An [REDACTED] in our Shares involves various risks. You should carefully consider all the information in this document and, in particular, the risks and uncertainties described below before making an [REDACTED] in our Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the [REDACTED] of our Shares could decline and you may lose all or part of your [REDACTED]. You should seek professional advice from your relevant advisers regarding your prospective [REDACTED] in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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.

We experienced significant growth during the Track Record Period, and in particular we recorded increase in revenue from FY2020 to FY2022 at a CAGR of 190.3%. For the FY2020, FY2021 and FY2022, our total revenue was HK$819.0 million, HK$1,381.6 million and HK$6,900.4 million, respectively. The significant increase in our revenue in FY2022 was primarily due to completion of the First Clark Acquisition in July 2022 and the consolidation of the Clark Group's financial results into our Group's financial statements afterwards. The Clark Group is principally engaged in the retail and wholesale of footwear under the "Clarks" brand with a focus on the UK and the US markets. For the 52 weeks to 30 January 2021 and 29 January 2022 and the 22 weeks to 2 July 2022, the Clark Group achieved a 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) respectively. For further details of the First Clark Acquisition, please refer to the sub-sections headed "History and Corporate Structure – Major Acquisitions during the Track Record Period – Clark – First Clark Acquisition" and "Business – Our Acquisitions" in this document.

As a result of such significant changes to our business after our consolidation of the Clark Group, our historical results may not be indicative of our future growth and financial results, which may make it difficult for you to evaluate our business and prospects. Our future operating results will depend to a large extent on our ability to manage our expansion and growth successfully. We may face risks in undertaking the integration of the Clark Group following the completion of the First Clark Acquisition, including, among others, controlling costs and operating expenses, optimising our offline store network and supply chain, adapting logistics and our other operational and management systems to an expanded network, and executing our strategies and business initiatives. There is no assurance that we can manage our growth effectively after the First Clark Acquisition, or to achieve similar business growth rate as we experienced during the Track Record Period. In the event that we cannot successfully integrate the Clark Group to our business in a timely and efficient manner, or at all, our business, financial condition and results of operation would be adversely and materially affected.

Going forward, we intend to increase the Clark Group's offline and online store efficiency and diversifies its online sales channels to reach broader customer base, with an aim to reinforce its presence in the UK and the US. Further, we intend to enhance the presence of "Clarks" in the Asian footwear market, in particular, the PRC footwear market and to create synergy with our apparel and footwear business in terms of marketing, supply chain solutions and distribution channels by leveraging off our experience gained from our multi-brand apparel and footwear business which help create potential business growth. We cannot assure you that we can implement such strategies successfully, and if we fail to do so, it may in turn adversely affect the Clark Group's business operation and financial performance. Further, given that the Clark Group accounted for a significant portion of our total revenue after completion of the First Clark Acquisition, if we fail to integrate the Clark Group into our operation, our Group's revenue or profit may decrease significantly and in turn adversely affect our business, financial condition or results of operations.

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, or if goodwill impairment is resulted from changes in the business prospects of our acquisition.

During the Track Record Period, we have grown our business in part through acquisitions to expand our business scope from principally engaging in sports experience segment to cover multi-brand apparel and footwear segment, including the acquisitions of "LNG" trademark in 2019, "Bossini" in July 2020, "Amedeo Testoni" in January 2022 and "Clarks" in July 2022. Prior to these acquisitions, our constituent business units operated relatively independently of one another, with their own management, financial reporting and internal control and compliance structures. Therefore, we have devoted and plan to continue to devote significant resources to integrate the acquired businesses to our operations, especially after the First Clark Acquisition.

In general, the integration process may be complex, costly and time-consuming. Since we have a relatively limited history operating under our new configuration as an integrated business, we may face challenges in having little or no prior experience in managing and operating such business. In the event that we fail to properly integrate the acquired business to our operation and processes, it may expose us to various operational, financial, regulatory and market risks, including, among others, (i) additional costs and expenses may be incurred in combining these businesses; (ii) legal, regulatory, contractual or other potential liabilities may be imposed to us; (iii) failure to implement the business plan for the combined business; (iv) it may result in a diversion of resources from our existing business, which slow down the growth of our business; (v) there may be damages to our reputation and affect our market position; and (vi) we may need to record impairment losses related to potential write-downs of acquired assets or goodwill in future acquisitions. With the substantial resources devoted for the acquired businesses, we may fail to realise the anticipated returns, benefits and synergies from the acquisitions. As such, any such acquisition, or the failure to complete any future intended acquisition, may have a material adverse impact on our business, financial condition, results of operations, performance and prospects.

Changes in the business prospects of our acquisitions may result in goodwill impairment. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Testing for impairment requires an estimation of the value in use or fair value less costs of disposal of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires our Company to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. There are inherent uncertainties related to these factors and to the Directors' judgement in applying these factors to the assessment of goodwill recoverability. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators which could potentially be caused. Impairment potentially incurred could substantially affect our Group's results and financial ratios and could limit our ability to obtain financing at favourable terms, or at all, in the future. For a detailed discussion on the relevant impairment testing and sensitivity analysis performed for goodwill, please refer to "Financial Information for our Group – Description of Certain Items of Consolidated Statements of Financial Position – Intangible assets" of this document.

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 have entered into joint ventures and may continue to do so in the future. During the Track Record Period, the share of profits less losses of associates and joint ventures, primarily from our principal associates, Li Ning Co, Double Happiness and CITIC Land, amounting to HK$266.4 million, HK$492.6 million and HK$543.3 million in FY2020, FY2021 and FY2022, respectively. Since the net share of profits from our associates and joint ventures represented 32.6%, 35.7% and 7.9% of our total revenue in FY2020, FY2021 and FY2022 respectively, our results of operations may be susceptible to the performance of our principal associates. The success and performance of a joint venture or an associated company depends on a number of factors, some of which are beyond our control. As such, our investment in associates and joint ventures may not guarantee a share of profits, and any loss incurred by such associates and joint ventures shall be apportioned among our Group and other joint venture partners. If our associates and joint ventures do not perform as expected or do not generate sufficient revenue in any financial year, our return of investments in our associates and joint ventures, and our financial condition or results of operations, could be materially and adversely affected.

In addition, our investment in associates and joint ventures are subject to liquidity risk. Our investments in associates and joint ventures are not as liquid as other investment products as there is no cash flow until dividends are received even if our associates and joint ventures reported profits under the equity accounting. Furthermore, our ability to promptly sell one or more of our interests in the associates or joint ventures in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the associates or joint ventures for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. Therefore, the illiquidity nature of our investment in associates or joint ventures may significantly limit our ability to respond to adverse changes in the performance of our associates and joint ventures. In addition, if there is no share of results or dividends from our associates or joint ventures, we will also be subjected to liquidity risk and our financial condition or result or operations could be materially affected.

We face intense competition in apparel and footwear industry, including competition from other international and Chinese brands, and increased competition may limit our growth and reduce our profitability.

During the Track Record Period, we distributed apparel and footwear under five major self-owned brands with different geographical focus. In particular, "Bossini", "bossini.X" and "LNG" focused on the sales in the mainland China and Hong Kong markets, "Amedeo Testoni" focused on the sales in Europe, Hong Kong, Taiwan, Japan and South Korea, and "Clarks" focused on the sales in the UK and the US markets. The apparel and footwear industry in the both PRC and worldwide is highly competitive and rapidly evolving, and competition is expected to further intensify. Participants in this market include international and domestic brands as well as online and offline retailers that compete on, among other things, brand recognition and loyalty, attractiveness of design, product variety, price, marketing and promotion, retail and e-commerce network coverage, etc. Some of our competitors may have stronger brand recognition, stronger design capability, larger consumer bases, or greater financial, marketing and/or other resources than us. As such, they may have a competitive advantage over us which allows them to, among others, secure contracts with more favourable terms, devote greater resources to marketing and brand promotion, adopt more aggressive pricing policies and provide more efficient delivery services with larger geographical coverage. Competition is further increased due to new entrants entering the market with new and fashionable products. As such, it may result in increased marketing expenditures and loss of market share, declines in our customer base and decrease in our revenues and profit margins.

We may also face competition from local retailers in the markets we operate or retailers from alternative sales channels, such as offline stores and online stores on e-commerce or social media platforms who have better retail network, consumer relationships, access to attractive store locations in the local markets or the alternative sales channels. Competition may also lead to, among other things, difficulty in retaining and attracting customers, less favourable terms in agreements with brand partners, higher costs for retail space, and lower sales, all of which could have a material adverse effect on our results of operations and financial condition. There can be no assurance that we will be able to address these challenges and compete successfully against current and future competitors, and these competitive pressures may have a material adverse effect on our business and growth prospects.

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.

Our success depends on our ability to identify and respond to constantly shifting fashion trends, customer preferences and spending patterns, and to develop new and appealing products in a timely manner. We operate in an industry that is sensitive to fashion trends, consumer tastes and spending patterns, which typically change from time to time. Each of our brand image could be jeopardised if we fail to keep pace with the evolving fashion trends or timely respond to the consumer taste and spending pattern. In addition, consumers' shopping tastes and spending patterns differ within and across different geographical locations and among different customer groups, which could be affected by a number of factors, including changing and evolving styles, disposable income, national and local economic conditions, uncertainties about future economic prospects and shifts in discretionary spending toward goods and services. Consumers may be reluctant to spend money on apparel and footwear as well as sports activities if the retail environment becomes stagnant. For instance, foot traffic in offline stores was negatively affected since the outbreak of COVID-19, and the offline retail sales value of the PRC fashion industry decreased by 11.2% for 2020 as compared to 2019, according to Frost & Sullivan.

As the fashion trends and consumers' preferences are constantly changing, we cannot assure you that we can adapt and respond to the changing customers' preference efficiently. Any failure to accurately anticipate fashion trends and keep pace with prevailing consumer preferences could adversely affect our sales performance and result in obsolete inventory, which could materially and adversely affect our business, results of operations and financial condition.

We are susceptible to fluctuations in the global economy and financial markets.

The business operations of our Group depend on the conditions of and overall activities in their respective market, which may be adversely affected by changes in global economic conditions and the domestic economic conditions of the market in which we operate. Changes may include GDP growth, inflation, interest rates, customer spending and the effects of governmental initiatives to manage economic conditions. Weak economic conditions could harm our business by contributing to reductions in demand from customers, insolvency of suppliers and customers, and increased challenges in conducting our operations. There are also others macroeconomic factors affecting our businesses, including but not limited to recession, increase in unemployment levels, political instability, fall in disposable customer income and general customer confidence. All such factors may lead to a reduction in customer traffic and average spending of our customers, thus, our overall business and results of operations may be materially and adversely affected.

Our success depends on our reputation and recognition of our brands. Any damage to our brands or reputation may materially and adversely affect our business and results of operations.

Our reputation and recognition of our brands are crucial to the success to our business. If our products fail to adhere to authenticity, quality and safety standards, or if we fail to timely fulfil orders, we may lose consumers' orders, face product liability claims or be subject to fines, confiscation of illegal gains and other penalties imposed by the competent governmental authorities. Any complaint, claim or negative publicity against us or our products, even if meritless or immaterial to our operations, could damage our brand and reputation, and divert management's attention and resources from other important business concerns. We may have to incur expenses to defend them, irrespective of their merits, and could be required to pay damages or to discontinue selling certain products if such claims prevail. Any negatively perceived marketing campaigns may adversely affect our results of operations. As such, our results of operations and financial condition may be materially and adversely affected.

The maintenance and promotion of our brand image depends on many other factors that are not fully within our control, including (i) customer satisfaction with our products; (ii) perception of the quality of our products, (iii) our ability to maintain good relationship with e-commerce and social media platforms and other business partners, (iv) our ability to protect our intellectual properties, and (v) our ability to detect and take actions against counterfeiting or imitation products. We cannot assure you that we will be able to effectively mitigate against factors that undermine our brand image.

We may lose business opportunities if we are unable to optimise and expand our offline retail network and maintain good relationships with major online sales channels.

We sell our products through a omni-channel platform consisting of offline stores and various online sales channels. As of 31 December 2022, our offline retail network consisted of 535 directly-operated stores mainly in the UK, the ROI and the US and 3,256 wholesale customers mainly in EMEA and the US for our "Clarks" footwear operation; and 241 directly-operated stores primarily in the PRC and Hong Kong, 93 distributors with distributorship stores primarily in the PRC, Southeast Asia, the Middle East and Eastern Europe, and 31 partnership stores in the PRC for our Other Brands. Apart from physical stores, we also provide customers with access to our products through our online store and other major online platforms, including T-mall and JD.com etc. Some of our wholesale customers are e-commerce and t-commerce platform operators who distributed our products on their platforms.

Our revenue derived from our offline sales channels was HK$380.6 million, HK$724.5 million and HK$5,301.4 million, representing 46.5%, 52.4% and 76.8% of our total revenue in FY2020, FY2021 and FY2022, respectively. Whereas our revenue derived from our online sales channels was HK$54.6 million, HK$63.2 million and HK$870.3 million, representing 6.7%, 4.6% and 12.6% of our total revenue in FY2020, FY2021 and FY2022, respectively. The increase in such revenue contribution in FY2022 was mainly due to our acquisition of the Clark Group in July 2022. Before completion of the First Clark Acquisition, the revenue of the Clark Group derived from its offline sales channels was £625.8 million (HK$6,445.7 million), £767.9 million (HK$7,909.4 million) and £348.5 million (HK$3,589.6 million) for the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively, representing 80.3%, 82.9% and 87.4% of its total revenue for the respective period.

To further solidify our market leading position and increase our market share, we plan to continue to optimise our offline retail network to increase customer recognition and stickiness for our brands. The performance of our retail network depends, to a significant extent, on the locations of our stores. We cannot assure you that we will be able to identify and secure a sufficient number of suitable locations for new stores or to upgrade our existing stores. In addition, we expect that online sales will continue to be an important contributor to our total revenue in the foreseeable future, and we intend to continue to work with a broad range of third-party e-commerce and social media platforms to provide us with access to a broad online customer base. In pursuing this strategy, our financial performance, including profitability, will be affected by business relationships between us and major online e-commerce and social media platforms, particularly given the limited number of major online platforms. Further, any expansion of our retail network will put pressure on our managerial, financial, operational and other resources, such as offline stores' lease related expenses and online platform advertising expenses and service fees. During the Track Record Period, our lease related expenses in relation to our stores accounted for 9.4%, 9.9% and 6.7% of our total revenue for FY2020, FY2021 and FY2022, respectively. Our online platform advertising expenses and service fees could increase significantly to support the increases in our online sales. In addition, we may not be able to effectively integrate any new stores or online sales channels into our existing operations. If we are unable to effectively manage and expand our omni-channel platform, our growth potential and profitability could be materially and adversely affected.

Competition from online sales channels may adversely affect our business and results of operations.

Directly-operated stores were the largest contributor and accounted for 40.8%, 43.5% and 44.6% of our total revenue for FY2020, FY2021 and FY2022. Before completion of the First Clark Acquisition, the revenue of the Clark Group derived from its offline sales channels was 80.3%, 82.9% and 87.4% of its total revenue for the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 2 July 2022, respectively. We cannot assure you that consumer behaviour and preferences will not change over time to favour shopping from online sales channels. In addition, online sales channels typically incur less operating expenses compared to offline stores, and therefore they may offer heavier discounts on similar or identical sportswear products, which may drive consumer traffic away from our and the Clark Group's stores. A shift from offline to online shopping may adversely impact our business and results of operations.

A portion of our extensive offline retail network comprises retail stores that are operated by wholesale customers, distributors and partners, which we have limited control over, and they might improperly use our brand names.

As of 31 December 2022, in addition to our directly-operated stores, our offline retail network also included 3,256 wholesale customers for "Clarks" and 93 distributors and 31 partnership stores for our Other Brands. For FY2020, FY2021 and FY2022, revenue generated from our sales to our wholesale customers, and distributors and sales from partnership stores totalled HK$46.0 million, HK$123.3 million and HK$2,224.4 million, accounting for 5.6%, 8.9% and 32.2% of our total revenue, respectively. The significant increase in its revenue contribution for FY2022 was mainly due to the consolidation of the Clark Group's financial results into our financial statements following completion of the First Clark Acquisition in July 2022. The Clark Group derived a substantial amount of revenue from its wholesale customers which amounted to £334.9 million (HK$3,449.5 million), £365.8 million (HK$3,767.7 million) and £173.5 million (HK$1,787.1 million) for the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively, representing 43.0%, 39.5% and 43.5% of its total revenue for the respective period. We may not be able to monitor the stores operated by our retail partners as directly and effectively as our or its self-owned stores. We seek to manage our network of these retail stores through agreements, which set forth specific guidelines for them to follow, which include, among others, implementing our pricing policies, following our store appearance, as well as operating within their respective designated territories. However, there can be no assurance that these retail partners will always comply with their obligations under the applicable agreements. In the event that our retail partners use our brand names improperly, it could damage our reputation and brand image. It may then undermine the customers' confidence in us and reduce long-term demand for our products, which will cause a material adverse effect on our business, financial condition and results of operations. Also, we cannot assure you that these retail partners would comply with the relevant laws and regulations in the location where they operate. In the event that they fail to comply with local law and regulations, for instance obtaining and/or renewing the requisite operating licences which are crucial to our operation, we may incur additional costs to resolve such matters and cause damage to our reputation. Additionally, we have little control over the inventory levels of the retail stores where these distributors operate, and such inventory levels might not correspond to actual market demand in the area and could lead to understocking or overstocking in the retail stores operated by them. Thus, there might be negative effect on our business.

We may not be able to maintain our current relationships with our retail partners or to attract new retail partners.

For FY2020, FY2021 and FY2022, 5.6%, 8.9% and 32.2% of our total revenue were derived from our sales made through our retail partners respectively. The significant increase in its revenue contribution for FY2022 was mainly due to the consolidation of the Clark Group's financial results into our financial statements following completion of the First Clark Acquisition in July 2022. See the section headed "Business – Our Sales Channels" in this document for further details. Going forward, it is our intention to continue our collaboration with retail partners to cover larger domestic and overseas apparel and footwear shopping markets. However, we cannot assure you that our retail partners will continue their business relationships with us by renewing the agreements upon the expiry on terms acceptable to us, or at all. If any of our retail partners terminate or do not renew their agreements with us, we may not be able to replace such retail partners with a new and effective alternative in a timely manner, on terms acceptable to us, or at all. Even if our retail partners renew their agreement with us, we cannot guarantee that such agreement can be renewed in a timely manner; therefore, our relationship with them may not be protected effectively by the agreements accordingly. Further, we cannot assure you that our retail partners will continue to purchase our products at historical levels in the future. In the event that a significant number of our retail partners substantially reduce their volume of purchases or fail to fulfil their obligations under the applicable agreements, or if we lose a significant number of our retail partners and are unable to effectively replace them in a timely fashion, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to renew current leases or locate desirable alternatives for directly-operated stores, offices and ice-skating rinks for our operation. Any increase in the level of rents will increase the operating expenses and may adversely affect the operations and profitability of our Group.

Most of our directly-operated stores and offices and all of our ice-skating rinks are presently located on leased premises. We also entered into lease agreements with shopping malls and other lessors for our rights to open and operate our directly-operated stores and our ice-skating rinks on leased properties. The leases for "Clarks" directly-operated stores typically have a term of 10 years or more while the leases for directly-operated stores of our Other Brands typically have a term of 2 to 3 years. The leases of our ice-skating rinks are typically entered into for a term of 15 to 20 years. The ability of us to renew existing leases upon their expiry is crucial to the operations and profitability of us, especially for retail stores in locations with a high volume of pedestrian traffic. At the end of each lease term, we may not be able to negotiate an extension or renewal of the lease and may therefore be forced to move to a less favourable location.

Our business are to a certain extent affected by the fluctuation of the rents of the leased properties. In FY2020, FY2021 and FY2022, our total operating lease rental expenses, categorised under selling and distribution expenses, administrative and other operating expenses and finance costs, amounted to HK$117.4 million, HK$199.4 million and HK$563.4 million, respectively, representing 9.5%, 10.4% and 7.4%, respectively, of our total costs and expenses for the same years. For the Clark Group, the lease related expenses of the Clark Group amounted to £63.6 million (HK$655.1 million), £42.5 million (HK$437.8 million) and £15.6 million (HK$160.7 million) for the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 2 July 2022, respectively, representing 8.2%, 4.6% and 3.9% of its total revenue during the respective period. In recent years, property prices and levels of rents in PRC, the UK, the US and other countries where we operate have substantially increased and we expect they may continue to increase in the near future. There is no assurance that we can renew the existing leases at reasonable prices or on terms and conditions that are commercially acceptable to us, or at all. Although the Clark Group entered into company voluntary arrangement with landlords in November 2020 to adjust the rental arrangement of certain leases from fixed rent to turnover rent for three years, providing protection against the uncertain economic environment, there is no guarantee that we will be able to continue with this arrangement after expiry. Increases in the level of rent will also increase the operating expenses of our Company, thus, may adversely affect the results of operations and profitability. In addition, we compete with other businesses, including our competitors, for premises at desirable locations and/or of desirable sizes. Therefore, we may not be able to obtain new leases at the desirable locations or renew existing leases on acceptable terms, in a timely fashion, or at all, which could materially and adversely affect the sales of our products, our business and results of operations.

We generated substantial revenue from LN Group and any substantial decrease or loss of business from LN Group could adversely and substantially affect our operations and financial performance.

We mainly provide sports-related marketing services and footwear OEM services to the LN Group which was also our largest customer throughout the Track Record Period. For FY2020, FY2021 and FY2022, revenue generated from LN Group accounted for 24.6%, 21.4% and 6.9% of our total revenue, respectively. Such continuous decrease in proportion of our revenue generated from LN Group from FY2020 to FY2022 was primarily due to our expansion and diversification of business through acquisitions and subsequent growth. For FY2020, FY2021 and FY2022, revenue generated from LN Group for our multi-brand apparel and footwear business accounted for 0.5%, 4.9% and 3.5% of our total revenue, respectively. Our actual production volume of footwear by our shoe factory for LN Group was 871,677 pairs for FY2021 and 2,086,982 pairs for FY2022. In addition, we generated substantial revenue from LN Group for our sports experience business, which accounted for 24.1%, 16.5% and 3.4% of our total revenue in FY2020, FY2021 and FY2022, respectively. Whilst we have made significant efforts to expand our customer base and diversify our source of revenue, we cannot assure you that we can reduce the revenue contribution from LN Group in the foreseeable future. Any unexpected cessation of, or substantial reduction in, the volume of business from LN Group may cause a significant adverse impact on our business, financial condition and results of operations.

We rely on our selected OEM suppliers for production of our apparel and footwear products. Any delay of supply by the OEM suppliers or failure to control their production quality could materially and adversely affect our business, as well as cause damage to our reputation.

We outsource the production of most of our apparel and footwear to selected OEM suppliers. For FY2020, FY2021 and FY2022, cost of apparel products accounted for 42.4%, 53.6% and 89.9% of our total cost of sales, respectively. The increase in FY2022 was primarily due to our acquisition of the Clark Group which also outsources the production of its products to OEM suppliers. The five largest suppliers of the Clark Group, being its OEM suppliers, accounted for 30.1%, 32.7% and 25.9% of its total cost of sales for 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks ended 2 July 2022, respectively. Their operations might be affected by industry downturns, natural disasters or other catastrophic events. The occurrence of any such industry downturn, changes in regulatory requirements, natural disaster or catastrophic event could cause shortages or delay of product supply by our OEM suppliers. In the event that our OEM suppliers fail to supply products in accordance with our delivery schedule, quality standards or product specifications, we may be forced to provide these products on a delayed basis or cancel our product offering, either of which could harm our reputation and our relationships with retail partners and customers and potentially expose us to litigation and damage claims.

Our Group's sports experience business may fluctuate depending on a number of factors.

Our sports experience business contributed a substantial amount of revenue to our Group. For FY2020, FY2021 and FY2022, we derived revenue of HK$380.0 million, HK$530.4 million and HK$500.8 million from our sports experience business, amounted to 46.4%, 38.4% and 7.3% of our total revenue for the respective period. Besides, our sports experience business attained gross profit margin of 26.0%, 29.2% and 24.3% in FY2020, FY2021 and FY2022, respectively. The performance of our sports experience business fluctuated during the Track Record Period and may further fluctuate in the future. This is because our sports experience business is dependent on a number of factors, including local, regional, national and global factors, many of which are beyond our control, in particular the economic and financial conditions and government policies. For instance, the results of our sports experience business depend on, among others, our relationship with local governments, our ability to retain our customers, our management's understanding on target customers' preference, the trend and development in sports experience industry and sports activities in the PRC, our ability to secure the right to organise events and competitions, etc. In the event that we fail to keep up with the industry trend or our customers preference, we may lose business opportunities, thus, adversely affect our business performance and prospects.

Furthermore, our revenue and profitability of our sports experience business are highly dependent on the visitation and utilisation rate of the facilities, which is affected by a variety of factors, many of which are beyond our control. These factors include the lifestyle and health-consciousness level of the users, and the progress of commercial development of the neighbourhood and the broader district in which our centres are located. We strived to provide urban dwellers with various integrated sports, health and leisure facilities and actively organised group sports and leisure activities in order to arouse their interests to participate in physical exercise and recreational activities during their spare time. We also actively explore new sports resources and recreation facilities to enrich the content of our sports park so as to retain and attract users. During the Track Record Period, the amount we incurred for the development and promotion of our sports experience business was insignificant. However, there is no guarantee that such initiatives could play out as planned and achieve our desired results. For instance, revenue from our sports experience business decreased slightly in FY2022 when 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. In the event that there are further closure of sports destinations and suspension or delay of sports events or the performance of our sport experience business is further affected by these external factors, we may not achieve any profitable result for the amount we invested and may need to incur additional selling and marketing expenses and investment in different sports projects substantially, which may affect our Group's financial performance and cash position.

The success of our sports experience business depends on the continued popularity of the sports destinations that we operate, as well as the underlying sports activities (including e-sports), the decline of which could have a material adverse effect on our business, results of operations and prospects.

Our sports experience business is largely dependent on the continued popularity of the sports activities related to our sports experience business generally and, in particular, the popularity of the sports destinations we operate. Changes in the popularity of the sports activities related to our sport experience business globally, or in particular in the PRC or locally, could be influenced by competition from alternative forms of entertainment. A change in users', viewers' or athletes' tastes, changes in perceptions relating to particular sports activities or experience, or a popularity shift towards sports activities that are currently under-represented or not represented at all in our offerings of sport experience business could result in reduced engagement in the sports destinations that we operate in our offerings of sport experience business.

We could also be adversely affected by developments or trends in a particular sports activity. For instance, our revenue generated from sports experience business has been substantially improved from HK$380.0 million in FY2020 to HK$530.4 million in FY2021 due to the increase of revenue generated from ice-skating rinks and the e-sports business under the wave of winter sports and e-sports as a result of Beijing Winter Olympics in 2022 and the Chinese e-sport team's victory in the 11th League of Legends global finals, coupled with the economic recovery from COVID-19. However, the popular sports destinations we operate could lose popularity due to a shift in trend or popularity in another sports activity, and be surpassed by other sports destination operators. In the event that the sports destinations we operate lose popularity and we are unable to operate such new and/or expanded sports destinations to fulfil the shifting trend and appetite, there will be a decrease in revenue generated from our sports experience business which could have material and adverse effect on our business, results of operations or prospects. Adverse developments relating to a sports activity or to key stakeholders in a sports activity could affect our ability to generate revenues from our sports experience business, which could have a material adverse effect on our business, results of operations or prospects.

The organisation of sports-related events at our sports destinations involves numerous risks, and therefore we may suffer reputational losses and be required to cover the damages with our own funds if they are not fully covered by our insurance, which in turn may have a material adverse effect on our financial condition and results of operations.

We organise and hold, either by ourselves or by letting our sports venues and facilities to other sports organisations, a range of sports-related competitions and events for professional sports athletes and the general public in such sports destinations from time to time. The organisation and management of sports-related events at our sports destinations involve numerous risks that may result in accidents. It could potentially result in the death or personal injuries of spectators, players or our staff, significant damage to equipment and property, fire accidents, environmental pollution, violent spectator incidents, and financial and reputational losses to us. The insurance policies we currently have may not cover all potential liabilities that may result from these risks. To the extent any of these events are not fully covered by insurance, we will be required to cover the damages with our own funds and thereby increasing our costs. We may face claims due to personal injuries or property damages in the sports events organised by us. A successful claim against us may result in financial and reputational losses to us. Even if unsuccessful, such a claim could cause unfavourable publicity, require substantial cost to defend and divert the time and attention of our management. As a result, we may suffer financial losses or reputational losses in connection with the risks involved in the organisation of sports-related competitions and events which in turn may have a material adverse effect on our financial condition and results of operations.

We may not be able to renew agreements for the existing sports events operated by us or secure sports event sponsors or introduce new sports events at all. This may have an adverse effect on our revenues and profits.

During the Track Record Period, we generated 24.6%, 21.4% and 6.9% of our Group's total revenue respectively from the provision of service to LN Group which includes provision of marketing services at sports event. The success of our sports event management business depends on our ability to renew the agreements with sports event organisers for the existing sports events operated by us or to secure sports event sponsors or to introduce new sports events. We currently cooperate with some sports organisations to rent our sport venues and facilities for sports-related competitions. Therefore, we are subject to changes of strategies by those sports organisations and sponsors, as well as other uncertainties that could result in our failure to renew the existing cooperation agreements with them on commercially feasible terms, or at all. If any of such sports organisations decide to cooperate with our competitors, demand for our sports event, management and marketing services may not grow and may even decrease, which in turn may have a material adverse effect on our ability to maintain or increase our revenues and our profitability.

If we fail to perform our contractual obligations to our customers or honor our obligations in respect of our contract liabilities, our cash or liquidity position may be adversely affected, which could materially and adversely affect our business.

As at 31 December 2020, 2021 and 2022, we had contract liabilities of HK$107.1 million, HK$104.0 million and HK$129.1 million respectively. Our contract liabilities are mainly (i) receipt in advance for sports events and prepaid card for the sports experience business, and (ii) deposits received from distributors for the multi-brand apparel and footwear business. The contract liabilities of the Clark Group was £3.2 million (HK$33.0 million), £3.8 million (HK$39.1 million) and £2.5 million (HK$25.8 million) as at 30 January 2021, 29 January 2022 and 2 July 2022 respectively. The contract liabilities of the Clark Group was mainly the gift card purchased by the customers which had not been redeemed and transaction price received by Clark Group before the delivery of the goods for online purchase. If we fail to honor our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the prepayments they have made or we may incur additional cost for re-performing our obligations. This may in turn adversely affect our cash or liquidity condition. In addition, if we fail to honor our obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our results of operations in the future.

Our business, financial condition and results of operations may be materially and adversely affected by epidemics, natural disasters, acts of war or terrorism or any other catastrophes. In particular, the continued global spread of the COVID-19 pandemic could have a material adverse impact on our sports experience business and multi-brand apparel and footwear business.

Areas or regions where we operate may be exposed to by the outbreak of disease, natural disasters, or other events, including COVID-19, swine flu, avian influenza, severe acute respiratory syndrome, Ebola, Zika or Monkeypox, snowstorms, earthquakes, fires or floods, wars, acts of terrorism, environmental accidents, power shortages or communication interruptions. If any of these events occur in the areas where we operate, it could lead to temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition, results of operations and prospects.

In response to the outbreak of COVID-19, government authorities of many countries and regions took a number of actions, including compulsory quarantining arrangement, travel restrictions, remote work arrangement and public activities restrictions. We have experienced disruptions in certain aspects of our operations during the COVID-19 pandemic. A significant portion of our offline stores and our manufacturing facilities were temporarily shut down, resulting in a halt for a significant portion of our business and a disruption to our production chain. Demand for our products was greatly reduced as a result of global economic slowdown and uncertainty due to concern about the COVID-19 pandemic. In addition, there was a significant decline in the overall sports events in general as result of the COVID-19 pandemic and those corresponding restrictions. Thus, many sports events originally scheduled were cancelled in the first half of 2020, which materially and adversely affected our revenue derived from sports destinations operations and commercialisation. Our revenue from sports experience business was adversely affected in FY2020 by the 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. The impact of COVID-19 had been significant on the business of the Clark Group. For further details on the impact of COVID-19, please refer to "Business – Impact of and our response to COVID-19 outbreak" and "Financial Information for the Clark Group – Key Factors Affecting the Results of Operations of the Clark Group – Impact of COVID-19" in this document.

In the first half of 2022 and near the end of 2022, a few waves of COVID-19 infections emerged in various regions of PRC, and varying levels of travel restrictions and public activities restrictions were reinstated. Precautionary measures, including varying levels of travel and public activities restrictions and encouragement of reduced public activities during the Chinese New Year and other festivals, were reinstated in PRC. These measures also, to a certain extent, reduced and affected our PRC domestic operations in 2022. We expect that our operations will continue to be adversely impacted by the restriction measures in response to the COVID-19 pandemic, whether imposed by the government or adopted voluntarily. The COVID-19 outbreak had also impacted our international operations and may continue to do so if lockdown or other restrictions are reimposed, and the speed of our global expansion has also been negatively affected.

The full extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be reasonably estimated at this stage. As such, there is no assurance that the COVID-19 pandemic will not further escalate. Also, we cannot guarantee that the measures in response to COVID-19 pandemic imposed by the governments will be effective. For instance, while many governments in the world are administering vaccinations to their populations and pharmaceutical companies have been developing new vaccines and drugs to treat the disease, the effectiveness of vaccine programs against existing and any new variants of COVID-19 remains uncertain. We also cannot assure you that there will not be further restrictions on our sports experience and multi-brand apparel and footwear business, such as closure of our stores and restrictions on sport events at our sports destinations. The COVID-19 outbreak impacted and is still impacting our business to different extents at different times. If the pandemic lasts for an extended period or worsens, it could have a material and adverse effect on our business, revenues, results of operations, cash flows and financial condition.

We may experience increases in labour costs, shortages of labour or deterioration in labour relations.

Labour costs have been increasing and may continue to rise. During the Track Record Period, the employee benefit expense amounted to HK$199.8 million, HK$389.1 million and HK$1,458.6 million respectively. The increase in FY2022 was primarily due to our acquisition of the Clark Group in July 2022. Labour cost increases may cause our cost of sales and operational expenses to increase. There is no assurance that we will be able to pass on such increase to our customers. Operation of shoe factory and directly-operated stores is labour intensive. We cannot assure you that we will not experience any shortage of labour. Any such shortage could hinder our ability to maintain our production schedules and maintain or expand our business operations, which could materially and adversely affect our business, financial condition, results of operations and prospects.

We seek to maintain favourable labour relations with our employees as we believe that our long-term growth depends on the expertise, experience, and development of our employees. Any deterioration of our labour relations could result in disputes, strikes, claims, legal proceedings, reputational damage, and disruptions in our business operations, any one of which could, in turn, materially and adversely affect our business operations and corporate image.

If our trademarks, trade names, copyrights, and other intellectual property rights do not adequately protect our product designs or trade secrets, we may lose market share to our competitors.

We rely on intellectual property-related laws in the PRC and other jurisdictions we operate in, as well as confidentiality agreements with our employees, OEM suppliers and other business partners, to protect our trademarks, trade names, copyrights, product designs and other intellectual property rights. During the Track Record Period, we incurred insignificant amount related to intellectual property rights. Our Directors expect that we will continue to incur such expenses related to intellectual property rights at a similar level in the future.

The implementation of PRC intellectual property-related laws has historically been less robust than in certain more developed economies, primarily due to ambiguities in PRC laws and difficulties in enforcement. Accordingly, intellectual property rights and confidentiality protections in mainland China may not be as effective as those in Hong Kong or other developed countries jurisdictions. Policing unauthorised use of proprietary technology is difficult and costly, and we may need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights and those of others. Any such litigation may require significant expenditure of financial and managerial resources and could have a material adverse impact on our business, financial condition and results of operations. An adverse determination in any such litigation will impair our intellectual property rights and harm our business, prospects and reputation. In addition, given that the enforcement of the protection of intellectual property rights in the PRC is difficult, we may choose not to litigate or spend significant resources in litigation to enforce our intellectual property rights or to defend our patents against unauthorised use by third parties. In addition, despite the precautions we have taken, we cannot assure you that those procedures will provide effective prevention for unauthorised third-party use of our brand names or the licensed brand names. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Failure to obtain, maintain or update all required licenses, permits and approvals may adversely affect our business operations.

In accordance with the relevant laws and regulations in jurisdictions in which we operate, we are required to maintain various approvals, licenses and permits to operate our retail business, including but not limited to our PRC subsidiaries' business licences and the business licences of the Clark Group. Given the large number of subsidiaries and branches we have, we need to devote substantial resources for us to continuously monitor our compliance status and regulatory changes. If we fail to obtain, maintain or update all required licenses, permits and approvals, or if we are required to take actions to obtain such licenses, permits and approvals which are time-consuming or costly, our business operations may be adversely affected and we may be subject to fines or other sanctions by the government. As a result, our results of operations and financial condition could be adversely affected.

As at the Latest Practicable Date, we failed to obtain the fire safety inspection certificates (消防安全檢查合格証) or make the fire safety undertaking (消防安全告知承諾) in respect of four of our sport parks or sports centres, and we did not complete the fire safety completion acceptance recordation (消防驗收備案) in respect of three of ice-skating rinks. Please refer to section headed "Business – Legal Proceedings and Non-compliance – Some of our operation sites fail to complete fire safety related procedures" for further details. Pursuant to relevant PRC laws and regulations, we may be ordered by relevant authorities to suspend our operation and/or are subject to a penalty charge for the failure to obtain the relevant approval and permit. In the event that we are being ordered to suspend our operation or to pay the penalty charge, our results of operations and financial condition could be adversely affected.

Any actual or perceived failure by us or third parties to comply with applicable data protection laws and regulations or privacy policies, including any data leakage or unauthorised use of data by us or third parties, could damage our reputation, adversely affect our business operations or subject us to governmental regulation and other legal obligations.

We collect, store, transmit and process a large volume of personal data, such as membership registration information and transaction history, and almost all of our consumer-generated-content is stored on our server. We also collect sensitive personal information in limited circumstances. As a result of these practices, we face inherent risks in handling and transferring a large volume of data and in protecting the security of these data. We may be exposed to risks of security breaches or unauthorised access to or cyber-attacks on our systems or the data we store, software bugs, system errors or other technical deficiencies, mistakes or malfeasance of our employees or contractors, etc. There is no assurance that our security controls and other security practices would prevent all improper access to or disclosure of personal data or proprietary information. In addition, since our online operations rely heavily on the security measures adopted by major online platforms, we are subject to the vulnerabilities of our vendors and service providers, or other cybersecurity-related vulnerabilities. In the event that their cybersecurity measures may not detect or prevent all attempts to compromise their systems, it may jeopardise the security of information stored in and transmitted or that they otherwise maintain which include the information or data relating to our operation. Any system failure or security breach that results in the release of, or unauthorised access to, personal data, could result in loss or misuse of these data, impairment of our technological infrastructure and interruptions to the services we provide. It may also cause harm to our reputation and attract potential lawsuits brought by private individuals or enforcement actions by regulators. Consequently, we may incur additional costs and resources to prevent these security breaches or to alleviate problems caused by these breaches.

We are subject to laws and regulations of relevant jurisdictions, relating to the data protection in the PRC, the UK, Europe and other jurisdictions in which we have operations, in particular after the completion of the First Clark Acquisition. Data protection laws and regulations and privacy policies in the PRC and other relevant jurisdictions continue to develop and may vary from jurisdiction to jurisdiction, and we need to comply with emerging and changing international requirements. In particular, the PRC laws and regulations in relation to data privacy and cybersecurity are still evolving, and it is uncertain whether new legislation, regulations or interpretations governing our business activities may be promulgated or adopted. There is no assurance that our business operations may be interpreted as non-compliance under the applicable laws and regulations in the future. Regulatory developments could lead to legal and economic uncertainty, affect how we operate our business and how we process and transfer data. We may also incur substantial costs to comply with such laws and regulations and to establish and maintain internal compliance policies. For further details on the relevant laws and regulations in relation to data protection, please refer to "Regulatory Overview – Laws and Regulations in Hong Kong – Laws and regulations in relation to our multi-brand apparel and footwear business – Personal data privacy", "Regulatory Overview – Laws and Regulations in the PRC – Other relevant laws and regulations in the PRC – Regulations on information security and personal information" and "Regulatory overview – Relevant Laws and regulations in the United Kingdom and United States – A. United Kingdom (UK) – 4. Data Protection and e-Privacy Laws" of this document.

We are required to adhere to national health and safety standards, and in the event that we are unsuccessful in meeting these standards, our business, results of operations and brand image would be negatively affected.

During the Track Record Period, we incurred insignificant amount as the cost for compliance with applicable health and safety. Our Directors expect that we will continue to incur such expenses related to health and safety rights at a similar level in the future. We cannot guarantee that our procedures, safeguards and training will be completely effective in complying with all relevant health and safety requirements. There is also no assurance that our employees or business partners will always follow our procedures. A failure to meet relevant government requirements could occur in our operations or those of our business partners. This could result in fines, suspension of operations, loss of production permits, and in more extreme cases, criminal proceedings against us and/or our management. Moreover, negative publicity could be generated from false, unfounded or nominal liability claims. Any of these failures or occurrences could negatively affect our business and financial performance.

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities.

Under PRC laws and regulations, our PRC subsidiaries are required to complete the regulatory registrations regarding social insurance and housing provident funds within a prescribed period, and make social insurance and housing provident funds contributions for the benefit of their employees, which are calculated as the prescribed percentages of relevant employees' actual income. During the Track Record Period, we did not complete the regulatory registrations regarding social insurance and housing provident fund for some of our employees and we failed to make full contribution of social insurance and housing provident for some of our current and former employees.

As at 31 December 2022, we have a provision of HK$34.8 million to cover the shortfall of social insurance and housing provident fund contributions for the Track Record Period and preceding years. Please refer to section headed "Business – Legal Proceedings and Non-compliance – Non-compliance with social insurance and housing provident fund contributions" for further details. As there are certain inconsistencies in practice among local governments regarding the regulatory registrations and contributions of social insurance and housing provident funds, we cannot guarantee that our subsidiaries and branch offices can timely and fully comply with the relevant applicable PRC laws. As advised by our PRC legal advisers, under the relevant PRC laws and regulations, we may be ordered by the relevant authorities to complete the aforesaid regulatory registrations or pay the outstanding social insurance or housing provident funds contributions, along with possible surcharges and penalties for overdue payments. We cannot assure you that the relevant authorities would not enforce any payments, surcharges and penalties against us for non-compliance matters in this aspect. If we failed to make full social insurance contributions for our employees as requested by relevant authority within a prescribed time limit, we may be subject to a late charge at the daily rate of 0.05% on the outstanding amounts from the date on which such amounts are payable. If such payment is not made within the prescribed period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. If we failed to complete the social insurance registration for our employees as requested by relevant authority within a prescribed period, we may be subject to a fine from one to three times of the amount of social insurance contributions payable by us. If any of the relevant housing provident fund authorities is of the view that we failed to complete the housing provident fund registration for our employees, we may be subject to a fine between RMB10,000 and RMB50,000.

We may be subject to potential non-compliance with certain PRC laws and regulations regarding the payment of social insurance and housing provident fund through third party agents.

Under the relevant PRC laws and regulations, we shall (i) apply to the social insurance agency for social insurance registration for the employee within a prescribed period and shall declare and pay social insurance premiums on time and in full amount in a timely manner; and (ii) complete procedures for opening an account at the relevant bank for the deposit of employees' housing provident funds within a prescribed period, and shall pay and deposit housing provident funds on behalf of their employees in full and in a timely manner. During the Track Record Period, we have engaged third parties agents to make social insurance and housing provident fund contributions for some of our employees. Please refer to section headed "Business – Legal Proceedings and Non-compliance – Non-compliance with social insurance and housing provident fund contributions" for further details. While the arrangement of making the payment of social insurance and housing provident fund through third party agents is not uncommon in China, as advised by our PRC legal advisers, such arrangement is not in strict compliance with the relevant PRC laws and we cannot assure you that the relevant authority would not impose strict interpretation of the relevant rules and regulations and regard such payment through third party agents as non-compliance.

We are subject to potential adverse consequences due to defective titles of certain properties we leased in the PRC.

As at the Latest Practicable Date, for some of the properties we leased in the PRC, we have not been provided by the lessors with the relevant title ownership certificates, land use right certificates, or other documents proving the relevant title of the properties. In addition, some of the lessors of our leased properties in the PRC did not provide relevant documents proving the owner's permission to sublet the properties to us. As advised by our PRC legal advisers, if the lessors of the leased properties do not have the requisite rights to lease the relevant property, the relevant lease agreement may be deemed invalid. As a result, it is possible that third parties could seek to assert ownership rights against the landlords, and we may not be able to continue occupying the relevant properties if any of these leased areas are challenged by the relevant authorities. Please refer to section headed "Business – Land and properties – Leased Properties – Absence of title documents or authorisations from lessors of leased properties" for further details.

Since we are not able to confirm the ownership of some of the properties we occupy due to the lack of property ownership certificates, in the event that any party claims a right to such properties, we may need to find an alternative location to which to relocate. In this event, our operation on such property may be interrupted and we may not be adequately indemnified by the landlords for our related losses. We cannot assure you that we will be able to find a suitable replacement in a timely manner, or at all. Any relocation of our operations, or failure to find a suitable replacement location, may result in significant costs to us or cause a disruption to our operations.

Certain defects caused by non-registration of our lease agreements related to certain properties occupied by us in the PRC may materially and adversely affect our ability to use such properties.

As at the Latest Practicable Date, we failed to register some of our leased properties in the PRC. As advised by our PRC legal advisers, under PRC laws and regulations, an executed lease agreement must be registered and filed with the relevant land and real estate administration bureau. Under the relevant PRC laws and regulations, the failure to register the lease agreements does not affect the validity of the lease agreements. Our PRC legal advisers have advised us that depending on the local regulations, the lessor or both lessor and lessee are under the obligation to register and file an executed lease agreement with the relevant land and real estate administration bureau. We have proactively requested lessors of the relevant properties to complete or cooperate with us to complete the registration and filing procedures in a timely manner, but we are unable to control whether and when such lessors will do so. As at the Latest Practicable Date, we have not been subject to any penalties due to the non-registration of our lease agreements. However, we may be required by relevant government authorities to file the lease agreements to complete the registration formalities and may be subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. In addition, we cannot assure you that our lease agreements relating to, and our right to use and occupy, the premises mentioned above will not be challenged in the future. We also cannot assure you that we will not encounter similar problems in the future with respect to the leased premises in the PRC. If this occurs, we may be forced to renegotiate the affected lease agreement, which may result in an extension or renewal of the existing lease at higher rents or other less favourable terms, or to relocate or terminate our operations on the affected premises, which will cause us to incur related expenses and may disrupt our business and operations. Please refer to section headed "Business – Land and properties – Leased Properties – Non-registration of leases" for further details.

We may be involved in legal and other disputes arising out of our business operations from time to time.

We may be involved in legal and other disputes from time to time arising out of our ordinary course of business including the disputes or legal proceeding with, among others, our customers, suppliers, business partners, employees, subcontractors, distributors, franchisees. Regardless of the merits of the particular claims, legal proceedings can be unpredictable, expensive and time-consuming. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management's attention from our core business activities. In addition, we cannot guarantee that the outcome in any of the litigation in which we are involved would be favorable to us, or that the judgments in litigations against us will not be subject to disputes resulting in new litigation, appeal or retrial. We may be involved in other proceedings or disputes in the future that may have a material adverse effect on our business, financial condition and results of operations.

We may continue to recognise impairment losses for right-of-use assets.

For FY2020, FY2021 and FY2022, we recognised impairment losses of right-of-use assets of HK$23.4 million, HK$71.1 million and HK$276.8 million, respectively. For details of the relevant accounting treatment, see Note 12(B) of the Accountant's Report of our Group set forth in Appendix I to this document. The Clark Group has reversal of impairment loss on right-of-use assets of £16.7 million (HK$172.0 million) for the 52 weeks period ended 30 January 2021, and impairment loss on right-of-use assets of £15.6 million (HK$160.7 million) was recognised for the 52 weeks period ended 29 January 2022. For details of the relevant accounting treatment, see Note 15 of the Accountant's Report of set forth in Appendix IIB to this document. We may continue to recognise impairment losses of right-of-use assets in the event the business and financial performances of our stores fail to meet our management's expectation, in which case our financial condition and results of operations may be materially and adversely affected.

We may incur impairment loss on our intangible assets, which could negatively affect our results of operations and financial condition.

Our intangible assets primarily consist of goodwill, trademarks and licensing right, league qualification and home and away co-operation agreement and membership. As of 31 December 2022, we had intangible assets of HK$594.4 million, including goodwill of HK$44.7 million, which were primarily in relation to the subsidiaries we acquired. We assess the impairment of goodwill,intangible assets that have an indefinite useful life or intangible assets not ready to use annually, or more frequently if certain events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For FY2020 and FY2022, we recorded impairment losses on our intangible assets of HK$130.1 million in respect of the ice-skating rinks business and HK$64.8 million in respect of the e-sports business respectively as its performance in that year was below expectation and the outbreak of COVID-19 increased uncertainties about the timing of the recovery of its business. During FY2021, we did not record any impairment loss on our intangible assets. For a detailed discussion of the impairment testing, please refer to "Financial Information for our Group – Significant Accounting Policies and Critical Estimates and Judgment – Intangible Assets" and "Financial Information for our Group – Description of Certain Items of Consolidated Statements of Financial Position – Intangible assets" of this document. Change in business prospects of investments may result in impairment on our goodwill and other intangible assets, which could negatively affect our results of operations. Any significant impairment of goodwill or other intangible assets could have a material adverse effect on our business, financial condition and results of operations.

We may not fully recover our deferred tax assets, which may affect our future financial position.

We recorded deferred tax assets HK$24.4 million, HK$26.4 million and HK$120.1 million, respectively, as of 31 December 2020, 31 December 2021 and 31 December 2022. For each reporting period, we evaluate our deferred tax assets to determine whether it is probable that they will be realised. In determining whether it is probable that our deferred tax assets will be realised, we assess the likelihood that we will be able to recover deferred tax assets using historical levels of income and estimates of future income. See note 28 to the Accountant's Report of our Group in Appendix I to this document for further details on our deferred tax assets. These determinations require significant judgment from our management on assessments on the probability, timing and adequacy of future taxable profits for the deferred tax assets to be recovered. Any of these events may have a material adverse effect on our business, financial condition and results of operations.

We experienced net operating cash outflow during the Track Record Period.

We recorded net operating cash outflow from operating activities of HK$37.7 million for FY2021, mainly as a result of the cash used in operations before change in working capital of HK$110.6 million, income tax paid of HK$30.3 million and cash inflows from changes in working capital of HK$103.2 million. For FY2022, we had net operating cash generated from operating activities of HK$74.9 million, mainly as a result of cash used in operations before change in working capital of HK$385.7 million, income tax paid of HK$120.8 million and cash outflows from changes in working capital of HK$189.9 million. Following completion of the First Clark Acquisition in July 2022, the financial results of the Clark Group have been consolidated into the financial statements of our Group. For the 52 weeks period ended 30 January 2021, the Clark Group recorded net operating cash outflow from operating activities of £21.2 million (HK$218.4 million), mainly as a result of the loss before taxation of £138.9 million (HK$1,430.7 million), interest paid of £12.0 million (HK$123.6 million) and cash inflows from changes in working capital of £40.3 million (HK$415.1 million). For the 22 weeks period ended 2 July 2022, the Clark Group had net operating cash outflow from the operating activities of £26.1 million (HK$268.8 million), mainly as a result of the profit before taxation of £48.9 million (HK$503.7 million), interest paid of £5.2 million (HK$53.6 million), income tax paid of £1.8 million (HK$18.5 million) and cash outflows from changes in working capital of £58.4 million (HK$601.5 million). Please refer to the sections headed "Financial information for our Group – Liquidity and Capital Resources – Cash Flow" and "Financial information for the Clark Group – Liquidity and Capital Resources – Cash Flow" of this document for further details.

We may experience periods of net cash outflow from operating activities in the future. If we are unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. There is no assurance that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the required financing on terms acceptable to us, or at all at the material time.

We are subject to credit risk in respect of our trade debtors and bills receivable, and prepayment, deposits and other receivables.

During the Track Record Period, our trade debtors and bills receivable primarily arise from our sales of apparel and footwear to distributors and wholesale customers. The trading terms with our customers are mainly on credit, generally from one to six months for major customers, which may be extended for certain qualifying long-term customers who have met specific credit requirements. Our Group does not hold any collateral or other credit enhancements over its trade debtors and bills receivable balances. As at 31 December 2020, 31 December 2021 and 31 December 2022, we recorded trade debtors and bills receivable of HK$82.9 million, HK$98.0 million and HK$859.5 million respectively. The increase in FY2022 was primarily due to our completion of the First Clark Acquisition in July 2022. For FY2020 and FY2021 and FY2022, our trade receivable turnover days were 63 days, 24 days and 25 days respectively. We cannot assure you that our trade debtors could settle trade receivables in a timely manner, or at all, or that we can properly assess and respond in a timely manner to changes in their credit profile and financial condition. Adverse changes in their financial conditions may negatively affect the length of time that it will take us to collect associated trade receivables or impact the likelihood of ultimate collection, which would in turn have an adverse and material effect on our business, financial condition and results of operations. Moreover, as we continue to grow our business, the amount of trade receivables we record may increase, which may have a negative impact on our cash flow.

As at 31 December 2020, 31 December 2021 and 31 December 2022, we recorded prepayments, deposits and other receivables of HK$222.8 million, HK$461.9 million and HK$1,023.0 million, which mainly consisted of (i) prepayment for goods and services; (ii) prepayment for acquisition of assets; (iii) rental deposits; and (iv) other receivables. The increase in FY2022 was primarily due to our completion of the First Clark Acquisition in July 2022. There can be no assurance that all such amounts due to us would be settled on time, or that such amounts will not continue to increase in the future. Accordingly, we may face credit risk and our performance, liquidity and profitability would be adversely affected if significant amounts due to us are not settled on time or substantial impairment is incurred.

We are subject to fair value change for our financial assets or liabilities at fair value through profit and loss and valuation uncertainty due to the use of unobservable input.

During the Track Record Period, our fair value (loss)/gain on financial assets/liabilities at fair value through profit or loss was generally arising from the loan receivable from LionRock Capital. The fair value gain or loss was generally due to the fluctuations of GBP against HKD which the loan was denominated. According to our accounting policy in respect of fair value measurements, the valuation basis of our financial assets amounts to unobservable input for the relevant asset (level 3 fair value measurement). Should there be any valuation uncertainties from such unobservable input, the value of our financial assets recognised in profit or loss due to fair value change may be overestimated or underestimated by our management. Our financial assets at fair value through profit or loss as at 31 December 2020 and 31 December 2021 was HK$273.3 million and HK$587.1 million respectively, and become zero as at 31 December 2022 as the loan to LionRock Capital was settled upon completion of the First Clark Acquisition in July 2022. For details of the financial assets at fair value through profit or loss, please refer to section headed "Financial information for our Group – Description of Certain Items of Consolidated Statements of Financial Position – Financial assets at fair value through profit or loss" in this document. We cannot guarantee that the fair value of our financial assets will not fall or always remain stable. If there is a decrease in fair value of our financial assets, our results of operations and financial conditions may be adversely affected.

The government incentives that we currently enjoy may be altered or terminated, which could have an adverse effect on our business, financial position, results of operations and prospects.

We enjoy a number of government incentives in the PRC, primarily including financial subsidies from local governments in recognition of our contributions to local economic development. For FY2020, FY2021 and FY2022, total government incentives we recognised amounted to HK$33.2 million, HK$34.1 million and HK$52.9 million, respectively. For the Clark Group, the total government incentives it received amounted to £18.5 million (HK$190.6 million), £5.3 million (HK$54.6 million) and £0.2 million (HK$2.1 million) for the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively. The government incentives that we currently enjoy are of a non-recurring nature, and there can be no assurance that these government incentives will not be altered or terminated. Any alteration or termination of our current government incentives could have an adverse effect on our business, financial condition, results of operations and prospects.

We recorded certain income and gain during the Track Record Period, which are non-recurring in nature.

We recorded certain other income and other gains during the Track Record Period, which were non-recurring in nature, including (i) net gain on disposal of partial interest in an associate; (ii) deemed dilution gain on decrease of interest in an associate; (iii) gain on bargain purchase; (iv) fair value (loss)/gain on investment property; and (v) (loss)/gain on disposal of a subsidiary. Other income of the Clark Group mainly represented (i) government grants; (ii) gain on lease modification and early termination of lease arrangements; and (iii) royalty income. Except royalty income, other income were also non-recurring one-off gains during the Track Record Period. We recorded a net amount of other income and other gains of HK$1,359.1 million, HK$4,548.1 million and HK$1,023.6 million for FY2020, FY2021 and FY2022, respectively. For further details, please refer to "Financial Information for our Group – Description of Selected Items in Statements of Profit or Loss – Other income and other gains/(losses) – net" and "Financial Information for the Clark Group – Description of selected items in statements of profit or loss – Other income" of this document. While such income and gain had certain direct impact on our profit for the relevant periods, they are non-recurring in nature. Therefore, we may not record such gains, at the same level or at all, in the future, which may in turn materially affect our profitability.

If we do not successfully manage our inventory levels and lower sales return rates, our business may be materially and adversely impacted.

Maintaining optimal inventory levels is critical to our success. For FY2020, FY2021 and FY2022, our average turnover days of inventories were 153, 189 and 238, respectively. As of 31 December 2020, 31 December 2021 and 31 December 2022, the balance of our inventory, which consisted of raw material, work in progress and finished goods, accounted for 2.7%, 3.1% and 23.2% of our total assets, respectively. The average turnover days of inventories of the Clark Group were 296, 230 and 242 for the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively. As at 30 January 2021, 29 January 2022 and 2 July 2022, the balance of the Clark Group's inventory, which consisted of raw material, work in progress and finished goods, accounted for 41.1%, 32.0% and 36.6% of its total assets, respectively. We are exposed to inventory risks as a result of a variety of factors, many of which are beyond our control, including changing fashion trends and consumer preferences, uncertainty in success of product launches, products returned by customers pursuant to regulations or our policies, weather conditions and seasonality. If we fail to accurately anticipate fashion trends and consumer preference, conduct proper test sales and timely iterate our products and appropriately arrange our production and marketing plans, our sales could be adversely affected and our inventory levels could increase. We may be forced to rely on markdowns or promotional activities to dispose of unsold items. On the other hand, if we fail to maintain adequate inventory levels, we may lose sales. As a result, our financial condition and results of operations could be materially and adversely affected.

There is no assurance that we may be able to effectively enforce such inventory management and returns policies which may give rise to potential risks of channel stuffing and risks of experiencing increased inventory provisions on goods returned from distributors and partners. In addition, if we fail to manage our inventory and lower sales return rates effectively, we may be subject to a heightened risk of having obsolescent and off-season inventories which we may not be able to move swiftly. The slow movement of our inventories may lead to an increase in our inventory level and thus an increase in our inventory holding costs and provision for impairment of inventory. Further, we may be forced to rely on markdowns or promotional activities to dispose of obsolescent and off-season inventories, which would lower our profit margins. As a result of the above, our financial condition and results of operations may be materially and adversely affected.

The nature of our business requires us to have stocks of distinct products in different designs, colours and sizes for display to satisfy the demand from customers in our retail stores. Moreover, we generally estimate the demand for our products ahead of production and the actual time of sale. We cannot assure you that we can accurately predict these trends and events and avoid understocking or overstocking inventory. In addition, we remain vulnerable to the frequently changing trends and customers' preferences associated with the fashion industry. Any unexpected change in demand for our products may result in having out-of-stock or over-stocked items, which will have a direct impact on our sales and pricing plans. Increased inventories may adversely affect our pricing strategies, and we may be forced to rely on markdowns or promotional activities to dispose of unsold items, which in turn may adversely affect our financial condition and results of operations. Increased inventories may also lead to an increase in provision for impairment of inventory. As a result, our financial condition and results of operations could be materially and adversely affected.

We face foreign exchange risk, and fluctuations in exchange rates, in particular RMB, HK dollars or GBP could have a material and adverse effect on our business and investors' investment.

We are exposed to exchange risk and fluctuations in exchange rates as a substantial portion of our revenue and operating costs during the Track Record Period are denominated in Renminbi and GBP. The exchange rates of Renminbi against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in China's political and economic conditions. On 11 August 2015, the PBOC announced its intention to improve the central parity quotations system of RMB against the US dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Center with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following this announcement, Renminbi depreciated against the US dollar by 1.9% as compared to 10 August 2015, and further depreciated nearly 1.6% on the next day. On 30 November 2015, the Executive Board of the International Monetary Fund ("**IMF**") completed its regular five-year review of the basket of currencies that make up the IMF's Special Drawing Rights (the "**SDR**") and decided that with effect from 1 October 2016, Renminbi shall be included in the SDR basket as a fifth currency, along with the US dollar, the Euro, the Japanese yen, and the British pound. With the development of the foreign exchange market and progress toward interest rate liberalisation and Renminbi internationalisation, the PRC government may announce further changes to the exchange rate system, and we cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar, the US dollar or other foreign currencies. Any fluctuations in exchange rates of Renminbi against the Hong Kong dollar, the US dollar, or other foreign currencies may affect our operations.

Following completion of the First Clark Acquisition in July 2022, a significant portion of our revenue and operating costs are denominated in GBP. In particular, approximately 78.1% of our total revenue for FY2022 was attributable to the Clark Group. Furthermore, the Clark Group achieved 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) for the 52 weeks period ended 30 January 2021, 29 January 2022 and the 22 weeks to 2 July 2022, respectively. The exchange rates of GBP are affected by, among other things, the foreign exchange policy of the UK government, political and economic conditions of the UK and other neighbouring jurisdictions which are out of our control. Our Company is a holding company and relies on dividends paid by our operating subsidiaries for our cash needs. We cannot predict how GBP will fluctuate in the future. Any significant revaluation of GBP may materially and adversely affect our results of operations and financial position reported in GBP, and value of, and any dividends payable on, our Shares in Hong Kong dollars.

Our success depends on our ability to retain our key management personnel with relevant expertise.

Our future success will depend substantially on the continued service of our executive Directors, who are also our senior management, whose business network and sports industry experience are of particular importance to us. There could be an adverse impact on our Group's operations should a significant number of our executive Directors with relevant expertise terminate his employment with our Group and if there are no suitable candidates to substitute. Failure to retain, hire and motivate key management team members could impair our ability to grow our business. Such failure could also materially and adversely affect the Group's financial condition and results of operations.

Our business is subject to seasonality, and our financial results may vary significantly from period to period.

Our multi-brand apparel and footwear business are subject to seasonal fluctuations. We typically record higher sales around holiday seasons and online shopping festivals, while the Clark Group typically record higher sales around the second half of a calendar year with the launch of Back-to-School programme in July in the UK. If we fail to capture the sales opportunities arising from these holiday seasons and online shopping festivals, and the sales opportunities arising from the Back-to-School programme for the Clark Group, our overall performance could be adversely affected. For the same reason, we need to increase the stock to satisfy the increased sales demand around those seasons, which exposes us to risk of higher levels of inventories. In addition, our autumn and winter products typically have higher costs than our spring and summer products, as the materials for producing our autumn and winter products are comparatively more costly. Our business is also susceptible to extreme or unexpected changes in weather conditions. For example, extended periods of unusually warm temperatures during the winter season can render a portion of our inventory obsolete, particularly seasonal products. These extreme or unusual weather conditions could have an adverse effect on our inventory surplus, business and results of operations.

As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different years, are not necessarily meaningful and may not be indicative of our performance.

Our insurance policies may be insufficient to cover potential losses arising as a result of business interruption, damage to our property or third-party liabilities.

We have procured insurance policies, including public liability insurance and property insurance, for our business in accordance with industry practice. These policies cover damages caused by natural hazards such as hurricanes, storms, rainstorms, fires and other unpredictable and uncontrollable incidents. We do not maintain insurance for all of our assets or against losses at all of our properties. We review the adequacy of our insurance policies from time to time; however, there can be no assurance that our insurance policies will be sufficient to cover all losses or liabilities under all circumstances. If our insurance policies are insufficient to cover our losses or liabilities, this could have a material adverse effect on our business, financial condition and results of operations.

The issuance of Shares pursuant to the options which may be granted under the share option scheme(s) and share-based payment may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.

There are outstanding options granted to eligible participants under the share option schemes adopted by our Company, who may be our employees, senior management or Directors. The exercise of share options under the Share Option Scheme by their holders will result in an increase in the number of Shares and depending on the exercise price may result in a dilution to the percentage of ownership of our Shareholders, the earning per Share and net asset value per Share. In addition, the fair value of options to be granted to eligible participants under the Share Option Scheme will be charged to our consolidated statements of profit or loss over the vesting periods of the options. Fair value of the options shall be determined on the date of granting of the options. Accordingly, our financial results and profitability may be adversely affected.

We adopted the share-based compensation plan for the benefit of our employees to incentivise and reward the eligible persons who have contributed to the success of our Group. Equity-settled share option expenses of HK$5.9 million, HK$33.9 million and HK$17.7 million were recognised in profit or loss in respect of the share options granted under the share option scheme of our Company adopted on 29 June 2010 and the Share Option Scheme during FY2020 and FY2021 and FY2022, respectively; while equity-settled share option expenses of HK$8.4 million and HK$6.7 million were recognised in profit or loss respectively in respect of the share options granted under the share option scheme of Bossini during FY2021 and FY2022 respectively. To further incentivise our employees to contribute to us, we may grant additional share-based compensation in the future. Issuance of additional shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

Further details of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix V to this document.

We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the US, the European Union, the UK, the United Nations, Australia and other relevant sanctions authorities.

The US and other jurisdictions or organisations, including the European Union, the UK, the United Nations and Australia, have, through executive order, legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

During the Track Record Period, we had sold non-US-origin apparel to our distributors in the Relevant Regions including one Comprehensively Sanctioned Country, namely, Iran. The revenue generated from such sales to the Relevant Regions (excluding Hong Kong) was HK$2.6 million, HK$4.1 million and HK$1.9 million, representing 0.3%, 0.3% and less than 0.1% of our total revenue for FY2020, FY2021 and FY2022, respectively. For our activities with Iran, such sales to Iran involved only Euros payments. As advised by our International Sanctions Legal Advisers after performing the procedures they consider necessary, (i) our business dealings with our customer in Iran do not appear to be unlawful under the restrictive measures of International Sanctions; and (ii) we did not engage in Primary Sanctioned Activity or Secondary Sanctionable Activity during the Track Record Period, and thus we would not result in any material sanctions risks.

Given the scope of the **[REDACTED]** and, in particular, no **[REDACTED]** is involved, our International Sanctions Legal Advisers are of the view that the involvement by parties in the **[REDACTED]** will not implicate any applicable International Sanctions on such parties, including our Company, our **[REDACTED]**, Shareholders, the Stock Exchange and its **[REDACTED]** committee and group companies and accordingly, the sanctions risk exposure to our Company, **[REDACTED]** and Shareholders, and persons who might, directly or indirectly, be involved in permitting **[REDACTED]** of our Shares (including the Stock Exchange, its **[REDACTED]** committee and related group companies) is very low.

We have undertaken to the Stock Exchange that we will not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and **[REDACTED]** to violate or become a target of International Sanctions laws by the US, the EU, the United Nations, the UK, the United Kingdom overseas territories or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in Countries subject to International Sanctions or with Sanctioned Persons would put our Group or our Shareholders and **[REDACTED]** to risks of being sanctioned, and in our annual reports or interim reports (i) details of any new activities in Countries subject to International Sanctions or with Sanctioned Persons; (ii) our efforts on monitoring our business exposure to sanctions risks; and (iii) the status of, and the anticipated plans for any new activities in Countries subject to International Sanctions and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we would be subject to the risk of possible **[REDACTED]** of our Shares on the Stock Exchange.

However, sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Our business and reputation could be adversely affected if the authorities of the US, the European Union, the UK, the United Nations, Australia or any other jurisdictions were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group.

Changes in international trade policies, or the escalation of tensions in international relations, particularly with regard to China, may adversely impact our business and operating results.

Recently, there have been heightened tensions in international relations. The US government has made statements and taken certain actions that may lead to potential changes to US and international trade policies towards China. In January 2020, the "Phase One" agreement was signed between the US and China on trade matters. However, it remains unclear what additional actions, if any, will be taken by the US or other governments with respect to international trade agreements, the imposition of tariffs on goods imported into the US, tax policy related to international commerce, or other trade matters. Any unfavourable government policies on international trade, such as capital controls or tariffs, or the US dollar payment and settlement system may affect the demand for the products of us and the Clark Group, impact the competitive position of our products, prevent us from selling products in certain countries, or even our participation in the US dollar payment and settlement system, which would materially and adversely affect our international operations, results of operations and financial condition. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the US government takes retaliatory trade actions due to the recent US-China trade tension, such changes could have an adverse effect on our business, financial condition and results of operations. Further, we are unable to predict how international relations between China and other countries will develop. To the extent tensions in international relations between China and other countries escalate, our international operations, financial condition and results of operations could be materially and adversely affected.

If our third-party suppliers and manufacturers do not comply with ethical business practices or with applicable laws and regulations, our reputation, business, financial condition, results of operations and prospects could be harmed.

We outsourced most of the production of our apparel and footwear to third-party OEM suppliers during the Track Record Period. Therefore, our reputation and our consumers' willingness to purchase our products depend in part on our suppliers', manufacturers', and retail partners' compliance with ethical employment practices, such as with respect to child labour, wages and benefits, forced labour, discrimination, safe and healthy working conditions, and with all legal and regulatory requirements relating to the conduct of their businesses. We do not exercise control over our suppliers, manufacturers, and retail partners and cannot guarantee their compliance with ethical and lawful business practices. If our suppliers, manufacturers, or retail partners fail to comply with applicable laws, regulations, safety codes, employment practices, human rights standards, quality standards, environmental standards, production practices, or other obligations, norms, or ethical standards, our reputation and brand image could be harmed, and we could be exposed to litigation, investigations, enforcement actions, monetary liability, and additional costs that would harm our reputation, business, financial condition, results of operations and prospects.

RISKS RELATING TO CONDUCTING OUR BUSINESS IN CHINA

Government control of currency conversion may affect the value of your investment.

During the Track Record Period, a substantial portion of our revenue and operating costs were denominated in Renminbi. The Chinese government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. Under existing Chinese foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE is required for foreign currency conversions for payment under capital account items such as equity investments. The Chinese government may also, at its discretion, restrict our access to foreign currencies for current account transactions. Under our current corporate structure, we depend to a large extent on dividend payments from our PRC subsidiaries. Shortage in foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may be unable to pay dividends in foreign currencies to our Shareholders. In addition, since a significant portion of our future cash flows from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies.

We may be deemed as a PRC-resident enterprise under the Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income.

Under the Enterprise Income Tax Law (the "**EIT law**") and its detailed implementation rules, an enterprise established under the laws of jurisdiction other than China may be considered as a PRC-resident enterprise provided that its "de facto management body" is located within the PRC. The implementation rules of the EIT Law interprets "de facto management body" as a body that exercises substantial management or control over the business, personnel, finance and properties of an enterprise. The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on 22 April 2009, which was most recently amended on 29 December 2017. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore-incorporated enterprise is located in the PRC. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises.

We believe that none of our entities outside of the PRC is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." As certain of our management is currently based in the PRC and they may remain in the PRC, we and our non-PRC subsidiaries may be treated as PRC-resident enterprises and a number of unfavorable tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income and to PRC-enterprise income tax reporting obligations. While the EIT Law provides that dividend income between "qualified resident enterprises" is exempt from PRC enterprise income tax, it is not clear whether our Company and our non-PRC subsidiaries would be eligible for such exemption were we considered to be PRC-resident enterprises. In addition, if we are treated as PRC-resident enterprises under Chinese laws, capital gains realised from sales of our Shares and dividends we pay to non-PRC resident Shareholders may be treated as income sourced within the PRC. Accordingly, dividends we pay to non-PRC resident Shareholders and transfers of Shares by these Shareholders may be subject to PRC income tax.

Our payment of dividends is subject to restrictions under PRC law, and dividends paid by our PRC subsidiaries to us are subject to PRC withholding taxes.

Under the EIT Law and its implementation rules, a 10% withholding tax is applicable to the profit of a foreign-invested enterprise distributed to its immediate holding company outside the PRC to the extent the distributed profit is sourced from the PRC, (i) if the immediate holding company is neither a PRC resident enterprise nor has any establishment or place of business in the PRC, or (ii) if the immediate holding company has an establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or place of business. Pursuant to a special arrangement between Hong Kong and the PRC, this rate will be lowered to 5% if a Hong Kong resident enterprise directly owns over 25% of the Chinese company. In addition, on 14 October 2019, the SAT promulgated the Announcement on Promulgating the Administrative Measures for Convention Treatment for Non-resident Taxpayers (國家稅務總局關於發佈《非居民納稅人享受協定待遇管理辦法》的公告), any qualifying non-resident taxpayer meeting specified conditions may be entitled to the convention treatment when filing a tax return or making a withholding declaration through a withholding agent. According to a tax circular issued by the SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, Chinese tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity. We have subsidiaries in Hong Kong that are holding companies of our PRC subsidiaries. However, we cannot assure you that Chinese tax authorities will determine that the 5% tax rate applies to dividends received by our subsidiaries in Hong Kong from our PRC subsidiaries or that Chinese tax authorities will not levy a higher withholding tax rate generally on the dividends paid by our PRC subsidiaries to our offshore entities.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]