You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements, including the notes thereto, as set out in "Appendix I – Accountant's Report of our Group" to this document and the financial information of the LionRock and the Clark Group as set out in Appendices IIA and IIB to this document. The consolidated financial information has been prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in "Risk Factors".

OVERVIEW

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

For FY2020, FY2021 and FY2022, our total revenue was HK$819.0 million, HK$1,381.6 million and HK$6,900.4 million, respectively, representing a CAGR of 190.3% over the three years. Our net profit for FY2020, FY2021 and FY2022 was HK$1,199.6 million, HK$4,474.3 million and HK$873.0 million, respectively.

We recorded substantial increase in revenue from HK$819.0 million in FY2020 to HK$6,900.4 million in FY2022, with a CAGR of 190.3%. Such increase is mainly contributed by (i) the growth of our Group's multi-brand apparel and footwear business through the acquisitions of (a) Bossini in July 2020; (b) "Amedeo Testoni" in January 2022; and (c) the Clark Group in July 2022; and (ii) the growth of our footwear OEM business and "LNG" brand. Our revenue increased 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. Our revenue increased substantially in FY2022 due to the acquisition of the Clark Group in July 2022.

BASIS OF PREPARATION

The financial information of our Group has been prepared by our Directors based on accounting policies which conform with HKFRS which comprise all standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants, on the basis of preparation as set out in note 2.1 in the Accountant's Report of our Group contained in Appendix I to this document, and no adjustments have been made in preparing the financial information.

In the opinion of our reporting accountant, our historical financial information gives, for the purposes of the Accountant's Report of our Group as set out in Appendix I to this document, a true and fair view of the financial position of our Company as at 31 December 2020, 2021 and 2022 and the consolidated financial position of our Group as at 31 December 2020, 2021 and 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in note 2.1 in the Accountant's Report of our Group contained in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Economies of the major regions where our Group operates

During the Track Record Period, we generated 95.0% and 94.8% of our total revenue from the PRC (including Hong Kong and Macau) for FY2020 and FY2021, respectively. During 2021, our Group experienced extraordinary changes. During the first year of the 14th Five-Year Plan, the PRC government accelerated the establishment of a new economic development and consumption pattern featuring "domestic economy circulation" to expand domestic demand. Together with the availability of vaccination for COVID-19 and other favourable conditions that aimed to mitigate the repeated impact from the pandemic, the economy grew steadily. The PRC's economy showed resilience during 2021 and recorded a year-on-year GDP increase of 8.1%. In particular, consumption expenditures became the core momentum and contributed 65.4% to the economic growth in 2021. Targeting the huge consumption market, our Group expanded its multi-brand apparel and footwear consumable goods business. After acquiring Bossini, a casual wear brand well known in Hong Kong and mainland China, our Group launched bossini.X positioning as street fashion during FY2021 and actively expanded its store network in mainland China.

After completion of the First Clark Acquisition, our revenue from the PRC accounted for 24.2% of our total revenue in FY2022 because a majority of the business of the Clark Group was derived in the UK and ROI and the Americas. In FY2022, 68.7% of our revenue was generated in the UK and ROI and the Americas. The customers of Clarks are mainly individual shoppers as well as wholesales customers in the UK and ROI and the Americas. Therefore, changes in the economies of these regions would have an impact on the disposable income of the local household, and thus, the consumer sentiment of the customers and the financial performance of Clarks. It is believed that consumers' spending is positively correlated to the GDP growth in their respective countries/regions. We cannot assure stable results of operation if the economies of these places fluctuate over time in the future. Furthermore, the expected high inflation rate in the near future may impose pressure on the procurement and operating costs of Clarks. The finance cost may also be affected by interest rates increments globally. Hence, the profitability of our Group is susceptible to the above factors.

Revenue mix

During the Track Record Period, we generated revenue from our two segments, namely (i) multi-brand apparel and footwear business; and (ii) sports experience business. Our gross profit margin were 40.4%, 41.4% and 45.8% for FY2020, FY2021 and FY2022, respectively. Our profit margin is affected by our revenue mix as different types of sale generate different gross profit margin with different trend.

Since the commencement of our multi-brand apparel and footwear business, it attained gross profit margin of 52.8%, 49.1% and 47.5% in FY2020, FY2021 and FY2022, respectively, whilst our sports experience business attained gross profit margin of 26.0%, 29.2% and 24.3% in FY2020, FY2021 and FY2022, respectively. The gross profit margin of our multi-brand apparel and footwear business is mainly driven by the local economy of the areas where our stores are located, and the change in demand, whilst fluctuation of gross profit margin of sports experience primarily driven by the demand of our services, and cost of operating those services. In addition, the gross profit margin of our multi-brand apparel and footwear business is also affected by the relatively lower gross profit margin attained by our shoe factory since its commencement of operation in FY2021. With the increase in revenue contribution of our shoe factory, the gross profit margin of our multi-brand apparel and footwear business decreased further in FY2022.

Consequently, our gross profit margins are impacted by our revenue mix in our products and services and hence the revenue from each business segments. Going forward, we will continue to evaluate and adjust our portfolio of services and product offerings from time to time with the aim to maintain or increase our profitability.

Our sales networks and marketing channels

Our multi-brand apparel and footwear business generated revenue of HK$439.0 million, HK$851.2 million and HK$6,399.5 million in FY2020, FY2021 and FY2022, respectively. During the Track Record Period, over 60% of our revenue from the multi-brand apparel and footwear business (excluding the rental income generated from the leasing of a self-owned property held under the Bossini Group) were generated from our directly-operated stores. The total number of our directly-operated stores remained relatively stable at 155 and 151 as at 31 December 2020 and 2021, respectively, and increased to 776 as at 31 December 2022 primarily due to completion of the First Clark Acquisition in July 2022, "Amedeo Testoni" in January 2022 and expansion of bossini.X contributing an net increase of 625 directly operated stores. Although we had closed down several under-performing "Bossini" stores as part of our regular business review, such effect has been set off by the opening of new "bossini.X" stores as part of our rebranding efforts and the opening of new "LNG" stores along with the growth and expansion of this brand. Also, our revenue from retails stores was affected by the lockdowns and social measures imposed to avoid spreading of COVID-19 during the Track Record Period. We believe that an extensive sales networks and multi marketing channels coupled with well-managed operation is essential to achieving our plan of expanding our multi-brand apparel and footwear business segment.

Expand our sales networks

We intend to expand our sales networks for our multiple apparel and footwear brands to make our products more accessible to our target consumers while reaching a broader consumer base. We will continue to actively identify attractive store opening opportunities to address untapped consumer demand in both existing and new markets, and expand the geographic coverage of our physical stores in the PRC. In addition to opening new stores, we seek to optimise our directly-operated store network's structure by upgrading existing stores while closing suboptimal stores. Our store upgrades will focus on expanding our existing stores that are located in premises with proven foot traffic and high sales potential. We will continue our effort in rolling out digital initiatives nationwide while collaborating with business partners to cover larger overseas online apparel and footwear shopping markets.

Expand our marketing channels

We intend to increase the brand recognition of our apparel and footwear brands via social media and marketing. In February 2021, we set up an in-house e-commerce team to manage and supervise our online sales and marketing functions which comprised 200 members as at 31 December 2022. We have developed business partnerships with a number of social media KOLs and live-streamers on social media platforms (such as Xiaohongshu) and short-video platforms (such as Douyin) to promote our brands through word-of-mouth marketing campaigns. We intend to continue such marketing avenues to broaden our consumer base while maintaining our current consumer base as a foundation for our brands. Future marketing endeavours may include other forms of advertising, including digital and traditional advertising.

Demand of services among our sports experience business

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

For sports experience, it is our Group's strategy to establish an integrated sports platform using the existing resources of its sports experience business as a base. Our Group will therefore continue its effort to capture and maximise the commercial values of the sports resources under our management, and encourage social participation in sporting activities through commercial management of popular sports events and competitions and operation of an e-sports club. The performance of our sports experience segment is susceptible to various factors, including but not limited to health awareness of the public, government promotion of awareness of fitness and major sports events held in a particular financial year. For instance, Chinese athletes achieved outstanding results in the Olympics Games in 2021, and the Beijing Winter Olympics held in early 2022 further stimulated the public's enthusiasm to exercise. In the meantime, the State Council issued the National Fitness Program (2021-2025) in the second half of 2021 to advocate fitness among all citizens. During FY2021, sports parks and ice-skating rinks within our Group reopened and customer flows gradually resumed, which significantly improved the results of sports experience segment. At times, demand may also be adversely affected by factors such as the temporary closure of our sports sparks and ice-skating rinks during the resurgence of COVID-19 during FY2020 and FY2022, and hence the results of our sports experience segment.

Performance of our principal associates

As at 31 December 2020, 2021 and 2022, we had interests in associates of HK$3,031.1 million, HK$4,124.0 million and HK$4,151.5 million, respectively, representing 44.3%, 45.3% and 23.8% of our total assets as at the respective dates. During the Track Record Period, we shared profits less losses of our associates of HK$267.2 million, HK$492.6 million and HK$543.3 million in FY2020, FY2021 and FY2022, respectively, which was attributable to our principal associates, namely Li Ning Co, Double Happiness and CITIC Land. Since the net share of profits from our associates 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. Also, we had net gain on disposal of partial interest in an associate of HK$1,023.0 million, HK$3,338.8 million and nil in FY2020, FY2021 and FY2022, respectively arising from the disposal of partial interest in Li Ning Co. Since the disposal of partial interest in our associates is not under our ordinary course of business, such gain may vary from period to period and may not be comparable from one financial year to another.

Cost of inventories sold

Our cost of inventories sold which included the provision/(reversal of provision) for inventories accounted for 44.1%, 55.5% and 90.2% of our cost of sales in FY2020, FY2021 and FY2022, respectively. With the increase in number of physical and online stores, the cost of inventories sold increased during the Track Record Period. The price of our product may vary from period to period due to factors such as categories, quality, customer's preference and market conditions. We determine the selling price on a cost-plus basis, taking into account, among others, the cost of raw material sourced from our suppliers and any fluctuation in foreign currency. In the event where we are unable to shift the increase in price to our customers, we may generate gross loss.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of inventories used on our profit before income tax during the Track Record Period. Fluctuations in our cost of inventories are assumed to be 5%, 10% and 15%.

	Changes in cost of inventories		
	+/-5%	+/-10%	+/-15%
Hypothetical fluctuations	*HK$'000*	*HK$'000*	*HK$'000*
Increase/decrease in profit before income tax			
FY2020	–/+10,767	–/+21,534	–/+32,301
FY2021	–/+22,462	–/+44,924	–/+67,386
FY2022	–/+168,677	–/+337,354	–/+506,031

Seasonality

Our multi-brand apparel and footwear business is subject to seasonal fluctuations. We typically record higher sales around holiday seasons and online shopping festivals. If we fail to capture the sales opportunities arising from these holiday seasons and online shopping festivals, the overall performance of our multi-brand apparel and footwear business may be adversely affected. For the same reason, we need to increase our 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.

Since the acquisition of the Clark Group in July 2022, our seasonal fluctuation had been affected because the Clark Group contributed majority of the revenue of our multi-brand apparel and footwear business in FY2022. The Clark Group typically records higher sales during the second half of a calendar year with the launch of Back-to-School programme in July in the UK. If the Clark Group fails to capture the sales from the programme, its overall performance could be adversely affected. For the same reason, the Clark Group may need to increase the stock level during second half of a calendar year to satisfy the increased sales demand during the launch of Back-to-School programme, which exposes the Clark Group to risk of excess of inventories.

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 the performance.

Impact of COVID-19

The outbreak of COVID-19 has adverse financial and operational impacts on our Group. Our revenue from sports experience business was adversely affected by the outbreak of COVID-19 mainly resulted in the closure of sports parks, sports centres and ice-skating rinks during February to March 2020, temporary closure in certain premises during first half of 2022 and postponement and cancellation of sports competitions and events. Also, due to the lockdowns and social measures imposed to avoid spreading of COVID-19, our revenue from retails stores has also deteriorated temporarily. Nevertheless, with our our retail network expansion strategy, our revenue from multi-brand apparel and footwear business was not materially affected. For details, please refer to "Business – Impacts of and our Response to COVID-19 Outbreak" in this document.

THE CLARK ACQUISITIONS

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

The First Clark Acquisition constitutes a very substantial acquisition of the Company under the GEM Listing Rules. The addition of "Clarks" has led to a significant increase in our revenue and gross profit. Our consolidated statement of profit and loss and other comprehensive income for FY2022 includes the results of the LionRock and Clark Group from July 2022 through the end of the year. Given the substantial assets, liabilities and operations of LionRock and the Clark Group, our results for FY2022 was substantially different from the previous respective years and dates. For more information regarding the First Clark Acquisition, please see the section headed "History and Corporate Structure – Major Acquisitions during the Track Record Period – Clark – First Clark Acquisition". For financial information regarding the Clark Group before the First Clark Acquisition, please see the section headed "Financial Information for the Clark Group".

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

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. Our significant accounting policies, estimates and judgements, which are important for the understanding of our financial condition and results of operations are set out below. For details, please see notes 2.3 and 3 in the Accountant's Report of our Group contained in Appendix I to this document.

Significant Accounting Policies

Revenue recognition

The following is a description of the accounting policy for the principal revenue streams of our Group:

(a) Multi-brand apparel and footwear

Revenue from the sales of goods is recognised upon delivery of the product to the customer in an amount equal to the contract sales prices less estimated sales allowances for sales returns.

(b) Sports experience

(1) Sports destinations development (including sports parks, sports centres and ice-skating rinks)

- Revenue from entrance fees, tuition fees and service fees is recognised in the accounting period in which the services are rendered.
- Rental income from operating leases where the Group is a lessor is recognised on a straight-line basis over the relevant lease term.
- Revenue from the sales of consumables is recognised when the consumable is delivered to the customer.

(2) Sports team and event management

- The revenue from participation in leagues, including the fixed service fee and the expected value of the variable consideration, is recognised over the duration of the league period. The estimated amount of variable consideration is recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.
- Revenue from sponsorship fees is recognised over the duration of the contracts.
- Revenue from transfer fees paid by other e-sports clubs to which our e-sports athletes transferred is recognised when the transfer is completed.

When another party is involved in providing goods or services to a customer, our Group is a principal if it obtains control through one of the following way:

- control the good or services before it transfers to the customers;
- has the ability to direct another party to provide the service to the customer on the entity's behalf; or
- providing a significant service of integrating services and obtains control of the inputs to the specified good or service and directs their use to create the combined output that is the specified good or service.

If control is not clear, our Group will analyse the three indicators (1) who is the primary obligator; (2) who has the inventory risk; and (3) who has the discretion in establishing the price to assist the analysis of control. Sometimes, control is not always clear and judgement is need in analysis of whether our Group is principle or agent.

Rental income

Rental income is recognised on a straight line basis over the lease terms.

Sale of gift vouchers

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

Sale with a right of return/exchange

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

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

(b) a refund liability; and

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

Loyalty scheme

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

Interest income

Interest income from financial assets at fair value through profit or loss is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the statement of profit or loss as part of other income and other gains/(losses)-net.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Royalty income

Royalty income is recognised on a time proportion basis in accordance with the substance of the relevant agreements.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and our Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

Property, plant and equipment

Property, plant and equipment primarily consist of buildings, leasehold improvements, machinery and office equipment, furniture and fixtures, and motor vehicles. They are stated at cost less accumulated depreciation and any impairment losses. Freehold lands are stated at cost less impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The principal annual rates used for this purpose are as follows:

Freehold lands	Not depreciated
Buildings	2%-5%
Leasehold improvements	6.7% to 33% or over the lease terms, whichever is shorter
Machinery and office equipment	5%-33.3%
Furniture and fixtures	9%-33.3%
Motor vehicles	9%-33.3%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income and other gains – net' in the profit or loss.

Investment properties

Investment properties are measured initially at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date with reference to valuation report when applicable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

Changes in fair values are recorded in the profit or loss as part of a valuation gain or loss in 'other income and other gains – net'. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, represents the excess of the consideration transferred over our Group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Impairment reviews of goodwill arising from acquisition of subsidiaries are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets with a limited useful life are amortised using the straight-line method over the following periods:

Trademarks and licensing right and membership	2-20 years
Operating rights	15-20 years
League qualification	9 years
Home and away co-operation agreement	1.6 years
Players' registration rights	1-3 years
Software	3-5 years

Trademarks and membership

Trademarks and membership acquired in business combination are recognised at fair value at the acquisition date. When determining the useful lives of such intangible assets, our Group generally takes into consideration (i) the estimated period during which such asset can bring economic benefits to our Group; and (ii) the estimated useful lives of similar assets disclosed by comparable companies in the market. Our Group estimates the useful lives of 5-20 years.

Licensing right

The Group purchased a licensing right and estimates useful lives of 2 years based on the period of control over the licensing right specified in the contract.

Operating right

Operating rights acquired in a business combination are recognised at fair value at the acquisition date. When determining the useful lives of such intangible assets, the Group estimates useful lives of 15 to 20 years based on the period of control over the operating right specified in the contract.

League qualification

League qualification have finite useful life which is estimated for 9 years based on period of control over the assets specified in the agreement.

Home and away co-operation agreement

Home and away co-operation agreement have finite useful life which is estimated for 20 months.

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by our Group are recognised as intangible assets where the following criteria are met.

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by our Group.

Contracts may contain both lease and non-lease components. We allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by our Group under residual value guarantees
- the exercise price of a purchase option if we are reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects our Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If we are reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While we revalue the land and buildings that are presented within property, plant and equipment, we have chosen not to do so for the right-of-use buildings held by our Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Derivative financial instruments

Our Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the consolidated statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to the consolidated statement of profit or loss when the hedged item affects profit or loss.

Hedge accounting

Cash flow hedges

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

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

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

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

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

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

Employee benefits

Pension plans

For defined contribution plans, our Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in finance cost-net in the statement of profit or loss. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Our group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

– The employees of our subsidiaries which operate in the mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

– Our Group operates pension schemes in the UK and US including defined benefit and defined contribution sections.

– Our Group operates two pension schemes in Hong Kong, namely the Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance and a defined contribution retirement benefit scheme as defined in the Occupational Retirement Schemes Ordinance (the "**ORSO Scheme**"), for all of its employees in Hong Kong. Under the MPF Scheme, contributions of 5% of the employees' relevant income with a maximum monthly contribution of HK$1,500 per employee are made by each of the employer and the employees. The employer contributions are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. Our employer contributions vest fully with the employees when contributed into the MPF Scheme. Under the ORSO Scheme, contributions of 5% of the employees' basic salaries are made by the employer and are charged to profit or loss as they become payable in accordance with the rules of the ORSO Scheme. The rates of contributions made by the employees are either 0% or 5% of the salary of each employee at the discretion of the employee. When an employee leaves the ORSO Scheme prior to his/her interest in our employer contributions vesting fully, the ongoing contributions payable by our Group may be reduced by the relevant amount of forfeited contributions. The assets of the MPF and ORSO Schemes are held separately from those of our Group in independently administered funds.

– Our subsidiaries in Singapore participate in a Central Provident Fund Scheme, which is a contribution plan established by the Central Provident Fund Board in Singapore.

Critical Accounting Estimates, Assumptions and Judgements

Impairment of goodwill and intangible assets

Indefinite life intangible assets and goodwill are tested for impairment annually and at other times when such an indicator exists. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Both calculations require the use of estimates. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. In estimating the value in use of assets, various assumptions, including future cash flows to be associated with the non-current assets (such as future sales forecast, expected capital expenditure and working capital requirements) and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on our results of operations or financial position.

We have assessed the recoverable amount of the CGU with goodwill. The recoverable amounts of the CGUs with goodwill have been determined based on value in use calculation which use cash flow projections or fair value less costs of disposal calculation which use an enterprise value-to-sales model. These cash flow projections are derived from the approved business plan which has a forecast covering a period of 5-10 years and have incorporated necessary updates. For the key assumptions used in the value in use calculations or fair value less costs of disposal calculation, please see note 14 of the Accountant's Report of our Group which is contained in Appendix I to the document.

Impairment of property, plant and equipment, and right-of-use assets

We assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period in accordance with the accounting policies. This requires an estimation of the value in use and fair value less cost of disposal of the asset. Estimating the value in use for the impairment assessment of property, plant and equipment and right-of-use assets requires our Group to make an estimate of the expected future cash flows from the asset using key assumptions such as the estimated future store performance, economic environment and the sales growth rate and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for inventories

Management reviews the ageing analysis of inventories at the end of each reporting period, and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The assessment of the provision amount involves management judgements and estimates by considering historical sales patterns and expected subsequent sales based on internal budgets and certain market factors. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the inventories and provision charge/write-back in the period in which such estimate has been changed. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether provision needs to be made in respect of any obsolete inventories identified. Management reassesses the estimation at the end of each reporting period and is satisfied that sufficient provision for obsolete and slow-moving inventories has been made in the consolidated financial statements.

Fair value of identifiable assets and liabilities acquired through business combinations

We apply the acquisition method to account for business combinations, which requires our Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgement is used to estimate the fair values of the assets and liabilities acquired, including estimating future cash flows, asset useful life, discount rates used and unit price of properties.

Income taxes and deferred taxation

We are subject to income taxes in UK, US, Hong Kong, mainland China, and elsewhere in which we operate. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. We recognise liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are recognised when management considers it is probable that future taxable profits will be available to utilize those temporary differences and losses. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed.

Valuation for defined benefit pension obligation

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

Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency.

Fair value of financial assets at fair value through profit or loss

During the Track Record Period, our Company has loan and interest receivable due from Lionrock Capital and options measured at fair value through profit or loss within level 3 of fair value measurement as set out in note 16 and note 44 to the Accountant's Report of our Group contained in the Appendix I to this document. We classified the loan and interest receivable and options as financial assets/liabilities at fair value through profit or loss of which no quoted prices in an active market exist.

The fair values of the financial assets at fair value through profit or loss within level 3 of fair value measurement is established by using different valuation techniques which include some inputs. For the loan and interest receivable, management used discounted cash flow as the valuation technique and the significant unobservable input was discount rate.

And for the options, management used the income approach and Binomial option pricing model as the valuation technique and the significant unobservable inputs were discount rate, annual risk-free rate, expected volatility, life of options and probability of fulfilling all conditions for exercise. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial assets at fair value through profit or loss within level 3 of fair value measurement.

In relation to the valuation of the financial assets at fair value through profit or loss within level 3 of fair value measurement, our Directors, based on the professional advice received, adopted the following procedures when applicable: (i) reviewed the relevant terms of the agreements/documents; (ii) engaged independent valuer where applicable, provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (iii) carefully considered all information especially those non-market related information input, time to maturity, discount for lack of marketability and discount rates, which require management assessments and estimates; and (iv) reviewed the valuation report where applicable. Based on the above procedures, our Directors are of the view that the valuation analysis is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of the financial assets at fair value through profit or loss, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in note 44 to the historical financial information of our Group for the Track Record Period as set out in the Accountant's Report of our Group issued by the reporting accountant of our Group in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in Appendix I. The reporting accountant's opinion on the Historical Financial Information of our Group for the Track Record Period as a whole is set out on [I-1] to [I-3] of Appendix I.

In relation to the valuation analysis performed by the Directors and the external valuer on the financial assets at fair value through profit or loss, the Sole Sponsor has conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountants' Report of the Group as contained in Appendix I; (ii) review of the relevant documents relating to the level 3 financial assets provided by the Group and the external valuer; (iii) review of the relevant valuation report (where available) of the level 3 financial assets and the engagement letter of the external valuer to understand its scope of work; (iv) discussed with the external valuer in relation to the valuation of the options under the level 3 financial assets and obtained written responses to due diligence questionnaire from the external valuer to understand the key basis and assumptions as well as the methodology for the valuation; (v) discussed with the Company and obtained written responses to due diligence questionnaire from the Company to understand its work done in reviewing the fair value estimation of level 3 financial assets; and (vi) discussed with the reporting accountant of the Group on its work done in relation to the valuation method as well as the assumptions and inputs used in the valuation for the relevant level 3 financial assets. Having considered the work done by the Directors and the reporting accountant of the Group and the relevant due diligence done as stated above, nothing has come to the attention of the Sole Sponsor that would lead the Sole Sponsor to question the valuation analysis performed by the Directors and the external valuer on the valuation of financial assets at fair value through profit or loss within level 3 of fair value measurement.

RESULTS OF OPERATIONS

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

	FY2020		FY2021		FY2022	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Revenue	819,036	100.0	1,381,637	100.0	6,900,390	100.0
Cost of sales	(488,248)	(59.6)	(809,255)	(58.6)	(3,739,801)	(54.2)
Gross profit	330,788	40.4	572,382	41.4	3,160,589	45.8
Other income and other gains – net	1,359,084	165.9	4,548,086	329.2	1,023,644	14.8
Selling and distribution expenses	(224,412)	(27.4)	(572,425)	(41.4)	(2,713,306)	(39.3)
Administrative and other operating expenses	(453,077)	(55.3)	(502,742)	(36.4)	(1,080,679)	(15.7)
(Impairment loss)/reversal of impairment loss on financial assets – net	(274)	(0.0)	9,166	0.7	(4,617)	(0.1)
Finance costs	(65,140)	(8.0)	(37,049)	(2.7)	(57,802)	(0.8)
Share of profits less losses of associates and joint ventures	266,393	32.5	492,571	35.6	543,322	7.9
Profit before income tax	1,213,362	148.1	4,509,989	326.4	871,151	12.6
Income tax (expense)/credit	(13,767)	(1.6)	(35,735)	(2.6)	1,860	0.0
Profit for the year	1,199,595	146.5	4,474,254	323.8	873,011	12.6
Profit/(loss) attributable to:						
Equity holders of our Company	1,192,392	145.6	4,562,639	330.2	850,416	12.3
Non-controlling interests	7,203	0.9	(88,385)	(6.4)	22,595	0.3
	1,199,595	146.5	4,474,254	323.8	873,011	12.6

DESCRIPTION OF SELECTED ITEMS IN STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we generated revenue from two segments, namely (i) multi-brand apparel and footwear business; and (ii) sports experience business. The following table sets forth a breakdown of our revenue by segments for the year indicated:

	FY2020		FY2021		FY2022	
	HK\$'000	*%*	*HK\$'000*	*%*	*HK\$'000*	*%*
Multi-brand apparel and footwear *(Note 1)*	438,994	53.6	851,222	61.6	6,399,546	92.7
Sports experience	380,042	46.4	530,415	38.4	500,844	7.3
Total	819,036	100.0	1,381,637	100.0	6,900,390	100.0

Note:

1. Our apparel and footwear brands mainly included "Bossini", "bossini.X", "LNG", "Amedeo Testoni" and "Clarks" during the Track Record Period. Revenue attributable to "Bossini" (including "bossini.X") was HK\$421.0 million, HK\$702.5 million and HK\$593.5 million, representing 51.4%, 50.8% and 8.6% of our total revenue, in FY2020, FY2021 and FY2022, respectively.

Multi-brand Apparel and Footwear Goods Business

We launched our multi-brand apparel and footwear business at the end of 2019 to capture opportunities in sports life-related consumer products market in China. In the third quarter of 2020, we acquired 66.5% of the entire issued share capital of Bossini. Bossini Group is engaged in the retail and distribution of casual wear and is a well-known apparel brand in Hong Kong and mainland China. Thereafter, Bossini became a non-wholly owned subsidiary of our Group and had brought in new sources of revenue for our Group starting from the third quarter of 2020. Apart from the acquisition of Bossini Group, our Group officially launched a new series of apparel and footwear under the "LNG" brand.

We have expanded the multi-brand apparel and footwear business which mainly includes the investment and operation of apparel and footwear that feature with multi-brand and multi-categories, aiming to increase market share and penetration rate in FY2021. We have commenced operation of the physical retail stores of "LNG" brand in the first quarter of 2021. In FY2021, Bossini launched the new brand bossini.X which opened more than 40 retail stores in the PRC, while "LNG" brand opened 19 stores in the PRC during the same period. Both Bossini and LNG brands have continued to grow and expand since 2020 and recorded increase in revenue in FY2021 compared to that in FY2020. The multi-brand apparel and footwear consumable goods business generated revenue of HK\$439.0 million and HK\$851.2 million in FY2020 and FY2021, respectively.

With the further growth of our existing brands and the acquisition of the Clark Group and "Amedeo Testoni" in July 2022 and January 2022, respectively, which revenue has been consolidated to our profit or loss since their acquisition, our revenue from multi-brand apparel and footwear business significantly increased to HK\$6,399.5 million in FY2022. The revenue contributed by the Clark Group since its consolidation to our Group amounted to HK\$5,386.9 million in FY2022.

Sports Experience Business

During the Track Record Period, the sports experience segment primarily comprised (i) sports destination development, and (ii) sports team and event management. The following table sets forth a breakdown of our sports experience segment for the years indicated:

	FY2020		FY2021		FY2022	
	HK\$'000	*%*	*HK\$'000*	*%*	*HK\$'000*	*%*
Sports destination development *(Note 1)*	169,153	44.5	269,365	50.8	244,076	48.7
Sports team and event management *(Note 2)*	210,889	55.5	261,050	49.2	256,768	51.3
	380,042	100.0	530,415	100.0	500,844	100.0

Notes:

1. Sports destination development sub-segment mainly comprises operation of sports parks, sports centres and ice-skating rinks.

2. Sports team and event management sub-segment encompasses management and operation of an e-sports club, coordination of sports events and sports-related marketing services.

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

For sports experience, it is our Group's strategy to establish an integrated sports platform by using the existing resources of its sports experience business as the foundation. Our Group will continue its effort to capture and maximise the commercial values of the sports resources under our management, and encourage social participation in sporting activities through commercial management of popular sports events and competitions and operation of an e-sports club. The sports experience segment generated revenue of HK$380.0 million, HK$530.4 million and HK$500.8 million in FY2020, FY2021 and FY2022, respectively.

With the effect from Beijing Winter Olympics and the Chinese e-sport team's victory in the 11th League of Legends global finals, the interest in winter sports and e-sports continued to heat up, plus the recovery of the sports experience segment from the COVID-19 epidemic, the revenue and result of sports experience segment improved in FY2021 compared to that in FY2020, especially for the ice-skating rinks business and the e-sports business.

Our revenue from sports experience segment decreased in FY2022, primarily due to the temporary closure of certain of our sports parks, sports centres and ice-skating rinks in response to the national pandemic prevention measures amidst the outbreak of pandemic in China during 2022. Therefore, a decrease of 5.6% in revenue of this segment was recorded during the year as compared to prior year.

Cost of sales

During the Track Record Period, our cost of sales mainly represented (i) cost of inventories sold, which included the provision/(reversal of provision) for inventories; and (ii) cost of services provided. The following table sets forth a breakdown of our cost of sales for the years indicated:

	FY2020		FY2021		FY2022	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Cost of inventories sold	215,337	44.1	449,236	55.5	3,373,530	90.2
Cost of services provided	272,911	55.9	360,019	44.5	366,271	9.8
Total	488,248	100.0	809,255	100.0	3,739,801	100.0

During the Track Record Period, our cost of inventories sold mainly represented the cost of multi-brand apparel and footwear. Our cost of services provided mainly represented the labour and related costs for our sports experience segment and fee paid or payable to sports event organisers.

Our cost of sales amounted to HK$488.2 million, HK$809.3 million and HK$3,739.8 million in FY2020, FY2021 and FY2022, respectively. Our cost of sales increased from FY2020 to FY2021, primarily due to the increase in cost of inventories sold mainly due to the (i) multi-brand apparel and footwear since the acquisition and consolidation of Bossini Group in late July 2020 and the expansion of our LNG Brand; and (ii) cost of services provided primarily attributable to the recovery of the sports experience segment from the pandemic. The relatively lower cost of sales in FY2020 was primarily due to the decrease in cost of services provided resulting from 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 amidst COVID-19.

Our cost of inventories accounted for an increasing proportion of our total cost of sales in FY2022 compared to other periods during the Track Record Period, primarily due to (i) increase in cost of inventories sold primarily as a result of the acquisition of the Clark Group which contributed HK$2,714.3 million in FY2022; and (ii) increase in cost of inventories in relation to our shoe factory, which was set up in FY2021, of HK$156.6 million; whilst our cost of services provided accounted for a decreasing proportion in FY2022, primarily due to the decrease in revenue generated from sports experience business resulted from temporary closure of sport parks, sport centres and ice-skating rinks due to COVID-19 pandemic in PRC in the first half of 2022.

Gross profit and gross profit margin

Our gross profit represented revenue less cost of sales during the Track Record Period. Our gross profit amounted to HK$330.8 million, HK$572.4 million and HK$3,160.6 million in FY2020, FY2021 and FY2022, respectively, while the gross profit margin was 40.4%, 41.4% and 45.8% in the respective year. The following table sets forth a breakdown of our gross profit and gross profit margin for the years indicated:

	FY2020		FY2021		FY2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Multi-brand apparel and footwear	231,992	52.8	417,757	49.1	3,039,106	47.5
Sports experience						
– Sports destination development and sport team and event management	98,796	26.0	154,625	29.2	121,483	24.3
Total	**330,788**	**40.4**	**572,382**	**41.4**	**3,160,589**	**45.8**

Our gross profit margin remained relatively stable at 40.4% and 41.4% in FY2020 and FY2021, respectively. Our gross profit margin increased to 45.8% in FY2022, primarily due to the increase in revenue contribution of our multi-brand apparel and footwear business, mainly resulting from the acquisition of the Clark Group in July 2022, which attained a relatively higher gross profit margin compared to our sports experience business.

Our gross profit margin of multi-brand apparel and footwear business decreased from 52.8% in FY2020 to 49.1% in FY2021, primarily due to the set-up of a shoe factory in the PRC which attained relatively lower gross profit margin. Our gross profit margin of multi-brand apparel and footwear business further decreased to 47.5% in FY2022 primarily due to (i) increase in contribution from sales generated from our shoe factory of HK$168.8 million, which was still at the early stage of its operation and attained a lower gross profit compared to other streams of revenue; and (ii) increase in discount offered by Bossini and LNG brands in order to boost their sales. The decrease in gross profit margin in FY2022 was partially offset by the revenue contribution by Clarks after the completion of the First Clark Acquisition.

The gross profit margin of sports experience increased from 26.0% in FY2020 to 29.2% in FY2021, primarily due to the recovery from pandemic in the PRC which allowed the (i) full-year operation of the sports parks, sports centres and ice-skating rinks in FY2021 that were closed for a few months in FY2020; and (ii) resumption of sports competition in FY2021 that were postponed or cancelled in FY2020. The gross profit margin of sports experience business then decreased to 24.3% in FY2022 primarily due to the decrease in gross profit margin mainly from sports team management business in FY2022 as a result of (i) the delay in recognition of revenue from e-sports tournaments pending confirmation by the organisers; and (ii) the increase in our costs for recruitment of e-sports athletes.

Other income and other gains – net

Other income and other gains – net mainly represented (i) net gain on disposal of partial interest in an associate; (ii) deemed dilution gain on decrease of interest in associate; (iii) gain on bargain purchase; (iv) government grants; (v) foreign exchange gain/(loss); (vi) fair value (loss)/ gain on investment property; (vii) gain on disposal of a subsidiary; and (viii) fair vale gain/(loss) on financial assets/liabilities at fair value through profit or loss. The following sets forth a breakdown of our other income and other gains – net for the years indicated:

	FY2020	**FY2021**	**FY2022**
	HK$'000	*HK$'000*	*HK$'000*
Other income			
Government grants	33,187	34,092	52,895
Interest income	18,250	13,176	24,528
Others	11,950	34,197	20,598
	63,387	81,465	98,021
Other gains – net			
Fair value gain/(loss) on financial assets/ liabilities at fair value through profit or loss	3,623	20,110	(46,103)
Fair value gain on derivative financial instruments	–	–	23,039
Fair value (loss)/gain on investment properties	(1,400)	74,830	10,600
Net loss on disposal of property, plant and equipment	(2,680)	(4,780)	(8,553)
Foreign exchange gain/(loss)	27,855	(1,358)	(31,663)
Gain on disposal of a subsidiary	–	52,867	–
Gain on bargain purchase	245,300	–	956,346
Write-off of other payables	–	–	16,745
Net gain from early termination and modification of leases	–	5,915	4,152
Net gain on disposal of partial interest in an associate	1,022,999	3,338,753	–
Deemed dilution gain on decrease of interest in an associate	–	977,982	7,016
Others	–	2,302	(5,956)
	1,295,697	4,466,621	925,623
Total	**1,359,084**	**4,548,086**	**1,023,644**

Government grants – During the Track Record Period, government grants mainly represented government subsidy on sports parks operation and e-sports. There were no unfulfilled conditions or contingencies relating to these subsidies that were included in our consolidated statements of profit or loss. Majority of our government grants are recurring in nature for supporting the operation of sports parks and e-sports.

Net gain on disposal of partial interest in an associate – During the Track Record Period, we disposed of certain issued shares in Li Ning Co which attained net gain of HK$1,023.0 million, HK$3,338.8 million and nil in FY2020, FY2021 and FY2022 respectively.

Deemed dilution gain on decrease of interest in an associate – We have deemed dilution gain arising from the decrease of 0.5% shareholding in Li Ning Co amounting to HK$978.0 million in FY2021.

Gain on bargain purchase – We had gain on bargain purchase of HK$245.3 million arising from the acquisition of Bossini Group in FY2020. In FY2020, we acquired the Bossini Group, with net identified assets amounted to HK$438.8 million, at a consideration of HK$46.7 million. Net of the non-controlling interest of HK$146.8 million, the gain on bargain purchase amounted to HK$245.3 million in FY2020. In FY2022, we acquired "Amedeo Testoni" and the Clark Group, which contributed the provisional gain on bargain purchase amounted to HK$956.3 million in FY2022. For details, please refer to note 39 of the Accountant's Report of our Group contained in the Appendix I to this document.

Fair value gain/(loss) on financial assets/ liabilities at fair value through profit or loss – During the Track Record Period, our fair value gain/(loss) on financial assets/liabilities at fair value through profit or loss generally arose from the loan and interest 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. For details of the financial assets at fair value through profit or loss, please refer to paragraph headed "Description of Certain Items of Consolidated Statements of Financial Position – Financial assets at fair value through profit or loss" in this section.

Selling and distribution expenses

Our selling and distribution expenses mainly comprised staff costs in relation to our multi-brand apparel and footwear business. The following sets forth a breakdown of our selling and distribution expenses for the years indicated:

	FY2020		FY2021		FY2022	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Staff costs	67,004	29.8	150,719	26.4	989,135	36.5
Marketing expenses (including distributor's commission)	31,250	13.9	105,414	18.4	302,459	11.1
Depreciation and amortisation	47,972	21.4	100,305	17.5	327,523	12.1
Impairment of assets	–	–	87,159	15.2	341,040	12.6
Rental expenses and building management fee	51,305	22.9	80,868	14.1	348,214	12.8
Freight and distribution expense	7,635	3.4	11,279	2.0	52,930	2.0
Others	19,246	8.6	36,681	6.4	352,005	12.9
Total	224,412	100.0	572,425	100.0	2,713,306	100.0

Our selling and distribution expenses amounted to HK$224.4 million, HK$572.4 million and HK$2,713.3 million in FY2020, FY2021 and FY2022, respectively, representing 27.4%, 41.4% and 39.3% of our total revenue during the respective year. The increase in selling and distribution expenses throughout the Track Record Period was mainly due to the increase in staff costs and marketing expenses (including distributor's commission) due to the expansion of multi-brand apparel and footwear business. The significant increase in selling and distribution expenses in FY2022 was mainly contributed by the Clark Group of HK$1,989.5 million.

Our depreciation and amortisation increased by HK$52.3 million from FY2020 to FY2021, primarily due to the full-year impact contributed by the Bossini Group, which amounted to HK$87.6 million in FY2021; and the expansion of LNG brand with the opening of 10 directly-operated stores during FY2021. Our depreciation and amortisation further increased by HK$227.2 million to FY2022, primarily due to (i) the contribution from the Clark Group of HK$215.1 million; (ii) the acquisition of "Amedeo Testoni" in January 2022, which contributed HK$6.2 million in FY2022; and (iii) the expansion of bossini.X and LNG brands.

We had impairment of assets of HK$87.2 million and HK$341.0 million in FY2021 and FY2022, respectively. The impairment of assets comprised impairment of property, plant and equipment and right-of-use due to worse-than expected performance of certain retail stores of Bossini and bossini.X brands resulted from COVID-19 pandemic in PRC (including Hong Kong) during FY2021. In FY2022, our impairment of assets further increased to HK$341.0 million, primarily due to the impairment of property, plant and equipment and right-of-use assets in relation to (i) the Clark Group of HK$213.8 million for the slower pace of recovery from COVID-19 in the UK and the US; and (ii) the impairment in Bossini, bossini X, LNG brands and ice-skating rinks resulted from challenging market in the PRC due to the COVID-19 related lock-down and social distancing measures imposed in China during FY2022.

Our rental expenses and building management fee increased by HK$29.6 million from FY2020 to FY2021, primarily due to the full-year impact of the acquisition of the Bossini Group, which amounted to HK$78.5 million in FY2021. The rental expenses and building management fee further increased by HK$267.3 million in FY2022, primarily due to (i) such expenses and fees from the Clark Group of HK$247.4 million since completion of the First Clark Acquisition; and (ii) those from "Amedeo Testoni" of HK$9.6 million; and (iii) the expansion of bossini.X and LNG brands.

Administrative and other operating expenses

Administrative and other operating expenses primarily comprised staff costs, legal and professional fee and depreciation and amortisation charges.

The following table sets forth a breakdown of our administrative and other operating expenses for the years indicated:

	FY2020		FY2021		FY2022	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Staff costs	156,167	34.5	283,713	56.4	597,309	55.3
Legal and professional fee	39,320	8.7	67,748	13.5	100,053	9.3
Depreciation and amortisation	53,872	11.9	64,295	12.8	145,774	13.5
Rental expenses and building management fee	6,965	1.5	21,398	4.3	13,734	1.3
Office expenses	7,687	1.7	14,352	2.8	23,999	2.2
Impairment of goodwill and intangible assets	130,107	28.7	–	–	64,837	6.0
Others *(Note 1)*	58,959	13.0	51,236	10.2	134,973	12.4
Total	453,077	100.0	502,742	100.0	1,080,679	100.0

Note:

1. Others mainly included compensation on business projects in relation to a property development project in the PRC, impairment of fixed assets, repair and maintenance charges, travelling expenses and donations to flooding in Henan in FY2021.

   Others decreased from HK$59.0 million in FY2020 to HK$51.2 million in FY2021, primarily due to the absence of impairment of fixed assets in FY2021, compared to an impairment of HK$28.4 million in FY2020. The decrease was partially offset by the donations of HK$10.0 million made in relation to the flooding in Henan in FY2021.

   Others then increased by HK$83.8 million from HK$51.2 million in FY2021 to HK$135.0 million in FY2022 primarily due to the contribution from the Clark Group and "Amedeo Testoni" of HK$79.5 million and HK$17.3 million, respectively, in FY2022 since being acquired by our Group.

Administrative and other operating expenses amounted to HK$453.1 million, HK$502.7 million and HK$1,080.7 million in FY2020, FY2021 and FY2022, respectively, representing 55.3%, 36.4% and 15.7% of our total revenue during the respective year.

Reversal of impairment loss/(impairment loss) on financial assets – net

We had impairment loss on financial assets of HK$0.3 million and HK$4.6 million in FY2020 and FY2022, respectively; and reversal of impairment loss on financial assets of HK$9.2 million in FY2021, in relation to the balances of trade and other receivables.

We applied the expected credit loss model to financial assets measured at cost, including trade debtors and bills receivable, deposits and other receivables and cash and cash equivalent.

Finance costs

Our finance costs represented interest on (i) bank loans; and (ii) lease liabilities, which was redeemed in the same year. In FY2022, there was net interest income on defined benefit schemes of HK$13.3 million due to the contribution from Clark Group. The following sets forth a breakdown of our finance costs for the years indicated:

	FY2020	**FY2021**	**FY2022**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank loans	47,942	16,078	20,864
Interest on lease liabilities	17,198	20,971	50,229
Net interest income on the defined benefit schemes	–	–	(13,291)
	65,140	37,049	57,802

Our finance costs amounted to HK$65.1 million, HK$37.0 million and HK$57.8 million in FY2020, FY2021 and FY2022, respectively.

Share of profits less losses of associates and joint ventures

Our Group has adopted the provision contained in HKAS 28 whereby it is permitted to include the attributable share of associate's results based on the financial statements drawn up to a non-coterminous period end where the difference must be no greater than three months. During the 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.

Income tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period. The PRC corporate income tax provision in respect of operations in the PRC is calculated mainly based on the statutory tax rate of 25% on the estimated assessable profits for the year or the period based on existing legislation, interpretations and practices in respect thereof. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which our Group operates.

For our operations in the UK and US, taxes have been provided at respective rates. UK corporate tax has been provided at the rate of 19%, on the estimated assessable profits arising in the UK. The US corporate income tax provision is subject to US federal corporate income tax at a rate of 21% and state income tax at rates range from 2.5% to 9.9% to the extent of the apportioned profit.

Our income tax amounted to HK$13.8 million and HK$35.7 million in FY2020 and FY2021, respectively; while our effective tax rate was 1.1% and 0.8% for the respective year. The relatively low effective tax rate was mainly due to the income not subject to tax such as net gain on disposal of partial interest in an associate, deemed dilution gain on decrease of interest in an associate, gain on bargain purchase and fair value gain on financial assets or liabilities at fair value through profit or loss. We had income tax credit of HK$1.9 million in FY2022, and effective tax rate is not applicable for the same year.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

FY2021 compared to FY2020

Revenue

Our revenue increased by HK$562.6 million or 68.7% from HK$819.0 million for FY2020 to HK$1,381.6 million for FY2021, primarily due to the increase in revenue from (i) multi-brand apparel and footwear business of HK$412.2 million; and (ii) sports experience business of HK$150.4 million.

Revenue from multi-brand apparel and footwear business was significantly increased by HK$412.2 million, which was mainly due to (i) the full-year impact of the revenue contributed from the Bossini Group in FY2021, which was the first full financial year following the acquisition of the Bossini Group since July 2020; and (ii) the growth of LNG brand.

Revenue from sports experience business increased by HK$150.4 million, mainly attributable to the (i) impact from Beijing Winter Olympics and the Chinese e-sport team's victory in the 11th League of Legends global finals; and (ii) the recovery of the sports experience segment from the pandemic.

Cost of sales

Our cost of sales increased by HK$321.1 million or 65.8% from HK$488.2 million for FY2020 to HK$809.3 million for FY2021, primarily due to the increase cost of inventories sold mainly due to the (i) multi-brand apparel and footwear since the acquisition and consolidation of Bossini Group in late July 2020 and the expansion of our LNG Brand; and (ii) cost of services provided primarily attributable to the recovery of the sports experience segment from the pandemic.

Gross profit and gross profit margin

Our gross profit increased by HK$241.6 million or 73.0% from HK$330.8 million in FY2020 to HK$572.4 million in FY2021. Such increase in gross profit was in line with the increase in our revenue. Our gross profit margin slightly increased from 40.4% in FY2020 to 41.4% in FY2021, primarily due to the increase in gross profit margin of our sport experience business from 26.0% in FY2020 to 29.2% in FY2021, primarily due to the recovery from pandemic in PRC which allowed the (i) full-year operation of the sports centres and ice-skating rinks in FY2021 that were closed for a few months in FY2020; and (ii) resumption of sports competition in FY2021 that were postponed or cancelled in FY2020. The increase was partially offset by the decrease in gross profit margin of our multi-brand apparel and footwear business, primarily due to the set-up of a shoe factory in the PRC which attained relatively lower gross profit margin in FY2021.

Other income and other gains – net

Our other income and other gains – net increased by HK$3,189.0 million or 234.6% from HK$1,359.1 million in FY2020 to HK$4,548.1 million in FY2021. The increase was mainly attributable to the (i) increase in gain on disposal of partial interest in an associate, Li Ning Co, of HK$2,315.8 million; (ii) deemed dilution gain arising from the decrease of 0.5% shareholding in an associate, Li Ning Co, amounting to HK$978.0 million in FY2021 compared to nil in FY2020; (iii) fair value gain on investment properties of HK$74.8 million in FY2021 compared to a fair value loss of HK$1.4 million in FY2020; and (iv) gain on disposal of a subsidiary of HK$52.9 million compared to nil in FY2020. The increase was partially offset by the absence of gain on bargain purchase of HK$245.3 million arising from the acquisition of Bossini in FY2020.

Selling and distribution expenses

Our selling and distribution expenses increased by HK$348.0 million or 155.1% from HK$224.4 million in FY2020 to HK$572.4 million in FY2021. The increase was attributable to the expenses from the (i) full year impact of Bossini Group which was acquired in late July 2020; (ii) increase in staff costs due to expansion of multi-brand apparel and footwear business; and (iii) impairment of property, plant and equipment and right-of-use assets of HK$87.2 million primarily due to the continuous under-performance of certain retail stores of Bossini and bossini.X.

Administrative and other operating expenses

Our administrative and other operating expenses increased by HK$49.6 million and 10.9% from HK$453.1 million in FY2020 to HK$502.7 million in FY2021. The increase in administrative and other operating expenses was primarily attributable to the (i) full year impact of the expenses of Bossini Group, with an increment of HK$113.6 million in FY2021 compared to that in FY2020; and (ii) increase in share option expenses (excluding Bossini Group) by HK$28.3 million. The increase was partially offset by the absence of impairment of goodwill and intangible assets in current year compared to HK$130.1 million in FY2020.

(Impairment loss)/reversal of impairment loss on financial assets – net

We recorded net reversal of impairment loss on financial assets of HK$9.2 million in FY2021 compared to net impairment loss on financial assets of HK$0.3 million in FY2020. The net reversal of impairment loss in FY2020 was primarily due to the recovery of trade receivable provision in FY2021 in relation to the sales of construction materials. As the outstanding balance was settled, the provision provided in prior years was reversed.

Finance costs

Our finance costs decreased from HK$65.1 million in FY2020 to HK$37.0 million in FY2021. The decrease in finance costs was primarily attributable to (i) the decrease in interest rate; and (ii) bank loans were fully settled in June 2021.

Share of profits less losses of associates and joint ventures

The share of profits less losses of associates and joint ventures increased by HK$226.2 million or 84.9% from HK$266.4 million in FY2020 to HK$492.6 million in FY2021. The increase was mainly due to the increase in contribution of Li Ning Co and Double Happiness of HK$220.8 million and HK$17.9 million, respectively, due to the increase in revenue and net profit margin in FY2021.

Income tax

Our income tax increased from HK$13.8 million in FY2020 to HK$35.7 million in FY2021, primarily due to the increase in assessable income. Our effective tax rates remained relatively low at 1.1% and 0.8% in FY2020 and FY2021, respectively. The relatively low effective tax rate was mainly due to the income not subject to tax such as net gain on disposal of partial interest in an associate, deemed dilution gain on decrease of interest in an associate, gain on bargain purchase, fair value gain on investment properties and fair value gain on financial assets or liabilities at fair value through profit or loss.

Net profit attributable to equity holders

Our net profit attributable to equity holders increased by HK$3,370.2 million or 282.6% from HK$1,192.4 million in FY2020 to HK$4,562.6 million in FY2021. The increase was mainly due to the increase in gain on disposal of partial interest in an associate, Li Ning Co, of HK$2,315.8 million and the deemed dilution gain arising from the decrease of 0.5% shareholding in an associate, Li Ning Co, of HK$978.0 million compared to nil in FY2020.

Profit for the year

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

FY2022 compared to FY2021

Revenue

Our revenue increased by HK$5,518.8 million or 399.4% from HK$1,381.6 million for FY2021 to HK$6,900.4 million for FY2022, primarily due to the increase in revenue from multi-brand apparel and footwear business of HK$5,548.3 million partially offset by the decrease in sports experience business of HK$29.6 million.

Revenue from multi-brand apparel and footwear business increased by HK$5,548.3 million or 651.8% to HK$6,399.5 million in FY2022, which was mainly due to the (i) contribution from the Clark Group of HK$5,386.9 million since it was acquired by us in July 2022; (ii) contribution from "Amedeo Testoni" of HK$81.4 million since it was acquired by us in January 2022; (iii) the increase in revenue of HK$168.8 million from our shoe factory; and (iv) increase in revenue from bossini.X of HK$41.2 million, mainly resulting from the net increase of 76 self-operated stores in FY2022. The increase in revenue from multi-brand apparel and footwear business was partially offset by the decrease in revenue from Bossini of HK$145.7 million resulting from the net decrease of self-operated stores for Bossini in FY2022.

Revenue from sports experience business slightly decreased by HK$29.6 million or 5.6% to HK$500.8 million in FY2022. This is mainly attributable to the decrease in the hiring income from sports parks facilities and ice-skating rinks due to the temporary closure of certain of our sports parks, sports centres and ice-skating rinks in response to the COVID-19 related national pandemic prevention measures in the PRC during FY2022.

Cost of sales

Our cost of sales increased by HK$2,930.5 million or 362.1% from HK$809.3 million for FY2021 to HK$3,739.8 million for FY2022, primarily due to the increase in cost of inventories sold of HK$2,924.3 million mainly attributable to (i) contribution from the Clark Group of HK$2,714.3 million; (ii) contribution from "Amedeo Testoni" of HK$50.3 million; and (iii) increase in cost of inventories in relation to our shoe factory, of HK$156.6 million. The increase in cost of sales was partially offset by the cost of services provided which was mainly due to the decrease in revenue generated from sports experience business.

Gross profit and gross profit margin

Our gross profit increased by HK$2,588.2 million or 452.2% from HK$572.4 million for FY2021 to HK$3,160.6 million in FY2022. Such increase in gross profit was mainly contributed by (i) contribution from the Clark Group of HK$2,672.6 million, which attained a gross profit margin of 49.6% in FY2022; and contribution from "Amedeo Testoni" of HK$31.1 million, which attained a gross profit margin of 38.2% in FY2022.

Our profit margin increased from 41.4% in FY2021 to 45.8% in FY2022, primarily due to the increase in contribution from our multi-brand apparel and footwear business, mainly resulting from the acquisition of the Clark Group, which attained a higher gross profit margin compared to our sports experience business. The gross profit margin of our multi-brand apparel and footwear business slightly decreased from 49.1% in FY2021 to 47.5% in FY2022, primarily due to (i) increase in revenue contribution from our shoe factory, which, at the early stage of its operation, attained a relatively lower gross profit compared to other streams of revenue; and (ii) increase in discount offered by Bossini and LNG in order to boost their sales. The decrease in gross profit margin from multi-brand apparel and footwear business was partially offset by the relatively higher gross profit margin attained by the Clark Group compared to those of Other Brands.

Our gross profit margin from sports experience business decreased from 29.2% in FY2021 to 24.3% in FY2022, primarily due to the decrease in gross profit margin mainly from sports team management business in FY2022 as a result of (i) the delay in recognition of revenue from e-sports tournaments pending confirmation by the organiser; and (ii) the increase in our costs for recruitment of e-sports athletes.

Other income and other gains – net

Our other income and other gains – net gain decreased form HK$4,548.1 million in FY2021 to HK$1,023.6 million in FY2022. Such decrease was primarily due to (i) absence in gain on disposal of partial interest in an associate, Li Ning Co, of HK$3,338.8 million, which was recorded in FY2021; (ii) decrease in deemed dilution gain on decrease of interest in an associate of HK$971.0 million; (iii) fair value loss on financial assets/liabilities at fair value through profit or loss of HK$46.1 million in FY2022 compared to a fair value gain on financial assets/liabilities at fair value through profit or loss of HK$20.1 million in FY2021, which was attributable to the loan receivables denominated in GBP that was entirely settled in FY2022. Such loss was due to the depreciation of GBP against HKD during the period; (iv) decrease in fair value gain on investment property of HK$64.2 million resulting from the weak market sentiment in FY2022; (v) absence of gain on disposal of a subsidiary of HK$52.9 million; and (vi) increase in foreign exchange loss from HK$1.4 million in FY2021 to HK$31.7 million in FY2022, primarily resulting from the depreciation of GBP, EUR and RMB against HKD. The losses were partially offset by the provisional gain on bargain purchase of HK$956.3 million mainly in relation to the First Clark Acquisition.

Selling and distribution expenses

Our selling and distribution expenses increased by HK$2,140.9 million or 374.0% from HK$572.4 million in FY2021 to HK$2,713.3 million in FY2022. The increase was mainly attributable to (i) acquisition of the Clark Group which contributed HK$1,989.5 million during the year after its acquisition; and (ii) the increase from the Viva Group of HK$151.4 million primarily due to the increase in (a) staff cost of HK$72.8 million resulting from the continuous expansion of multi-brand apparel and footwear business; (b) impairment of property, plant and equipment and right-of-use assets of HK$40.1 million primarily due to the under-performance of Bossini, bossini.X, LNG and certain non-performing ice-skating rinks resulted from the resurgence of COVID-19 pandemic in the PRC is FY2022; and (c) rental expenses of HK$20.0 million resulting from the continuous expansion of multi-brand apparel and footwear business.

Administrative and other operating expenses

Our administrative and other operating expenses increased by HK$577.9 million and 115.0% from HK$502.7 million in FY2021 to HK$1,080.7 million in FY2022. The increase was mainly attributable to (i) the acquisition of Clark Group which contributed HK$454.1 million during the year after its acquisition; and (ii) the Viva Group of HK$123.8 million primarily due to the increase in (a) staff cost of HK$59.7 million resulting from the expansion of management team and administrative staff which was in line with the expansion of business; and (b) impairment of goodwill of HK$64.8 million primarily due to the under-performance of the LNG e-sports CGU resulting from the worse-than expected performance of this CGU due to the resurgence of COVID-19 pandemic in the PRC during FY2022.

(Impairment loss)/reversal of impairment loss on financial assets – net

We recorded net impairment loss on financial assets of HK$4.6 million in FY2022 compared to net reversal of impairment loss on financial assets of HK$9.2 million in FY2021. The net reversal of impairment loss in FY2021 was primarily due to the recovery of trade receivable provision in FY2021 in relation to the sales of construction materials. As the outstanding balance was settled, the provision provided in prior years was reversed.

Finance costs

Our finance costs increased from HK$37.0 million in FY2021 to HK$57.8 million in FY2022. The increase in finance costs was primarily attributable to increase in interest expenses on bank loans and lease liabilities resulting from the consolidation of Clark Group's performance since early July 2022. The increase was partially offset by the decrease in bank loans interest attributable to the settlement of bank loans amounted HK$1,256.0 million in June 2021 and net interest income on the defined benefits schemes of HK$13.3 million due to the contribution from Clark Group.

Share of profits less losses of associates and joint ventures

The share of profits less losses of associates and joint ventures increased by HK$50.7 million or 10.3% from HK$492.6 million in FY2021 to HK$543.3 million in FY2022. The increase was mainly due to the increase in contributions from Li Ning Co of HK$58.0 million and Double Happiness of HK$4.6 million due to the increase in their revenue and net profit margin in FY2022.

Income tax

We had income tax expenses of HK$35.7 million in FY2021 and income tax credit of HK$1.9 million in FY2022. We had income tax credit in FY2022 primarily due to the reversal of deferred tax liabilities arising from disposal of investment properties in FY2022, which was classified as assets held-for-sale as at 31 December 2021.

Net profit attributable to equity holders

Our net profit attributable to equity holders decreased from a profit of HK$4,562.6 million in FY2021 to HK$850.4 million in FY2022. The decrease was mainly due to the absence of the non-recurring gain on the disposal of partial interest in an associate, which amounted to HK3,338.8 million in FY2021.

Profit for the year

As a result of the foregoing, our profit for the year decreased from HK$4,474.3 million in FY2021 to HK$873.0 million in FY2022 mainly due to decrease in other income and other gains – net of HK$3,524.4 million primarily resulting from absence of the non-recurring gain on disposal of partial interest in an associate, which amounted to HK3,338.8 million in FY2021.

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

NET CURRENT ASSETS

We recorded net current assets of HK$2,179.9 million, HK$2,952.0 million, HK$4,247.1 million and HK$3,262.4 million as at 31 December 2020, 2021 and 2022 and 31 January 2023, respectively. The table below sets out selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			As at 31 January
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Current assets				
Inventories	183,863	281,279	4,061,130	4,078,940
Trade debtors and bills receivable	82,887	97,996	859,478	1,076,915
Prepayments, deposits and other receivables	167,551	160,028	681,272	517,950
Financial assets at fair value through profit or loss	273,338	587,129	–	–
Derivative financial instruments	–	–	89,202	62,171
Tax recoverable	–	–	2,832	2,906
Restricted bank balances	3,627	3,183	2,635	2,618
Deposits with banks with maturity period over three months	–	4,284	3,962	4,644
Cash and cash equivalents	1,857,441	2,529,663	2,974,803	1,867,495
	2,568,707	3,663,562	8,675,314	7,613,639
Assets classified as held-for-sale	306,051	184,730	–	–
Total current assets	2,874,758	3,848,292	8,675,314	7,613,639
Current liabilities				
Trade, bills and other payables	313,627	518,084	2,796,593	3,052,584
Accruals	122,612	136,069	642,695	284,241
Contract liabilities	107,108	103,962	129,117	127,656
Deferred income	2,100	1,199	453	410
Income tax payables	13,610	13,320	67,642	82,388
Lease liabilities	135,312	123,689	519,199	527,358
Financial liabilities at fair value through profit or loss	456	–	–	–
Bank borrowings	–	–	55,934	54,599
Derivative financial instruments	–	–	28,445	41,008
Provision	–	–	94,293	96,741
Other current liabilities	–	–	93,821	84,241
	694,825	896,323	4,428,192	4,351,226
Liabilities classified as held-for-sale	39	–	–	–
Total current liabilities	694,864	896,323	4,428,192	4,351,226
NET CURRENT ASSETS	2,179,894	2,951,969	4,247,122	3,262,413

Our net current assets increased from HK$2,179.9 million as at 31 December 2020 to HK$2,952.0 million as at 31 December 2021. The increase was primarily due to the (i) increase in cash and cash equivalents of HK$672.2 million mainly due to the consideration received from the disposal of partial interest in Li Ning Co but partially offset by the payment of special dividend during this year; (ii) the increase in financial assets at fair value through profit or loss of HK$313.8 million mainly represented the amounts due from LionRock Capital. The increase in net current assets was partially offset by the increase in trade, bills and other payables of HK$204.5 million.

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

Our net current assets decreased to HK$3,262.4 million as at 31 January 2023. The decrease was mainly due to payment of GBP110.0 million (equivalent to HK$1,038.4 million) for the Second Clark Acquisition during the period.

Working Capital Sufficiency

Our Directors confirmed that, after due and careful enquiry and after taking into account the effect of the Clark Acquisitions, the business prospects of the Group, the financial resources presently available to the Group, including the existing operating cash flows, cash and cash equivalents and available banking facilities of the Group, the working capital available to the Group is sufficient for our present requirement and for at least the next 12 months commencing from the date of this document.

Save as the details disclosed in the sub-section headed "Net Current Assets" in this section, our Directors are not aware of any other factors that would have a material impact on our liquidity.

SUMMARY OF ASSETS AND LIABILITIES

The following table sets out our consolidated financial position as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	92,622	120,766	1,382,750
Investment properties	203,700	93,800	104,400
Right-of-use assets	277,077	321,502	1,249,135
Intangible assets	288,584	266,866	594,398
Interests in associates and joint ventures	3,031,604	4,124,391	4,151,810
Prepayments, deposits and other receivables	55,245	301,883	341,776
Restricted bank balances	–	3,672	16,980
Financial assets at fair value through other comprehensive income	–	–	7,959
Derivative financial instruments	–	–	2,785
Defined benefit surplus	–	–	821,348
Deferred tax assets	24,384	26,397	120,127
Other non-current assets	1,946	2,593	3,149
Total non-current assets	.3,975,162	5,261,870	8,796,617
CURRENT ASSETS			
Inventories	183,863	281,279	4,061,130
Trade debtors and bills receivable	82,887	97,996	859,478
Prepayments, deposits and other receivables	167,551	160,028	681,272
Financial assets at fair value through profit or loss	273,338	587,129	–
Derivative financial instruments	–	–	89,202
Tax recoverable	–	–	2,832
Restricted bank balances	3,627	3,183	2,635
Deposits with banks with maturity period over three months	–	4,284	3,962
Cash and cash equivalents	1,857,441	2,529,663	2,974,803
	2,568,707	3,663,562	8,675,314
Assets classified as held-for-sale	306,051	184,730	–
Total current assets	2,874,758	3,848,292	8,675,314

	As at 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
CURRENT LIABILITIES			
Trade, bills and other payables	313,627	518,084	2,796,593
Accruals	122,612	136,069	642,695
Contract liabilities	107,108	103,962	129,117
Deferred income	2,100	1,199	453
Income tax payable	13,610	13,320	67,642
Lease liabilities	135,312	123,689	519,199
Financial liabilities at fair value through profit or loss	456	–	–
Bank loans	–	–	55,934
Derivative financial instruments	–	–	28,445
Provision	–	–	94,293
Other current liabilities	–	–	93,821
	694,825	896,323	4,428,192
Liabilities classified as held-for-sale	39	–	–
Total current liabilities	694,864	896,323	4,428,192
NET CURRENT ASSETS	2,179,894	2,951,969	4,247,122
TOTAL ASSETS LESS CURRENT LIABILITIES	6,155,056	8,213,839	13,043,739
NON-CURRENT LIABILITIES			
Deferred income	7,710	6,560	5,726
Other payables	5,899	2,469	5,314
Lease liabilities	273,476	362,630	1,438,100
Provision	–	–	108,068
Bank loans	1,256,000	–	288,196
Derivative financial instruments	–	–	11,469
Deferred tax liabilities	80,669	87,738	96,664
Defined benefit obligation	–	–	91,974
Total non-current liabilities	1,623,754	459,397	2,045,511
NET ASSETS	4,531,302	7,754,442	10,998,228
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	474,817	481,062	484,021
Perpetual convertible bonds	933,646	810,621	810,621
Reserves	2,920,908	6,324,594	6,698,533
	4,329,371	7,616,277	7,993,175
Non-controlling interests	201,931	138,165	3,005,053
TOTAL EQUITY	**4,531,302**	**7,754,442**	**10,998,228**

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly consisted of land and buildings, leasehold improvements and furniture and fixtures, machinery and office equipment and motor vehicles. Our property, plant and equipment amounted to HK$92.6 million, HK$120.8 million and HK$1,382.8 million, respectively, as at 31 December 2020, 2021 and 2022.

The following table sets forth a breakdown on property, plant and equipment as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Land and buildings	11,528	–	731,013
Leasehold improvements and furniture and fixtures	33,839	60,014	446,039
Machinery and office equipment	45,629	57,243	202,875
Motor vehicles	1,626	3,509	2,823
Total	92,622	120,766	1,382,750

The property, plant and equipment increased from HK$92.6 million as at 31 December 2020 to HK$1,382.8 million as at 31 December 2022 mainly attributable to the (i) increase in leasehold improvements and machinery and office equipment primarily due to the opening of new stores of bossini.X and LNG brands; and (ii) acquisition of the Clark Group and "Amedeo Testoni" during FY2022, which their aggregate contributions amounted to HK$1,300.4 million in FY2022. The increase in property, plant and equipment as at 31 December 2022 was partially offset by the depreciation charge of HK$125.3 million during FY2022 and impairment of HK$64.3 million in respect of certain non-performing retail stores of Clarks, Bossini, bossini. X and LNG, as well as certain non-performing ice-skating rinks.

Investment properties

Investment properties mainly comprised of industrial properties, leased to third parties under operating leases for generating rental income.

Our investment properties increased from HK$203.7 million as at 31 December 2020 decreased to HK$93.8 million as at 31 December 2021, primarily due to the transfer to assets classified as held-for-sale of HK$184.7 million and partially offset by the fair value gain of HK$74.8 million during FY2021. For details of the assets held-for-sales, please see "Description of Certain Items of Consolidated Statements of Financial Position – Assets classified as held-for-sale" in this section. The investment properties then remained stable at HK$104.4 million as at 31 December 2022.

For details of valuation, please see note 13 of the Accountant's Report of our Group which is contained in Appendix I of the document.

Right-of-use assets

We have consistently adopted HKFRS 16 throughout the Track Record Period. Our leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our consolidated statements of financial position. We recognised right-of-use assets at the commencement date of the lease (i.e. the date on which the underlying asset is available for use), except for short-term leases and leases of low value assets (being amount insignificant to our Group during the Track Record Period) which were recognised in our operating lease rental expenses.

Our right-of-use assets included (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs we incurred; and (iv) an estimate of the costs to be incurred by us in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

As at 31 December 2020, 2021 and 2022, our right-of-use assets mainly represented operating lease arrangements for various offices, sports parks, ice-skating rinks, retail stores and staff quarters. Our right-of-use assets increased from HK$277.1 million as at 31 December 2020 increased to HK$321.5 million as at 31 December 2021 primarily due to the expansion of retail stores of Bossini, bossini.X and LNG and the renewal of leases partially offset by (i) the depreciation charged of HK$125.6 million; and (ii) the impairment loss of HK$71.1 million recognised in FY2021 primarily due to the continuous under-performance of certain retail stores of Bossini and bossini.X. Our right-of-use asset increased to HK$1,249.1 million as at 31 December 2022 primarily due to the (i) addition of HK$190.1 million mainly attributable to new leased retail stores of bossini.X and LNG; and (ii) additions and acquisition for the Clark Group and "Amedeo Testoni" of HK$1,316.5 million which was consolidated in FY2022. The increase in right-of-use assets was partially offset by (i) the depreciation charged of HK$275.0 million; and (ii) the impairment loss of HK$276.8 million recognised in FY2022 primarily due to the continuous under-performance of certain retail stores of Bossini, bossini.X, LNG and Clarks, as well as the under performance of certain ice-skating rinks.

Intangible assets

During the Track Record Period, our intangible assets, which mainly consisted of goodwill, trademarks, operating rights, league qualification and home and away co-operation agreement, players registration rights, membership and software, were mainly acquired through certain acquisitions during the year of 2018 and over the Track Record Period. Our intangible assets amounted to HK$288.6 million, HK$266.9 million and HK$594.4 million, respectively, as at 31 December 2020, 2021 and 2022.

The following table sets forth our breakdown on intangible assets as at the date indicated:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Goodwill	79,360	81,516	44,732
Trademarks and licensing right	76,540	70,880	105,437
Operating rights	14,749	14,137	12,108
League qualification and home and away co-operation agreement	87,320	77,049	35,314
Players registration rights	8,547	6,247	10,652
Membership	22,068	17,037	10,504
Software	–	–	375,651
Total	288,584	266,866	594,398

Our intangible assets decreased from HK$288.6 million as at 31 December 2020 to HK$266.9 million as at 31 December 2021, primarily due to the amortisation charge of HK$32.4 million in FY2021. The intangible assets then increased to HK$594.4 million as at 31 December 2022, primarily due to the acquisition of the Clark Group and "Amedeo Testoni" in FY2022, which contributed aggregate additions of HK$382.0 million in FY2022. The increase in FY2022 was partially offset by the (i) amortisation charge of HK$99.4 million; (ii) impairment charge of HK$64.8 million mainly resulting from the impairment of goodwill for e-sports CGU and league qualification and home and away co-operation agreement; and (iii) currency translation difference of HK$21.0 million in FY2022.

Goodwill

Goodwill acquired through business combinations are mainly allocated to the cash generating units ("**CGUs**") of sports parks, e-sports, ice-skating rinks and others, which are separate business operations, for annual impairment testing. For the key assumptions used in the value in use calculations or fair value less costs of disposal calculation, please see note 14 of the Accountant's Report of our Group which is contained in Appendix I of the document.

The following table sets forth our breakdown on goodwill by CGUs as at the date indicated:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Sports parks CGU	5,410	5,410	5,410
E-sports CGU	32,684	33,646	–
Ice-skating rinks CGU	40,550	41,743	38,605
Other CGUs	716	717	717
	79,360	81,516	44,732

(i) Sports parks CGU

The recoverable amount of the sports parks CGU has been determined based on a value in use ("**VIU**") calculation using cash flow projections based on financial budgets covering a ten-year period approved by management. Management considers it is appropriate to apply a financial forecast covering a ten-year period in the VIU calculation based on the factors including: (i) predictability of the trend of operating scale; (ii) expected sustainability of business growth; and (iii) length of period to achieve business targets. The pre-tax discount rate applied to the cash flow projections is 28.7%, 24.4% and 23.1% as at 31 December 2020, 2021 and 2022, respectively. The growth rate used to extrapolate the cash flows of the sports parks CGU beyond the ten-year period is 2.5%, 2.0% and 2.0% as at 31 December 2020, 2021 and 2022, respectively.

Assumptions were used in the value in use calculation of the sports parks CGU for the years ended 31 December 2020, 2021 and 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	FY2020	**FY2021**	**FY2022**
Revenue growth rate	2.5%-52.4%	2.0%-27.5%	2.0%-27.2%
EBITDA margin	3.7%-30.8%	14.1%-28.0%	16.0%-26.9%
Pre-tax discount rate	28.7%	24.4%	23.1%

The revenue growth rate is for the ten-year forecast period. The cash flow projection is derived from the approved business plan which has a forecast covering a period of ten years that is in line with the operation period of the sports parks, and have incorporated necessary updates.

The percentage of EBITDA of revenue is the percentages over the ten-year forecast period. It is based on the current margin levels, with adjustments made to reflect the expected future market conditions.

The discount rate used is pre-tax and reflect specific risks relating to the CGU.

For FY2020, FY2021 and FY2022, management believes that a reasonably possible change in any of the above key assumptions would not cause the carrying amount of the sports parks CGU to exceed its recoverable amount.

As at 31 December 2020, the headroom of sports parks CGU was approximately HK$12,803,000. If the revenue growth rate increases or decreases 5%, headroom of sports parks CGU will be approximately HK$13,955,000 and approximately HK$11,668,000, respectively. If the pre-tax discounted rate increases or decreases 1%, headroom of sports parks CGU will be approximately HK$12,010,000 and approximately HK$13,652,000, respectively.

As at 31 December 2021, the headroom of sports parks CGU was approximately HK$50,645,000. If the revenue growth rate increases or decreases 5%, headroom of sports parks CGU will be approximately HK$52,914,000 and approximately HK$48,421,000, respectively. If the pre-tax discounted rate increases or decreases 1%, headroom of sports parks CGU will be approximately HK$47,996,000 and approximately HK$53,532,000, respectively.

As at 31 December 2022, the headroom of sports parks CGU was approximately HK$70,575,000. If the revenue growth rate increases or decreases 5%, headroom of sports parks CGU will be approximately HK$73,361,000 and approximately HK$67,846,000, respectively. If the pre-tax discounted rate increases or decreases 1%, headroom of sports parks CGU will be approximately HK$65,936,000 and approximately HK$75,719,000, respectively.

(ii) E-sports CGU

The recoverable amount of the e-sports CGU with goodwill has been determined as the higher of its fair value less costs to sell and its value in use.

The discounted cash flow projections have been involved in the determination of the recoverable amount as at 31 December 2020, which are based on financial budgets covering a eight-year period and seven-year period, respectively, approved by management.

The recoverable amount of the e-sports CGU as at 31 December 2021 and 2022 has been determined based on a fair value less costs of disposal calculation using the comparable company method under the market approach, prepared by the management based on the professional advice received in the determination of the fair value less costs of disposal.

The recoverable amount of e-sports CGU as at 31 December 2020 has been determined based on financial budgets covering a seven-year period approved by management. The key assumptions were used in the cashflow projections in connection with the impairment testing of goodwill include revenue growth rate (-0.5%-131.9%), EBITDA margin 29.6%-57.9% and pre-tax discount rate (17.7%). The revenue growth rate used to extrapolate the cash flows of the e-sports CGU beyond seven-year period is 2.5%.

Management considers it is appropriate to apply a financial forecast covering longer than five-year period in the value in use calculation based on the factors including: (i) predictability of the trend of operating scale; (ii) expected sustainability of business growth; and (iii) length of period to achieve business targets that is in line with the operation period of the e-sports business.

The recoverable amount of the e-sports CGU as at 31 December 2021 and 2022 has been determined based on a fair value less costs of disposal calculation using the comparable company method under the market approach, prepared by the management based on the professional advice received in the determination of the fair value less costs of disposal. The following key assumptions were used in the estimate of fair value less costs of disposal of the e-sports CGU as at 31 December 2021 and 2022 in connection with the impairment testing of goodwill:

(a) the enterprise value/sales multiples observed from a group of comparable companies engaged in the same business ranged from 2.3 to 2.9 as at 31 December 2021, and from 0.4 to 1.9 as at 31 December 2022 respectively;

(b) adjustments factors, such as illiquidity discount that market participants would generally consider when estimating the fair value of the e-sports CGU of 20.6% as at 31 December 2021 and 2022; and

(c) appropriate amount of cost of disposal.

For FY2020 and FY2021, management believes that a reasonably possible change in any of the above key assumptions would not cause the carrying amount of the e-sports CGU to materially exceed its recoverable amount.

For FY2022, impairment loss of HK$32.1 million and HK$32.7 million were recognised for goodwill and intangible assets, respectively. Impairment was made primarily due to the unpredictable poor performance of the business in 2022. The impairment loss recognised for the year represented the difference between the carrying amount of the CGU including goodwill and intangible assets and its estimated recoverable amount.

As at 31 December 2020, the headroom of e-sports CGU was approximately HK$21,499,000. If the revenue growth rate increases or decreases 5%, headroom of e-sports CGU will be approximately HK$25,675,000 and approximately HK$17,435,000, respectively. If the pre-tax discounted rate increases or decreases 1%, headroom of e-sports CGU will be approximately HK$12,985,000 and approximately HK$31,185,000, respectively.

As at 31 December 2021, the headroom of e-sports CGU was approximately HK$27,305,000. If the EV/Sales Multiple increases or decreases 5%, headroom of e-sports CGU will be approximately HK$34,729,000 and approximately HK$19,882,000, respectively. If the DLOM increases or decreases 1%, headroom of e-sports CGU will be approximately HK$25,435,000 and approximately HK$29,175,000, respectively.

As at 31 December 2022, if the EV/Sales Multiple increases or decreases 5%, a lower of impairment charge of HK$1,828,000 or a higher of impairment charge of HK$1,828,000, respectively would be resulted. If the DLOM increases or decreases 1%, a lower of impairment charge of HK$459,000 or a higher of impairment charge of HK$459,000, respectively would be resulted.

(iii) Ice-skating rinks CGU

On 27 December 2019, our Group acquired 100% of the issued shares in Rise Mode Investments Limited and goodwill is allocated to the CGU.

For the balance as at 31 December 2020, 2021 and 2022, the recoverable amount of the ice-skating rinks CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The pre-tax discount rate applied to the cash flow projections is 19.1%, 20.5%, 20.6% as at 31 December 2020, 2021 and 2022, respectively. The growth rate used to extrapolate the cash flows of the ice-skating rinks CGU beyond the five-year period is 2.5%, 2.0%, 2.0% as at 31 December 2020, 2021 and 2022, respectively.

Assumptions were used in the value in use calculation of the ice-skating rinks CGU for the years ended 31 December 2020 and 2021 and 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	FY2020	**FY2021**	**FY2022**
Revenue growth rate	2.5%-55.8%	2.0%-13.8%	2.0%-36.3%
EBITDA margin	22.8%-27.2%	26.0%-32.6%	26.3%-31.2%
Pre-tax discount rate	19.1%	20.5%	20.6%

The revenue growth rate is for the five-year forecast period. The cash flow projection is derived from the approved business plan which has a forecast covering a period of five years and have incorporated necessary updates.

The percentage of EBITDA of revenue is the average percentages over the five-year forecast period. It is based on the current margin levels, with adjustments made to reflect the expected future market conditions.

The discount rate used is pre-tax and reflect specific risks relating to the CGU.

For FY2021 and FY2022, no impairment loss was recognised. Management believes that a reasonably possible change in any of the above key assumptions would not cause the carrying amount of the ice-skating rinks CGU to exceed its recoverable amount.

As at 31 December 2021, the headroom of ice-skating rinks CGU was approximately HK$19,140,000. If the revenue growth rate increases or decreases 5%, headroom of ice-skating rinks CGU will be approximately HK$24,248,000 and approximately HK$14,110,000, respectively. If the pre-tax discounted rate increases or decreases 1%, headroom of ice-skating rinks CGU will be approximately HK$10,401,000 and approximately HK$28,741,000, respectively.

As at 31 December 2022, the headroom of ice-skating rinks CGU was approximately HK$39,120,000. If the revenue growth rate increases or decreases 5%, headroom of ice-skating rinks CGU will be approximately HK$47,973,000 and approximately HK$30,460,000, respectively. If the pre-tax discounted rate increases or decreases 1%, headroom of ice-skating rinks CGU will be approximately HK$29,254,000 and approximately HK$49,978,000, respectively.

For FY2020, impairment loss of HK$130,107,000 million was recognised. Impairment was made on goodwill primarily due to the unpredictable poor performance of the business and slower pace of generic growth as a result of outbreak of COVID-19. The impairment loss recognised for the year represented the difference between the carrying amount of the CGU including goodwill and its estimated recoverable amount. If the revenue growth rate increases or decreases 5%, the impairment charge of ice-skating rinks CGU would decrease by HK$6,955,000 or increase by HK$6,818,000, respectively. If the pre-tax discounted rate increases or decreases 1%, impairment charge of ice-skating rinks CGU would increase HK$10,158,000 or decrease HK$11,282,000, respectively.

(iv) Other CGUs

Impairment provision was made on goodwill of the other CGUs primarily due to the performance of the business which was below the management's expectation. The impairment loss recognised for the year represented the difference between the carrying amount of the CGU including goodwill and its estimated recoverable amount. No impairment loss was recognised for other CGUs under goodwill during FY2020, FY2021 and FY2022.

Interests in associates and joint ventures

Our interest in associates and joint ventures primarily represented our interest in our principal associates, including Li Ning Co, CITIC Land and Double Happiness as at 31 December 2020, 2021 and 2022. The following table sets forth a breakdown of our interests in associates and joint ventures as at the date indicated and the movement of the carrying amount of the interests in associates for the year indicated:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Interests in:			
Associates	3,031,113	4,123,956	4,151,531
Joint ventures	491	435	279
	3,031,604	4,124,391	4,151,810

	FY2020	FY2021	FY2022
	HK$'000	*HK$'000*	*HK$'000*
Movement of the carrying amount of the interests in associates			
At the beginning of the year	2,939,185	3,031,113	4,123,956
Share of profits less losses for the year	267,175	492,641	543,449
Share of other comprehensive loss	(1,906)	(2,346)	(773)
Share of reserves	27,330	26,370	59,114
Dividend received	(68,058)	(82,247)	(167,929)
Change in interest in associate due to partial disposal and deemed dilution	(413,568)	522,412	7,016
Currency translation differences	280,955	136,013	(413,302)
At the end of the year	3,031,113	4,123,956	4,151,531

Our interest in associates and joint ventures increased from HK$3,031.6 million as at 31 December 2020 to HK$4,124.4 million as at 31 December 2021, primarily due to the increase in shares of profits for the year from Li Ning Co and the deemed dilution gain on decrease of 0.5% shareholding in Li Ning Co, partially offset by the disposal of partial interest in Li Ning Co during FY2020 from holding 13.3% of the equity interest in Li Ning Co as at 31 December 2020 to holding 10.4% of the equity interest in Li Ning Co as at 31 December 2021.

Our interest in associates and joint ventures then remained relatively stable at HK$4,151.8 million as at 31 December 2022.

Li Ning Co

Li Ning Co, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2331), is an associated company of our Group, whose principal activities include brand development, design, manufacture, sale and distribution of sport-related footwear, apparel, equipment and accessories in PRC.

Our Group held 331,202,000, 271,202,000 and 271,202,000 ordinary shares of Li Ning Co and as at 31 December 2020, 2021 and 2022, representing 13.3%, 10.4% and 10.3% equity interests in Li Ning Co, respectively, as well as 35.1%, 38.1% and 20.3% on our Group's total assets as at 31 December 2020, 2021 and 2022, respectively. Li Ning Co is regarded as our associate due to the existence of significant influence by the representative of our Group on its board of directors, despite the fact that our Group holding less than 20% equity interests in it.

Dividend received from Li Ning Co was HK$56.0 million, HK$67.4 million and HK$145.0 million during FY2020, FY2021 and FY2022, respectively.

CITIC Land

CITIC Land, a company incorporated in the PRC with limited liability and a directly owned subsidiary of CITIC Group Corporation, is an associated company of our Group, whose principal activities include property development and operation; property management; hotel investment and management; construction project and facilities contracting and equipment installations; decoration units; landscaping; property development consultancy.

As at each of the date 31 December 2020, 2021 and 2022, we held registered and paid-up capital of RMB204.2 million, representing 29% of the equity interests in CITIC Land.

Double Happiness

Double Happiness, a company incorporated in the PRC with limited liability, is an associated company of our Group, whose principal activities include manufacture, research and development, marketing and sale of principally table tennis and badminton equipment under its own "紅雙喜(Double Happiness)" brand and other sports accessories. Double Happiness is regarded as our associate due to the existence of significant influence by the representative of our Group on its board of directors, despite the fact that our Group holding less than 20% equity interests in it.

As at each of the date 31 December 2020, 2021 and 2022, we held capital of RMB125.0 million, representing 10% of the equity interests in Double Happiness.

Derivative financial instruments

The Clark Group uses forward exchange contracts to reduce exposure to foreign exchange rates. Since the acquisition of the Clark Group, we had derivative financial instruments – assets of HK$92.0 million and derivative financial instruments – liabilities of HK$39.9 million as of 31 December 2022, respectively. The following table sets forth the breakdown of our derivative financial instruments as at the date indicated:

	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Forward exchange contracts – cash flow hedges			
Current assets	–	–	6,289
Non-current assets	–	–	2,785
Current liabilities	–	–	25,226
Non-current liabilities	–	–	11,469

	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Forward exchange contracts – not qualified for hedge accounting			
Current assets	–	–	82,913
Non-current assets	–	–	–
Current liabilities	–	–	3,219
Non-current liabilities	–	–	–

For details, please refer to the section "Financial Information for the Clark Group – Hedging" to this document.

Defined benefit surplus/(obligation)

The Clark Group operates defined benefit scheme in the UK and US. The defined benefit plans under the schemes in UK and US are administered by a separate fund that is legally separated from the entity. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the plan. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund. The defined benefit schemes were closed to new participants in 2018. Since the First Clark Acquisition, the defined benefit surplus/(obligation) from the schemes were consolidated to our Group. The following table sets forth the breakdown of our defined benefit surplus/(obligation) as at the date indicated:

	As at 31 December 2022		
	UK	**USA**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Present value of obligation	(6,991,588)	(956,092)	(7,947,680)
Fair value of plan assets	7,812,936	864,118	8,677,054
Defined benefit surplus/(obligation)	821,348	(91,974)	729,374

The defined benefit plans in both the UK and US typically expose the entity to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

For details, please refer to note 19 to the "Accountant's Report of our Group", the text of which is set out in Appendix I to this document.

Inventories

Our inventories consisted of raw material, work in progress and finished goods. The following table sets forth a summary of our inventory balances as at the date indicated:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	–	10,335	12,666
Work in progress	–	5,740	9,241
Finished goods	221,067	300,098	4,120,963
	221,067	316,173	4,142,870
Less: provision	(37,204)	(34,894)	(81,740)
Total	183,863	281,279	4,061,130

Our inventories increased from HK$183.9 million as at 31 December 2020 to HK$281.3 million as at 31 December 2021, primarily due to the expansion of Bossini, bossini.X and LNG brands and raw materials for the shoe factory which was newly set up during FY2021. In particular, the inventories increased for our LNG brands with 10 directly-operated stores opened in FY2021, of which mostly were current season products which were expected to be sold from in 2022. Our inventories further increased to HK$4,061.1 million as at 31 December 2022, primarily due to the increase in (i) finished goods of HK$3,820.9 million mainly resulting from the acquisition of the Clark Group and "Amedeo Testoni"; and (ii) raw material of HK$2.3 million and work in progress of HK$3.5 million, both resulting from the expansion of the shoe factory and the acquisition of "Amedeo Testoni". The increase in inventories was partially offset by the increase in provision of HK$46.8 million, primarily due to provision made for (i) products of Fall/Winter 2021, Spring/Summer 2022 and Fall/Winter 2022 season because the sales of these seasons were lower than expectation due to the resurgence of pandemic in the PRC and Hong Kong and slower pace of recovery from COVID-19 in the UK and the US, and (ii) the product of Spring/Summer 2023 and Fall/Winter 2023 season because the sales of these seasons were expected to be lower than expectation due to the increase in uncertainty of market sentiment in the UK and the US.

We also periodically review our inventory levels for slow-moving inventory, obsolescence or decline in market value. Allowance is made when the net realisable value of inventories falls below the cost or any of the inventories is identified as obsolete.

The following table sets forth the turnover days of our inventories for the Track Record Period.

	FY2020	FY2021	FY2022
Average turnover days of inventories[(1)]	153	189	238

(1) Average turnover days of inventories for FY2020, FY2021 and FY2022 is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of inventories sold and multiplying by 365 days.

Our average turnover days of inventories increased from 153 days in FY2020 to 189 days in FY2021, primarily due to the increase in finished goods for the addition in stores as at 31 December 2021 compared to that as at 31 December 2020 mainly resulting from the expansion of Bossini, bossini.X and LNG brands and raw materials for the shoe factory which was newly set up during FY2021. In particular, the inventories increased for our LNG brands with 10 directly-operated stores in FY2021, of which mostly were current season products which were expected to be sold from in FY2022. Our average turnover days of inventories then increased to 238 days in FY2022. Our average turnover days of inventories was relatively higher in FY2022 because we only consolidated the cost of inventories sold from the Clark Group since July 2022, while accounting its total inventory balance as at 31 December 2022, and thus, resulting in an inflated average turnover days in FY2022.

As at 31 January 2023, HK$519.9 million or 12.8% of our net inventories as at 31 December 2022 had been sold or utilised.

The following table sets forth the subsequent settlement as at 31 January 2023 of our net inventories as at 31 December 2022 by season.

	As at 31 December 2022	As at 31 January 2023		
	Net balance	Subsequent usage/sales		Remaining balance
	HK$'000	*HK$'000*	*%*	*HK$'000*
Raw materials	9,844	(4,025)	40.9	5,819
Work in progress	9,241	(3,558)	38.5	5,683
Finished goods				
– Before 2019 Fall/Winter	2,870	(325)	11.3	2,545
– 2019 Fall/Winter	20,205	(3,828)	18.9	16,377
– 2020 Spring/Summer	37,563	(3,372)	9.0	34,191
– 2020 Fall/Winter	56,237	(7,688)	13.7	48,549
– 2021 Spring/Summer	76,166	(7,861)	10.3	68,305
– 2021 Fall/Winter	217,198	(31,490)	14.5	185,708
– 2022 Spring/Summer	406,868	(32,029)	7.9	374,839
– 2022 Fall/Winter	831,907	(121,465)	14.6	710,442
– 2023 Spring/Summer and 2023 Fall/Winter	2,358,929	(294,658)	12.5	2,064,271
– Others *(Note)*	34,102	(9,588)	28.1	24,514
	4,042,045	(512,304)	12.7	3,529,741
	4,061,130	(519,887)	12.8	3,541,243

Note: Others mainly represented ever-green products of sport experience business and finished goods of shoe factory.

As at 31 December 2022, 89.9% of our finished goods are items in 2022 and for future sales in 2023, namely 2022 Spring/Summer, 2022 Fall/Winter, 2023 Spring/Summer and 2023 Fall/Winter and ever-green products of sport experience business and finished goods of our shoe factory; while 7.3% of our finished goods are items of 2021, namely 2021 Spring/Summer and 2021 Fall/Winter items. The remaining 2.8% of our finished goods represented items from 2020 or before which are still being sold in respective outlets and the selling price is still above the net realisable value.

The management of our Group is of the opinion that sufficient provision has been made for inventories and there is no recoverability issue for the inventories considering (i) our historical sales performance, in particular, we had not encountered any material impairment loss that have materially and adversely affected our business operations caused by slow-moving inventories during the Track Record Period; (ii) provision has been made for the apparel and footwear products, which were primarily for sale, as at 31 December 2020, 2021 and 2022 and was estimated to have lower net realizable value due to the shorter product life cycle and; (iii) subsequent sales of finished goods from 2020 or before which indicated that these products are still marketable.

Trade debtors and bills receivable

The following table sets forth our trade debtors and bills receivable as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Trade debtors and bills receivable	99,239	104,754	869,754
Less: loss allowance	(16,352)	(6,758)	(10,276)
Total	82,887	97,996	859,478

Our trade debtors and bills receivable primarily arise from our wholesale of Bossini Group and the Clark Group. Our trade debtors and bills receivable increased from HK$82.9 million as at 31 December 2020 to HK$98.0 million as at 31 December 2021, primarily due to the expansion of multi-brand apparel and footwear which was in line with the increase in revenue in FY2021. The trade debtors and bills receivable increased to HK$859.5 million as at 31 December 2022, primarily due to the contribution of the Clark Group and "Amedeo Testoni" of HK$751.2 million and HK$7.2 million, respectively, resulting from their wholesale businesses. As at 31 January 2023, HK$359.3 million or 41.8% of our net trade debtors and bills receivable outstanding as at 31 December 2022 were settled.

The trading terms with our customers are mainly on credit, generally from one to six months for major customers. These terms may be extended for certain qualifying long-term customers who have met specific credit requirements. Each customer has a maximum credit limit. Overdue balances are reviewed regularly by senior management. Our Group does not hold any collateral or other credit enhancements over its trade debtors and bills receivable balances. Trade debtors and bills receivables are non-interest-bearing.

The following table sets forth the ageing analysis of the trade debtors and bills receivable based on the payment due date as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Current	61,478	77,465	583,773
Less than 3 months past due	13,518	18,155	216,288
3 to 6 months past due	5,549	2,198	29,127
More than 6 months past due	2,342	178	30,290
	82,887	97,996	859,478

An impairment analysis is performed at the end of each of the years using a provision matrix to measure expected credit losses ("**ECL**"). Impairment on trade debtors and bills receivable is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. To assess whether there is a significant increase in credit risk, our Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information. Trade debtors and bills receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments, and the failure of a debtor to engage in a repayment plan with our Group. The overall expected credit loss rates for trade debtors and bills receivable were 16.5%, 6.5% and 1.2% for the balances as at 31 December 2020, 2021 and 2022, respectively. The significant decrease in expected credit loss rate in FY2022 was primarily attributable to the Clark Group, whose trade debtors included significant amount from well-known retailers, for which the risk is considered low.

The management of our Group assesses the expected credit losses on a forward-looking basis for the trade receivables. Impairment on trade receivable is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. The management is of the opinion that sufficient provision has been made for trade receivables in view of the history of cooperation with the debtors and collection from them. For FY2022, HK$4.1 million of net impairment losses was recognised. For FY2020 and FY2021, HK$5.8 million and HK$9.9 million of net impairment losses was reversed, respectively.

The following table sets forth the movements in the allowance for impairment of trade debtors and bills receivables as the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of year	20,758	16,352	6,758
Net impairment losses recognised/(reversed)	(5,765)	(9,893)	4,116
Currency translation difference	1,359	299	(598)
At end of year	16,352	6,758	10,276

The table below sets forth a summary of average turnover days of trade debtors and bills receivable for the periods indicated:

	FY2020	**FY2021**	**FY2022**
Average turnover days of trade debtors and bills receivable[1]	63	24	25

(1) Average turnover days of trade debtors and bills receivable for FY2020, FY2021 and FY2022 is derived by dividing the arithmetic mean of the opening and closing balances of trade debtors and bills receivable for the relevant period by revenue and multiplying by 365 days.

Our average turnover days of trade debtors and bills receivable decreased from 63 days in FY2020 to 24 days in FY2021, mainly due to the further decrease in average balance of trade debtors and bills receivable for FY2021, impacted by the decrease in trade and bills receivables since the wound down of sales of construction material business, which customers were granted a longer period of credit term. The average turnover days of trade debtors and bills receivables then remained relatively stable at 25 days in FY2022.

As at 31 January 2023, HK$359.3 million or 41.8% of our net trade debtors and bills receivable outstanding as at 31 December 2022 were settled.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly consisted of (i) prepayment for goods and services; (ii) prepayment for acquisition of assets; (iii) rental deposits; and (iv) other receivables.

The following table sets forth a breakdown of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments	85,413	334,252	789,146
Deposits and other receivables	232,219	223,672	329,223
Less: loss allowance for deposits and other receivables	(94,836)	(96,013)	(95,321)
Total	**222,796**	**461,911**	**1,023,048**
Portion classified as current	(167,551)	(160,028)	(681,272)
Non-current portion	55,245	301,883	341,776

Our prepayment, deposits and other receivables increased from HK$222.8 million as at 31 December 2020 to HK$461.9 million as at 31 December 2021, primarily due to the increase in prepayments of HK$248.8 million mainly for acquisition of assets, mainly represented properties located in Shanghai which is intended to be our headquarter in Shanghai after further construction and refurbishment. Such construction and refurbishment is expected to complete in late 2022. The prepayment, deposits and other receivables increased to HK$1,023.0 million as at 31 December 2022, primarily due to (i) the contribution of the Clark Group of HK$520.8 million; and (ii) the increase of HK$40.4 million of the remaining business of our Group, mainly resulting from increase in the prepayment of acquisition of properties of HK$27.8 million resulted from the second prepayment for our headquarter in Shanghai.

As at 31 January 2023, HK$327.5 million or 41.5% of our prepayments and HK$42.5 million or 26.2% of our other receivables outstanding as at 31 December 2022 were settled.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss mainly consisted of (i) loan and interest receivable; and (ii) forward currency contracts which were all settled in FY2021.

The following table sets forth a breakdown of our financial assets at fair value through profit or loss as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Forward currency contracts	1,464	–	–
Loan and interest receivable	271,874	587,129	–
	273,338	587,129	–

As at 31 December 2020, 2021 and 2022, loan and interest receivables represented a loan with principal amount of HK$269.5 million, HK$563.8 million and HK$509.8 million, respectively, equivalent to GBP25,500,000, GBP53,550,000 and GBP53,550,000 as at the respective date, and the respective interest at an interest rate of 4% per annum due from Lionrock Capital. Pursuant to the loan agreement, the parties to the loan agreement may agree that, at any time, the principal amount of the loan together with all outstanding sums accrued under the loan agreement may be converted into and/or set off against any subscription amounts payable by Viva China Consumables Limited (formerly known as Viva China Entertainment Holdings Limited) a wholly-owned subsidiary of our Company, in order to subscribe for equity in LionRock, a company wholly owned by LionRock Capital, therefore, the balance is accounted for as financial asset at fair value through profit or loss in the consolidated statement of financial position according to the results of assessment of business model. Our financial assets at fair value through profit or loss decreased from HK$587.1 million as at 31 December 2021 to nil as at 31 December 2022 because the entire loan and interest receivable were settled by setting off against the subscription price for the acquisition of Clark Group in July 2022 and the loan agreement was terminated upon the completion of the First Clark Acquisition.

Assets classified as held-for-sale

The following table sets forth a breakdown of our assets held-for-sale as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Investment properties	–	184,730	–
Stock of properties	305,411	–	–
Other receivable	640	–	–
	306,051	184,730	–

As at 31 December 2020, the assets classified as held for sale was related to Yangzhou Viva Property Development Limited (the "**Target Company**"), a non-wholly owned subsidiary of our Group. As at the same date, other payables of HK$39,000 of the Target Company was classified as liabilities held-for-sale.

In the fourth quarter of 2020, the management of our Group decided to sell a parcel of vacant land adjacent to Yangzhou Li Ning Sports Park which was originally acquired for commercial and residential development of Yangzhou sports community. Our Group had initiated a program to locate a buyer for selling the Target Company which held the vacant land. Therefore, the associated assets and liabilities were presented as held for sale in the financial statements as at 31 December 2020.

On 16 March 2021, Viva China Yangzhou Community Development Holdings Limited (the "**Seller**"), a non-wholly owned subsidiary of our Company, entered into the share purchase agreement with Yangzhou City Huacheng Property Development Limited (the "**Buyer**"), pursuant to which the Seller agreed to sell and the Buyer agreed to acquire the entire issued share capital in the Target Company at a consideration of RMB313.7 million.

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

On 30 December 2021, Rapid City Limited ("**Rapid City**", a wholly-owned subsidiary of Bossini), an independent purchaser and an agent entered into two provisional sale and purchase agreements (the "**Provisional Agreements**") for the sale and purchase of two properties held by Rapid City at the aggregate consideration of HK$184.7 million. Pursuant to the terms of the Provisional Agreements, Rapid City and the independent purchaser entered into the formal agreements on 13 January 2022. The transaction was completed on 15 March 2022. Therefore, the associated assets were presented as held for sale in the financial statements as at 31 December 2021.

Trade, bills and other payables

The following table sets forth a breakdown of our trade and other payables as at the date indicated:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	112,493	233,478	2,090,720
Bills payable	–	11,693	14,812
Total trade and bills payables	112,493	245,171	2,105,532
Others payables	201,134	272,913	691,061
	313,627	518,084	2,796,593

Trade and bills payables

Our trade payables are primarily derived from payables relating to payment to our suppliers in relation to multi-brand apparel and footwear and services provided to our sports experience business. The normal credit period for trade payables generally ranges from 30 to 90 days. These terms may be extended by certain suppliers.

Trade and bills payables increased from HK$112.5 million as at 31 December 2020 to HK$245.2 million mainly due to expansion of multi-brand apparel and footwear business which led to the increase in purchase resulting in higher level of trade and bills payables as at 31 December 2021. The trade and bills payables further increased to HK$2,105.5 million as at 31 December 2022 mainly due to the contribution from the Clark Group of HK$1,858.7 million as at 31 December 2022. The trade and bills payable of the Viva Group remained relatively stable at HK$246.8 million as at 31 December 2022.

The table below sets forth, as at the end of reporting periods indicated, the ageing analysis of our trade payables:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Current	92,759	211,923	1,925,965
Less than 3 months past due	18,744	17,909	116,859
3 to 6 months past due	60	2,640	5,685
More than 6 months past due	930	1,006	42,211
	112,493	233,478	2,090,720

The following table sets out the average trade payables turnover days for the periods indicated:

	FY2020	**FY2021**	**FY2022**
Average turnover days of trade payables(1)	64	78	113

(1) Average turnover days of trade payables for FY2020, FY2021 and FY2022 is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales sold and multiplying by 365 days.

Our average turnover days of trade payables increased from 64 days in FY2020 to 78 days in FY2021, which was in line with the increase in our trade payables balances resulting from better bargaining power over our suppliers. Our average turnover days of trade payables increased to 113 days in FY2022. Our average turnover days of trade payables was relatively higher in FY2022 because we only consolidated the cost of sales sold from the Clark Group since July 2022, while accounting its total trade payable balance as at 31 December 2022, and thus, resulting in an inflated average turnover days in FY2022.

As at 31 January 2023, HK$354.5 million or 16.8% of our trade and bills payables outstanding as at 31 December 2022 were settled.

Other payables

Our other payables mainly consisted (i) shareholder loan granted to the immediate holding company of Bossini by a non-controlling shareholder; and (ii) payable of marketing expenses in relation to sports events management business.

The following table sets forth a breakdown of our other payables as at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Other payables	198,346	262,714	691,061
Deposit received	2,788	10,199	–
	201,134	272,913	691,061

Our other payables increased from HK$201.1 million as at 31 December 2020 to HK$272.9 million mainly due to the expansion of multi-brand apparel and footwear business and increase in shareholder's loan granted to the immediate holding company of Bossini by a non-controlling shareholder following the right issue of Bossini. Such shareholder's loan will be used to satisfy the subscription money for a proposed pro-rata allotment of new shares by this immediate holding company of Bossini to its existing shareholders, which was capitalised as our equity in October 2022. Our other payables increased to HK$691.1 million as at 31 December 2022 primarily due to the combined effect of the (i) contribution from the Clark Group of HK$512.0 million; and (ii) decrease of HK$93.8 million from the Viva Group mainly resulting from settlement of amount due to non-controlling interest of HK$57.9 million in FY2022.

Accruals

Our accruals mainly consisted accruals for staff costs, provisions for reinstatement cost for offices and shops and professional fees. Our accruals increased from HK$122.6 million as at 31 December 2020 to HK$136.1 million as at 31 December 2021 mainly due to the expansion of multi-brand apparel and footwear business. Our accruals then increased to HK$642.7 million as at 31 December 2022 mainly due to (i) the contribution form the Clark Group of HK$468.3 million; and (ii) the increase from the Viva Group of HK$38.3 million primarily due to increase in accrued staff related expenses of HK$28.9 million as at 31 December 2022 resulting from the continuous expansion of multi-brand apparel and footwear business.

Contract liabilities

Our contract liabilities generally represented the unsatisfied performance obligations as at 31 December 2020, 2021 and 2022. The contract liabilities were expected to be recognised within one year. Our contract liabilities remained relatively stable at HK$107.1 million as at 31 December 2020 and HK$104.0 million as at 31 December 2021. The contract liabilities increased to HK$129.1 million as at 31 December 2022 primarily due to the increase arising from the customer loyalty programme of HK$20.0 million mainly contributed by the Clark Group.

As at 31 January 2023, HK$24.3 million or 18.8% of our contract liabilities outstanding as at 31 December 2022 were recognised as our revenue.

Perpetual convertible bonds

The perpetual convertible bonds were issued in 2013 in relation to the acquisition of approximately 25.2% equity interest of Li Ning Co, which had no maturity date, were not redeemable and our Group had no contractual obligation to deliver a variable number of our own equity instruments.

Our perpetual convertible bonds decreased from HK$933.6 million as at 31 December 2020 and to HK$810.6 million as at 31 December 2021 mainly due to the conversion to shares during FY2020 and FY2021 and maintained at HK$810.6 million as at 31 December 2022. Perpetual convertible bonds with principal amount of HK$205.4 million and HK$19.5 million were converted into 632,000,000 and 60,000,000 Shares during FY2020 and FY2021, respectively. There was no conversion of perpetual convertible bonds during FY2022.

LIQUIDITY AND CAPITAL RESOURCES

Our use of cash primarily related to operating activities and capital expenditure. We have historically financed our operations primarily through a combination of cash flow generated from our operation and proceeds from bank borrowings.

In managing our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of unexpected fluctuations in cash flows. Our Group has built an appropriate liquidity risk management framework for the management of its short, medium and long-term funding and liquidity management requirements. We regularly monitor the repayment dates of financial liabilities, including trade and bills payables, other payables, and accrual and bank loans, to match with financial resources available to us from time to time. Our Group manages liquidity risk by maintaining adequate financial resources, including existing cash and cash equivalents and operating cash flows.

We currently expect that there will not be any material change in the sources and uses of cash of our Group.

Cash Flow

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

	FY2020	**FY2021**	**FY2022**
	HK$'000	*HK$'000*	*HK$'000*
Operating cash flow before movement in working capital	21,455	(110,594)	385,690
Movement in working capital	294,758	103,180	(189,946)
Cash generated from/(used in) operations	316,213	(7,414)	195,744
Income tax paid	(21,834)	(30,326)	(120,836)
Net cash flows generated from/(used in) operating activities	294,379	(37,740)	74,908
Net cash flows generated from investing activities	1,401,558	3,594,058	969,463
Net cash flows used in financing activities	(501,216)	(2,888,422)	(589,982)
Net increase in cash and cash equivalents	1,194,721	667,896	454,389
Cash and cash equivalents at beginning of year	649,262	1,857,441	2,529,663
Effect of foreign exchange rate changes, net	13,458	4,326	(53,863)
Cash and cash equivalents at end of year	1,857,441	2,529,663	2,930,189

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of proceeds for our multi-brand apparel and footwear and sports experience business. Our cash outflow used in operating activities was principally was principally for purchase of inventories, employee benefit expenses and other operating expenses.

For FY2022, we had net cash generated from operating activities of HK$74.9 million, mainly as a result of the 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. The change in working capital primarily reflected (i) increase in inventories of HK$292.8 million; and (ii) decrease in trade, bills and other payables of HK$84.2 million, partially offset by the decrease in prepayments deposits and other receivables trade debtors and bills receivables of HK$181.4 million.

For FY2021, we had net cash used in operating activities of HK$37.7 million, 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. The change in working capital primarily reflected (i) increase in trade, bills and other payables of HK$180.2 million; and (ii) decrease in prepayments, deposits and other receivables of HK$18.1 million. The cash inflows from changes in working capital was partially offset by the increase in inventories of HK$92.8 million.

For FY2020, we had net cash generated from operating activities of HK$294.4 million, mainly as a result of the cash generated from operations before change in working capital of HK$21.5 million, income tax paid of HK$21.8 million and cash inflows from changes in working capital of HK$294.8 million. The change in working capital primarily reflected (i) the decrease in trade debtors and bills receivable of HK$178.1 million; (ii) increase in trade, bills and other payables of HK$46.1 million; and (iii) decrease in inventories of HK$43.8 million.

For FY2021, we had net cash flows used in operating activities primarily due to the operating loss from multi-brand apparel and footwear business which was mainly affected by the resurgence of COVID-19. In FY2021, our net cash flows used in operating activities was also caused by the increase in inventories level as at 31 December 2021 resulting from slower sales amidst COVID-19 and for the shoe factory. In order to improve our net operating cash position, we intend to implement several business plans to improve the profitability of our businesses. For details, please refer to "Summary – Summary of Historical Financial Information – Measures to Improve our Profitability" in this document.

Further, we have the following plans to improve our profitability and inventory management:

(i) Strategies to reduce loss-making

- strictly control operating expenses by (i) tightening up existing process and reviewing existing organisational structure to reduce excessive headcount so as to improve our overall operational efficiency; and (ii) limiting variable expenses such as marketing or business travelling expenses;
- adopt different strategies on directly-operated stores, such as, introducing external retail management team to operate the stores and changing the salary scheme of our retail staff by increasing the incentive portion;
- increase the number of partnership stores to reduce monthly operating cost and adopt incentive scheme on partners in order to boost the performance and efficiency of the stores; and
- perform regular review on store performance and close down some under-performing stores to reduce loss.

(ii) Strategies to improve working capital management

- place enhanced control on inventory management which requires business units to adopt the "open-to-buy" strategy precisely through developing a realistic sales forecast and purchase plan so as to make the best use of the purchases and avoid stock pile-up;

- adopt "quick response" system for some product series in our supply chain which aims to reduce the lead time between product design concept and appearance on the retail shelf, help avoid stock-outs and boost the number of inventory turns;

- conduct thorough analysis on existing inventories and prepare inventory clearance strategies on different product types by business units. The business units shall closely monitor the clearance status on monthly basis and adjust the clearance strategies in a timely manner to improve overall sell-through and reduce inventory turnover days; and

- enhance the efficiency on account receivable managements via regular review of outstanding receivable balances and maintain timely communication with customers to prevent non-payment which in turns ensure healthy cash flows.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally net proceeds on disposal of partial interest in an associate, net proceeds from disposal of subsidiaries, net of cash and dividends received from associates. Our cash outflow used in investing activities was principally for purchase of items of property, plant and equipment, intangible assets, acquisition of subsidiaries and payment for property acquisition and financial asset at fair value through profit or loss.

For FY2022, we had net cash generated from investing activities of HK$969.5 million primarily attributable to the (i) cash from acquisition of subsidiaries of HK$928.6 million; and (ii) dividends received from associates of HK$167.9 million. The cash inflows was partially offset by the purchase of property, plant and equipment of HK$183.4 million.

For FY2021, we had net cash generated from investing activities of HK$3,594.1 million primarily attributable to (i) net proceeds on disposal of partial interest in Li Ning Co of HK$3,786.9 million; (ii) net proceeds from disposal of a subsidiary of HK$364.2 million; and (iii) dividends received from associates of HK$82.2 million. The cash inflows was partially offset by the (i) the payment for financial assets at fair value through profit or loss of HK$298.5 million representing the loan receivables to LionRock Capital abovementioned; and (ii) prepayment for the acquisition of property of HK$253.2 million.

For FY2020, we had net cash generated from investing activities of HK$1,401.6 million primarily attributable to (i) net proceeds on disposal of partial interest in Li Ning Co of HK$1,493.5 million; (ii) net proceeds from acquisition of subsidiaries of HK$124.1 million; and (iii) dividends received from associates of HK$68.1 million. The cash inflows was partially offset by the payment for financial assets at fair value through profit or loss of HK$271.9 million representing the loan receivables to LionRock Capital abovementioned.

Financing activities

During the Track Record Period, our cash inflow from financing activities was principally proceeds from bank borrowings and capital contribution received from a non-controlling shareholders. Our cash outflow used in financing activities was principally for special dividend paid to shareholders, repayment of bank loans, payment of lease liabilities and payment of interest.

For FY2022, we had net cash used in financing activities of HK$590.0 million primarily attributable to the (i) payment of lease liabilities of HK$374.4 million; and (ii) net repayment of bank borrowings of HK$208.7 million.

For FY2021, we had net cash used in financing activities of HK$2,888.4 million primarily attributable to the (i) special dividend paid to shareholders of HK$1,504.1 million; (ii) repayment of bank loans of HK$1,256.0 million; and (iii) repayment of lease liabilities of HK$169.1 million. The cash outflows was partially offset by (i) the capital contribution received from non-controlling shareholders of HK$69.6 million; and (ii) proceeds from issue of ordinary shares upon exercise of share options of HK$32.5 million.

For FY2020, we had net cash used in financing activities of HK$501.2 million primarily attributable to the (i) special dividend paid to shareholders of HK$298.5 million; (ii) repayment of bank loans of HK$54.8 million; and (iii) repayment of lease liabilities of HK$103.7 million.

BUSINESS COMBINATION AND DISPOSAL OF SUBSIDIARIES

During the Track Record Period, our Group acquired certain subsidiaries and disposed of subsidiaries. A summary of material business combination and disposal of subsidiaries are set out below.

(i) Acquisition of Bossini

In July 2020, our Group through Dragon Leap acquired 1,093,091,098 shares of Bossini, representing 66.6% of the entire issued share capital of Bossini as at 24 July 2020, for consideration of HK$46.6 million from Mr. Law Ka Sing. As at 14 May 2020, being the date of the sale and purchase agreement, Dragon Leap was owned as to 80% by our Group and 20% by Keystar Limited ("**Keystar**"), a company wholly owned by Mr. Law Ching Kit Bosco ("**Mr. Bosco Law**") who is a nephew of Mr. Law Ka Sing. Mr. Law Ka Sing was not a party acting in concert with any of Keystar or Mr. Bosco Law, and save for the aforesaid, is an Independent Third Party. Following the completion of the transaction, our Group made a mandatory unconditional cash offer for all the issued shares of Bossini and an offer to cancel all outstanding share options of Bossini. The offers were closed on 14 August 2020 and additional 748,148 shares were acquired for consideration of HK$38,000. Our Group held 66.5% of the total number of issues shares of Bossini immediately after the close of the offers. Bossini and its subsidiaries are principally engaged in the retail and distribution of casual wear.

The acquired business contributed revenues of HK$421.0 million and net loss of HK$72.7 million to our Group for the period from the acquisition date to 31 December 2020. Had the acquisition been occurred on 1 January 2020, consolidated revenue and consolidated profit after tax for FY2020 would have been HK$1,262.3 million and HK$912.8 million, respectively.

(ii) Disposal of Yangzhou Viva Property Development Limited

On 16 March 2021, Viva China Yangzhou Community Development Holdings Limited (the "**Seller**"), a non-wholly owned subsidiary of our Company, entered into the share purchase agreement with Yangzhou City Huacheng Property Development Limited (the "**Buyer**"), pursuant to which the Seller agreed to sell and the Buyer agreed to acquire the entire issued share capital in the Yangzhou Viva Property Development Limited ("**Target Company**") at a consideration of RMB313.7 million. To the best knowledge, information and belief of our Directors after making all reasonable enquiries, (i) the Buyer was property development company established in the PRC and was held as to 95% by Qingdao Yuerui Enterprise Management Partnership*(青島悅瑞企業管理合夥企業), and 5% by Qingdao Yuetong Enterprise Management Partnership*(青島悅彤企業管理合夥企業)as at the date of the agreement; and (iii) the Buyer and its ultimate beneficial owners were Independent Third Parties.

In March 2021, the Seller has transferred 90% issued share capital of Target Company to the Buyer according to the terms of the share purchase agreement. The transaction had been completed after the transfer of remaining 10% issued share capital of Target Company to the Buyer in October 2021.

Total cash consideration for the disposal was HK$375.8 million (equivalent to RMB313.7 million), net assets disposed of were HK$319.7 million, exchange fluctuation reserve previous recognised to the consolidated statement of profit or loss of HK$3.2 million was reclassified to the consolidated statement of profit or loss resulting in a gain of disposal HK$52.9 million. Net cash inflow arising on disposal of such was HK$364.2 million, net-off bank balances and cash disposal of HK$11.6 million.

(iii) Acquisition of Sitoy AT Holdings Company Limited

On 3 January 2022, our Group acquired Viva China Premium Brands (formerly known as Sitoy AT Holdings Company Limited at the consideration of HK$1 and the post-closing payment of EUR2.3 million (equivalent to HK$19.9 million as at the acquisition date) from Sitoy International Limited, a wholly-owned subsidiary of Sitoy Group Holdings Limited (stock code: 1023) ("**Sitoy Group**") which was a company listed on the Main Board of the Stock Exchange. To the best knowledge, information and belief of our Directors after making all reasonable enquiries, each of Sitoy International Limited and its ultimate beneficial owners was an Independent Third Party as at 3 November 2021, being the date of the sale and purchase agreement. In addition, pursuant to the share purchase agreement, the inter-company loans due to Sitoy Group Holdings Limited amounted to RMB40.6 million (equivalent to HK$48.8 million as at the acquisition date) would be repaid by the Group as part of the consideration by January 2023. As at 31 December 2022, our Group paid the consideration of HK$1, EUR2.3 million and RMB32.7 million. The remaining consideration of RMB7.9 million were fully settled in January 2023. Viva China Premium Brands became a subsidiary of our Company and the financial results were consolidated into the financial results of our Group since January 2022.

Viva China Premium Brands and its subsidiaries contributed revenues of HK$81.4 million and net loss of HK$76.1 million to our Group for the period from the acquisition date to 31 December 2022.

(iv) The First Clark Acquisition

On 2 July 2022, the Group acquired LionRock, which holds a majority interest in Clark. Total consideration was GBP56.8 million (equivalent to HK$541.0 million), which equal to the principal of Purchase Shareholder's Loan of GBP53.6 million (equivalent to HK$509.8 million) and its respective interest of GBP3.3 million (equivalent to HK$31.2 million) payable by LionRock before the acquisition. The principal and its respective interest were setting off against the subscription price payable, and the Purchase Shareholder's Loan was deemed fully paid and satisfied in full and was termination upon the completion of the acquisition, and Clark Group became an indirect non-wholly owned subsidiary of the Company and the results were consolidated into the financial results of our Group since July 2022.

The acquired business contributed revenues of HK$5,390.2 million and net profit of HK$170.8 million to our Group for the period from the acquisition date to 31 December 2022. If the acquisition had occurred on 1 January 2022, consolidated revenue and consolidated profit after tax for the year ended 31 December 2022 would have been HK$10,505.6 million and HK$654.3 million, respectively.

For details of the pre-acquisition financial information of the Clark Group, please refer to section "Financial Information for the Clark Group" of this document.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in the Accountant's Report of our Group in Appendix I to this document, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

CAPITAL EXPENDITURES

Our Group's capital expenditures principally consisted of expenditures on additions of property, plant and equipment, intangible assets and investment properties. During the Track Record Period, our Group incurred capital expenditures of HK$30.4 million, HK$346.8 million and HK$369.6 million, respectively. Between 1 January 2023 and the Latest Practicable Date, we did not make any material capital expenditures.

For the year ending 31 December 2023, we estimate that the capital expenditures will amount to HK$471.3 million primarily for the leasehold improvements of new retail stores, software and final payment for the commercial properties located in Shanghai.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment.

We expect to fund our contractual commitments and capital expenditures principally through the cash generated from our cash and cash equivalents, cash generated from operating activities and proceeds from borrowings. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Main Board Listing Rules. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

CONTRACTUAL AND CAPITAL COMMITMENTS

We had the following capital commitments at the dates indicated:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Contracted, but not provided for:			
Property, plant and equipment	10,026	101,944	81,733
Capital contribution/acquisition of joint ventures/associates	17,349	19,847	17,604
Total	27,375	121,791	99,337

INDEBTEDNESS

The following table sets forth a breakdown of our total indebtedness as at the dates indicated:

	As at 31 December			As at 31 January
	2020	**2021**	**2022**	**2023**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Bank loans	1,256,000	–	344,130	305,806
Lease liabilities	408,788	486,319	1,957,299	1,952,586
Total	1,664,788	486,319	2,301,429	2,258,392

Bank loans

Our bank loans of HK$1,256.0 million, nil, HK$288.2 million and HK$251.2 million represented non-current borrowings as at 31 December 2020, 2021 and 2022 and 31 January 2023, respectively, while the bank loans of nil, nil, HK$55.9 million and HK$54.6 million as at 31 December 2020, 2021 and 2022 and 31 January 2023, respectively, represented short-term borrowings. The bank loans as at 31 December 2020 bore interest at floating rate of HIBOR plus basis, while the bank loans as at 31 December 2022 and 31 January 2023 bore fixed rate or floating rates of i) CHIBOR minus basis; ii) EURIBOR plus basis; and iii) secured overnight financing rate ("SOFR") plus margin.

As at 31 December 2020, our bank loans of HK$1,256.0 million were secured by our interest in an associate with an estimated carrying amount of HK$1,315.7 million. As at 31 December 2022, our bank loans of HK$302.5 million were secured by property, plant and equipment of HK$8.5 million, financial assets at fair value through other comprehensive income of HK$8.0 million and inventory and trade receivables of HK$863.9 million. As at 31 January 2023, our bank loans of HK$263.5 million were secured by property, plant and equipment of HK$8.6 million, financial assets at fair value through other comprehensive income of HK$8.1 million and inventory and trade receivables of HK$567.7 million. Our remaining borrowings of HK$41.7 million and HK$42.3 million were unsecured as at 31 December 2022 and 1 January 2023 respectively.

As at 31 January 2023, being the latest practicable date for the purpose of indebtedness statement, we had aggregate banking facilities of HK$2,536.4 million, of which HK$1,798.3 million was unutilised.

Lease liabilities

Our lease liabilities increased from HK$408.8 million as at 31 December 2020 to HK$486.3 million as at 31 December 2021, primarily due to the increase in number of stores leased resulting from the further expansion of our multi-brand apparel and footwear business in FY2021. Our lease liabilities then increased to HK$1,957.3 million million as at 31 December 2022 mainly attributable to the contribution of the Clark Group of HK$1,494.0 million. As at 31 January 2023, our lease liabilities remained stable at HK$1,952.6 million.

Guarantees and Contingent liabilities

As at 31 December 2020, 2021 and 2022 and 31 January 2023, we have (i) bank guarantee given in lieu of utility and property rental deposits, which amounted to HK$5.4 million, HK$1.0 million, HK$8.9 million and HK$11.9 million, respectively; and (ii) guarantee related to arrangement with land lords, HMRC and insurance cover, which were nil, nil, HK$54.5 million and HK$55.2 million as at 31 December 2020, 2021 and 2022 and 31 January 2023, respectively.

As at 31 January 2023, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees except for the items disclosed above.

Save as mentioned above under the paragraph "Contingent liabilities" in this section, and apart from intra-group liabilities, our Group did not have outstanding at Latest Practicable Date any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

KEY FINANCIAL RATIOS

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

	For the year ended/ as at 31 December		
	2020	**2021**	**2022**
Gross Profit Margin *(%)*(1)	40.4	41.4	45.8
Net Profit Margin *(%)*(2)	146.5	323.8	12.6
Return on equity *(%)*(3)	26.5	57.7	7.9
Return on total assets *(%)*(4)	17.5	49.1	5.0
Current ratio *(times)*(5)	4.1	4.3	2.0
Gearing ratio *(times)*(6)	Net cash	Net cash	Net cash

Notes:

(1) Gross profit margin for FY2020, FY2021 and FY2022 was calculated on gross profit divided by revenue for the respective year. See the paragraph headed "Results of Operation – Review of Historical Results of Operation" in this section for more details on our gross profit margins.

(2) Net profit margin for FY2020, and FY2021 and FY2022 was calculated on profit for the year divided by revenue for the respective year. See the paragraph headed "Results of Operation – Review of Historical Results of Operation" in this section for more details on our net profit margins.

(3) Return on equity for FY2020, FY2021 and FY2022 was calculated based on the profit for the year for the respective periods divided by the total equity as at the respective years and multiplied by 100%.

(4) Return on total assets for FY2020, FY2021 and FY2022 was calculated based on the profit for the year for the respective year divided by the total assets as at the end of the respective year and multiplied by 100%.

(5) Current ratios as at 31 December 2020, 2021 and 2022 were calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.

(6) Gearing ratios as at 31 December 2020, 2021 and 2022 represented ratio of net debt over equity plus net debt in which net debt represents total bank and other borrowings less cash and cash equivalents (including restricted bank balances) as at the respective date.

Return on equity

Our return on equity increased from 26.5% in FY2020 to 57.7% in FY2021, primarily due to the significant increase in profit for the year in FY2021. Our return on equity then decreased to 7.9% in FY2022, primarily due to (i) decrease in net profit of HK$3,601.2 million primarily resulting from the decrease in other income and other gains – net in FY2022; and (ii) increase in total equity mainly resulting from the First Clark Acquisition.

Return on total assets

Our return on total assets increased from 17.5% in FY2020 to 49.1% in FY2021, primarily due to the significant increase in profit for the year in FY2021 partially offset by the increase in interest in associates and joint ventures and financial assets at fair value through profit or loss. Our return on total assets then decreased to 5.0% in FY2022, primarily due to (i) decrease in net profit of HK$3,601.2 million primarily resulting from the decrease in other income and other gains – net in FY2022; and (ii) increase in total assets mainly resulting from the First Clark Acquisition.

Current ratio

Our current ratio increased from 4.1 times as at 31 December 2020 to 4.3 times as at 31 December 2021. The increase was primarily due to the (i) increase in cash and bank balance of HK$672.2 million mainly due to the consideration received from the disposal of partial interest in Li Ning Co but partially offset by the payment of special dividend during this year; (ii) the increase in financial assets at fair value through profit or loss of HK$313.8 million mainly represented the amounts due from LionRock Capital. The increase in net current ratio was partially offset by the increase in trade, bills and other payables of HK$204.5 million.

Our current ratio then decreased to 2.0 times as at 31 December 2022 primarily due to the contribution from the Clark Group with current ratio of 1.6 times as at 31 December 2022.

Gearing ratio

Our Group's gearing level has been maintained at a net cash position as at 31 December 2020, 2021 and 2022.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of financial risk, such as market risk (including interest rate risk, credit risk and liquidity risk.

Details of the risk to which we are exposed are set out in note 44 to the Accountants' Report of our Group, which is contained in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE MAIN BOARD LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Main Board Listing Rules.

[REDACTED] EXPENSES

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

DIVIDEND POLICY

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

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

As advised by our Cayman counsel, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid out of share premium if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. As at 31 December 2022, the Company had distributable reserves (comprising share premium and accumulated losses) of HK$232.4 million. Please see note 34 of the Accountants' Report of our Group contained in Appendix I of this document. Accordingly, notwithstanding that our Company had accumulated losses as at 31 December 2022, our Company should be able to declare a dividend out of our share premium if the payment of such dividend would not result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is however no assurance that dividends of any amount will be declared in any year.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section "B. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Asset of our Group" in Appendix III for our unaudited pro forma adjusted net tangible assets.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Please see the section headed "Summary – Recent Development" in this document for details.