is subject to final billing and other adjustments.

RISK FACTORS

There are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorised into (i) risks relating to our business and industry; (ii) risks relating to conducting our business in China; and (iii) risks relating to [REDACTED]. We believe that the most significant risks we face include:

- Following completion of the First Clark Acquisition in July 2022, our historical results may not be indicative of our future growth or financial results, and we may not be able to manage our growth effectively.
- As we have a relatively limited history operating as an integrated business, our business, financial condition and prospects would be adversely affected if we fail to properly integrate our operations and processes.

SUMMARY

- We are subject to liquidity risk in our investments in associates and joint ventures and if our associates and joint ventures do not perform as we expected them to be or do not generate sufficient revenue in any financial year, our financial condition or result of operations could be materially and adversely affected.
- We face intense competition in apparel and footwear industry, including competition from other international and domestic brands, and increased competition may limit our growth and reduce our profitability.
- Our success depends on our ability to identify, understand and respond to changes in fashion trends, consumer preferences and spending patterns in a timely manner.

For more information, see “Risk Factors”.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Track Record Period and up to the Latest Practicable Date, we did not commit any non-compliance of laws and regulations which individually or in the aggregate, in the opinion of our Directors, would have a material adverse effect on our overall business, financial condition or results of operations. During the Track Record Period and up to the Latest Practicable Date, save as otherwise disclosed in this document, we had complied with the relevant laws and regulations in all material respects. For further details of our non-compliances, see “Business – Land and Properties” and “Business – Legal Proceedings and Non-compliance”.

RECENT DEVELOPMENT

Based on our unaudited management accounts for January 2023, our revenue for January 2023 increased as compared with January 2022, mainly due to the increase in revenue from the acquisition of the Clark Group. Our online sales remained relatively stable which is in line with the overall e-commerce market. Due to the increase in revenue contribution from the Clark Group and the market’s recovery from COVID-19, our gross profit margin increased for January 2023 as compared with January 2022 because the Clark Group attained relatively higher gross profit margin. Excluding the Clark Group, our gross profit margin also recorded an increase during January 2023, compared to January 2022.

The Second Clark Acquisition

To further expand our multi-brand apparel and footwear business, we completed the First Clark Acquisition in July 2022. The Clark Group (being the owner of “Clarks”, a well-known British footwear brand with history of almost two centuries) primarily engages in retail and wholesale of footwear and focuses on the markets in the UK and the US. According to the Frost & Sullivan Report, “Clarks” ranked the 1st in fashion and casual footwear market in the UK in terms of retail sales with 14.1% market share, and the 7th in the US with 1.8% market share, in 2021.

SUMMARY

Following completion of the First Clark Acquisition in July 2022, we expanded our multi-brand apparel and footwear business by incorporating the Clark Group’s brand and product portfolio, product design capacity, international sales channels, procurement network and other supporting functions. In addition, the financial results of the Clark Group has been consolidated into our Company’s financial statements afterwards, resulting in a significant increase in our revenue and net profit for FY2022. We expect the First Clark Acquisition will benefit our Group and the Clark Group in the following ways: (i) providing expansion opportunity for our Group; (ii) creating synergy between our multi-brand apparel and footwear business and Clark Group’s footwear business; (iii) sharing of expertise and experience of Directors and the management of our Company with the operation team of the Clark Group; (iv) creating synergies between our sports team and event management business and the Clark Group’s footwear business; and (v) creating synergies between our sports destination development business and the Clark Group’s footwear business.

Since 2021, the management of the Clark Group has reviewed its business direction and implemented certain cost control measures, coupled with the recovery of sales activities after COVID-19, the financial performance of the Clark Group has been improving. In the meantime, in the first half of 2022, our Directors also noted that many countries, including the UK and the US, had gradually removed pandemic-related restrictive measures. Our Directors were of the view that the commencement of the removal or relaxation of such restrictive measures would be of benefit to the recovery of the global retail business. Given the improved financial performance and the potential of the Clark Group, we intended to further increase our indirect equity interest in the Clark Group. On 17 November 2022, Viva China Consumables entered into an agreement with LionRock L.P. pursuant to which Viva China Consumables conditionally agreed to acquire the remaining 49% of the issued share capital of LionRock from LionRock L.P. at a consideration of GBP110,000,000. The consideration was funded by our Group’s internal resources and was fully settled in cash upon completion of the Second Clark Acquisition on 30 January 2023.

Immediately following completion of the Second Clark Acquisition, LionRock become an indirect wholly-owned subsidiary of our Company, our Company’s effective interest in the Clark Group increased from approximately 26% to 51% and the results of LionRock (including the Clark Group) will continue to be consolidated into the financial statements of our Group. For further details, please refer to the announcements of our Company dated 17 November 2022, 18 January 2023 and 30 January 2023, and the circular of our Company dated 30 December 2022.

SUMMARY

2022 Bossini Rights Issue

On 24 February 2023, the board of directors of Bossini proposed to implement a rights issue (“**2022 Bossini Rights Issue**”) on the basis of one rights share for every two existing shares held by the qualifying shareholders on 31 March 2023 (“**Record Date**”) at the subscription price of HK\$0.37 per rights share to raise up to (i) approximately HK\$465 million before expenses by way of issuing up to 1,257,784,545 rights shares (assuming no change in the number of shares in issue on or before the Record Date other than the full exercise of the vested share options); or (ii) approximately HK\$457 million before expenses by way of issuing up to 1,235,179,045 rights shares (assuming no change in the number of shares in issue on or before the Record Date). Subject to fulfilment or waiver of the conditions precedent of the 2022 Bossini Rights Issue and the related underwriting agreement, the 2022 Bossini Rights Issue shall proceed regardless of the ultimate subscription level. All applications for rights shares are subject to the scale-down mechanism as determined by Bossini to levels which do not trigger any obligation to make a mandatory general offer under the Takeovers Code on the part of the applicant or parties acting in concert with him/her/it, or resulting in any non-compliance of the public float requirements under the Main Board Listing Rules (“**Public Float Requirement**”) by Bossini. As set out in the announcement of Bossini dated 24 February 2023, results of the 2022 Bossini Rights Issue is expected to be published on 27 April 2023 and the dealings in fully-paid rights shares is expected to commence on 2 May 2023. Please refer to the announcement of Bossini dated 24 February 2023 for further details.

It is the intention of our Company to maintain Bossini as our subsidiary. Our Company plans to subscribe for such number of rights shares with our internal resources to keep our majority stake in Bossini for maintaining it as our subsidiary, and not to result in any non-compliance of the Public Float Requirement by Bossini. Based on the above, we do not expect the 2022 Bossini Rights Issue would result in any material adverse effect on the financial position, business or trading position or trading prospects of our Group.

NO MATERIAL ADVERSE CHANGE

To the best knowledge, information and belief and having made due and careful enquiry, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or trading prospects of our Group since the end date of the latest audited financial statement.

SUMMARY

SHARE PRICE VOLATILITY

Our Shares have been listed on GEM since 6 April 2000. During the Track Record Period and up to the Latest Practicable Date, the lowest closing price and highest closing price at which our Shares have been traded on GEM was HK\$0.415 per Share on 2 September 2020 and HK\$1.880 per Share on 9 July 2021, respectively. We recorded a continuous increase in the closing price of our Shares from May 2021 to July 2021. Although we are not aware of any reasons for such increase, our Company disposed of certain shares in Li Ning Co by way of placing in May 2021 and declared special dividend in the same month. In addition, several PRC sports-related or apparel companies listed in Hong Kong also recorded an increase in the closing price of their shares during such period. The decrease in the closing price of our Shares from November 2021 to May 2022 was consistent with the performance of the Hong Kong stock market in general which, we believe, was affected by the uncertainties of the global economy and the COVID-19 outbreak and resurgence.

During the Track Record Period and up to the Latest Practicable Date, we recorded the highest daily trading volume of 168.2 million Shares on 16 November 2020, representing 1.7% of the total number of our Shares as at the relevant date. Our Group recorded the lowest daily trading volume of nil Shares on various dates. The daily trading volume of our Shares during the aforesaid period amounted to 8.9 million Shares in average, representing 0.09% of the total number of our Shares as at the Latest Practicable Date.

The chart below sets out the daily closing price and daily trading volume of our Shares during the Track Record Period and up to the Latest Practicable Date:

