Application Proof of

VIVA CHINA HOLDINGS LIMITED
非凡中國控股有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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VIVA CHINA HOLDINGS LIMITED
非凡中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

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FROM GEM TO THE MAIN BOARD
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OVERVIEW

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

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

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

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

OUR BUSINESS MODEL

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

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

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

Notes:

1. Our apparel and footwear brands mainly include "Clarks", "Bossini", "bossini.X", "LNG" and "Amedeo Testoni" during the Track Record Period. We acquired a majority stake in Bossini in July 2020 and our revenue attributable to "Bossini" (including "bossini.X") was HK$421.0 million, HK$702.5 million and HK$593.5 million, representing 51.4%, 50.8% and 8.6% of our total revenue, in FY2020, FY2021 and FY2022, respectively. We completed the First Clark Acquisition in July 2022 and our revenue attributable to "Clarks" in FY2022 was HK$5,386.9 million, representing 78.1% of our total revenue for the year.

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

3. Sports team and event management encompasses management and operation of e-sports clubs, coordination of sports events and sports-related marketing services.

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

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

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

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

Our Multi-brand Apparel and Footwear Business

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

Our Brands

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

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

Notes:

1. "Others" includes other ancillary brand and services, such as our self-owned lingerie brand "Neizhuang" and e-commerce services.

2. The above table does not include our rental income of HK$3,838,000 in FY2020, HK$6,648,000 in FY2021 and HK$2,154,000 in FY2022 generated from the leasing of a self-owned property held under the Bossini Group.

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

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

Notes:

1. Our shoe factory produces footwear for our own brands and provides footwear OEM services. It commenced operation in March 2021 and recorded a gross loss during FY2021 primarily due to the relatively low production volume and operation efficiency, and hence, a higher fixed overhead cost at the start-up stage. In FY2022, it turned loss into profit as it increased its production volume and operation efficiency. For details of the gross profit/(loss) of our footwear OEM services, see section headed "Business – Provision of Footwear OEM Services – Our footwear OEM services" in this document.

2. "Others" includes other ancillary brand and services, such as our self-owned lingerie brand "Neizhuang" and e-commerce services. The decrease in gross profit margin in FY2022 when compared to that of FY2021 was primarily due to the increase in staff costs as we expanded our e-commerce team in the fourth quarter of 2021.

3. The above table does not include our rental income of HK$3,838,000 in FY2020, HK$6,648,000 in FY2021 and HK$2,154,000 in FY2022 generated from the leasing of a self-owned property held under the Bossini Group.

Our Sales Channels

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

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

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

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

Our Sports Experience Business

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

Our Sports Destination Development Business

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

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

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

Notes:

1. "Others" primarily refers to the provision of sports rehabilitation services to sports teams and organisations.

2. The above table does not include subsidies received from local government for operation of sports parks and sports centres which are recognised as other income.

Our Sports Team and Event Management Business

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

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

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

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

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

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

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

OUR ACQUISITIONS

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

Our Multi-brand Apparel and Footwear Business

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

LNG

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

Bossini

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

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

Amedeo Testoni

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

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

Clarks

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

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

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

Our Sports Experience Business

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

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

Ice-skating rinks operation

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

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

LNG Esports

We acquired the entire equity interests in a company which held 80% of "Snake Esports" e-sports club (renamed to "LNG Esports" in late May 2019) in April 2019. Our e-sports business recorded a revenue of HK$12.3 million, HK$33.2 million and HK$32.0 million, representing 3.2%, 6.3% and 6.4% of the revenue from our sports experience business for F2020, FY2021 and FY2022, respectively. We recorded a gross loss of HK$18.7 million, HK$6.0 million and HK$33.4 million for FY2020, FY2021 and FY2022, respectively, from our e-sports business. Although our e-sports business only accounted for a small amount of our revenue and recorded a gross loss during the Track Record Period, this acquisition helped us tap into the e-sports business industry and diversified our revenue sources. We also expect to create synergy with our "LNG" brand under our multi-brand apparel and footwear business.

OUR CUSTOMERS

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

OUR SUPPLIERS

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

OUR COMPETITIVE STRENGTHS

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

OUR BUSINESS STRATEGIES

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

COMPETITIVE LANDSCAPE

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

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

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

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the **[REDACTED]**, Lead Ahead, Dragon City and Victory Mind will continue to be entitled to exercise or control the exercise of **[REDACTED]** of the voting power at general meetings of our Company. Each of Lead Ahead and Dragon City is owned as to 60% by Mr. Li Ning. Victory Mind is owned as to 57% by Ace Leader, all shares of which are held by TMF in its capacity as trustee of a discretionary trust. Mr. Li Ning is the settlor of the trust and is therefore deemed to be interested in such shares. As Lead Ahead, Dragon City and Victory Mind are controlled by Mr. Li Ning, Lead Ahead, Dragon City, Victory Mind and Mr. Li Ning are regarded as a group of Controlling Shareholders. For more information of our Controlling Shareholders, see "Relationship with our Controlling Shareholders".

RELATIONSHIP WITH LI NING CO

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

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

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

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of our consolidated statements of profit or loss

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

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

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

Other income and other gains/(losses) – net

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

	FY2020	**FY2021**	**FY2022**
	HK$'000	*HK$'000*	*HK$'000*
Other income			
Government grants *(Note 1)*	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/(losses) – net			
Provisional gain on bargain purchase *(Note 2)*	245,300	–	956,346
Fair value gain on derivative financial instrument	–	–	23,039
Deemed dilution gain on decrease of interest in an associate *(Note 3)*	–	977,982	7,016
Net gain on disposal of partial interest in an associate *(Note 4)*	1,022,999	3,338,753	–
Fair value gain/(loss) on financial assets/liabilities at FVTPL	3,623	20,110	(46,103)
Foreign exchange gain/(loss)	27,855	(1,358)	(31,663)
Others	(4,080)	131,134	16,988
	1,295,697	4,466,621	925,623
Total	**1,359,084**	**4,548,086**	**1,023,644**

Notes:

1 During the Track Record Period, government grants mainly represented government subsidy for supporting sports parks operation and e-sports.

2 We had gain on bargain purchase of HK$245.3 million arising from the acquisition of Bossini Group in FY2020 and of HK$956.3 million arising from the acquisition of the Clark Group and "Amedeo Testoni" in FY2022.

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

4 During the Track Record Period, we disposed of certain issued shares in Li Ning Co which attained net gain of HK$1,023.0 million and HK$3,338.8 million in FY2020 and FY2021 respectively.

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

Profit for the year

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

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

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

Summary of consolidated statement of financial position

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

Net assets

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

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

Net current assets

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

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

Cash flow

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

	FY2020 *HK$'000*	**FY2021** *HK$'000*	**FY2022** *HK$'000*
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 end of year	1,857,441	2,529,663	2,930,189

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

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

MEASURES TO IMPROVE OUR PROFITABILITY

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

Multi-brand apparel and footwear business

– **Corporate organisation restructuring:** During the Track Record Period, we have undertaken the acquisitions of Bossini, Viva China Premium Brands and Clark. Following completion of these acquisitions, we will review our operation efficiency from time to time and restructure our corporate organisation as appropriate by sharing of similar business functions, such as procurement team and e-commerce team, among such companies and streamlining our back office to reduce our labour costs and increase our operation efficiency.

– **Review of product mix:** We will review our existing product mix and positioning with reference to the latest market trends. For example, with our efforts in creating a new image of "Bossini", we created "bossini.X", a streetwear label with sports elements, to target at youngsters and millennials from the middle-end fashion market in the PRC. For "Amedeo Testoni", we intend to diversify its product portfolio by expanding its women's collection.

– **Expansion of e-commerce:** Since the outbreak of COVID-19, lockdowns and social distancing measures have led to a change in consumer behaviour and expedited the development of online sales. To keep up with the market trend, we have (i) established an e-commerce team in early 2021 to oversee and manage our online sales channels and digital marketing strategies; (ii) established our presence on conventional third-party e-commerce platforms, such as T-mall and Taobao; and (iii) engaged KOLs and live-streamers to promote our brand recognition and sales on various social media platforms, such as Xiaohongshu and Douyin. Our expansion of online sales channel, which involves a lower fixed cost when compared to directly-operated stores, will help improve the profitability of our business.

Sports experience business

– **Sports destination development business:**

  – **Introduction of intelligent management:** Labour cost is one of the major operating costs of sports destinations. To reduce labour costs and improve our customer experience, we plan to introduce intelligent management to our sports destinations, including online booking system, face recognition admission gate, digitalisation of membership and energy-saving lighting system. The introduction of technology also helps us to collect operation data in various aspects which could be useful in our ongoing business review.

  – **Expansion of sports training:** During the Track Record Period, revenue from provision of sports training constituted a substantial portion of our revenue from sports destination development business. With the support of favourable governmental policies that encourage the participation in sports as well as the increasing health awareness among the public, we plan to focus on providing training courses of different types of sports, including basketball, swimming, football and table tennis, to the general public to increase our revenue therefrom.

– **Sports team management business:**

  – **Improve our performance at e-sports tournaments:** Revenue from this business comprises, amongst others, (i) sharing of revenue from e-sports tournaments, a portion of which is calculated based on the performance and ranking of the e-sports club; and (ii) sponsorship fees. Going forward, we intend to improve the strength of our e-sports clubs which will improve our performance and ranking at e-sports tournaments and in turn increase our sharing of revenue at e-sports tournaments. Outstanding results of our e-sports clubs at tournaments can also attract resourceful sponsors to support our operation and increase the awareness and image of our "LNG" brand. For example, the achievements of our "LNG Esports" at the League of Legends Pro League in 2021 had led to an increase in our sponsorships fees in FY2022.

  – **Incubation of e-sports talents:** Talented e-sports athletes are crucial to the success and performance of an e-sports club. To incubate professional e-sports athletes to compete at tournaments, we are committed to nurturing e-sports athletes and operate "LNG Academy", an e-sports club that focuses on training new players and providing them with opportunities to accumulate practical experiences at e-sports tournaments. In addition to the sharing of revenue from e-sports tournaments and sponsorship fees, we may also receive transfer fees by transferring our e-sports athletes to other e-sports clubs.

  – **Sports event management business:** During the Track Record Period, we partook in the operation of CBA and recorded a profit from this business segment. Leveraging on our success, we will continue to look for opportunities to participate in the marketing activities of different sports events and to introduce our self-owned brands as the sponsors to increase their brand awareness and sales.

KEY FINANCIAL RATIO

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

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

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

DIVIDEND AND DIVIDEND POLICY

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

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

REASONS FOR [REDACTED]

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

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

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

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

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

[REDACTED] EXPENSES

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

RISK FACTORS

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

- Following completion of the First Clark Acquisition in July 2022, our historical results may not be indicative of our future growth or financial results, and we may not be able to manage our growth effectively.

- As we have a relatively limited history operating as an integrated business, our business, financial condition and prospects would be adversely affected if we fail to properly integrate our operations and processes.

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

For more information, see "Risk Factors".

COMPLIANCE WITH LAWS AND REGULATIONS

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

RECENT DEVELOPMENT

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

The Second Clark Acquisition

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

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

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

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

2022 Bossini Rights Issue

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

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

NO MATERIAL ADVERSE CHANGE

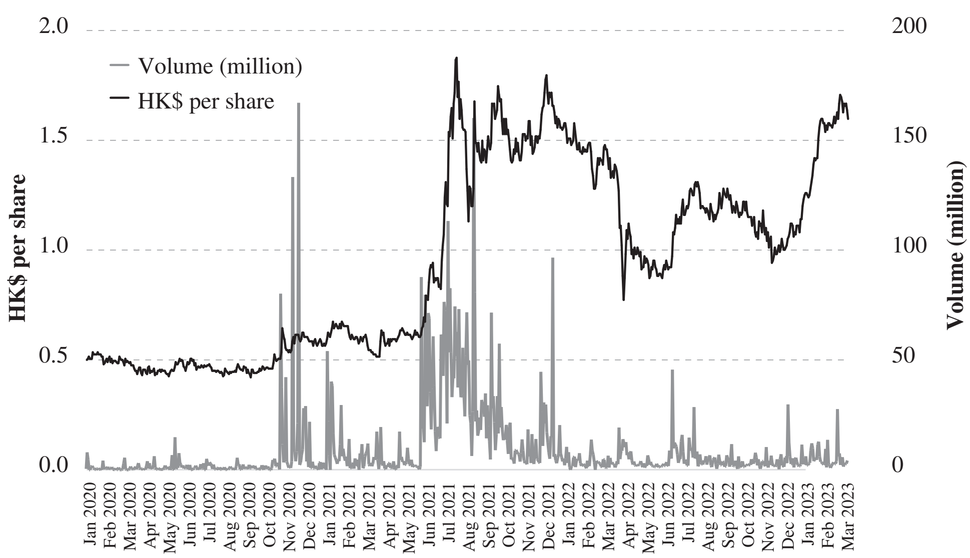
To the best knowledge, information and belief and having made due and careful enquiry, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or trading prospects of our Group since the end date of the latest audited financial statement.

SHARE PRICE VOLATILITY

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

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

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



In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

"Ace Leader"	Ace Leader Holdings Limited, a company incorporated in the BVI with limited liability on 21 March 2006 and a substantial shareholder of our Company
"Americas"	collectively, the US, Canada and Latin America
"Ample Fame"	Ample Fame Investments Limited (滿譽投資有限公司), a company incorporated in the BVI with limited liability on 1 November 2016 and an indirect wholly-owned subsidiary of our Company
"Articles" or "Articles of Association"	the articles of association of our Company, as amended or supplemented from time to time
"Board" or "Board of Directors"	the board of directors of our Company
"Bossini"	Bossini International Holdings Limited, an exempted company incorporated in Bermuda with limited liability on 15 July 1993 and an indirect non-wholly owned subsidiary of our Company, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 592)
"Bossini Enterprises"	Bossini Enterprises Limited (堡獅龍企業有限公司), a company incorporated in Hong Kong with limited liability on 5 November 1997 and an indirect wholly-owned subsidiary of Bossini
"Bossini Group"	Bossini and its subsidiaries
"Bossini Onmay International"	Bossini Onmay International Limited (堡獅龍上美國際有限公司), a company incorporated in Hong Kong with limited liability on 27 May 1998 and an indirect wholly-owned subsidiary of Bossini
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands

DEFINITIONS

"Cayman Companies Act" or "Companies Act"	the Companies Act (As Revised), Cap. 22 of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CITIC Land"	CITIC Land Co., Ltd, a company established in the PRC with limited liability and an associated company of our Company
"Clark"	C&J Clark (No. 1) Limited, a company incorporated in England and Wales on 1 April 1997 and an indirect non-wholly owned subsidiary of our Company upon completion of the First Clark Acquisition
"Clark Acquisitions"	the First Clark Acquisition and the Second Clark Acquisition
"Clark Group"	Clark and its subsidiaries
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time

"Company" or "our Company"	Viva China Holdings Limited (非凡中國控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 13 January 2000, the issued shares of which are listed on GEM (stock code: 8032)
"Comprehensively Sanctioned Country(ies)"	Cuba, Iran, Kherson region, North Korea, Syria, the Crimea Region of Russia/Ukraine, the self-proclaimed Luhansk People's Republic ("**LPR**"), self-proclaimed Donetsk People's Republic ("**DPR**") regions and Zaporizhzhia region
"Controlling Shareholder(s)"	has the meaning given to it under the Main Board Listing Rules and, in the context of this document, means Lead Ahead, Dragon City, Victory Mind and Mr. Li Ning
"Countries subject to International Sanctions"	countries or territories for which Relevant Jurisdictions maintain various forms of sanctions programs in place
"COVID-19"	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
"CSRC"	China Securities Regulatory Commission
"C&J Clark America"	C. & J. Clark America, Inc., a company incorporated in the US on 7 December 1977 as a private corporation with limited liability and an indirect non-wholly owned subsidiary of our Company
"C&J Clark International"	C. & J. Clark International Limited, a company incorporated in the UK on 17 July 1915 as a private company with limited liability and an indirect non-wholly owned subsidiary of our Company
"C&J Clark Retail"	C. & J. Clark Retail, Inc., a company incorporated in the US on 7 December 1977 as a private corporation with limited liability and an indirect non-wholly owned subsidiary of our Company
"Directors" or "our Directors"	the directors of our Company
"Double Happiness"	Shanghai Double Happiness Co., Ltd., a company established in the PRC with limited liability and an associated company of our Company

"Dragon City"	Dragon City Management (PTC) Limited, a company incorporated in the BVI with limited liability on 5 January 2004 and a Controlling Shareholder of our Company
"Dragon Leap"	Dragon Leap Developments Limited (龍躍發展有限公司), a company incorporated in the BVI with limited liability on 21 June 2018 and used to be an indirect non-wholly owned subsidiary of our Company for the purpose of acquiring the shares in Bossini in 2020
"Dragon Leap Consumables"	Dragon Leap Consumables Limited (龍躍消費品有限公司), a company incorporated in the BVI with limited liability on 9 December 2010 and an indirect wholly-owned subsidiary of our Company
"Earn-out Convertible Bonds"	unlisted earn-out convertible bonds in the principal amount of HK$780,000,000 in total issued by our Company to Victory Mind and Dragon City (as initial holders) which are convertible into 2,400,000,000 Shares at an initial conversion price of HK$0.325 per Share
"EMEA"	Europe, Middle East and Africa
"EUR"	Euro, the lawful currency of the European Union
"First Clark Acquisition"	the subscription of the Subscription Shares and the acquisition of the Purchase Shareholder's Loan by Viva China Consumables pursuant to the First Clark Transaction Agreement
"First Clark Transaction Agreement"	the agreement dated 15 March 2021 entered into among, Viva China Consumables, LionRock and LionRock L.P. in relation to the First Clark Acquisition
"Frost & Sullivan"	Frost & Sullivan Limited, an independent market research institution
"Frost & Sullivan Report"	an independent industry report prepared by Frost & Sullivan and commissioned by our Company, an extract of which is set out in the section headed "Industry Overview" in this document
"FY" or "financial year"	financial year of our Company ended or ending 31 December

"FY2020"	financial year ended 31 December 2020
"FY2021"	financial year ended 31 December 2021
"FY2022"	financial year ended 31 December 2022
"FY2023"	financial year ending 31 December 2023
"GBP" or "£"	Sterling, the lawful currency of the United Kingdom
"GEM"	GEM of the Stock Exchange
"GEM Listing" or "Listing on GEM"	the listing of the Shares on GEM
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended or supplemented from time to time
"Greater China"	includes the PRC, Hong Kong, Macau and Taiwan for the purpose of this document
"Group", "we", "our" or "us"	our Company and its subsidiaries at the relevant time
"Guangzhou Fu Bao Loong"	Guangzhou Fu Bao Loong Trading Co. Ltd.(廣州富葆龍貿易有限公司), a company established in the PRC with limited liability on 5 November 2010 and an indirect wholly-owned subsidiary of Bossini
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards which include Hong Kong Accounting Standards and their interpretations issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

[REDACTED]	**[REDACTED]**
"Independent Third Party(ies)"	a person who, as far as our Directors are aware after having made all reasonable enquiries, is not a connected person of our Company
"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the US Government, the European Union and its member states, the UK, the United Nations or the Government of Australia
"International Sanctions Legal Advisers"	Hogan Lovells, our legal advisers as to International Sanctions laws in connection with the **[REDACTED]**
"Jumbo Top"	Jumbo Top Group Limited, a company incorporated in the BVI with limited liability on 21 April 2006 and a substantial shareholder of our Company
"Latest Practicable Date"	19 March 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"Lead Ahead"	Lead Ahead Limited, a company incorporated in the BVI with limited liability on 23 January 2006 and a Controlling Shareholder of our Company
"Li Ning Co"	Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability on 26 February 2004 and an associated company of our Company, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 2331)
"Li Ning Group" or "LN Group"	Li Ning Co and its subsidiaries
"LionRock"	LionRock Capital Partners QiLe Limited, a company incorporated in the BVI with limited liability on 14 September 2020, being the acquisition target under the Clark Acquisitions and an indirect wholly-owned subsidiary of our Company

"LionRock Capital"	LionRock Capital GP Limited, the general partner of LionRock L.P.
"LionRock L.P."	LionRock Capital Partners QiLe L.P., a limited partnership formed in the BVI which is principally engaged in private equity investment in consumer and sports businesses, the partners of which are set out in the section headed "History and Corporate Structure" in this document
"Main Board"	Main Board of the Stock Exchange
"Main Board Listing Rules"	the Rules Governing the Listing of Securities on the Main Board, as amended, modified or supplemented from time to time
"Major Subsidiaries"	our subsidiaries which (i) we consider to be significant in the segments where we operate; and/or (ii) represented 10% or more of the total revenue of our Group in any financial year during the Track Record Period as identified in the section headed "History and Corporate Structure – Corporate Development – Major Subsidiaries" in this document
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, as amended or supplemented from time to time
"OFAC"	the United States Department of Treasury's Office of Foreign Assets Control
"Other Brands"	major apparel and footwear brands operated by our Group (other than "Clarks"), comprising "Bossini", "bossini.X", "LNG" and "Amedeo Testoni"
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this document only, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Predecessor Companies Ordinance"	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014

"Primary Sanctioned Activity"	any activities in a Comprehensively Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting or involving the property or interests in property of, a Sanctioned Target by our Company incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law and regulation
"Purchase Shareholder's Loan"	a portion of the shareholder's loan advanced by LionRock L.P. to LionRock in the principal amount of GBP51,000,000 in the aggregate
"Relevant Jurisdiction"	any jurisdiction that is relevant to our Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assess or certain countries, governments, person or entities targeted by such law or regulation
"Relevant Regions"	Hong Kong, Iran, Lebanon, Myanmar, Venezuela and Yemen
"RMB"	Renminbi, the lawful currency of the PRC
"ROI"	the Republic of Ireland
"Sanctioned Person(s)"	certain person and identity that is, or is owned or controlled by person and identity listed on OFAC's Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the US, the European Union, the UK, the United Nations or Australia
"Sanctioned Target"	any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Country subject to International Sanctions; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)
"SDN"	individuals and entities that are listed on the SDN List

"SDN List"	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with US persons
"SEA"	Southeast Asia
"Second Clark Acquisition"	the acquisition of 49% of the total issued share capital of LionRock by Viva China Consumables pursuant to the Second Clark Transaction Agreement
"Second Clark Transaction Agreement"	the agreement dated 17 November 2022 entered into between Viva China Consumables and LionRock L.P. in relation to the Second Clark Acquisition
"Secondary Sanctionable Activity"	certain activity by our Company that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though our Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus sutra that Relevant Jurisdiction
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK$0.05 each in the share capital of our Company
"Share Option Scheme"	the share option scheme adopted by our Company on 18 January 2021 which shall remain valid and effective following the **[REDACTED]** and will be implemented in full compliance with Chapter 17 of the Main Board Listing Rules, the principal terms of which are summarised in the paragraph headed "Statutory and General Information – D. Share Option Scheme" in Appendix V to this document
"Shareholder(s)"	holder(s) of Shares

"Sole Sponsor"	Nomura International (Hong Kong) Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of our Company to the **[REDACTED]**
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Shares"	510 shares of LionRock to be subscribed by Viva China Consumables pursuant to the First Clark Transaction Agreement, representing 51% of the enlarged issued share capital of LionRock upon completion of the First Clark Acquisition
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
"TMF"	TMF (Cayman) Ltd., a company incorporated in the Cayman Islands with limited liability on 30 September 1994 and a substantial shareholder of our Company
"Track Record Period"	FY2020, FY2021 and FY2022
[REDACTED]	**[REDACTED]**
"VAT"	value-added tax
"Victory Mind"	Victory Mind Assets Limited, a company incorporated in the BVI with limited liability on 20 February 2004 and a Controlling Shareholder of our Company
"Viva China Consumables"	Viva China Consumables Limited (非凡中國消費品有限公司), a company incorporated in the BVI on 26 May 2011 and a wholly-owned subsidiary of our Company
"Viva China Premium Brands"	Viva China Premium Brands Limited (非凡中國晉譽品牌有限公司) (formerly known as Sitoy AT Holdings Company Limited), a company incorporated in Hong Kong with limited liability on 30 August 2018 and an indirect wholly-owned subsidiary of our Company

"Viva Group"	our Company and its subsidiaries at the relevant time (excluding the Clark Group)
"Viva Leading Sports Development"	Viva Leading Sports Development (Beijing) Company Limited* (非凡領越體育發展(北京)有限公司), a company established in the PRC with limited liability on 21 January 2010 and an indirect wholly-owned subsidiary of our Company
"UK"	the United Kingdom
"US" or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US$" or "USD"	US dollars, the lawful currency of the US
"US Securities Act"	the United States Securities Act 1933, as amended or supplemented from time to time
"%"	per cent
"2010 Share Option Scheme"	the share option scheme adopted by our Company on 29 June 2010 and expired on 29 June 2020

In this document, unless the context otherwise requires, the terms "associate", "close associate", "connected person", "connected transaction", "controlling shareholder", "core connected person", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Main Board Listing Rules, unless the context otherwise requires.

Unless expressly stated or the context requires otherwise, amounts and percentage figures, including share ownership and operating data in this document, may have been subject to rounding adjustments, or have been rounded to a set number of decimal places. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

The English names of PRC laws, regulations, governmental authorities, institutions, our products, and of companies or entities established in the PRC included in this document, including those marked with "*", are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency between the Chinese names and their English translations, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms and definitions used in this document that relate to the business and industry in which we operate. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

"ACGN"	refers to animation, comic, game and novel
"apparel"	refers to the garment produced by various fabric, such as wool, silk, knit, cotton and etc., to cover the human body for functional and aesthetic purpose
"CAGR"	compound annual growth rate
"CHIBOR"	China Interbank Offered Rate
"directly-operated stores"	stores directly operated by us under our multi-brand apparel and footwear business
"distributorship stores"	stores operated by our distributors under our multi-brand apparel and footwear business
"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"EURIBOR"	Euro Interbank Offered Rate
"e-commerce"	electronic commerce, the buying or selling of products through online services or over the internet
"footwear"	refers to wearing apparel worn on the feet, for fashion, protection against the environment, and adornment
"GDP"	gross domestic products
"Generation Z"	the generational cohort that was born between the late 1990s and the early 2010s
"HIBOR"	Hong Kong Interbank Offered Rate
"KOL"	key opinion leader
"League of Legends Development League"	second-tier professional league for a multiplayer online battle arena video game, League of Legends, in the PRC

"League of Legends Pro League"	top-tier professional league for a multiplayer online battle arena video game, League of Legends, in the PRC
"LNG Esports"	Lining Gaming (LNG)電子競技俱樂部, an e-sports club operated by our Group that competes at the League of Legends Pro League
"millennials"	the generational cohort that was born between the early 1980s and the 1990s
"OEM"	original equipment manufacturer, a company that manufactures a product in accordance with its customer's designs which ultimately will be branded by its customer for sale
"online penetration rate"	the ratio of sales generated from online to overall sales
"Onmyoji Arena Pro League"	top-tier professional league for a multiplayer online battle arena video game, Onmyoji Arena, in the PRC
"partnership stores"	stores collectively operated by us and our partners under our multi-brand apparel and footwear business
"POS"	electronic funds transfer system at point of sale
"retail stores"	includes directly-operated stores, distributorship stores and partnership stores
"retail partners"	includes our wholesale customers, distributors and partners
"sport destination development"	management and operation of sports parks, sports centres and ice-skating rinks
"sport utilisation area"	sports utilisation area refers to the effective area utilised for sports training, competition and athletic activities. Besides the area specified by the rules of sports competitions, sports utilisation area also includes necessary safety zones, buffer areas, and accessible areas
"sports team and event management"	management and operation of e-sports clubs, coordination of sports events and sports-related marketing services
"t-commerce"	television commerce, the buying or selling of products through the medium of television

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in the section headed "Risk Factors" in this document, which may cause our actual results, performance or achievements to be materially different from the performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- our business and operating strategies and ability to implement such strategies;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our ability to control costs;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy;
- the regulatory environment in terms of changes in laws and government regulations, policies and approval processes in the regions where our business operate;
- general economic, market and business conditions, including the sustainability of the economic growth in the regions we operate;
- changes or volatility in interest rates, equity prices or other rates or prices; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this document.

FORWARD-LOOKING STATEMENTS

The words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "might", "plan", "propose", "seek", "should", "target", "will", "would" and the negative of these terms and other similar expressions, as they relate to our Group or our management, are intended to identify a number of these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategy and the environment in which our Group will operate. They reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document, and are not a guarantee of future performance.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section as well as the risk factors set out in the section headed "Risk Factors" in this document.

In this document, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this document. Any such intentions may potentially change in light of future developments.

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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Following completion of the First Clark Acquisition in July 2022, our historical results may not be indicative of our future growth or financial results, and we may not be able to manage our growth effectively.

We experienced significant growth during the Track Record Period, and in particular we recorded increase in revenue from FY2020 to FY2022 at a CAGR of 190.3%. For the FY2020, FY2021 and FY2022, our total revenue was HK$819.0 million, HK$1,381.6 million and HK$6,900.4 million, respectively. The significant increase in our revenue in FY2022 was primarily due to completion of the First Clark Acquisition in July 2022 and the consolidation of the Clark Group's financial results into our Group's financial statements afterwards. The Clark Group is principally engaged in the retail and wholesale of footwear under the "Clarks" brand with a focus on the UK and the US markets. For the 52 weeks to 30 January 2021 and 29 January 2022 and the 22 weeks to 2 July 2022, the Clark Group achieved a revenue of £778.9 million (HK$8,022.7 million), £926.2 million (HK$9,539.9 million) and £398.8 million (HK$4,107.6 million) respectively. For further details of the First Clark Acquisition, please refer to the sub-sections headed "History and Corporate Structure – Major Acquisitions during the Track Record Period – Clark – First Clark Acquisition" and "Business – Our Acquisitions" in this document.

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

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

As we have a relatively limited history operating as an integrated business, our business, financial condition and prospects would be adversely affected if we fail to properly integrate our operations and processes, or if goodwill impairment is resulted from changes in the business prospects of our acquisition.

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

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

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

We are subject to liquidity risk in our investments in associates and joint ventures and if our associates and joint ventures do not perform as we expected them to be or do not generate sufficient revenue in any financial year, our financial condition or result of operations could be materially and adversely affected.

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

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

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

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

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

Our success depends on our ability to identify, understand and respond to changes in fashion trends, consumer preferences and spending patterns in a timely manner.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Furthermore, our revenue and profitability of our sports experience business are highly dependent on the visitation and utilisation rate of the facilities, which is affected by a variety of factors, many of which are beyond our control. These factors include the lifestyle and health-consciousness level of the users, and the progress of commercial development of the neighbourhood and the broader district in which our centres are located. We strived to provide urban dwellers with various integrated sports, health and leisure facilities and actively organised group sports and leisure activities in order to arouse their interests to participate in physical exercise and recreational activities during their spare time. We also actively explore new sports resources and recreation facilities to enrich the content of our sports park so as to retain and attract users. During the Track Record Period, the amount we incurred for the development and promotion of our sports experience business was insignificant. However, there is no guarantee that such initiatives could play out as planned and achieve our desired results. For instance, revenue from our sports experience business decreased slightly in FY2022 when compared to FY2021 due to the temporary closure of our sports destinations in response to the national pandemic prevention measures amidst the resurgence of COVID-19 during the year. In the event that there are further closure of sports destinations and suspension or delay of sports events or the performance of our sport experience business is further affected by these external factors, we may not achieve any profitable result for the amount we invested and may need to incur additional selling and marketing expenses and investment in different sports projects substantially, which may affect our Group's financial performance and cash position.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Following completion of the First Clark Acquisition in July 2022, a significant portion of our revenue and operating costs are denominated in GBP. In particular, approximately 78.1% of our total revenue for FY2022 was attributable to the Clark Group. Furthermore, the Clark Group achieved a total revenue of £778.9 million (HK$8,022.7 million), £926.2 million (HK$9,539.9 million) and £398.8 million (HK$4,107.6 million) for the 52 weeks period ended 30 January 2021, 29 January 2022 and the 22 weeks to 2 July 2022, respectively. The exchange rates of GBP are affected by, among other things, the foreign exchange policy of the UK government, political and economic conditions of the UK and other neighbouring jurisdictions which are out of our control. Our Company is a holding company and relies on dividends paid by our operating subsidiaries for our cash needs. We cannot predict how GBP will fluctuate in the future. Any significant revaluation of GBP may materially and adversely affect our results of operations and financial position reported in GBP, and value of, and any dividends payable on, our Shares in Hong Kong dollars.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO CONDUCTING OUR BUSINESS IN CHINA

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

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

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

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

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

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

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

In preparation for the **[REDACTED]**, we have sought the following waivers from strict compliance with certain provisions of the Main Board Listing Rules.

	Main Board Listing Rules	Subject Matter
1.	Rule 8.12	Sufficient Management Presence in Hong Kong
2.	Paragraph 26 of Appendix 1A	Particulars of any Alterations of Capital
3.	Paragraph 27 of Appendix 1A	Disclosure Requirements of Options
4.	Paragraph 29(1) of Appendix 1A	Disclosure of Information on Subsidiaries Whose Profits or Assets Make Material Contribution to our Company

1. SUFFICIENT MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Main Board Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since our executive Directors may travel to and station in the PRC from time to time to participate and oversee the day-to-day management of our Company in the PRC, we may not have sufficient management presence in Hong Kong at all times for the purpose of satisfying the requirement under Rule 8.12 of the Main Board Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Main Board Listing Rules. In order to maintain effective communication with the Stock Exchange, we will continue to put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

(a) Mr. Li Ning and Ms. Chan Tsz Ping, who is our company secretary, are ordinarily resident in Hong Kong, will continue to act as our authorised representatives as required under Rule 3.05 of the Main Board Listing Rules after the **[REDACTED]**, who will act as our principal channel of communication with the Stock Exchange;

(b) each of the authorised representatives has all necessary means to contact all the Directors promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters;

(c) all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice; and

(d) each Director will provide his or her mobile phone number, office phone number, e-mail address and fax number, where available, to the Stock Exchange.

We believe that the arrangements set out above will be sufficient to ensure that disclosure of information and contact with the Stock Exchange will be made on a timely basis.

2. PARTICULARS OF ANY ALTERATIONS OF CAPITAL

Paragraph 26 of Part A of Appendix 1 to the Main Board Listing Rules require the document to include the particulars of any alterations of capital of any member of the group within two years immediately preceding the issue of the document.

As at the Latest Practicable Date, our Company had approximately 190 subsidiaries. Our Company has identified eight entities as our Major Subsidiaries which are material to the business operation of our Group. For further details, see the section headed "History and Corporate Structure – Corporate Development – Major Subsidiaries" in this document. Our Company believes that it would be unduly burdensome for our Company to disclose particulars of all alterations of capital for each member of our Group (other than the Major Subsidiaries) within the two years immediately preceding the issue of this document as our Company would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material or meaningful to **[REDACTED]**. Our Directors believe that non-disclosure of such information will not prejudice the interests of **[REDACTED]**.

The Major Subsidiaries include all significant operating subsidiaries which (i) we consider to be significant in the segments where we operate, and/or (ii) represented 10% or more of the total revenue of our Group in any financial year during the Track Record Period. Other than the holding company of our investment in Li Ning Co which is held by us for investment purpose only and is not related to our business operation, none of our non-Major Subsidiaries individually represented over 5% of our total revenue or total assets for each of the financial year or as at the end of each of the financial year (as the case may be) throughout the Track Record Period.

Whilst some of our non-Major Subsidiaries hold intellectual property rights which are material to our business (details of which are disclosed in the paragraph headed "Statutory and General Information – B. Further Information about our Business – 2. Material intellectual property rights" in Appendix V to this document), these companies are either (i) special purpose vehicle incorporated for holding the relevant assets; or (ii) company which, on a standalone basis, is immaterial to our business operation in terms of its percentage to our Group's total revenue and total assets, and therefore, are not considered as our Major Subsidiaries. Save for the above, none of our other non-Major Subsidiaries hold any major assets, licences or intellectual property rights that are material to our business operation during the Track Record Period.

Our Major Subsidiaries, together with our Company, are representative of our Group's business operation and financial position. The total revenue of our Major Subsidiaries represented 64.3%, 58.9% and 91.4% of our total revenue for FY2020, FY2021 and FY2022, and the total assets of our Major Subsidiaries represented 45.8%, 41.6% and 70.3% of the total assets of our Group (excluding (i) interest in associates and joint ventures and (ii) fair value adjustment due to acquisitions undertaken by our Group, which are items that do not relate to our business operation (collectively, "**Excluded Items**")) as at 31 December 2020, 2021 and 2022, respectively. During the Track Record Period, a substantial amount of our cash was held by our Company as general working capital. The total assets of the Major Subsidiaries, together with the cash held by our Company, represented 82.3%, 84.4% and 83.7% of the total assets of our Group (excluding the Excluded Items) as at 31 December 2020, 2021 and 2022, respectively. Our Company has disclosed the particulars of the changes in its share capital and the Major Subsidiaries in the section headed "History and Corporate Structure – Corporate Development – Major Subsidiaries" and the paragraph headed "Statutory and General Information – A. Further Information about Our Group – 2. Changes in the share capital of our Company" in Appendix V to this document.

Our Company has applied for, and the Stock Exchange [has granted], a waiver from the requirements under paragraph 26 of Part A of Appendix 1 to the Main Board Listing Rules in respect of members of our Group and members of the Clark Group which are not the Major Subsidiaries.

3. DISCLOSURE REQUIREMENTS OF OPTIONS

Paragraph 27 of Part A of Appendix 1 to the Main Board Listing Rules requires our Company to set out in this document particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.

We and our subsidiaries may, from time to time, adopt share option schemes, including: (a) the share option scheme adopted by our Company in January 2021 which is subject to Chapter 23 of the GEM listing Rules, and (b) the share option scheme adopted by Bossini in November 2013 which is subject to Chapter 17 of the Main Board Listing Rules (together the "**Share Option Schemes**"). The Share Option Schemes allow us and Bossini to grant options to our employees, directors and consultants. As at the Latest Practicable Date, (i) the total number of shares to be allotted and issued upon full exercise of the outstanding options granted pursuant to the Share Option Schemes represent 2.31% of our Company's enlarged issued share capital after full exercise of the outstanding options, and (ii) 3.57% of the enlarged issued share capital of Bossini after full exercise of the outstanding options.

For the reasons stated above, we believe that strict compliance with the above requirements would be unduly burdensome, unnecessary and/or inappropriate for us, and would not be material or meaningful to **[REDACTED]**:

(a) given that the number of shares to be allotted and issued upon full exercise of the outstanding options accounted for less than 5% of the enlarged issued share capital of our Company and Bossini after full exercise of the outstanding options, respectively, as at the Latest Practicable Date, the grant and exercise in full of the options under the Share Option Schemes will not cause any material adverse impact in the financial position of our Company and Bossini;

(b) the disclosure of the personal details of each grantee, including the name, address and the number of options granted, may require obtaining consent from all the grantees and it would be unduly burdensome for us to obtain such consents;

(c) given our Company is a company listed on GEM before the **[REDACTED]** and Bossini is a company listed on the Main Board, both companies had been under continuing obligations pursuant to the GEM Listing Rules and the Main Board Listing Rules (as the case may be) to, among other things, (i) disclose information relating to the Share Option Schemes and the options granted thereunder in our financial reports, (ii) make announcement of the grant of options, and (iii) announce the exercise of any options granted by way of next day or monthly returns; and

(d) we have provided alternative disclosure regarding the details of the outstanding options granted by our Company and Bossini as at the Latest Practicable Date with reference to the disclosure requirements under the GEM Listing Rules for our annual reports and half-yearly reports under the paragraphs headed "D. Share Option Scheme" and "E. Options under the Share Option Scheme of Bossini" in Appendix V to this document, and such information includes:

    (i) full details of the outstanding options granted under the Share Option Schemes to our Directors, chief executive or substantial Shareholders, or their respective associates, on an individual basis, including all the particulars required under paragraph 27 of Appendix 1A to the Main Board Listing Rules; and

    (ii) with respect to the outstanding options granted under the Share Option Schemes to other grantees (other than those referred to in (i) above), the aggregate number of such grantees, the aggregate number of shares subject to such options, the grant date, vesting schedule and exercise price for such options.

In light of the above, our Directors are of the view that the grant of the waiver sought under this application will not prejudice the interests of the **[REDACTED]**. We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with paragraph 27 of Part A of Appendix 1 to the Main Board Listing Rules.

4. DISCLOSURE OF INFORMATION ON SUBSIDIARIES WHOSE PROFITS OR ASSETS MAKE MATERIAL CONTRIBUTION TO THE COMPANY

Paragraph 29(1) of Part A of Appendix 1 to the Main Board Listing Rules require the document to include information in relation to the name, date and country of incorporation, the public or private status and the general nature of the business, the issued capital and the proportion thereof held or intended to be held, of every company the whole of the capital of which or a substantial proportion thereof is held or intended to be held by us, or whose profits or assets make, or will make, a material contribution to the figures in the accountant's report or the next published accounts.

We believe that it would be unduly burdensome for us to procure this information for the reasons as set out in the sub-section headed "2. Particulars of any Alterations of Capital" in this section above. As such, only the particulars in relation to our Major Subsidiaries are set out in "History and Corporate Structure – Corporate Development – Major Subsidiaries" and "Statutory and General Information – A. Further Information about Our Group" in Appendix V to this document, which should be sufficient for potential **[REDACTED]** to make an informed assessment of our Company in their **[REDACTED]** decisions.

We are of the view that all material information necessary for **[REDACTED]** to make an informed assessment of the business, assets and liabilities, financial position, **[REDACTED]** position, management and prospect of our Group has been disclosed in this document, and as such, the non-disclosure of such information will not prejudice the interest of the **[REDACTED]**.

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under paragraph 29(1) of Part A of Appendix 1 to the Main Board Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. LI Ning（李寧先生）	36A Taggart The Repulse Bay 109 Repulse Bay Road Hong Kong	Chinese
Mr. LI Chunyang（李春陽先生）	6-106, Zi Junting Zhongyang-gongguan Beijing Economic-Technological Development Area (Yizhuang) Daxing District, Beijing PRC	Chinese
Mr. LI Qilin（李麒麟先生）	Unit 6, 16/F 21 Borrett Road Hong Kong	Chinese
Non-executive Directors		
Mr. Victor HERRERO	38J The Masterpiece 18 Hanoi Road Tsim Sha Tsui Hong Kong	Spanish
Mr. MA Wing Man （馬詠文先生）	Flat 6, 21/F, Block A Yan On Building 1 Kwong Wa Street Mongkok, Kowloon Hong Kong	Chinese
Ms. LYU Hong（呂紅女士）	Room 61602, Stanford Residences Jing An Lane 1999 Xin Zha Road Jing An District, Shanghai PRC	Chinese
Independent non-executive Directors		
Mr. LI Qing（李勍先生）	Room 202, No. 6 Lane 1288, Puming Road Pudong New Area, Shanghai PRC	Chinese

Name	Address	Nationality
Mr. PAK Wai Keung, Martin (白偉強先生)	Unit A, 30/F Arezzo, 33 Seymour Road Mid-levels Hong Kong	Singaporean
Mr. WANG Yan (汪延先生)	Flat D, 32/F, Blk 1 University Heights 23 Pokfield Road Pok Fu Lam Hong Kong	Chinese

Further information of our Directors are disclosed in the section headed "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Nomura International (Hong Kong) Limited** 30/F, Two International Finance Centre 8 Finance Street, Central Hong Kong
Legal advisers to our Company	*As to Hong Kong law:* **Deacons** 5th Floor, Alexandra House 18 Chater Road, Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 12-14th Floor, China World Office 2 No.1 Jianguomenwai Avenue Beijing, 100004, PRC *As to Cayman Islands law:* **Conyers Dill & Pearman** 29/F One Exchange Square 8 Connaught Place Central Hong Kong

	As to US laws and UK laws: **Goodwin Procter (Hong Kong) LLP** 38th Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
	As to International Sanctions laws: **Hogan Lovells** 11th Floor, One Pacific Place 88 Queensway Hong Kong
Legal advisers to the Sole Sponsor	*As to Hong Kong law:* **Allen & Overy** 9th Floor, Three Exchange Square Central Hong Kong
	As to PRC law: **JunHe LLP** 26/F, HKRI Taikoo Hui 288 Shimen Road (No.1) Jing'an District, Shanghai the PRC
Auditor and reporting accountant to our Company	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central, Hong Kong
Reporting accountant to LionRock and the Clark Group	**CWK CPA Limited** *Certified Public Accountants* *Registered Public Interest Entity Auditor* Unit 2110-2111, 21/F, Cosco Tower 183 Queen's Road Central Central Hong Kong
Industry consultant	**Frost & Sullivan Limited** 1706, One Exchange Square 8 Connaught Place Central Hong Kong

CORPORATE INFORMATION

Registered Office in Cayman Islands	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	2/F, PopOffice 9 Tong Yin Street Tseung Kwan O, New Territories Hong Kong
Company website	www.vivachina.hk *(Note: information on this website does not form part of the document)*
Company secretary	Ms. Chan Tsz Ping（陳芷萍女士） *(HKICPA, ACCA)* 2/F No. 108 Hung Uk Tsuen Ping Shan, Yuen Long New Territories Hong Kong
Authorised representatives	Mr. Li Ning（李寧先生） 36A Taggart, The Repulse Bay 109 Repulse Bay Road Hong Kong Ms. Chan Tsz Ping（陳芷萍女士） 2/F No. 108 Hung Uk Tsuen Ping Shan, Yuen Long New Territories Hong Kong
Compliance officer	Mr. Li Ning（李寧先生） 36A Taggart, The Repulse Bay 109 Repulse Bay Road Hong Kong
Audit committee	Mr. Pak Wai Keung, Martin（白偉強先生）*(Chairman)* Mr. Li Qing（李勍先生） Mr. Wang Yan（汪延先生） Mr. Ma Wing Man（馬詠文先生）
Remuneration committee	Mr. Wang Yan（汪延先生）*(Chairman)* Mr. Li Qing（李勍先生） Ms. Lyu Hong (呂紅女士)

CORPORATE INFORMATION

Nomination committee	Mr. Li Ning (李寧先生) *(Chairman)* Mr. Pak Wai Keung, Martin (白偉強先生) Mr. Wang Yan (汪延先生)
Executive committee	Mr. Li Ning (李寧先生) *(Chairman)* Mr. Li Chunyang (李春陽先生) Mr. Li Qilin (李麒麟先生)
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
Principal bankers	**Bank of Communications Co., Ltd** 20 Pedder Street, Hong Kong **China CITIC Bank International Limited** 79/F International Commence Centre 1 Austin Road West Kowloon Hong Kong **China Merchants Bank Co., Ltd** 28/F, III Exchange Centre 8 Connaught Place Central, Hong Kong **Industrial and Commercial Bank of China (Asia) Limited** 33/F, ICBC Tower 3 Garden Read Central Hong Kong **The Hongkong and Shanghai Banking Co., Ltd** HSBC Main Building 1 Queen's Road Central Hong Kong

*The information and statistics set out in this section and other sections of this document were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the **[REDACTED]**. The information from official government sources has not been independently verified by us, the Sole Sponsor, any of their respective directors and advisers, or any other persons or parties involved in the **[REDACTED]**, and no representation is given as to its accuracy.*

SOURCE OF INFORMATION

In connection with the **[REDACTED]**, we engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report about, the fashion industry, footwear industry and the PRC sports-related industry (the "**Relevant Industries**"). Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. In connection with the market research services provided, we have paid a fee of HK$500,000 to Frost & Sullivan.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan adopted the following assumptions: (i) global social, economic and political environment is likely to remain stable in the five years from 2022 to 2026 (the "**Forecast Period**"), and (ii) related industry drivers are likely to drive the Relevant Industries in the Forecast Period.

Except as otherwise noted, all the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Frost & Sullivan has prepared the Frost & Sullivan Report based on detailed primary research which involved discussing the status of the Relevant Industries with certain industry participants and secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Our Directors confirm that, after making reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE FASHION AND FOOTWEAR INDUSTRIES

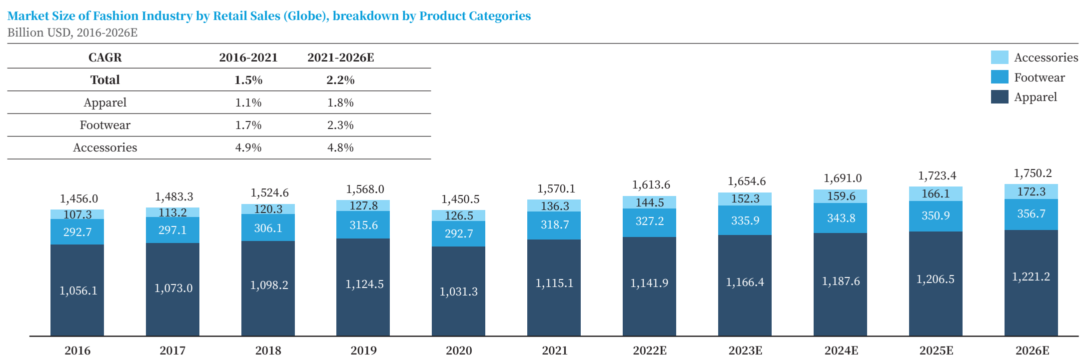
Overview

Fashion industry is the aggregation of apparel, footwear and accessories. Apparel refers to the garment produced by various fabric, such as wool, silk, knit, cotton and etc., to cover the human body for functional and aesthetic purpose. Footwear refers to wearing apparel worn on the feet, for fashion, protection against the environment, and adornment. Accessories refer to articles that supplement one's outfit for decorative and functional purposes.

The sales channel of fashion industry can be categorised into online and offline channels. Offline channels refer to the physical site such as store, outlet and selling space that carries out purchase activity offline. It mainly includes brand stores, specialist retailer stores and department stores. Online channels refer to the digital platforms where customers can make purchases via the internet. It mainly includes official website, e-commerce platforms, social media platforms, and short-video/live-streaming platform.

Market Size of the Global Fashion Industry

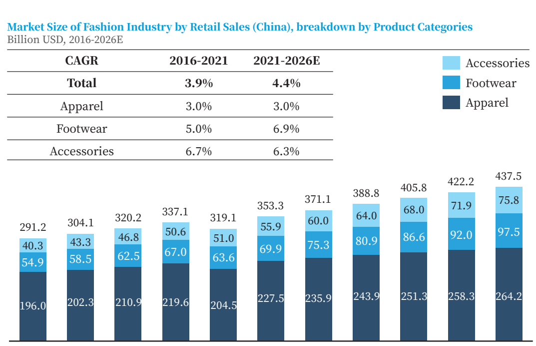
The market size of the global fashion industry in terms of retail sales recorded a mild increase from US$1,456.0 billion in 2016 to US$1,570.1 billion in 2021 at a CAGR of 1.5%, primarily due to a slight decline in 2020 resulted from consumers' decreasing willingness to consume non-essential consumer goods, including fashion apparel and footwear, and is expected to increase to US$1,750.2 billion in 2026 at a CAGR of 2.2% alongside with the gradual economic recovery in future years. In terms of product types, apparel is the largest contributor which accounted for 71.0% of the total market size in 2021 and footwear is the second contributor which accounted for 20.3% of the total market size in 2021.

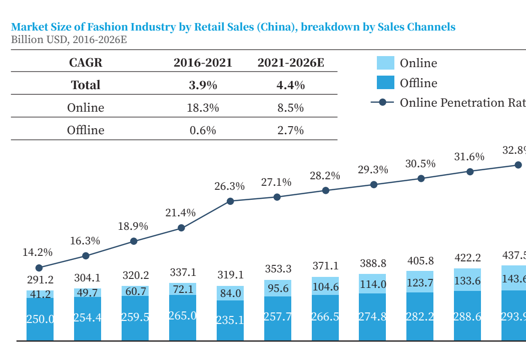


Source: Frost & Sullivan Report

Market Size of the PRC Fashion Industry

The PRC is the largest fashion market in the world in terms of retail sales in 2021, which had experienced a rapid expansion from 2016 to 2021 primarily driven by the strong economic growth and the rising consumption power of the Chinese citizens, despite a slight decrease in 2020 due to the outbreak of COVID-19. The market size of the PRC fashion industry in terms of retail sales grew from US$291.2 billion in 2016 to US$353.3 billion in 2021 at a CAGR of 3.9%, and is expected to further increase to US$437.5 billion in 2026 at a CAGR of 4.4%. Whilst offline channels were, and are expected to remain as, the major contributor to the retail sales from 2016 to 2026, the retail sales from online channels grew, and is expected to grow, more rapidly resulting in a gradual increase in the market share. Alongside with the increasing online penetration rate in the PRC, the retail sales of online channels recorded a rapid growth from US$41.2 billion in 2016 to US$95.6 billion in 2021 at a CAGR of 18.3%, and is expected to reach US$143.6 billion at a CAGR of 8.5%.

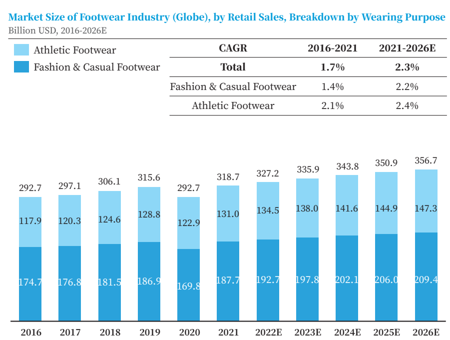


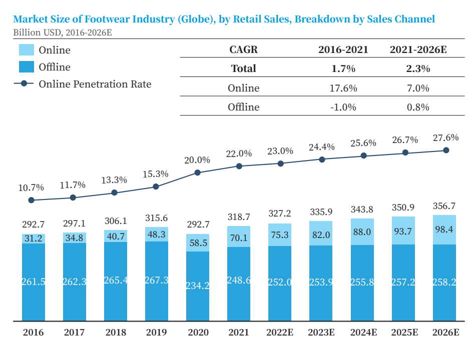


Source: Frost & Sullivan Report

Market Size of the Global Footwear Industry

The global footwear industry can be divided into (a) fashion and casual footwear industry which the Clark Group engages in and (b) athletic footwear industry, by wearing functions. Fashion and casual footwear is designed for everyday wearing. Athletic footwear is designed for a sporting activity and constitute part of athletic gear along with clothing and equipment. Due to the outbreak of COVID-19, the market size of global fashion and casual footwear industry in terms of retail sales grew moderately from US$174.7 billion in 2016 to US$187.7 billion in 2021 at a CAGR of 1.4%, and is expected to reach US$209.4 billion in 2026 at a CAGR of 2.2% alongside with the gradual economic recovery. In terms of sales channels, offline channels were, and are expected to remain as, the major contributor to the retail sales from 2016 to 2026. With the maturity of e-commerce business models and the shift of people's consumption habits further catalysed by COVID-19, online sales channels recorded a rapid growth. Online retail sales of footwear (including fashion and casual footwear as well as athletic footwear) increased from US$31.2 billion in 2016 to US$58.2 billion in 2021 at a CAGR of 17.6%, and is expected to reach US$98.4 billion in 2026 at a CAGR of 7.0%.



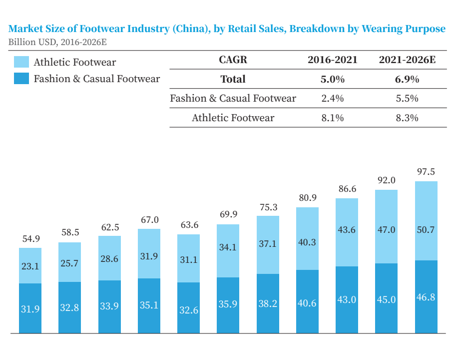


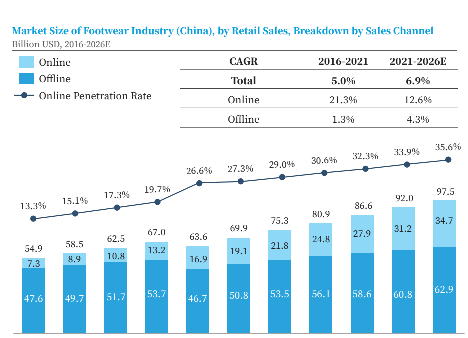
Source: Frost & Sullivan Report

Market Size of the PRC, the US and the UK Footwear Industry

In 2021, the PRC, the US and the UK together take up nearly half of the global footwear industry, with the PRC and the US having the highest share of 21.9% in both region, and the UK of 3.1%. The development of the footwear industries in each of the PRC, the US and the UK are largely similar with that of the global footwear industry. Each of the above regions experienced a moderate growth in terms of retail sales from 2016 to 2021 and is expected to continue to grow between 2022 and 2026. In terms distribution channels, whilst offline channels contributed, and are expected to contribute, most of the retail sales of the relevant industry, online channels had experienced a rapid growth from 2016 to 2021 and are expected to continue to grow between 2022 and 2026. Amongst these regions, the PRC footwear market has the highest historical and forecast growth rate in terms of the retail sales primarily due to the rapid economic development and increase of per capita disposable income in the PRC.

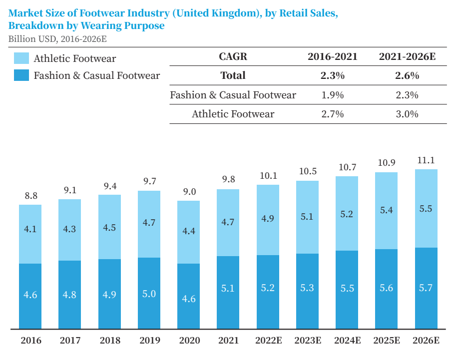
Market Size of the PRC Footwear Industry

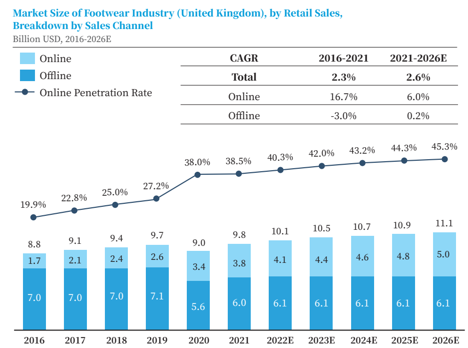




Source: Frost & Sullivan Report

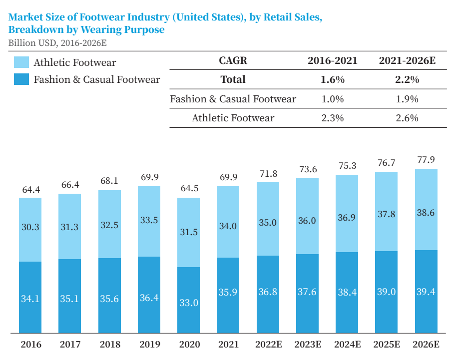
Market Size of the UK Footwear Industry

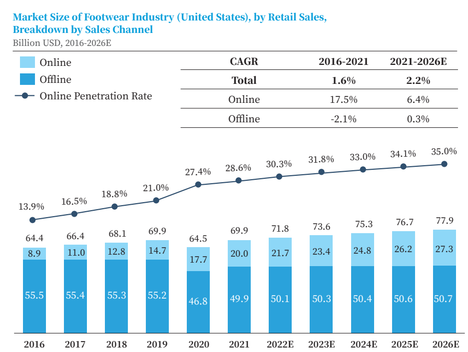




Source: Frost & Sullivan Report

Market Size of the US Footwear Industry





Source: Frost & Sullivan Report

Key Market Drivers of the Fashion and Footwear Industries

The Rise of the New Generation. The new generation of consumers, namely the millennials and Generation Z, is becoming the main consumer group for the fashion and footwear industries. They focus on self-expression, individuality, quality and brand reputation. The rise in fashion awareness and style diversification has driven the growth and development of the fashion and footwear industries.

Ongoing Digital Transformation. The emergence of online channels and data intelligence, and increasing popularity of social media platforms have driven digital transformation. Further, online shopping has become more popular as a result of the lockdown and social distancing measures during the outbreak of COVID-19. Empowerment of digital technology together with the requirements of social distancing during the pandemic contributed to the gradual shift of consumers' shopping habits from traditional offline to online channels. Despite of the fluctuation of online sales caused by supply chain and logistics disruptions during the recent lockdowns in China, the integration of digital platforms and technology into sales and marketing has become imperative for fashion brands and has driven the expansion of the fashion and footwear industries.

Diversification of Consumer Demand. An uneven wealth distribution between metropolis and less-developed areas has led to a diversification of consumer demand. When consumers in developed areas tend to seek more high-end and personalised products, consumers in less-developed areas tend to be more price-sensitive. In an increasingly bifurcated market, fashion suppliers can benefit from developing a multi-brand strategy with a diversified product portfolio to meet the demands of various consumer groups and capture the market potentials.

Optimisation of Brand Portfolio. The top companies in the fashion industry in China are developing their brand portfolio to attain synergistic effect by strategically creating and expanding multiple brands for different groups in terms of age or consuming preference in their target customer base. A diversified and comprehensive brand portfolio with a distinct brand personality could help the companies to connect to various target consumer groups, initiate cross-promotion events with different brands, meet diversified demands from consumers and thereby gain more loyal customers and expand their market shares in a relatively fragmented market.

Future Development Trends of the Fashion and Footwear Industries

Application of Omni-channel Strategy. As consumers of new generation pay more attention to shopping experience than the previous generation, fashion brands are trying to enhance their omni-channel capabilities to improve customer experience during the consumption journey to capture sales opportunity from young consumers. Moreover, more fashion brands adopt the direct-to-consumer model where they use their own channels to communicate with consumers directly and promote sales and marketing activities. Being able to reach end-consumer directly allows fashion brands to react to the market dynamics promptly to capture sales opportunity.

Rise of Athleisure Style and Regional-specific Consumer Preferences. The fashion products of athleisure style, which incorporate the elements of sportswear into daily casual wear, are becoming more popular among consumers. Apart from athleisure style, China is experiencing a "China-Chic" revolution, which is characterised by rise of the PRC's native fashion brands and design. Sub-culture elements, such as animation and game, are becoming more important in fashion design to capture demand from Generation Z in the PRC fashion industry.

Expansion and Localised Operation of Foreign Brands in the PRC. Given consumers' demands are becoming more diverse, fashion brands are expanding their portfolio by developing launching multiple products or brands to expand their potential consumer group. As establishing a new brand from scratch can be time-consuming and requires substantial initial investment, resourceful fashion brands may acquire compatible market players to expand their brand portfolio. As the PRC footwear market outperforms the global market and most of the other more developed markets, many foreign brands seek to tap into the PRC footwear market through collaboration with experienced local brand operators to develop a localised branding and marketing strategy to expand their business in the PRC.

Entry Barriers of the Fashion and Footwear Industries

Brand Building and Operation Expertise. Fashion products lies between an essential good for consumers' everyday wearing and a decorative garment that define their own styles. With distinct fashion consciousness associated with the fashion products, fashion brands have to identify the ever-changing consumer preference and adjust their brand building and operation strategy accordingly. Fashion brand operators with brand-building expertise can enlarge their consumer base and enhance synergy effect by developing multi-brand portfolio.

Product Development and Supply Chain Capabilities. Consumers are showing a greater interest in innovative products in fashion industries for both functional purposes and environmental awareness. To meet consumer demand, leading fashion brands have cultivated their strength in design and product development by building their own design team, establishing partnerships with external product development talents and constructing their agile supply chains.

Data Intelligence and Consumer Insight. Leading market players of fashion industry are likely to gain access to a greater scale of consumer data through their past operational experience and generate insights on consumers' attitudes and behaviors by analysing those data. A better understanding of constantly shifting demand of their target consumer group may help the fashion brands refine their marketing and promotional strategies to improve the repurchase rate of their existing customers and reach more potential customers through specific targeted campaigns.

Competitive Landscape of the PRC Fashion Industry

The fashion industry in the PRC is highly fragmented, with the top five brands taking up less than 10% of the total market in terms of retail sales in 2021. Major market players include both local brands and foreign brands. The top five leading industry players include, (i) a NYSE listed global sportswear and athleisure fashion company, (ii) a Frankfurt Stock Exchange listed global sportswear and athleisure fashion company, (iii) a Hong Kong Stock Exchange listed sportswear and athleisure fashion company from the PRC, (iv) a Tokyo Stock Exchange and Hong Kong Stock Exchange listed fast fashion company from Japan; and (v) a Hong Kong Stock Exchange listed sportswear and athleisure fashion company from the PRC.

Competitive Landscape of the UK and the US Footwear Industry

The fashion and casual footwear industry in the UK is relatively concentrated, with the top five brands taking up 30% of the market in terms of retail sales. "Clarks" ranked the 1st place in fashion and casual footwear industry in the UK with a market share of 14.1% which far exceeds the 2nd brand's market share of merely 4.5% market share.

Ranking of Top Five Fashion and Casual Footwear Brands in the UK, by retail sales (2021)

Ranking	Brand Name	Background of the Brands	Market Share *(%)*
1	Clarks	"Clarks" is a footwear brand established in 1825 in the UK and it is the main brand of the Clark Group.	14.1%
2	Brand A	Brand A is an affordable fast fashion brand founded in Ireland with its business mainly operated in Europe. Its holding company is listed on the London Stock Exchange ("**LSE**").	4.5%
3	Brand B	Brand B is a fashion brand founded in the UK with its business mainly operated therein. Its holding company is listed on LSE.	4.2%
4	Brand C	Brand C is a British brand with substantial business presence in the fashion industry and mainly operated in Western Europe. Its holding company is listed on LSE and the Over-the-counter Bulletin Board.	3.8%
5	Brand D	Brand D is a globally operated athleisure footwear brand founded in the US. Its holding company is listed on the New York Stock Exchange ("**NYSE**").	3.4%
	Total of Top Five Brands		**30.0%**

Note: It refers to the calendar year which started from 1 January 2021 to 31 December 2021.

Source: Frost & Sullivan Report

The fashion and casual footwear industry in the US is relatively concentrated, with the top ten brands taking up 41% of the market in terms of retail sales. "Clarks" ranked the 7th place in 2021 and accounted for 1.8% market share.

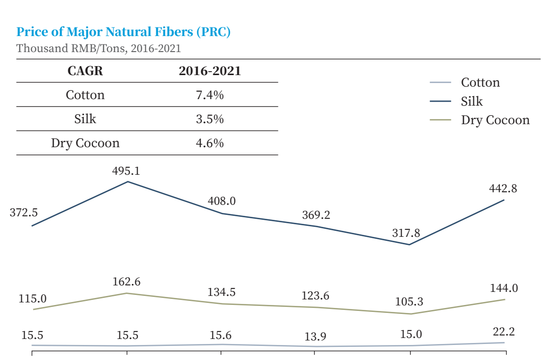
Ranking of Top Ten Fashion and Casual Footwear Brands in the US, by retail sales (2021)

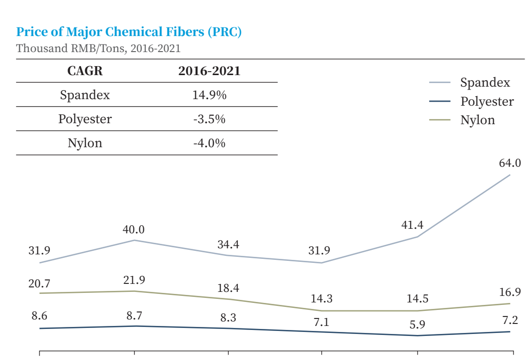
Ranking	Brand Name	Background of the Brands	Market Share *(%)*
1	Brand D	Brand D is a globally operated athleisure footwear brand founded in the US. Its holding company is listed on NYSE.	9.6%
2	Brand E	Brand E is a globally operated fashion brand founded in the US. Its holding company is listed on NYSE.	7.0%
3	Brand F	Brand F is a globally operated fashion brand founded in the US. Its holding company is listed on NYSE.	6.8%
4	Brand G	Brand G is a globally operated casual footwear brand founded in the US. Its holding company is listed on NASDAQ.	5.0%
5	Brand H	Brand H is a globally operated fashion brand founded in the US. Its holding company is listed on NASDAQ.	4.6%
6	Brand I	Brand I is a globally operated outdoor fashion brand founded in the US. Its holding company is listed on NYSE.	2.5%
7	Clarks	"Clarks" is a footwear brand established in 1825 in the UK and it is the main brand of the Clark Group.	1.8%
8	Brand J	Brand J is a fast fashion brand founded in the PRC with its business mainly operated in North America, Europe and the Middle East. Its parent company is a private company from the PRC.	1.4%
9	Brand K	Brand K is a globally operated fashion brand founded in the US. Its holding company is listed on NYSE.	1.3%
10	Brand L	Brand L is a casual footwear brand founded in the US with its business mainly operated in North America. Its holding company is listed on NYSE.	1.0%
	Total of Top Ten Brands		**41.0%**

Note: It refers to the calendar year which started from 1 January 2021 to 31 December 2021.
Source: Frost & Sullivan Report

Price Trends of Raw Materials of the Fashion Industry

Raw materials of the fashion industry can be categorised into two types, namely natural fibres, such as cotton, silk and dry cocoon, and chemical fibres, such as spandex, polyester and nylon. Prices of these major raw materials in the PRC fluctuated during 2016 to 2021 and most of them recorded the lowest price point in 2020 due to the outbreak of COVID-19, which was attributed to a shrinking demand for fashion production, and the prices went up again in 2021 with the gradual economic recovery.





Source: Frost & Sullivan Report

OVERVIEW OF THE PRC SPORTS-RELATED INDUSTRY

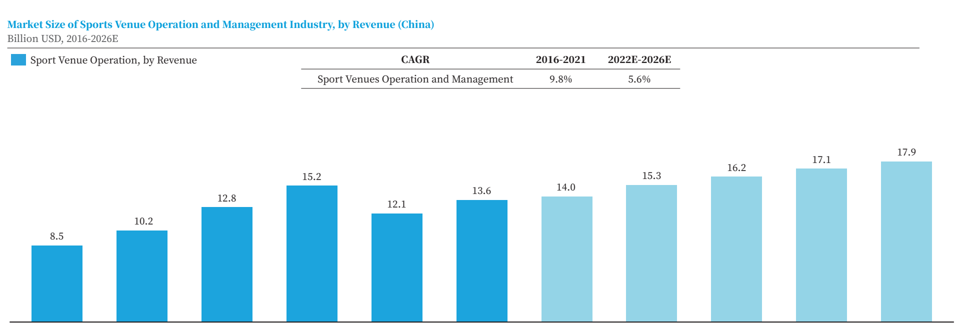
Sports industry is an industry where people, activities, business, and organisations are involved in producing, facilitating, promoting, or organising activity and experience relating to sports, and including e-sports. Market players of the PRC sports sector includes private enterprises, individuals, government and public institutions. Sports related industry is widely defined and comprises various industries. The ones we operate in includes (i) sports venues operation and management industry, (ii) e-sports clubs and e-sports influencer commercialisation industry, and (iii) sports marketing solution industry, in the PRC.

Overview and Market Size of the Sports Venues Operation and Management in the PRC

Sports venues operation and management refers to the management and operation of arenas, stadiums, or other facilities that are used primarily as a venue for sports activities by the general public. Operators generate revenue from multiple sources such as service fees for organising sports events and competitions on the site, subsidies, sales of entrance tickets, venue rental, providing training courses, sales of products within the venues.

As sports venue operation and management is closely related to public service, the market is dominated by the government authorities and other non-enterprise institutions, such as village committee and resident committee and etc., and only a small proportion of the venues which operated by enterprises are mainly for commercial purpose. Only 16.0% of the total sports utilisation area in the PRC are operated by enterprises in 2021, and the majority of the industry was dominated by government-affiliated institutions which operated 42.7% of the total sports utilisation area, along with a large portion of remaining operated by other non-enterprise institutions.

The market size of the PRC sports venue operation and management in terms of revenue grew from US$8.5 billion in 2016 to US$13.6 billion in 2021 at a CAGR of 9.8% primarily due to the increasing popularity of sports among the public. The industry took a serious hit from the outbreak of COVID-19 in 2020 primarily due to executive orders issued by the government to close down public gathering places to stop the spread of COVID-19, and people preferred to stay at home during the early periods after relaxation of the lock-down measures, and recorded a slight recovery in 2021. When the industry has gradually recovered from and adapted to the impact of COVID-19, the market size is expected to increase to US$17.9 billion in 2026 at a CAGR of 5.6%.

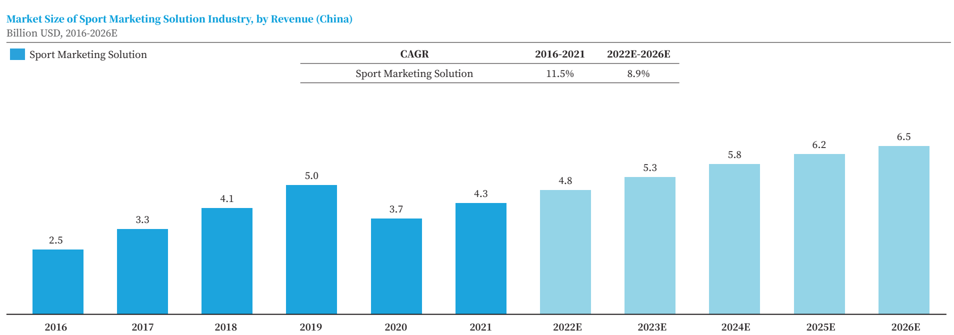


Source: Frost & Sullivan Report

Overview and Market Size of the Sports Marketing Solution Industry in the PRC

Sports marketing solution refers to the marketing activities facilitated by sports marketing solution providers with the purpose to help advertisers to build brand image and increase brand awareness by providing sponsorship to sports clubs, sports tournaments, athletes, and other means. It connects brands with sports intellectual property resources to provide a marketing platform which helps to execute marketing strategies for brands. In terms of revenue, major types sports marketing solutions in the PRC include sponsorship to sports clubs which contributed to 33% of the total market in terms of revenue and sponsorship to sports tournaments which contributed to 29% in terms of revenue in 2021, and sponsorship to athletes which contributed 7% of the total market in terms of revenue of the total market in 2021. The sports marketing industry is a highly fragmented industry with various industry players operating under different business models.

The market size of the PRC sports marketing solution in terms of revenue grew from US$2.5 billion in 2016 to US$4.3 billion in 2021 at a CAGR of 11.5% primarily due to the increasing popularity of sports among the general public. The market took a serious hit from the outbreak of COVID-19 in 2020 as many sports tournaments had been cancelled or delayed as a result of lock-downs and the executive orders issued by the government to stop public gathering, and recorded a slight recovery in 2021. When the market has gradually recovered from and adapted to the impact of COVID-19, the market size is expected to increase to US$6.5 billion in 2026 at a CAGR of 8.9%.



Source: Frost & Sullivan Report

Overview and Market Size of the E-sports Club and E-sports Influencer Commercialisation Industry in the PRC

E-sports event refers to game competition in the form of tournament or league where e-sports clubs compete with each other for championship. E-sports club refers to a team of professional e-sports players that competes in the e-sports tournaments for championship and public exposure for further commercial value. E-sports clubs generate revenue primarily through tournament prize, sharing of revenue from tournament organisers, sponsorship fees to the e-sports club, commercialisation (including live-streaming and advertising) and sales of e-sports related merchandise. E-sports influencer commercialisation refers to the commercial activities where individual or multi-channel networks' influencers act as media to create commercial value for customers from creating and broadcasting e-sports related contents, and in the returns, receives revenue for the services offering. Revenue of e-sports influencers commercialisation mainly include virtual gifts from live-streaming audience, content payment from platforms, and advertisement fees. The e-sports clubs and e-sports influencer commercialisation industry is fragmented and the key market players primarily include e-sports clubs and sports marketing solution providers.

The market size of the PRC e-sports club and e-sports influencer commercialisation industry in terms of revenue grew significantly from US$0.5 billion in 2016 to US$2.2 billion in 2021 at a CAGR of 36.9% primarily due to the increasing popularity of e-sports as a new form of sports. The market did not record continuous growth in 2020, when compared to the previous years, primarily due to the economic downturn resulted from the outbreak of COVID-19. When the economy has gradually recovered from the impact of COVID-19, the market size is expected to increase to US$6.2 billion in 2026 at a CAGR of 22.8%.

Source: Frost & Sullivan Report

Key Market Drivers of the Sports-related Industry

Favorable Government Policies. From 2016 to 2021, the PRC government had issued favorable policies to encourage the public to do more sports which have encouraged the development of the sports venue operation and management industry in the PRC. For example, in July 2021, the State Council Gazette issued the "National Fitness Program (2021-2025)", which encouraged the increase in the supply of sport venues and facilities as well as public participation in sports. Moreover, the PRC government had issued policies to encourage the growth of e-sport industry, such as promoting e-sports education, hosting e-sports events, and offering direct subsidies. Several cities had issued policies aiming to position themselves as a regional or even national center for e-sports. For example, the Beijing government had issued "Medium and Long-term Plan for Beijing to Promote the Construction of National Cultural Center (2019-2035)" to position itself as capital of e-sports.

Increasing Public Awareness on Health and Well-being. With rapid economic development and improvement in living standards, public awareness on health and well-being have been increasing. As a result, willingness to spend and consume health and wellness related goods and services has seen a steady growth in the past few years, and will remain increasing in the foreseeable future.

Hosting of International Sport Events in China. Many important international sports events, such as the 2008 Beijing Summer Olympics and the 2021 Beijing Winter Olympic, have been hosted by the PRC. Chinese government are keen to host more sport events as it would boost consumption and tourism. Frequent sports events, especially international sport events with wide media coverage, will bring growth opportunities for the sports marketing solution providers in the PRC.

Future Development Trends of the Sports-related Industry

Rise of Private Operators in Sports Venues Operation and Management. Governments have issued policies to encourage private enterprises to investment in the sports venues operation and management industry to improve the quality of sports-related services. It is expected that such investment will offer great opportunity for top private operators with strong operational capabilities to expand their business as they are more experienced and efficiency-driven.

Increasing Popularity for One-Stop Sports Complex. A new business model of one-stop sports complex has achieved substantial success within the sports industry and the popularity of such complex is increasing among the general public. One-stop sports complex integrates multiple services into one complex building or park, such that customers can satisfy their needs in one place, and is expected to gain a fair market share in future.

High Growth in E-sports Industry. The e-sports industry recorded a significant growth in the PRC between 2016 and 2021. As the world's largest e-sports consumer market with the largest number of e-sports participants in the world, a full industry chain has been successfully cultivated, and every participants in the industry are expected to benefit from the rise of this market. Moreover, as e-sports has become more popular among young generations, such as millennials and Generation Z, e-sports related merchandise has become a stable source of income for e-sports games and e-sports clubs as their brand and logo would bring a considerable premium. It also helps foster loyalty and attachment to e-sports games and e-sports clubs among fans.

Entry Barriers of the Sports-related Industry

Public Administrative and Operational Experience. Entering the sports venue operation and management industry requires experience in dealing with public administration authorities and operating sports venues. An industry player needs to convince the public administration authorities that it is capable to deliver satisfying services for the general public. Therefore, players with a successful track record in managing sports venues are more likely to succeed in the industry.

Access to Sports-related Resource. Access to resources is a major barrier for sports marketing industry. The pivot points of this industry are high-value sports-related intellectual properties that attract traffic and sponsors that are willing to pay for the marketing exposure. Industry players would have to have access to these resources, such as the commercialisation rights of the sports-related intellectual properties and connections with resourceful sponsors, to successfully operate in the industry which constitute a major barrier of entry for the industry.

Talent Development. E-sports clubs and e-sports influencer commercialisation industry relies heavily on talented people with specific e-sports gaming techniques. For e-sports club, it requires talented players to win at tournaments. For e-sports influencer agency, talented people is needed for attracting audiences and increasing internet traffic. These talents are scarce and hard to find. Therefore, talent development constitutes a key entry barrier for the e-sports clubs and e-sports influencer commercialisation industry.

Before completion of the First Clark Acquisition in July 2022, majority of our revenue were generated from our business operations in the PRC and Hong Kong. After completion of the First Clark Acquisition, we expect to generate substantial revenue from the business operations of the Clark Group in the UK and the US. As a result, the major geographical coverage of our business would include the PRC, the UK, the US and Hong Kong, and this section summarises certain aspects of the laws and regulations which are relevant to our operation and business in these jurisdictions. In addition, we generated an insignificant amount of revenue from sales to customers in certain Countries subject to International Sanctions during the Track Record Period, and we also set out summaries of applicable International Sanctions laws.

LAWS AND REGULATIONS IN THE PRC

Laws and regulations in relation to our multi-brand apparel and footwear business

Regulations on product quality

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), which was promulgated by the Standing Committee of the National People's Congress of the PRC (the "**SCNPC**") on 22 February 1993 and was last amended and took effect on 29 December 2018, producers and sellers shall establish and improve their internal system for product quality control, and are responsible for the product quality.

According to the Part III of the Civil Code of the PRC (《中華人民共和國民法典》), or the Civil Code, which was promulgated by the National People's Congress of the PRC (the "**NPC**") on 28 May 2020 and became effective on 1 January 2021, where the purpose of a contract cannot be achieved because the quality of the subject matter does not comply with the quality requirements, the buyer may refuse to accept the subject matter or terminate the contract. If the terms in relation to quality are not met, the liability for breach of contract shall be borne by the seller.

According to the Part VII of the Civil Code, in the event of an injury caused by a defective product, either the manufacturer or seller of such product, as a tortfeasor, may be subject to tortious liability and relevant remedies sought by the consumers.

Regulations on consumer protection

According to the Protection of Consumer Rights and Interests Law of the PRC (《中華人民共和國消費者權益保護法》), or the Consumers Protection Law, which was promulgated on 31 October 1993, and was further revised on 25 October 2013 and took effect from 15 March 2014, business operators must ensure that the goods they sell satisfy the requirements for personal or property safety protection, provide consumers with authentic information about the goods, and guarantee the quality, function, usage and term of validity of the goods. Failure to comply with the Consumers Protection Law could result in administrative sanctions, such as the issuance of a warning, confiscation of illegal income, imposition of a fine, an order to cease business operations, revocation of business licenses, as well as potential civil or criminal liabilities.

The Provisions of the Supreme People's Court on Several Issues Concerning the Application of Laws in the Trial of Cases Involving Disputes over Online Consumption (I) (《最高人民法院關於審理網絡消費糾紛案件適用法律若干問題的規定(一)》), or the Provision (I), which was promulgated by the Supreme People's Court on 1 March 2022 and became effective on 15 March 2022, stipulates, among others, the validation of certain standard terms provided by E-commerce operators, the legal responsibilities of live-streaming room operators and the operators of online live-streaming marketing platform, and the legal responsibilities of E-commerce operators in promotion activities.

Regulations on anti-unfair competition

The Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), or the Anti-Unfair Competition Law, which was promulgated by the SCNPC on 2 September 1993, and last amended and became effective on 23 April 2019, prohibits business operators from performing unfair competitions. Among others, business operators shall not perform any confusing acts that will enable people to mistake its products for another business's products or believe certain relations exist between its products and any business's products, Where a business operator performs any confusing act, the supervision and inspection authority shall order it to cease the offense, and confiscate its illicit commodities. If the illicit turnover exceeds RMB50,000, it shall be fined up to five times the illicit turnover. If there is no illicit turnover or the illicit turnover is less than RMB50,000, it shall be fined up to RMB250,000; where the circumstance is serious, its business license shall be revoked. Furthermore, business operators shall not conduct commercial promotions for the performance, function, quality, sales status, user evaluation, honor received concerning its products in a false or misleading manner, attempting to cheat or mislead consumers. Where a business operator conducts commercial promotions for its commodities in a false or misleading manner, or assists other business operators with commercial promotions in a false or misleading manner by way of organising false transactions or by other means, the competent supervision and inspection authority shall order the business operator to cease its violations and impose on it a fine of between RMB200,000 and RMB1,000,000; where the circumstance is serious, it shall be fined between RMB1,000,000 and RMB2,000,000, and its business license may be revoked.

Regulations on pricing

According to the Pricing Law of the PRC (《中華人民共和國價格法》), promulgated by the SCNPC on 29 December 1997, and became effective on 1 May 1998, business operators shall not commit any illegitimate price acts. Where a business operator commits any illegitimate price acts, such operator shall be ordered to make correction, and the illegal gains thereof shall be confiscated, a fine not more than five times the illegal gains may be imposed on such operator; if there are no illegal gains, such operator shall be given a warning and may also be fined; if the circumstances are serious, such operator shall be ordered to suspend the business for rectification, or have the business license thereof revoked by the administrative department for industry and commerce.

Regulations on commercial franchises

Commercial Franchises are subject to the supervision and administration of the Ministry of Commerce, or the MOFCOM, and its local competent commercial departments in accordance with the Regulations on the Administration of Commercial Franchises (《商業特許經營管理條例》) promulgated by the State Council on 6 February 2007 and implemented from 1 May 2007, which was supplemented by the Administrative Measures for the Record-filing of Commercial Franchises (《商業特許經營備案管理辦法》) issued by the MOFCOM on 30 April 2007 and most recently amended on 12 December 2011 and effective from 1 February 2012 and the Administrative Measures for the Information Disclosure of Commercial Franchises (《商業特許經營信息披露管理辦法》) issued by the MOFCOM on 30 April 2007, and most recently amended on 23 February 2012 and effective from 1 April 2012.

According to the abovementioned applicable regulations, franchisers shall submit draft of the franchise contract and other documents to the provincial competent commercial department where they are registered within 15 days from the date of the initial signing of the franchise contract with franchisees within China. Where a franchiser engages in franchised activities within the scope of two or more municipalities, provinces or autonomous regions, it shall file with the MOFCOM.

In case of any changes to franchisers' filing information, such changes shall also be filed with the relevant commercial department after occurrence. Where a franchiser fails to file in accordance with the provisions above, relevant commercial departments may order the franchiser to file within a stipulated period and impose a fine of more than RMB10,000 but less than RMB50,000. If the franchiser fails to file within such stipulated period, it shall be fined more than RMB50,000 but less than RMB100,000, and an announcement shall also be made.

Regulations on e-commerce activities

Pursuant to the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), which was promulgated by the SCNPC, on 31 August 2018 and became effective on 1 January 2019, e-commerce operators shall complete the market entity registration (except that such registration is not required by laws and administrative regulations) and obtain the relevant administrative licenses for conducting those operational activities which are required by law to obtain administrative licenses. Commodities sold or services offered by e-commerce operators shall meet the requirements to protect personal and property safety and the environmental protection requirements, and e-commerce operators shall not sell or provide any commodity or service prohibited by laws and administrative regulations.

On 15 March 2021, the State Administration for Market Regulation, or the SAMR, issued the Measures for the Supervision and Administration of Online Trading (《網絡交易監督管理辦法》), which took effect on 1 May 2021. The measures imposed various restrictions on the business operations of online transaction operators.

On 6 January 2017, the SAIC issued the Interim Measures for No Reason Return of Online Purchased Products within Seven Days (《網絡購買商品七日無理由退貨暫行辦法》), which became effective on 15 March 2017 and was amended by the SAMR on 23 October 2020, further clarifying the scope of consumers' rights to return commodities, return procedures and online trading platform operators' responsibility to formulate seven-day no-reason return rules and related consumer protection systems, and supervise the sellers and provide technical support for compliance with these rules.

Regulations on advertisement

According to the Advertising Law of the PRC (《中華人民共和國廣告法》) promulgated by the SCNPC on 27 October 1994 and the most recently amended on 29 April 2021, advertisement shall not contain any false or misleading information, and shall not deceive or mislead customers. Where any content of the advertisement is in violation of the foregoing provisions, the market regulation department shall order the cessation of the publishing of advertisements and impose fines of not more than RMB100,000 on the advertiser.

On 4 July 2016, the SAIC promulgated the Interim Measures on Internet Advertisement (《互聯網廣告管理暫行辦法》), which became effective on 1 September 2016. According to the measures, Internet advertisers are responsible for the authenticity of the advertisements content.

According to the Administrative Measures for Online Live-Streaming Marketing (for Trial Implementation)(《網絡直播營銷管理辦法(試行)》), which was promulgated by the Ministry of Public Security, the Cyberspace Administration of China, the MOFCOM, the Ministry of Culture and Tourism, the State Taxation Administration, the SAMR, and the National Radio and Television Administration on 23 April 2021, and became effective on 25 May 2021, operators of live studios and live-streaming marketing personnel engaging in online live-streaming marketing activities shall comply with laws and regulations and the relevant provisions.

Regulations on work safety

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated by the SCNPC on 29 June 2002 and amended respectively on 27 August 2009, 31 August 2014 and 10 June 2021, a production and operation entity must comply with this law and other laws and regulations related to work safety, strengthen work safety management, establish and improve a work safety responsibility system and work safety rules and systems for all employees, increase efforts to guarantee the input of funds, materials, technology, and personnel in work safety, improve work safety conditions, strengthen standardisation and informatisation of work safety, construct a dual prevention mechanism consisting of graded management and control of safety risks and examination and control of potential risks, improve the risk prevention and resolution mechanism, raise work safety levels, and ensure work safety.

Regulations on foreign trade

Pursuant to the Foreign Trade Law of the PRC promulgated by the SCNPC on 12 May 1994 and most recently amended on 30 December 2022 and effective from the same day, goods and technologies could be imported and exported freely, unless otherwise specified in relevant laws or administrative regulations. The MOFCOM has implemented an automatic licensing system for certain imports and exports, under which the MOFCOM or its authorised agencies shall grant a license to the consignee or consignor who applies for automatic licensing prior to completing customs clearance formalities for imports and exports subject to automatic licensing, and has published a list of such goods.

According to the Customs Law of the PRC (《中華人民共和國海關法》) adopted by the SCNPC on 22 January 1987, most recently amended on 29 April 2021 and effective from the same date, the Customs supervises goods and other articles entering and leaving the country, collects customs duties and other taxes and fees.

According to the Regulations of PRC Customs on Administration of Recordation of Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) adopted by the General Administration of Customs on 19 November 2021 and effective from 1 January 2022, if the consignees and consignors of import and export goods and customs declaration enterprises apply for recordation, they shall obtain the qualification of market entities and also the recordation of the foreign trade operators.

Pursuant to the Law of the PRC on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》), promulgated by the SCNPC on 21 February 1989, effective on 1 August 1989 and lately amended on 29 April 2021, and the Regulations for the Implementation of the Law of the PRC concerning Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法實施條例》), promulgated by the State Council on 31 August 2005, effective on 1 December 2005 and lately amended on 29 March 2022, the consignee or the consignor of imports or exports may complete the declaration formalities for inspection on its own or by entrusting a declaration agency enterprise to complete the declaration formalities for inspection and complete the filing formalities with the immigration inspection and quarantine authorities in accordance with the law.

Laws and regulations in relation to our sports experience business

Regulations on public cultural and sports facilities

According to the Regulation on Public Cultural and Sports Facilities (《公共文化體育設施條例》), which was promulgated by the State Council on 26 June 2003 and came into effect on 1 August 2003, the administrative entity for public cultural and sports facilities shall submit such contents as the name, address, service items, etc. of the public cultural and sports facilities to the administrative department of culture and the administrative department of sports under the people's government at the county level at its locality for record. The sports items in the public sports facilities with high professionalism and strict technical requirements shall meet the technical requirements prescribed by the State on safe services.

Regulations on sports venues operation

The State General Administration of Sport issued the Administrative Measures for the Operation of Sports Venues (《體育場館運營管理辦法》) on 15 January 2015, which became effective on 1 February 2015, to encourage qualified sports venues to develop diversified business such as sports exhibition, sports commerce, cultural and performing arts, and to build sports service complexes and sports industry clusters. The measures encourage qualified venues to expand brand output, management output and capital output through chains and other modes, to achieve the enhancement in the level of large-scale, professional and socialised operation.

Regulations on sports events and activities

According to the Measures for the Administration of Sports Events and Activities (《體育賽事活動管理辦法》), which was promulgated by the General Administration of Sports of China on 17 January 2020 and came into effect on 1 May 2020, the host and organiser of a sports event or activity shall establish an organising committee or other organisational mechanisms, and set up special committees for competition, security, journalism and medical treatment as needed, so as to clarify their respective duties and responsibilities for holding the sports event or activity and cooperate with each other.

Regulations on large-scale mass activities

According to the Regulations on Security Administration of Large-Scale Mass Activities (《大型群眾性活動安全管理條例》), which was promulgated by the State Council on 14 September 2007 and came into effect on 1 October 2007, for large-scale mass activities with an anticipated public participation of more than 1,000 but less than 5,000 people, a permit from the public security bureau at the county level shall be obtained; for large-scale mass activities with an anticipated public participation of more than 5,000 people, a permit from the public security bureau at the municipal level shall be obtained; for large-scale mass activities are held across provinces, autonomous regions and centrally administered municipalities, a permit from the public security bureau of the State Council shall be obtained.

Regulations on off-campus training

On 24 July 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Further Reducing Homework and Off-campus Training Burden for Students in Compulsory Education Stage (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》), or the Education Opinions, which intends to strengthen the supervision of discipline training institutions for the compulsory education stage and also mandates management of off-campus training for 3 to 6-year-old preschool children and high school students. Pursuant to the Education Opinions, all localities will distinguish categories such as sports, culture and art, science and technology with respect to non-disciplinary training institutions, identify the corresponding competent government departments, formulate standards for each category, and conduct strict examination and approval. To implement the Education Opinions, General Administration of Sport of China promulgated the Code of Conduct for Extracurricular Sports Training (《課外體育培訓行為規範》) on 14 December 2021, which became effective on the same day. The Code of Conduct for Extracurricular Sports Training sets out further requirements for venue facilities, curriculum, practitioners, internal management, and safety of extracurricular sports training for 7 to 18-year-old children.

Except for the policies on the national level, certain local authorities within China have also promulgated relevant implementing rules. For instance, on 15 February 2022, the Sports Bureau of Jiangsu Province promulgated the Jiangsu Provincial Youth (Children) Sports Off-campus Training Institutions Management Method (Trial) (《江蘇省青少年(幼兒)體育類校外培訓機構管理辦法(試行)》), or the Management Method, which became effective on 15 March 2022. Pursuant to the Management Method, the training institutions must hold the Sports Off-campus Training License issued by the sports administrative department. Off-campus training for high-risk sports such as swimming, skiing (alpine skiing, freestyle skiing, snowboarding), diving, and rock climbing must be marked on the permit. In addition, similar rules have also been promulgated in other parts of China, such as Zhejiang Province, Anhui Province, Tianjin City and Guangxi Zhuang Autonomous Region.

Regulations on special equipment

Pursuant to the Law of the PRC on Special Equipment Safety (《中華人民共和國特種設備安全法》) promulgated by the SCNPC on 29 June 2013 and implemented on 1 January 2014, and the Regulations on the Safety Supervision of Special Equipment (《特種設備安全監察條例》) promulgated by the State Council on 11 March 2003 and amended on 24 January 2009, the state, under the principle of category-based administration, exercises a license system on the production of special equipment. The entities shall use the special equipment for which a production license has been obtained and the inspection has been conducted, and shall, before or within thirty (30) days after the special equipment is put into use, register with competent authorities and obtain the Certificate of Special Equipment Service Registration (《特種設備使用登記證》).

Regulations on high-risk sports projects

According to the Administrative Measures on Business Licensing for High-Risk Sports Projects (《經營高危險性體育項目許可管理辦法》) which was promulgated on 21 February 2013 and latest amended on 30 November 2018, operating high-risk sports projects shall obtain administrative licensing and satisfy the following requirements: (i) relevant sports facilities shall comply with the national standards; (ii) hiring social sports instructors and rescuers who reach the prescribed number and have obtained national professional qualification certificates; (iii) having security systems and measures; (iv) other conditions as provided by laws and regulations.

Regulations on food safety

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》), or the Food Safety Law, which was promulgated by SCNPC on 28 February 2009 and was effective on 1 June 2009, and most recently amended on 29 April 2021, the State Council implemented a licensing system for food production and trading activities.

The Implementation Rules of the Food Safety Law (《中華人民共和國食品安全法實施條例》), which was promulgated and was effective on 20 July 2009 and last amended on 26 March 2019, further specifies the detailed measures to be taken for food producers and business operators and the penalties that shall be imposed should these required measures not be implemented.

On 31 August 2015, China Food and Drug Administration promulgated the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), which was amended on 17 November 2017. According to the measures, a person or entity that engages in food selling and catering services within the PRC shall obtain a food operation license in accordance with the law.

Regulations on sanitation of public assembly venue

The Regulation for the Administration of Sanitation of the Public Assembly Venue (《公共場所衛生管理條例》), which was promulgated and entered into effect on 1 April 1987 and as amended on 6 February 2016 and 23 April 2019, and the Implementation Rules for the Regulation for the Administration of Sanitation of the Public Assembly Venue (《公共場所衛生管理條例實施細則》), which was promulgated on 10 March 2011 and entered into effect on 1 May 2011 and as amended on 19 January 2016 and 26 December 2017, were promulgated by the State Council and the Ministry of Health (later known as National Health Commission of the PRC) respectively. According to such regulations, a public assembly venue is required to obtain a public assembly venue hygiene license from the local health authority after it applies for a business license to operate its business.

Regulations on e-sports tournaments

According to the Interim Regulations on the Management of E-sports Tournaments (《電子競技賽事管理暫行規定》) which was promulgated by the Information Center of the General Administration of Sports of the PRC on 24 July 2015, no approval or license is required for any international and national e-sports tournaments, including commercial, amateur, non-profit e-sports tournaments, which are held not by the Information Center of the General Administration of Sport of PRC, and such e-sports tournaments can be held by any legitimate entities according to the laws.

According to the Measures for the Administration of National E-sports Competitions (for Trial Implementation)(《全國電子競技競賽管理辦法(試行)》), which was promulgated by the China Council of Physical Culture and Sports on 30 November 2006 and came into effect on the same day, competitors must be over 18 years old. Participating units, athletes, coaches, and referees must hold valid certificates recognised by the Secretariat of the China Council of Physical Culture and Sports to be eligible to participate in e-sports competitions approved by sports authorities at all levels.

Laws and regulations in relation to overseas listing

On 17 February 2023, the CSRC released the Trial Administrative Measures of OverseasSecurities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》)(the "**Overseas Listing Trial Measures**") and relevant five guidelines, which will come into effect on 31 March 2023. According to the Overseas Listing Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, shall fulfill the filing procedure and report relevant information to the CSRC. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. As advised by our PRC legal advisers, according to the first paragraph of Article 15 of the Overseas Listing Trial Measures, if an issuer meets both of the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering and listing by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as recorded in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China.

As advised by our PRC legal advisers, the second paragraph of Article 15 of the Overseas Listing Trial Measures and the relevant guidelines released by the CSRC further provides that the determination as to whether or not a proposed listing is an indirect overseas offering and listing by domestic companies shall follow the principle of substance over form. Even if an issuer does not meet the criteria set forth in the first paragraph of Article 15 of the Overseas Listing Trial Measures, comprehensive demonstration and identification should be made for determining whether the proposed listing is an indirect overseas offering and listing by PRC domestic companies under the Overseas Listing Trial Measures. Since the CSRC has not provided any detailed guideline or exhaustive list of factors to be considered as to the application of the principle of substance over form, the Overseas Listing Trial Measures may be applicable to our Company.

In the event that the Overseas Listing Trial Measures is applicable to our Company, as advised by our PRC legal advisers, according to Article 22 of the Overseas Listing Trial Measures and the relevant guidelines released by the CSRC, if a listed company who has previously completed an overseas offering and listing intends to apply for change of listing segment in the overseas market without involving issuance of shares, then no filings are required, but it shall submit a report on the details of the relevant matters to the CSRC within three working days from the date of occurrence and announcement of the change of listing segment. To be prudent, our Company intends to submit a post-completion report in respect of the **[REDACTED]** to the CSRC within three working days from the date of completion and announcement of the **[REDACTED]** in accordance with Article 22 of the Overseas Listing Trial Measures and the relevant guidelines.

Other relevant laws and regulations in the PRC

Regulations on foreign investment

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》), or the PRC Company Law, which was adopted by the SCNPC on 29 December 1993 and with effect from 1 July 1994. It was last amended on 26 October 2018 and with effect from the same day. Under the PRC Company Law, companies are generally classified into two categories – limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

On 15 March 2019, the NPC promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), or the FIL, which has become effective on 1 January 2020.

According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the "negative list".

On 26 December 2019, the State Council promulgated the Implementation Rules of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), or the Implementation Rules, which became effective on 1 January 2020. The Implementation Rules further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimise foreign investment environment, and advances a higher-level opening.

On 26 October 2022, the MOFCOM, and the National Development and Reform Commission, or the NDRC, released the Catalog of Industries for Encouraging Foreign Investment (2022 Version)《鼓勵外商投資產業目錄(2022年版)》, or the Encouraging Catalog, which became effective on 1 January 2023. On 27 December 2021, the MOFCOM and the NDRC released the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the 2021 Negative List, which became effective on 1 January 2022. The Encouraging Catalog and the 2021 Negative List lay out the basic framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: "encouraged", "restricted" and "prohibited". Industries not listed in the Encouraging Catalog or the 2021 Negative List are generally deemed as falling into a fourth category "permitted" unless specifically restricted by other PRC laws.

On 30 December 2019, the MOFCOM and the SAMR, jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on 1 January 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

Regulations on information security and personal information

Information security

On 7 November 2016, the SCNPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which became effective on 1 June 2017, and stipulated that network operators shall comply with laws and regulations and fulfil their obligations to safeguard security of the network when conducting business and providing services.

On 28 December 2021, the Cyberspace Administration of China, or the CAC, and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), which came into effect on 15 February 2022 and provides that, (i) critical information infrastructure operators purchasing network products and services and platform operators carrying out data processing activities, which affect or may affect national security, shall be subject to cybersecurity review; (ii) network platform operators with personal information data of more than one million users are obliged to apply for a cybersecurity review before listing abroad; and (iii) relevant governmental authorities in the PRC may initiate cybersecurity review if they determine an internet platform operator's network products or services or data processing activities affect or may affect national security.

On 14 November 2021, the Administration Regulations on Cyber Data Security (Draft for Comments)(《網絡數據安全管理條例(徵求意見稿)》), or the Draft Administration Regulations, were proposed by the CAC for public comments until 13 December 2021. Pursuant to the Draft Administration Regulations, the data processors that carry out the following activities are required to apply for cybersecurity review in accordance with the relevant laws and regulations: (i) the merger, reorganisation or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (ii) the listing in a foreign country of data processors who processes personal information of more than one million individuals; (iii) the listing of data processors in Hong Kong which affects or may affect the national security; and (iv) other data processing activities which affect or may affect national security. Failure to comply with such requirements may result in suspension of services, fines, revoking relevant business permits or business licenses and other administrative penalties. As of the Latest Practicable Date, the Draft Administration Regulations were released for public comment only and their final version and effective date may be subject to change with substantial uncertainty.

Personal information protection

On 20 August 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), which became effective on 1 November 2021. Anyone processing personal information in violation of or failing to perform any obligation of personal information protection will be ordered to make a correction, given a warning, and confiscated of any illegal gain by the authorities performing personal information protection duties, and any application program that illegally processes personal information will be ordered to suspend or terminate its services; and if the required correction is not made, a fine of up to RMB1 million will be imposed on the violator; and any person in charge or any other individual directly liable for the violation will be fined between RMB10,000 and RMB100,000.

According to the Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the SCNPC On 10 June 2021 and became effective on 1 September 2021, data processors shall establish and improve the whole-process data security management rules, organise and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security.

On 7 July 2022, the CAC issued the Measures for Security Assessment for Outbound Data Transfer (《數據出境安全評估辦法》), which came into effect on 1 September 2022, data processors shall undergo security assessment according to relevant laws where they provide overseas parties with important data collected and generated during the operation in the PRC and personal information required to undergo safety assessment pursuant to relevant laws. Data processors shall apply for the security assessment of an outbound data transfer to the CAC through the provincial cyberspace administration in the place where they operate if they provide data outside China and fall into one of the following conditions: (1) data processors provide overseas parties with important data; (2) personal information provided outside China by the operators of critical information infrastructure or the personal information processors who process personal information of up to 1 million individuals; (3) personal information provided outside China by the personal information processors who has provided outside China with personal information of 100 thousand individuals or the sensitive personal information of 10 thousand individuals cumulatively since January 1 of the previous year; or (4) other circumstances where an application for the security assessment of outbound data transfer is required by the national cyberspace administration.

Regulations on intellectual property

Copyright and software products

On 7 September 1990, the SCNPC promulgated Copyright Law of the PRC (《中華人民共和國著作權法》), or the Copyright Law, which took effect on 1 June 1991, and was latest amended on 11 November 2020. The Copyright Law provides that Chinese citizens, legal persons, or other organisations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. In addition, internet activities, products disseminated over the internet and software products also enjoys copyright. There is a voluntary registration system administered by the China Copyright Protection Center.

Trademarks

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》), or the PRC Trademark Law, promulgated by the SCNPC on 23 August 1982 and latest amended on 23 April 2019 as well as the Regulations on the Implementation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), promulgated by the State Council on 3 August 2002 and amended on 29 April 2014. The PRC Trademark Law has adopted a "first to file" principle with respect to trademark registration. The Trademark Office handles trademark registrations and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten-year term. Trademark registrant may license its registered trademark to another party by entering into a trademark license agreement, which must be filed with the Trademark Office.

Domain names

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and took effect on 1 November 2017. According to the measures, domain name owners are required to register their domain names and the domain name services follow a "first come, first file" principle.

Patent

The Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated by the SCNPC on 12 March 1984 and latest amended on 17 October 2020 and the Detailed Rules for the Implementation of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), which was promulgated by the State Council on 19 January 1985, took effect on 1 April 1985, and was latest amended on 9 January 2010, provide for three types of patents, "invention", "utility model" and "design". Invention patents are valid for twenty years, utility model patents are valid for ten years and design patents are valid for fifteen years, from the date of application. The Chinese patent system adopts a "first come, first file" principle. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

Regulations on taxes

Enterprise income tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, promulgated by the NPC on 16 March 2007, which took effect on 1 January 2008 and was latest amended on 29 December 2018, and the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), or the Implementation of the EIT Law, which was promulgated on 6 December 2007, took effect on 1 January 2008 and amended on 23 April 2019, enterprises are classified into resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by the State Taxation Administration, or the SAT, on 22 April 2009, took effect on 1 January 2008, and amended on 29 December 2017, sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of mainland China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups is located within mainland China.

On 27 July 2011, the SAT issued a trial version of the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (《境外註冊中資控股居民企業所得稅管理辦法》(試行)), which came into effect on 1 September 2011 and was last amend on 15 June 2018, to clarify certain issues in the areas of resident status determination, post-determination administration and competent tax authorities' procedures.

Value-added tax

According to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on 13 December 1993 and latest amended on 19 November 2017, and the Implementing Rules of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the Ministry of Finance on 25 December 1993 and latest amended on 28 October 2011 (collectively, the "**VAT Law**"), for general VAT taxpayers selling or importing goods other than those specifically listed in the VAT Law, the value-added tax rate is 17%.

On 4 April 2018, the Ministry of Finance and the SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), or Circular 32, according to which, (i) for VAT taxable sales or importation of goods originally subject to value-added tax rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (ii) for exported goods originally subject to tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and (iii) for exported goods and cross-border taxable acts originally subject to tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%. Circular 32 became effective on 1 May 2018 and shall supersede any previously existing provisions in the case of any inconsistency.

On 20 March 2019, the Ministry of Finance, the SAT and the General Administration of Customs jointly issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), or Announcement 39, according to which (i) for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (ii) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (iii) for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%. The Announcement 39 came into effect on 1 April 2019 and shall prevail in case of any conflict with existing provisions.

Dividend withholding tax

Pursuant to the EIT Law and the Implementation of the EIT Law, if a non-resident enterprise has not set up an organisation or establishment in the PRC, or has set up an organisation or establishment but the income derived has no actual connection with such organisation or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement Between mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) promulgated by the SAT on 21 August 2006, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in charge tax authority However, based on the Notice of SAT on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated and took effect on 20 February 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax driven, such PRC tax authorities may adjust the preferential tax treatment. On 14 October 2019, the SAT issued the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》), or the SAT Circular 35, which became effective on 1 January 2020. According to the SAT Circular 35, no approvals from the tax authorities are required for a non-resident taxpayer to enjoy treaty benefits, where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, but it shall gather and retain the relevant materials as required for future inspection, and accept follow-up administration by the tax authorities.

Regulations on foreign exchange

Pursuant to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on 29 January 1996, took effect on 1 April 1996 and last amended on 5 August 2008, Renminbi is freely convertible into other currencies for current account items, but not for capital account items, unless prior approval is obtained from the State Administration of Foreign Exchange, or the SAFE, and prior registration with the SAFE is made.

Pursuant to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), or SAFE Notice No. 59, promulgated by the SAFE on 19 November 2012, which became effective on 17 December 2012 and was latest amended on 30 December 2019, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment.

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or Circular 19, which took effect on 1 June 2015 and was amended on 30 December 2019. The SAFE further promulgated the Circular on Reforming and Standardising the Administrative Provisions on Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or Circular 16, on 9 June 2016, which, among other things, amended certain provisions of the Circular 19. According to the Circular 19 and the Circular 16, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals and foreign debts from foreign currency into Renminbi on a discretionary basis, and Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

In addition, the SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》) on 10 May 2013, which took effect on 13 May 2013, and was latest amended on 30 December 2019, specifying that the administration by the SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by the SAFE and its branches.

On 13 February 2015, the SAFE promulgated the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or Circular 13, which took effect on 1 June 2015 and was amended on 30 December 2019. Circular 13 delegates the authority to enforce the foreign exchange registration in connection with the inbound and outbound direct investment under relevant SAFE rules to certain banks and therefore further simplifies the foreign exchange registration procedures for inbound and outbound direct investment.

Regulations on labor

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on 5 July 1994, took effect on 1 January 1995 and latest amended on 29 December 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on 29 June 2007, took effect on 1 January 2008 and amended on 28 December 2012, and the Implementing Regulations of the Labor Contract Law (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and took effect on 18 September 2008, labor relationships between employers and employees must be executed in written form.

According to the Social Security Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on 28 October 2010 and came into effect on 1 July 2011, and was amended on 29 December 2018, and other relevant PRC laws and regulations such as the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) effective on 22 January 1999 and amended on 24 March 2019, Regulations on Labor Injury Insurance (《工傷保險條例》) implemented on 1 January 2004 and amended on 20 December 2010, Regulations on Unemployment Insurance (《失業保險條例》) promulgated on 22 January 1999 and Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) implemented on 1 January 1995, the employer shall contribute to social insurance plans covering basic pensions insurance, basic medical insurance, maternity insurance, employment injury insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while employment injury insurance and maternity insurance contributions shall be paid only by employers, and employers who failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; and where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council and became effective on 3 April 1999, and was latest amended on 24 March 2019, enterprises must register with the competent managing center for housing provident funds. Enterprises are also required to pay and deposit housing provident funds on behalf of their employees in full and in a timely manner. Otherwise, enterprises are subject to a fine ranging from RMB10,000 to RMB50,000.

Regulations on lease of property

According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) which was promulgated by the Ministry of Housing and Urban-Rural Development on 1 December 2010 and came into effect on 1 February 2011, the parties to a commodity house lease shall complete the lease filing with the competent departments where the leased property is located within 30 days after the lease is executed. The competent departments shall urge those who do not file on time hereof to make rectification within a specified time limit, and shall impose a fine below RMB1,000 on individuals who fail to rectify within the specified time limit, and a fine between RMB1,000 and RMB10,000 on institutions which fail to rectify within the specified time limit.

Regulations on environmental protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated on 26 December 1989 and subsequently amended on 24 April 2014 and became effective on 1 January 2015, the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated on 29 November 1998, and subsequently amended on 16 July 2017 and became effective on 1 October 2017, and the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated on 28 October 2002 and latest amended on 29 December 2018, an enterprise, which causes environmental pollution and discharges other materials that endanger the public, shall implement environmental protection methods and procedures into its business operations. The enterprise will receive a warning or be penalised if it fails to report and/or register the environmental pollution caused by it and will have its production and operation ceased or be penalised if it fails to restore the environment or remedy the effects of the pollution within the prescribed time limit.

Pursuant to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation)(《排污許可管理辦法(試行)》) promulgated by the Ministry of Environment Protection on 10 January 2018 and last revised on 22 August 2019 and effective on the same day and the Regulations on the Administration of Pollutant Discharge Permits (《排污許可管理條例》), which was promulgated by the State Council on 24 January 2021, and became effective on 1 March 2021, a pollutant discharging entity shall legally hold a pollutant discharge license in accordance, and discharge pollutants in compliance with the pollutant discharge license. A pollutant discharge license shall be valid from the date on which the decision on the granting of the license is made. A discharge license issued for the first time shall be valid for three years and a renewed license for five years.

An entity shall also comply with the relevant environmental protection laws and regulations, including the Law on the Prevention and Control of Water Pollution of the PRC (Amended in 2017)(《中華人民共和國水污染防治法(2017修正)》), the Law on the Prevention and Control of Air Pollution of the PRC (Amended in 2018)(《中華人民共和國大氣污染防治法(2018修正)》) and the Law on the Prevention and Control of Environmental Pollution Caused by Solid Wastes of the PRC (Amended in 2020) (《中華人民共和國固體廢物污染環境防治法(2020修訂)》). In addition, pursuant to the Administrative Measures on Licensing of Urban Drainage (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-rural Development on 22 January 2015 and came into effect on 1 March 2015 and last amended on 1 December 2022, enterprises, institutions and individual industrial and commercial households discharging sewage into the urban drainage network must apply for and obtain a License for Urban Drainage (《排水許可證》).

Regulations on fire safety

Pursuant to the PRC Fire Prevention Law (《中華人民共和國消防法》), which was promulgated by the SCNPC on 29 April 1998 and took effect on 1 September 1998, and last amended on 29 April 2021, and the Interim Provisions on Administration of Fire Control Design Review and Acceptance of Construction Project (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on 1 April 2020, which became effective on 1 June 2020, the construction entity of a large-scale crowded venue (including the construction of a manufacturing plant whose size is over 2,500 square meters) and other special construction projects must apply for fire prevention design review with fire control authorities, and complete fire assessment inspection and acceptance procedures after the construction project is completed. The construction entity of other construction projects must complete the filing for fire prevention design and the fire safety completion inspection and acceptance procedures within five business days after passing the construction completion inspection and acceptance. If the construction entity fails to pass the fire safety inspection before such venue is put into use or fails to conform to the fire safety requirements after such inspection, it will be subject to (i) orders to suspend the construction of projects, use of such projects, or operation of relevant business, and (ii) a fine between RMB30,000 and RMB300,000.

According to the Provisions for Fire Prevention Supervision and Examination (《消防監督檢查規定》), which was promulgated by the Ministry of Public Security on 30 April 2009 and last amended on 17 July 2012, the fire control agency of the public security organ of the local people's government at or above the county level shall conduct fire safety inspections before putting public gathering places into use and before business operations.

LAWS AND REGULATIONS IN HONG KONG

Laws and regulations in relation to our multi-brand apparel and footwear business

Trade description

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) ("**TDO**") aims to prohibit false trade description, false, misleading or incomplete information, false marks and misstatements in respect of goods and services provided in the course of trade. The definition of trade description under section 2 of TDO covers a broad range of matters including but not limited to: quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, approval by any person, a person by whom they have been acquired, the goods being of same kind as goods supplied to a person, place or date of manufacture. Section 2 of TDO provides that a trade description which is false to a material degree or which, though not false, is misleading, would be regarded as a false trade description.

Section 7 of TDO provides that it is an offence for any person who, in the course of any trade or business, applies a false trade description to any goods or supplies or offer to supply any goods to which a false description is applied. Section 12 of TDO further prohibits any person from importing or exporting any goods to which a false trade description or forged trade mark is applied.

Sections 13E, 13F, 13G, 13H and 13I of TDO provide that a trader commits an offence if the trader engages, in relation to a consumer, in a commercial practice that is a misleading omission, or is aggressive, or constitutes bait advertising, or constitutes a bait and switch, or wrongly accepting payment for a product.

Any person who commits an offence under sections 7, 12, 13E, 13F, 13G, 13H or 13I shall be liable, on conviction on indictment, to a fine of HK$500,000 and to imprisonment for 5 years, and on summary conviction, to a level 6 fine of HK$100,000 and imprisonment for 2 years.

Sale of Goods

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) ("**SOGO**") governs the formation, performance and remedies of contract for the sale of goods in Hong Kong and the transfer of title of goods sold. SOGO also sets out certain implied terms or conditions and warranties generally relating to the safety and suitability of goods supplied under a contract of sale for goods in Hong Kong, including:

(i) where there is a sale of goods by description, the goods shall correspond with the description;

(ii) where the seller sells goods in the course of a business, the goods shall be of a merchantable quality;

(iii) where the seller sells goods in the course of a business and the buyer makes known to the seller any particular purpose for which the goods are being bought, the goods supplied under the contract shall be reasonably fit for that purpose.

Under section 55 of SOGO, where there is a breach of warranty by the seller, the buyer is entitled to reject the goods and to set up against the seller the breach of warranty in diminution or extinction of the price, or maintain an action against the seller for damages for the breach of warranty.

Consumer Goods Safety

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) ("**CGSO**") imposes a duty on manufacturers, importers and suppliers of consumer goods to ensure that the consumer goods they supplied are safe.

Under section 6 of CGSO, a person shall not supply, manufacture or import into Hong Kong consumer goods, unless the consumer goods comply with the general safety requirement as provided under the ordinance or with the applicable safety standard(s) or safety specification(s) as approved by the Secretary for Commerce and Economic Development. A person who contravenes such section commits and offence and is liable (i) on first conviction, to a fine of HK$100,000 and imprisonment for 1 year; (ii) on subsequent convictions, to a fine of HK$500,000 and to imprisonment for 2 years; and (iii) where the offence is a continuing offence, in addition to the fine specified in (i) and (ii), the person shall be liable to a fine of HK$1,000 for each day the offence continued.

Where the Commissioner of Customs and Excise reasonably believes that the consumer goods is non-compliant with the approved standard or safety standard or safety specification, the Commissioner may (i) serve a prohibition notice prohibiting a person from supplying those consumer goods for a specified period not exceeding 6 months; and (ii) serve a recall notice requiring the immediate withdrawal of any consumer goods if there is a significant risk that the consumer goods will cause a serious injury and do not comply with the approved standard or a safety standard or safety specification established by regulation.

Copyright

Graphic works, photographs and sculptures are examples of artistic works which are protected by the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) irrespective of artistic quality, provided they are original, i.e. created by their authors without copying from an earlier work. Copyright subsists automatically upon creation of such artistic works without the requirement for registration. Copyright protects against unauthorised copying of the whole or a substantial part of the work and against dealing with infringements. In an action for infringement, a copyright owner or its exclusive licensee can apply for injunctions, discovery of infringing acts, damages or accounts of profits and may apply for an order of delivery up or disposal of the infringing copies or articles specifically designed or adapted for making infringing copies.

Section 30 of the Copyright Ordinance provides that the copyright in a work is infringed by a person who, without the licence of the copyright owner, imports into Hong Kong or exports from Hong Kong, otherwise than for his private or domestic use, a copy of the work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

Section 31 of the Copyright Ordinance provides that the copyright in a work is infringed by a person who, without the licence of the copyright owner: (i) possesses for the purpose of or in the course of any trade or business; (ii) sells or lets for hire, or offers or exposes for sale or hire; (iii) exhibits in public or distributes for the purpose of or in the course of any trade or business; or (iv) distributes (otherwise than for the purpose of or in the course of any trade or business) to such an extent as to affect prejudicially the owner of the copyright, a copy of the work which is, and which he knows or has reason to believe to be, an infringing copy of the work.

Trademarks

The Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) ("**TMO**") provides for the registration of trademarks, the use of registered trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Hence, trademarks registered with trademarks registries of other countries or regions do not automatically receive protection in Hong Kong. In order to obtain protection as registered trademarks in Hong Kong, trademarks must be registered in Hong Kong.

According to section 10 of TMO, a registered trade mark is a property right obtained by registration under the ordinance, and the owner of a registered trade mark has the rights and is entitled to the remedies provided thereunder. Section 14 of TMO further provides that the owner of a registered trade mark has exclusive rights in the trade mark which are infringed by use of the trade mark in Hong Kong without his consent.

Conducts which amount to infringement of a registered trade mark are set out in section 18 of TMO, which include, among others, the use in the course of trade or business a sign which is identical to the trade mark in relation to goods or services which are (i) identical to those for which it is registered, or (ii) which are similar to those for which it is registered and the use of the sign in relation to such goods or services is likely to cause confusion on the part of the public.

Pursuant to section 22 of TMO, the registered owner of a trade mark is entitled to commence infringement proceedings once any infringement by third parties occurs, and is entitled to all such relief by way of damages, injunctions, accounts or otherwise as is available in respect of infringement of any other property right.

Personal Data Privacy

The Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) provides that a data user shall not do an act, or engage in a practice, that contravenes a data protection principle set out in Schedule 1 thereto unless the act or practice is required or permitted thereunder. The six data protection principles are: (i) purpose and manner of collection of personal data; (ii) accuracy and duration of retention of personal data; (iii) use of personal data; (iv) security of personal data; (v) information to be generally available; and (vi) access to personal data.

The Personal Data (Privacy) Ordinance also gives data subjects certain rights, *inter alia*, (i) the right to be informed of whether any data user holds their personal data; (ii) the right to be supplied with a copy of such data; and (iii) the right to request correction of any data they consider to be inaccurate.

Non-compliance with a data protection principle may lead to a complaint to the Privacy Commissioner for Personal Data. A claim for compensation may also be made by a data subject who suffers damage by reason of a contravention of a requirement under the Personal Data (Privacy) Ordinance.

Import and Export Ordinance

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) and the subsidiary legislations under it, govern and control the import of goods into, and the export of goods from Hong Kong. Import and export are subject to the general control of the Customs and Excise Department. Pursuant to section 17 of the Import and Export Ordinance, all cargo imported or exported must be recorded in a manifest which shall contain such particulars as the Commissioner of Customs and Excise may prescribe. Failure to do so is an offence under section 18 of the Import and Export Ordinance which can attract a maximum fine of HK$2,000,000 and imprisonment up to seven years upon conviction on indictment.

Textiles, which includes any natural or artificial fibre products and any combination of natural and artificial fibre products in the form of yarns, fabrics, garments or other manufactured articles, as defined under the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong), a subsidiary legislation of the Import and Export Ordinance, are currently not a "prohibited article" under the provision of the Import and Export Ordinance and its subsidiary legislations. Thus, a licence issued by the Director-General of Trade and Industry for permission of importation and exportation is not necessary under the Import and Export Ordinance.

RELEVANT LAWS AND REGULATIONS IN THE UNITED KINGDOM AND UNITED STATES

During the Track Record Period, the Clark Group engages in the design, development, sourcing and engaging in wholesale and retail of footwear in the UK and US. The following sets forth certain legal and regulatory requirements in the aforesaid jurisdictions that may relate to the footwear business of the Clark Group. The following does not explain every single law, interpretation or application, nor any proposed changes to laws as a result of the UK's withdrawal from the European Union. In many cases, the outcome of a legal matter will be highly fact-specific.

A. United Kingdom (UK)

1. Laws and regulations relating to product liability and safety

(i) Common law

A direct contractual relationship will be established between a retailer and consumer when the consumer purchases a product from the retailer. If the product is found to be defective, the consumer may bring a claim for breach of contract against the retailer under the English contract law.

In addition, the consumer may also bring a product liability claim in negligence against the manufacturer for the defective product. To bring a product liability claim in negligence, the consumer must demonstrate that: (i) a duty of care exists between the manufacturer and consumer; (ii) the manufacturer was in breach of the duty of care; (iii) the breach caused the relevant damage to the consumer; and (iv) the manufacturer could have reasonably foreseen the damage.

(ii) Regulatory regime

General Product Safety Regulations 2005 (the "**GPSR 2005**")

Product quality in the UK is generally governed by the GPSR 2005, which were promulgated on 30 June 2005 and came into force on 1 October 2005. According to the GPSR 2005, the rights and interests of the consumers who buy or use the products are protected and all importers, sellers and distributors involved must ensure that the products will not cause damage to persons and property. The GPSR 2005 state, amongst other things, that: "No producer shall place a product on the market unless the product is a safe product".

"Producers" are defined in the GPSR 2005, which includes both manufacturers and "other professionals in the supply chain in so far as they may affect the safety properties of a product". "safe product" means a product which, under normal or reasonably foreseeable conditions of use including duration does not present any risk or only the minimum risks compatible with the product's use.

Producers also have a legal obligation to withdraw unsafe products from the distribution chain and/or recall them from consumers. Responsible authorities can order product recall if the producer does not do so and impose criminal fines on violators. In case of violations of the GPSR 2005, the responsible authorities have the right to impound and/or destroy goods that are in violation, convict violators of a crime, imposing fines as well as imprisonment.

Consumer Rights Act 2015 (the "**CRA 2015**")

CRA 2015 came into force on 1 October 2015 together with the Sale of Goods Act 1979 (applicable if the goods were purchased on or before 30 September 2015) ensure all products be of satisfactory quality, fit for purpose and as described by the retailer so that the goods supplied must match the description given by the retailer or any models or samples shown to the consumers at the time of purchase. In circumstances where one of the three criteria abovementioned is not satisfied, consumers will entitle to various rights including: (i) the right to get a refund for goods; (ii) the right to a repair or replacement; and/or (iii) the right to a price reduction. In addition, consumers may have a right to claim damages.

Consumer Protection Act 1987 (the "**CPA 1987**")

CPA 1987 creates strict liability offences for producing unsafe products. Consumers can claim compensation against various parties including the manufacturer, distributor and the importer into the United Kingdom for commercial sale for personal injury, damage to property or death caused by a defective product. To claim under the CPA 1987, a consumer is not required to demonstrate negligence on behalf of the manufacturer. The Consumer only requires to illustrate that the products was defective and caused damage to the consumer. In general, the products will be considered as defective if "the safety of the product is not such as persons generally are entitled to expect". Certain factors will be taken into consideration such as (i) the manner or the purposes in which the product has been marketed; (ii) the use of any mark in relation to the product; (iii) the instructions for use or warnings with respect to the product; (iv) the reasonable expectation in relation to the product; and (v) the time when the product was supplied to the consumer. The remedy under the CPA 1987 is for compensatory damage and there is no limit to the amount recoverable.

The Consumer Protection from Unfair Trading Regulations 2008 (the "**CPRs**")

The CPRs control unfair practices used by traders when dealing with consumers. The CPRs place a general prohibition on traders treating consumers unfairly and requires businesses not to mislead consumers through acts or omissions or subject them to aggressive commercial practices. It is a criminal offence for traders to breach the CPRs. The penalty for the offence is, (i) on a summary conviction, a fine not exceeding the statutory maximum; and (ii) on indictment, a fine or up to two years' imprisonment or both.

Footwear (Indication of Composition) Labelling Regulations 1995 (the "**FLRs**")

The FLRs came into force on 8 May 2012 and apply to all footwear which is designed to protect and cover the foot, except second-hand, protective and toy footwear intended for use in play by children under 14. The FLRs mandate a labelling system to provide symbols to inform consumers about the materials used in the main components of footwear. Failure to comply with this legislation is a criminal offence with a fine of up to £5,000 in a magistrates' court and an unlimited fine in the Crown Court.

Textile Products (Labelling and Fibre Composition) Regulations 2012 (the "**TPR 2012**")

The TPR 2012 came into force on 8 May 2012. Since then, most of the provisions of the Regulation (EU) No 1007/2011 of the European Parliament and of the Council of 27 September 2011 (the "**EU Regulation**") have become directly applicable in the UK. It is a criminal offence to make a relevant textile product available on the market in the UK, in breach of the provisions of the EU Regulation. The penalty is an unlimited fine.

2. Laws relating to importation of goods

If the goods do not meet the safety standards when they enter into the UK at the port, the responsible authorities can intercept and reject the imported goods.

3. Intellectual property

(i) Trademarks

The Trade Marks Act 1994 covers the registration of trademarks and the protection of registered trademarks in the UK. The registered owner of a trademark has a statutory monopoly to use the registered trademark for the goods and services. An unregistered mark can only be protected by relying on the common law of passing off.

(ii) Patents

The Patents Act 1977 sets out the requirements for patent applications, how the patent-granting process should operate, and the law relating to disputes concerning patents. It also sets out how UK law relates to the European Patent Convention and the Patent Co-operation Treaty.

(iii) Design rights

The Registered Designs Act 1949 is for the registration of designs and the protection of registered designs in the UK. For unregistered design rights, the design rights are protected by Copyright, Designs and Patents Act 1988. Registered design rights must be applied for and granted, whereas unregistered rights arise automatically.

4. *Data Protection and e-Privacy Laws*

The General Data Protection Regulation (GDPR) (EU) 2016/679 ("**GDPR**") and Privacy and Electronic Communications Directive 2002/58/EC, as each have been incorporated into the laws of the UK, and the UK Data Protection Act 2018 (collectively, "**Data Protection Laws**") place obligations on controllers and processors of personal data (including in relation to transparency, accountability, engagement with third parties, security and confidentiality of personal data), and establish new data protection rights for individuals (including right to restrict and object to processing as well as data portability). The Data Protection Laws impose strict rules on the transfer of personal data out of the European Economic Area/UK. In addition, the Data Protection Laws create sanctions for breach with potential fines of up to the higher of €20 million (or £17.5 million in the UK) or 4% of global annual revenues. Individuals can claim damages (including loss of control of their data) resulting from infringement of the Data Protection Laws.

5. *Labor and Employment Laws*

Employees rights such as the minimum wage, unlawful deductions from wages, statutory minimum level of paid holiday, statutory minimum length of rest breaks, unfair dismissal and unlawful discrimination are safeguarded by the labor and employment laws in the UK. The Employment Rights Act 1996 is the primary piece of legislation which governs the relationship between employers and employees who provide services in England and Wales. In addition, employees are protected by various employment laws and regulations, including but not limited to the Maternity and Parental Leave etc. Regulations 1999, National Minimum Wage Act 1998 and Part-Time Workers Regulations 2000. The Equality Act 2010 also prohibits discrimination against the employees and job applicants on the basis of their sex, race, religion, pregnancy and maternity, gender reassignment, disability, age, sexual orientation and marriage and civil partnership. Direct and indirect discriminating against any employee or job applicant based on any of their protected characteristics is against the law and can result in a discrimination claim against the employer. Under the Health and Safety at Work Act 1974, employers have a duty to ensure that a safe working environment is provided to their employees all the time. A safe working environment can be extended to carry out routine risk assessments, offer staff training, and provide adequate safety equipment.

6. *Taxation*

Under the Value Added Tax Act 1994, standard value-added tax of 20% is generally applicable to the goods or services supplied in the UK.

7. *Anti-bribery and corruption*

The primary legislation governing bribery and corruption in the UK is the Bribery Act 2010 (the "**BA**"). The BA came into force on 1 July 2011 and the purpose of the BA is to fight against bribery and corruption worldwide. The BA has extra-territorial effect and criminalises both bribing and being bribed regardless of where such acts take place. The BA also creates an offence of corporate bribery if a corporate body fails to prevent bribery taking place. As such, a corporate body is required to have adequate policies and procedures to prevent bribery within their organisation and supply chain. An organisation's anti-bribery and corruption policy should include a statement of its commitment to bribery prevention and set out its approach and strategy to reduce bribery risks. An organisation's anti-bribery and corruption procedures should be proportionate to the bribery risks the organisation faces and should include providing relevant training to management and employees, conducting risk assessments and due diligence on suppliers and on any organisation or individuals with which the organisation has a relationship, enforcement and whistleblowing procedures and an implementation strategy for the organisation's procedures. Committing offences could lead to imprisonment for up to 10 years for individuals and/or unlimited fines for both individuals and corporate bodies.

B. United States (US)

1. Laws and regulations related to product safety

An independent federal agency, the Consumer Product Safety Commission (the "**CPSC**"), was established in 1972 by the Consumer Product Safety Act (the "**CPSA**") to regulate certain types of products sold to the public. The CPSC is tasked with the objective of promoting the safety of consumer products by (i) developing safety standards; (ii) addressing unreasonable risks of injury; and (iii) conducting research into product-related illness and injury. To meet this objective, the CPSC is empowered to conduct consumer monitoring, investigations and take enforcement actions through various federal laws, including (i) the CPSA; (ii) the Consumer Product Safety Improvement Act of 2008 (the "**CPSIA**"); (iii) the Federal Hazardous Substances Act (the "**FHSA**"); and (iv) the Flammable Fabrics Act (the "**FFA**"), among other statutes. If the products are found to be unsafe or non-compliant with applicable standards, the CPSC can send warning letters and enact recalls of dangerous product. Failing to comply with CPSC regulations can result in fines and criminal penalties in certain circumstances.

Products sold in the US must meet several product safety, labelling, and testing requirements. These requirements are generally set out in various statutes, regulations and rules including but not limited to the CPSA, the FFA and the FHSA enforced by the CPSC. The Federal Trade Commission (the "**FTC**") restricts the use of labeling or advertising considered misleading to consumers. The US law also imposes certain restrictions on the use of certain substances in the products such as dog and cat fur as well as specific toxic substances.

2. Product liability laws

The manufacture and supply of products is subject to a body of product liability laws and product safety laws in the US. However, there is no uniform product liability statute or federal law in the US. Each state defines its product liability law under its own standards, most of which are based on common law. In general, the states will determine whether an alleged product defect exists under (i) the consumer expectations test; and/or (ii) the risk utility test. The consumer expectations test provides that a product is unreasonably dangerous if it is dangerous to an extent beyond that which would be contemplated by an ordinary consumer with knowledge of the product common to the community. The risk utility test attempts to balance the utility of the product against the risks of its particular design. A product will be considered as defective when the bodily injuries and property damage were caused by either one of, or a combination of, the following defects, including (i) manufacturing defect; (ii) design defect; or (iii) warning defect. Companies that manufacture, distribute or sell a product in a particular state would fall under the jurisdiction of such state's product liability laws, regardless of such company's jurisdiction of incorporation or principal place of business.

Product liability claims in the US are generally brought under one of three theories, including (i) strict product liability; (ii) tort; and (iii) warranty. Whether the plaintiff alleges a breach of duty in a tort claim, breach of contract in a warranty claim or product defect in a strict liability claim, the plaintiff must illustrate that the breach or defect proximately caused the plaintiff's injury or property damage. Depending on the state in which the claim is made, defenses are typically available to defendants in product liability cases including but not limited to assumption of risk, comparative fault and unavoidably unsafe products.

Remedies will be determined by the relevant court including but not limited to (i) general damages such as compensation for pain, suffering and emotional distress; (ii) special damages that are specific to the plaintiff such as out-of-pocket expenses, loss of earnings and medical expenses; and/or (iii) punitive damages for certain product liability claims.

3. Laws relating to importation of goods

The US imposes tariffs on products imported into the territory of the US. Tariffs are typically determined by the general rates of duty set forth in the Harmonised Tariff Schedule of the US (the "**HTSUS**"), although certain products that are otherwise subject to duties may qualify for duty-free treatment under specified circumstances or additional special tariffs may be imposed. For example, the Trade Act of 1974 provides authority for the US government to take various actions, such as increasing duties, to enforce trade agreements or respond to foreign trade practices, including to protect the national security of the US.

The Clark Group's footwear products appear to be classified in Headings 6401 to 6405 of HTSUS Chapter 64. The HTSUS is regularly updated; according to the current HTSUS (2022 Revision 5), the general duty rate for articles classified under Headings 6401 to 6405 varies. Most of our footwear products have a rate of duty equal to or less than 20%, but some products are subject to duty of up to 48%. US law requires that footwear and packaging be properly marked for country of origin and that all applicable US duties be paid upon entry. Importers must also ensure products are properly classified under the HTSUS and assigned an appropriate valuation per US customs requirements. Violations of US import and customs laws, including the underpayment of duties, may result in fines and/or imprisonment.

4. Countervailing and anti-dumping duty laws

The US may impose additional duties against certain products of certain countries to offset the impact of unfair trade practices, such as dumping artificially undervalued goods into other markets or unfairly subsidising foreign production, and facilitate the domestic industry's adjustment to import competition. Products that are determined to be imported in quantities sufficient to threaten domestic production may become subject to, among other things, increased duty rates or tariff-rate quotas. Both the US International Trade Commission ("**USITC**") and the US Department of Commerce, International Trade Administration ("**USITA**") have a role in administering anti-dumping and countervailing duty laws.

Under these laws, the USITC and USITA conduct investigations into whether imported goods are sold in the US at less-than-fair-value or have benefited unfairly from foreign government subsidies, resulting in a material injury or threat of material injury to the domestic industry. If such a material injury is found, the USITA will issue an anti-dumping order (in a dumping investigation) or a countervailing duty order (in a subsidy investigation), which is enforced by the US Customs and Border Protection. Anti-dumping and countervailing duty orders are subject to regular reviews to determine whether the order is still needed to protect domestic industry – i.e., whether revoking the order would likely lead to a continuation or recurrence of dumping or subsidies and sustained material injury.

5. Intellectual property

The Copyright Act of 1976 (the "**Copyright Act**") grants protection for original works of authorship fixed in any tangible medium of expression, including literary, pictorial, graphic, and sculptural works. Copyright Act assigns a set of exclusive rights to authors to reproduce of their works, to create derivative works, to perform, distribute and display their works. The exclusive rights are subject to a time limit. Although registration is not legally required, copyrighted works can be registered with the United States Copyright Office. Copyright holders can file a federal lawsuit to enforce their rights and they are entitled to statutory damages and other benefits only for the works that are registered.

A trademark is a word, phrase, or symbol that identifies a particular manufacturer or seller's products. The Trademark Act of 1946 (the "**Trademark Act**") prohibits the use of a trademark in connection with the sale of a good if it is confusing similar to an existing trademark so that the consumers can easily identify the source of the products. In the US, common law trademark rights are created by use and enforceable in state and federal courts. Marks registered with the US Patent and Trademark Office will enjoy a higher degree of protection in federal courts than unregistered marks. Protection includes enhanced damages, including significant statutory damages for counterfeiting.

In the US, Patents are governed by the Patent Act, which established the United States Patent and Trademark Office (the "**USPTO**"). The US recognises three different types of patents: utility, design, and plant. The most common type of patent is a utility patent. Utility patents have a duration of 20 years from the date of filing. Design patents protect ornamental designs and are valid for 14 years from the date of filing. Plant patents protect new varieties of asexually reproducing plants. The USPTO is the sole entity capable of granting patents and trademarks legally recognised in the US. Patent infringement occurs when another party makes, uses, or sells a patented item without the permission of the patent holder. Both damages and injunctive relief are available to remedy an infringement.

6. Labor and Employment Laws

The employment of individuals in the US is generally governed by federal, state and local laws. Employees are generally protected against discrimination under federal law on the basis of race, colour, religion, sex, sexual orientation, pregnancy, national origin, age, disability. The Fair Labor Standards Act of 1938 (the "**FLSA**") establishes standards for minimum wage, overtime pay, recordkeeping, and child labour standards, which affect full-time and part-time employees in the private and public employment. Employers are also subject to the state equivalents of the FLSA, which often provide for more stringent requirements than under the FLSA, including those pertaining to wage and hour. For example, state laws may provide for the provision of certain benefits including paid family and medical leave and sick leave, govern the accrual and pay-out of vacation time, and otherwise require notices to employees of their rights under various statutes. On the federal level, the US Department of Labor is responsible for enforcing the employment rights and promoting recognition, reporting and remedying harassment at work. Various state agencies are also tasked with enforcing employment regulations and may conduct investigations and audits of employment practices. Employees may also file claims directly with such state agencies. If an employer is found to violate applicable labor and employment laws, the employer may have to compensate affected employees and may face fines and penalties. Under the Occupational Safety and Health Act of 1970, the Occupational Safety and Health Administration was created to promote a safe and healthful working condition for employees by setting and enforcing standards and by providing training, outreach, education and assistance.

7. Taxation

If a corporation has business activities or trade within the US, the corporation is required to pay applicable federal, state and local taxes such as the corporate income tax, taxes on the sale of certain assets, income tax on dividends, distributions, and interest, sales and other transfer taxes, employee payroll taxes, withholding obligations and other taxes. Failure to pay the taxes may result in interest charges and potential penalties in addition to payment of the taxes. Furthermore, a corporation is required to file U.S. corporate income tax return annually. Failure to file a return in a timely manner could possibly result in the denial of deductions.

8. Anti-bribery and corruption

Under the US Foreign Corrupt Practices Act (the "**FCPA**"), it is unlawful for a US individual or a corporate body to give or offer money, gifts, hospitality, or anything else of value to a foreign government official to influence any act or decision of the foreign official in his or her official capacity or to secure any other improper advantage to obtain or retain business. To avoid disguising corrupt payments, the FCPA requires companies whose securities are listed in the United States to make and keep accurate books and records and to devise and maintain an adequate system of internal accounting controls. The FCPA also covers foreign individuals or corporate bodies that commit acts in furtherance of bribery within the territory of the US, as well as US or foreign public companies that are listed on the stock exchanges in the US or that are required to file periodic reports with the US Securities and Exchange Commission. The US Department of Justice and Securities and Exchange Commission enforce the FCPA. Committing offences could lead to imprisonment for individuals and fines for both individuals and corporate bodies.

SANCTIONS LAWS AND REGULATIONS

Hogan Lovells, our International Sanctions Legal Advisers, have provided the following summary of the sanctions regimes imposed by their respective jurisdictions. This summary does not intend to set out the laws and regulations relating to the US, the European Union, the UK, the United Nations and Australian sanctions in their entirety.

United States

Treasury regulations

OFAC is the primary agency responsible for administering US sanctions programmes against targeted countries, entities, and individuals. "Primary" US sanctions apply to "US persons" or activities involving a US nexus (e.g., funds transfers in US currency or activities involving US-origin goods, software, technology or services even if performed by non-US persons), and "secondary" US sanctions apply extraterritorially to the activities of non-US persons even when the transaction has no US nexus. Generally, US persons are defined as entities organised under US law (such as companies and their US subsidiaries); any US entity's domestic and foreign branches (sanctions against Iran and Cuba also apply to US companies' foreign subsidiaries or other non-US entities owned or controlled by US persons); US citizens or permanent resident aliens ("green card" holders), regardless of their location in the world; individuals physically present in the United States; and US branches or US subsidiaries of non-US companies.

Depending on the sanctions program and/or parties involved, US law also may require a US company or a US person to "block" (freeze) any assets/property interests owned, controlled or held for the benefit of a Comprehensively Sanctioned Country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a US person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest-no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements)-except pursuant to an authorisation or license from OFAC.

OFAC's comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, the Crimea region of Russia/Ukraine and the self-proclaimed Luhansk People's Republic and self-proclaimed Donetsk People's Republic regions in Eastern Ukraine (comprehensive OFAC sanctions programme against Sudan was terminated on 12 October 2017). OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, US persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-US person where the transaction by that non-US person would be prohibited if performed by a US person or within the United States.

United Nations

The United Nations Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

European Union

Under European Union sanction measures, there is no "blanket" ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

United Kingdom and United Kingdom overseas territories

As of 1 January 2021, the UK is no longer an EU member state, EU law including EU sanctions measures continued to apply to and in the UK until 31 December 2020. EU sanctions measures had also been extended by the UK on a regime by regime basis to apply in the UK overseas territories, including the Cayman Islands. Starting from 1 January 2021, the UK applies its own sanctions programs and has extended its autonomous sanctions regimes to apply to and in the UK overseas territories.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

OVERVIEW

Our Company was first listed on GEM in April 2000. It was formerly known as GreaterChina Technology Group Limited (大中華科技(集團)有限公司) and was then an online healthcare content and service provider. In 2009, our Company became mainly engaged in the manufacturing and trading of energy saving equipment with its name changed to Coolpoint Energy Limited (快意節能有限公司) on 13 August 2009. In May 2010, Lead Ahead, one of our Controlling Shareholders which is controlled by our executive Director, Mr. Li Ning, acquired control of our Company and our Company name was changed to the current name on 27 October 2010. Such acquisition earmarked our Company's new corporate branding and direction, and our Company began to diversify into (i) sports-related business (sports event management and sports talent management business) and (ii) community development business (sales of construction materials, provision of consultancy services and operation of sports parks).

Mr. Li Ning aims to drive the development and success of our Group's business under a multi-brand strategy with a focus on apparel and footwear and provision of sports experience. Since 2019, our Group had wound down the sale of construction materials business and strategically expanded its (i) apparel and footwear business through acquisitions of the "LNG" trademark and other companies principally engaging in the sale of apparel and footwear, including Bossini (owner of "Bossini") in July 2020, Viva China Premium Brands (owner of "Amedeo Testoni") in January 2022 and the Clark Group (owner of "Clarks") in July 2022; and (ii) sports-related business through acquisitions of an operator of three sports destinations in the PRC in March 2019, operator of an e-sports club in April 2019 and an operator of 13 ice-skating rinks in the PRC in December 2019. For details of the background and relevant industry experience of Mr. Li Ning, please refer to the section headed "Directors and Senior Management" in this document.

BUSINESS MILESTONES

The following table sets forth the important milestones in the development of our business up to the Latest Practicable Date:

Year	Event
2000	• Listing of our Shares on GEM and engaged in the provision of online healthcare content and service
2009	• Became mainly engaged in the manufacturing and trading of energy saving equipment
2010	• Lead Ahead, one of our Controlling Shareholders, acquired control of our Company and our Company began to diversify into (i) sports-related business and (ii) community development business

Year	Event
2015	• Opening of our Yangzhou Li Ning Sports Park, the first sports park managed and operated by our Group
2019	• Enriched our Group's portfolio of sports destinations by acquiring an operator of three sports destinations in the PRC
	• Expanded into e-sports business through the acquisition of "Snake Esports" (subsequently renamed to "LNG Esports"), one of the participants in League of Legends Pro League in the PRC
	• Acquired the "LNG" trademark to embark on our apparel and footwear business, and rebranded it into a streetwear brand featuring with ACGN elements targeting at millennials in the PRC
	• Acquired an operator of 13 ice-skating rinks in the PRC
2020	• Acquired 66.5% of the issued share capital of Bossini
2021	• Created "bossini.X", a newly designed middle-end streetwear brand with sports element targeting at youngsters and millennials in the PRC
	• The first and second physical stores of our "LNG" brand were opened in Chongqing and Shanghai respectively
2022	• Acquired "Amedeo Testoni" brand, a century-old Italian luxury leatherware brand, including its diffusion line "i29"
	• Acquired a majority interest in LionRock which held a majority interest in the Clark Group (owner of "Clarks") to further expand the presence of our Group's multi-brand apparel and footwear business to a global level

CORPORATE DEVELOPMENT

During the Track Record Period, we conducted our business operations through our operating subsidiaries incorporated in the PRC, Hong Kong and other jurisdictions. The following sets forth the corporate development of our Company and its Major Subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 January 2000 and is the holding company of our subsidiaries. As at the Latest Practicable Date, our Company had a total authorised share capital of HK$1,060,000,000 consisting of HK$1,000,000,000 divided into 20,000,000,000 Shares of par value of HK$0.05 each and HK$60,000,000 divided into 6,000,000,000 preference shares of par value of HK$0.01 each and our Company had 9,682,261,727 Shares in issue.

For details of changes in the share capital of our Company, please refer to the subsection headed "Statutory and General Information – A. Further information about our Group – 2. Changes in the share capital of our Company" in Appendix V to this document.

Major Subsidiaries

Bossini

Bossini was incorporated in Bermuda as an exempted company with limited liability on 15 July 1993. Its issued shares have been listed on the Main Board of the Stock Exchange (stock code: 592) since 1993. It is an investment holding company and the holding company of the Bossini Group. As at 30 June 2020, Bossini had an authorised share capital of HK$200,000,000 divided into 2,000,000,000 ordinary shares of par value of HK$0.1 each. On 4 March 2021, an ordinary resolution was passed at a special general meeting of Bossini to approve the authorised share capital of Bossini be increased from HK$200,000,000 divided into 2,000,000,000 ordinary shares of par value of HK$0.1 each to HK$300,000,000 divided into 3,000,000,000 ordinary shares by the creation of an additional 1,000,000,000 ordinary shares. On 21 March 2023, an ordinary resolution was passed at a special general meeting of Bossini to approve the increase of Bossini's authorised share capital to HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.1 each by the creation of additional 7,000,000,000 new shares of HK$0.1 each. As at the Latest Practicable Date, Bossini had 2,470,358,091 ordinary shares in issue. We acquired 66.6% the issued share capital of Bossini in July 2020. As at the Latest Practicable Date, Bossini was held by Dragon Leap Consumables (a wholly-owned subsidiary of our Group) as to 56.41%. For details of the acquisition of Bossini by our Group and the subsequent major shareholding changes, please refer to the paragraph headed "Major Acquisitions during the Track Record Period – Bossini" in this section.

Viva Leading Sports Development

Viva Leading Sports Development was established in the PRC on 21 January 2010 as a limited liability company with an initial registered capital of HK$0.5 million which was subscribed as to 100% by Viva China Sports Holding Limited, a direct wholly-owned subsidiary of our Company. On 24 January 2011 and 31 December 2012, the registered capital of Viva Leading Sports Development was increased to HK$50 million and HK$100 million, respectively. On 22 May 2015, the currency of the registered capital of Viva Leading Sports Development was changed from Hong Kong dollars to Renminbi, and the registered capital was converted and increased to RMB82.1 million after taking in account the timing of actual payment for each instalment of the registered capital. On 8 March 2017, the registered capital of Viva Leading Sports Development was further increased to RMB150 million. In each of the aforesaid occasion, the additional registered capital was subscribed by Viva China Sports Holding Limited. Viva Leading Sports Development is an indirect wholly-owned subsidiary of our Company and is principally engaged in competition and event production and management, and sports-related marketing and consultancy service.

Guangzhou Fu Bao Loong

Guangzhou Fu Bao Loong was established in the PRC on 5 November 2010 as a limited liability company with an initial registered capital of RMB3 million which was subscribed as to 100% by Bossini Development Limited, an indirect wholly-owned subsidiary of Bossini. On 11 January 2012, 20 March 2012, 26 January 2014 and 25 March 2022, the registered capital of Guangzhou Fu Bao Loong was increased to RMB18 million, RMB78 million, RMB148 million and RMB163 million, respectively, and the additional registered capital in each occasion was subscribed by Bossini Development Limited. Guangzhou Fu Bao Loong is an indirect non-wholly owned subsidiary of our Company and is principally engaged in retail and distribution of garments.

Bossini Enterprises

Bossini Enterprises was incorporated in Hong Kong on 5 November 1997 as a limited liability company. It has an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each. On the date of its incorporation, one share was allotted and issued to each of the initial subscribers, Realty Dragon Limited and Onglory Company Limited, at HK$1 each respectively. The initial subscribers are Independent Third Parties. On 19 January 1998, each of Realty Dragon Limited and Onglory Company Limited transferred one share to Bossini Investment Limited and J&R Bossini Holdings Limited (which held its share in trust for Bossini Investment Limited in order to fulfill the requirement for a minimum of two shareholders in a company in accordance with the Predecessor Companies Ordinance) at a consideration of HK$1 and HK$1, respectively. Such consideration was determined based on the subscription price of the initial shareholders. The transfers had been properly and legally completed. Bossini Enterprises is an indirect non-wholly owned subsidiary of our Company and is principally engaged in retail and distribution of garments.

Bossini Onmay International

Bossini Onmay International was incorporated in Hong Kong on 27 May 1998 as a limited liability company. It has an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each. On the date of its incorporation, one share was allotted and issued to each of the initial subscribers, Realty Dragon Limited and Onglory Company Limited, at HK$1 each respectively. The initial subscribers are Independent Third Parties. On 16 June 1998, each of Realty Dragon Limited and Onglory Company Limited transferred one share to Bossini Investment Limited and J&R Bossini Holdings Limited (which held its share in trust for Bossini Investment Limited in order to fulfill the requirement for a minimum of two shareholders in a company in accordance with the Predecessor Companies Ordinance) at a consideration of HK$1 and at nil consideration, respectively. Such consideration was determined based on the subscription price of the initial shareholders. The transfers had been properly and legally completed. Bossini Onmay International is an indirect non-wholly owned subsidiary of our Company and is principally engaged in retail and distribution of garments.

C&J Clark International

C&J Clark International was incorporated in the UK on 17 July 1915 as a private company with limited liability. C&J Clark International is an indirect wholly-owned subsidiary of Clark and is principally engaged in the retail and distribution of footwear in the UK. As at the Latest Practicable Date, C&J Clark International had 18,028,202 ordinary shares in issue of £1 each. There was no change in the share capital or direct shareholding of C&J Clark International during the Track Record Period and up to the Latest Practicable Date. Following completion of the First Clark Acquisition in July 2022, C&J Clark International became an indirect non-wholly owned subsidiary of our Company.

C&J Clark America

C&J Clark America was incorporated in the US on 7 December 1977 as a private corporation with limited liability. C&J Clark America is an indirect wholly-owned subsidiary of Clark and is principally engaged in the retail and distribution of footwear in the US. As at the Latest Practicable Date, C&J Clark America had 1,200 shares in issue of US$1 each. There was no change in the share capital or direct shareholding of C&J Clark America during the Track Record Period and up to the Latest Practicable Date. Following completion of the First Clark Acquisition in July 2022, C&J Clark America became an indirect non-wholly owned subsidiary of our Company.

C&J Clark Retail

C&J Clark Retail was incorporated in the US on 7 December 1977 as a private corporation with limited liability. C&J Clark Retail is an indirect wholly-owned subsidiary of Clark and is principally engaged in the retail and distribution of footwear in the US. As at the Latest Practicable Date, C&J Clark Retail had 1,000 shares in issue of US$1 each. There was no change in the share capital or direct shareholding of C&J Clark Retail during the Track Record Period and up to the Latest Practicable Date. Following completion of the First Clark Acquisition in July 2022, C&J Clark Retail became an indirect non-wholly owned subsidiary of our Company.

MAJOR ACQUISITIONS DURING THE TRACK RECORD PERIOD

Bossini

On 14 May 2020, Dragon Leap and our Company (as guarantor) entered into a share purchase agreement in which Dragon Leap conditionally agreed to acquire 1,093,091,098 shares of Bossini from Mr. Law Ka Sing, representing 66.6% of the entire issued share capital of Bossini as at 14 May 2020. As at the date of the agreement, Dragon Leap was owned as to 80% by Viva China Consumables Holdings Limited, a direct wholly-owned subsidiary of our Company, and 20% by Keystar Limited ("**Keystar**"), a company incorporated in the BVI with limited liability and wholly owned by Mr. Law Ching Kit Bosco ("**Mr. Bosco Law**") who is a nephew of Mr. Law Ka Sing. Mr. Law Ka Sing is not a party acting in concert with any of Keystar or Mr. Bosco Law, and save for the aforesaid, is an Independent Third Party. The consideration for the transaction was HK$46,620,000, and was determined following arm's length negotiations between the parties to the share purchase agreement after taking into account, among others, (i) the then unaudited net asset value of Bossini as at 31 December 2019 of HK$560.2 million; (ii) the market price of ordinary shares of Bossini of HK$0.148 per ordinary share as quoted on the Stock Exchange on the last trading day of the ordinary shares of Bossini immediately prior to the release of the joint announcement dated 14 May 2020 jointly issued by our Company, Dragon Leap and Bossini in respect of the acquisition of Bossini; (iii) the deteriorating financial performance of the Bossini Group and its widening loss for the two years ended 30 June 2019 and the six months ended 31 December 2019; and (iv) the expected deteriorating market condition for the first half of 2020 due to the outbreak of COVID-19 pandemic. The consideration was settled and the acquisition was completed on 24 July 2020 and thereafter, Bossini became an indirect non-wholly owned subsidiary of our Company.

Following the completion of the acquisition, Dragon Leap owned 66.6% of the entire issued share capital of Bossini and was required to make a mandatory unconditional cash offer under the Takeovers Code for all the issued shares of Bossini (other than those already owned or agreed to be acquired by Dragon Leap and parties acting in concert with it) and an offer to cancel all outstanding share options of Bossini (collectively, the "**Offers**"). The Offers were closed on 14 August 2020 and Dragon Leap held 66.5% of the total number of issued shares of Bossini immediately after the close of the Offers. For details of the acquisition and the Offers, please refer to the announcements of our Company dated 14 May 2020, 30 June 2020, 21 July 2020, 24 July 2020 and 14 August 2020, the circular of our Company dated 24 June 2020 and the composite offer and response document relating to the Offers dated 24 July 2020.

On 5 February 2021, Bossini proposed to raise gross proceeds of HK$296 million by way of a rights issue of 821,916,697 rights shares at a price of HK$0.36 per rights share on the basis of one rights share for every two existing shares held by the qualifying shareholders. The closing price of Bossini's shares as quoted on the Stock Exchange on the last full trading day before publication of the relevant announcement of such rights issue by Bossini was HK$0.47 per share. The rights issue was completed on 12 April 2021 and a total of 821,916,697 rights shares were issued with net proceeds of HK$294 million raised. A total of 648,138,406 rights shares were allocated to Dragon Leap and the aggregate interest of our Company in Bossini was increased to 70.65% immediately after the completion of the rights issue. For details of the rights issue, please refer to the announcements of Bossini dated 5 February 2021 and 12 April 2021 and the prospectus dated 17 March 2021.

Pursuant to a shareholders' agreement dated 14 May 2020 entered into among Dragon Leap, Viva China Consumables and Keystar Limited in relation to the management of Dragon Leap, on 5 October 2022, Viva China Consumables and Keystar Limited, as shareholders of Dragon Leap, procured Dragon Leap to distribute all the shares in Bossini held by it to Dragon Leap Consumables (a wholly-owned subsidiary of Viva China Consumables which is an indirect wholly-owned subsidiary of our Company) and Keystar Limited in proportion to their respective shareholding interests in Dragon Leap. Following the above distribution and as at the Latest Practicable Date, we were interested in 56.41% of the total issued share capital of Bossini.

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

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

Viva China Premium Brands (formerly known as Sitoy AT Holdings Company Limited)

On 3 November 2021, Ample Fame and our Company (as guarantor) entered into a share purchase agreement with Sitoy International Limited (as vendor) and its guarantor, Sitoy Group Holdings Limited ("**Sitoy Group**") in relation to the acquisition of the entire issued share capital of Viva China Premium Brands (the "**Sitoy SPA**"). The unaudited loss before taxation for the two years ended 30 June 2021 of Viva China Premium Brands and its subsidiaries was EUR11.5 million and EUR5.7 million, respectively, and the unaudited loss after taxation for the two years ended 30 June 2021 of Viva China Premium Brands and its subsidiaries was EUR11.4 million and EUR5.8 million, respectively.

As at the date of the share purchase agreement, (a) Sitoy Group (stock code: 1023) was a company listed on the Main Board of the Stock Exchange and was principally engaged in design, manufacturing and sales of handbags, small leather goods, travel goods and footwear products, provision of advertising and marketing services and property investment; (b) Sitoy International Limited was a wholly-owned subsidiary of Sitoy Group; and (c) 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.

The acquisition was completed in January 2022, at the consideration of HK$1 and the post-closing payment of EUR2,538,000. Such consideration and post-closing payment were determined after arm's length negotiation between Ample Fame and Sitoy International Limited with reference to the net asset value (excluding the inter-company balances of Viva China Premium Brands and its subsidiaries as at 31 July 2021) of Viva China Premium Brands and its subsidiaries as at 31 July 2021 of EUR14,455,000. Pursuant to the Sitoy SPA, the inter-company loans due from Viva China Premium Brands and its subsidiaries to Sitoy Group and its subsidiaries amounting to RMB41,137,000 as at 31 December 2021 will be repaid by the subsidiaries of Viva China Premium Brands to Sitoy Group and its subsidiaries by instalment, and the last payment of such inter-company loans will be due by January 2023. Upon completion of the acquisition, Viva China Premium Brands became an indirect wholly-owned subsidiary of our Company and it was renamed as Viva China Premium Brands on 27 January 2022. Viva China Premium Brands and a. testoni S.p.A., which was owned, as at the Latest Practicable Date, as to 95.35% by Viva China Premium Brands and as to 4.65% by a. testoni S.p.A. itself as a result of a share repurchase carried out in accordance with the relevant Italian law, and their subsidiaries own a century-old Italian luxury leader label brand, Amedeo Testoni (formerly known as "a. testoni") and its diffusion line i29 and are principally engaged in the wholesale and retail of leatherware, fashion garments and apparel. For details of the acquisition of Viva China Premium Brands, please refer to the announcement of our Company dated 3 November 2021.

Clark – First Clark Acquisition

Pursuant to a loan agreement (the "**Loan Agreement**") entered into between Viva China Consumables and LionRock Capital GP Limited acting in its capacity as the general partner of LionRock L.P. on 28 September 2020, Viva China Consumables agreed to provide a facility of GBP54,000,000 (the "**Facility**") to LionRock L.P. at an interest rate of 4% per annum for financing the acquisition or subscription of equity interests in a target company by LionRock, a company wholly owned by LionRock L.P.. As at the date of Completion (as defined below), GBP53,550,000 had been drawn down and remained outstanding under the Loan Agreement (the "**Outstanding Amount**").

On 15 March 2021, Viva China Consumables entered into the First Clark Transaction Agreement with LionRock and LionRock L.P. pursuant to which Viva China Consumables conditionally agreed to subscribe for 510 shares of LionRock at a subscription price of GBP51,000,000 (the "**Subscription Price**", and the "**Subscription**", respectively), representing 51% of the enlarged issued share capital of LionRock upon completion, and acquire a shareholder's loan (the "**Purchase Shareholder's Loan**") from LionRock L.P. at a consideration of GBP51,000,000 (the "**Consideration**", and the "**Shareholder's Loan Transaction**", respectively). The Consideration payable by Viva China Consumables to LionRock L.P. and other related costs and expenses (the "**Costs and Expenses**") incurred by LionRock and LionRock L.P. in respect of the investment in Clark shall be deemed to be satisfied at completion of the Shareholder's Loan Transaction and the Subscription (the "**Completion**") by setting off an amount equal to the Consideration and the Costs and Expenses against the Outstanding Amount. Upon consummation of the Shareholder's Loan Transaction at Completion, the Outstanding Amount shall be deemed to have been irrevocably and unconditionally repaid in full by LionRock L.P. to Viva China Consumables in accordance with the terms of the Loan Agreement and all unpaid interest which has been accrued pursuant to the Loan Agreement shall be deemed irrevocably and unconditionally waived by Viva China Consumables. The Subscription Price payable by Viva China Consumables to LionRock at Completion shall be settled by setting off an amount equal to the Subscription Price against the outstanding amount under the Purchase Shareholder's Loan, and the Purchase Shareholder's Loan owed by LionRock to Viva China Consumables (being the new lender of the Purchase Shareholder's Loan as from the consummation of the Shareholder's Loan Transaction) shall be deemed fully settled and satisfied in full.

As at the date of the First Clark Transaction Agreement, (a) LionRock L.P. was a limited partnership formed in the BVI which was principally engaged in private equity investment in consumer and sports businesses; and (b) to the best knowledge, information and belief of our Directors after making all reasonable enquiries, (i) the general partner of LionRock L.P. was LionRock Capital GP Limited which was wholly owned by Mr. Tseung Daniel Kar Keung, (ii) an indirect wholly-owned subsidiary of Li Ning Co was a limited partner of LionRock L.P. and the total contribution of which was 20.09%, and (iii) LionRock L.P. and its ultimate beneficial owners were Independent Third Parties except for Mr. Victor Herrero (our non-executive Director) and Mr. Lee Kwok Ming (an independent non-executive director of Bossini) who were limited partners of LionRock L.P. and collectively made 5% of the total contributions in LionRock L.P..

LionRock holds 51% interest in Clark which is an investment holding company of the group of companies trading in the brand name "Clarks" and the Clark Group is principally engaged in international wholesaling and retailing of shoes with a history of nearly two hundred years. The First Clark Acquisition was completed in July 2022, and the Subscription Price and the Consideration were settled in accordance with the First Clark Transaction Agreement. Upon Completion, Clark and its subsidiaries became indirect non-wholly owned subsidiaries of our Company.

For further details of the Loan Agreement, please refer to the announcement of our Company dated 28 September 2020. For further details of the First Clark Transaction Agreement, please refer to the announcements of our Company dated 14 January 2021, 15 March 2021, 25 November 2021 and 4 July 2022, and the circular of our Company dated 26 May 2022.

MAJOR ACQUISITION AFTER THE TRACK RECORD PERIOD

Clark – Second Clark Acquisition

Immediately following completion of the First Clark Acquisition in July 2022, our Company indirectly owned 51% of the total issued share capital of LionRock, which held 51% equity interest in Clark. LionRock and its subsidiaries (including the Clark Group) became indirect non-wholly owned subsidiaries of our Company and their financial results have been consolidated into the financial statements of our Group.

Since 2021, the management of Clark Group has reviewed its business direction and implemented certain cost control measures, coupled with the recovery of sales activities after COVID-19, the financial performance of the Clark Group has been improving. In the meantime, in the first half of 2022, our Directors also noted that many countries, including the UK and the US, had gradually removed pandemic-related restrictive measures. Our Directors were of the view that the commencement of the removal or relaxation of such restrictive measures would be of benefit to the recovery of the global retail business.

Given the improved financial performance and the potential of the Clark Group, we intended to further increase our indirect equity interest in the Clark Group. On 17 November 2022, Viva China Consumables entered into the Second Clark Transaction Agreement with LionRock L.P. pursuant to which to Viva China Consumables conditionally agreed to acquire the remaining 49% of the issued share capital of LionRock from LionRock L.P. at a consideration of GBP110,000,000.

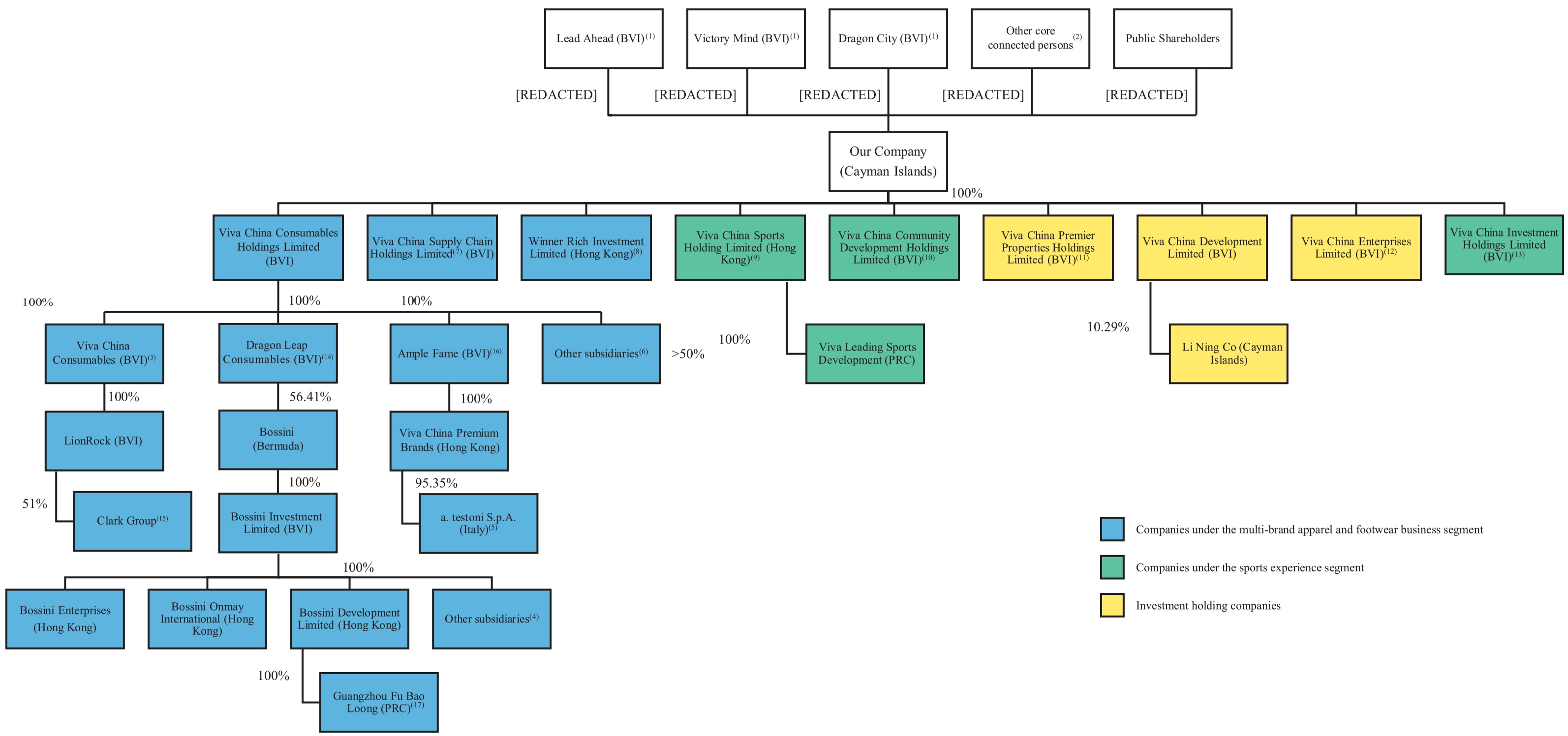
As at the date of the Second Clark Transaction Agreement, (a) LionRock L.P. held 49% of the entire issued share capital of LionRock, and was a connected person of our Company at subsidiary level; (b) LionRock L.P. was a limited partnership formed in the BVI which is principally engaged in private equity investment in consumer and sports businesses; and (c) to the best knowledge, information and belief of our Directors after making all reasonable enquiries, (i) the general partner of LionRock L.P. was LionRock Capital GP Limited which was wholly-owned by Mr. Tseung Daniel Kar Keung; (ii) an indirectly wholly-owned subsidiary of Li Ning Co was a limited partner of LionRock L.P. and the total contribution of which was 20.09%; and (iii) Mr. Victor Herrero (our non-executive Director) and Mr. Lee Kwok Ming (an independent non-executive director of Bossini) were limited partners of LionRock L.P. and collectively made 5% of the total contributions in LionRock L.P..

The consideration for the Second Clark Acquisition was funded by our Group's internal resources and was fully settled in cash upon completion of the Second Clark Acquisition on 30 January 2023. Immediately following completion of the Second Clark Acquisition, LionRock become an indirect wholly-owned subsidiary of our Company, our Company's effective interest in the Clark Group increased from approximately 26% to 51% and the results of LionRock (including the Clark Group) will continue to be consolidated into the financial statements of our Group.

For further details of the Second Clark Acquisition, please refer to the announcements of our Company dated 17 November 2022, 18 January 2023 and 30 January 2023, and the circular of our Company dated 30 December 2022.

CORPORATE STRUCTURE

The following diagram sets out the shareholding and corporate structure of our Group (i) as at the Latest Practicable Date and (ii) immediately upon **[REDACTED]**:



Notes:

1. For details of the shareholders of Lead Ahead, Victory Mind and Dragon City, please refer to the section headed "Substantial Shareholders" in this document.
2. Other core connected persons refer to the Directors of our Group and Mr. Li Chun.
3. Other than LionRock, Viva China Consumables has two wholly-owned subsidiaries which are incorporated in the BVI and Hong Kong.
4. Other subsidiaries include 29 subsidiaries wholly owned by Bossini Investment Limited which are incorporated/established in the BVI, the PRC, Hong Kong, Macau, Singapore and Malaysia.
5. a. testoni S.p.A. is owned as to 4.65% by a. testoni S.p.A. itself as a result of a share repurchase carried out in accordance with the relevant Italian law. It has six subsidiaries which are incorporated/established in the PRC, Hong Kong, Japan, Italy, South Korea and Taiwan.
6. Other subsidiaries include 13 subsidiaries owned by Viva China Consumables Holdings Limited which are incorporated/established in the BVI, the PRC and Hong Kong.
7. Viva China Supply Chain Holdings Limited has three wholly-owned subsidiaries which are incorporated/established in the PRC and Hong Kong.
8. Winner Rich Investment Limited has a subsidiary which is established in the PRC.
9. Apart from Viva Leading Sports Development, Viva China Sports Holding Limited has seven subsidiaries which are established in the PRC.
10. Viva China Community Development Holdings Limited has 43 subsidiaries and three associated companies which are incorporated/established in the BVI, the PRC and Hong Kong.
11. Viva China Premier Properties Holdings Limited has two wholly-owned subsidiaries which are incorporated/established in the PRC and Hong Kong.
12. Viva China Enterprises Limited has two wholly-owned subsidiaries which are incorporated/established in the PRC and Hong Kong.
13. Viva China Investment Holdings Limited has four subsidiaries which are incorporated/established in the PRC and Hong Kong.
14. In addition to the companies set out in the corporate chart, Dragon Leap Consumables is the immediate holding company of a subsidiary incorporated in the BVI.
15. The Clark Group includes Clark and its 50 subsidiaries which are incorporated/established in the UK, the US, Australia, Austria, Cambodia, Canada, France, Germany, Hong Kong, India, Japan, South Korea, Malaysia, Mexico, Netherlands, Poland, Portugal, the PRC, Singapore, Spain, Turkey and Vietnam, and a joint venture company established in India. Clark is owned as to 51% by LionRock and 49% by C&J Clark Limited, the ultimate beneficial owners of which are mainly individuals who can trace a family lineage to Cyrus Clark and James Clark, the founders of the Clark Group in early 1800s.
16. Other than Viva China Premium Brands and its subsidiaries, Ample Fame has two wholly-owned subsidiaries which are incorporated/established in the PRC and Hong Kong.
17. Guangzhou Fu Bao Loon has two subsidiaries established in the PRC.
18. We have adopted a complex group structure with many subsidiaries due to our diversified business portfolio and different brands and operation in different jurisdictions and different PRC cities.

For the latest shareholding distribution of our Company, please refer to the section headed "Share Capital – Shareholding Distribution" in this document.

[REDACTED] FROM GEM TO MAIN BOARD

[REDACTED]

[REDACTED]

Reasons for the [REDACTED]

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

- further promoting our corporate profile and recognition among the **[REDACTED]**, which would result in an increase in the attractiveness of our Shares to the **[REDACTED]** and thus likely to help broaden our **[REDACTED]** base and enhance the **[REDACTED]** of our Shares;

- increasing our bargaining power of our Group in negotiations with suppliers and other business associates, who will have more confidence in our Group's financial strength and credibility; and

- strengthening our position in the industry and enhancing our competitive strengths in recruiting and retaining key management staff and experienced personnel.

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

Pre-conditions for the [REDACTED]

The **[REDACTED]** is conditional upon, among others:

(a) our Company's fulfillment of all the applicable requirements for **[REDACTED]** on the Main Board as stipulated in the Main Board Listing Rules;

(b) the **[REDACTED]** Committee granting approval for the **[REDACTED]** in on the Main Board (i) all Shares in issue; and (ii) new Shares which may fall to be issued pursuant to the exercise of share options that may be granted under the Share Option Scheme and the conversion of the Earn-out Convertible Bonds; and

(c) all other relevant approvals or consents required in connection with the implementation of the **[REDACTED]** having been obtained, and the fulfilment of all conditions which may be attached to such approvals or consents, if any.

Confirmations from our Company and our Controlling Shareholders in relation to the [REDACTED]

As at the Latest Practicable Date, our Directors have no plan to change the nature of the business of our Group following the **[REDACTED]**. The **[REDACTED]** will not involve any issue of new Shares by our Company. By leveraging on the successful **[REDACTED]**, our Company may then consider doing **[REDACTED]** within one year after the **[REDACTED]**. Subject to the development and financial positions of our Company at the relevant time, it is currently expected that proceeds from any of such **[REDACTED]** would be utilised for general working capital purpose of our Group. As at the Latest Practicable Date, there was no specific or concrete plan (in terms of timing, number of shares and parties) for such **[REDACTED]** exercises. Any such **[REDACTED]**, if materialises, will be conducted in compliance with the applicable Main Board Listing Rules.

As at the Latest Practicable Date, each of our Controlling Shareholders confirmed that he/it has no plan to dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in which he/it is disclosed in this document to be the beneficial owner. The shareholding percentage of our Controlling Shareholders in our Company would be maintained at more than 50% of our Company's total issued share capital upon completion of any such **[REDACTED]** exercises mentioned above.

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 and (b) management and operation of e-sports clubs, coordination of sports events and sports-related marketing services.

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

	FY2020		FY2021		FY2022	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Multi-brand apparel and footwear *(Note 1)*	438,994	53.6	851,222	61.6	6,399,546	92.7
Sports experience						
– Sports destination development *(Note 2)*	169,153	20.7	269,365	19.5	244,076	3.5
– Sports team and event management *(Note 3)*	210,889	25.7	261,050	18.9	256,768	3.8
Sub-total of sports experience:	***380,042***	***46.4***	***530,415***	***38.4***	***500,844***	***7.3***
Total	**819,036**	**100.0**	**1,381,637**	**100.0**	**6,900,390**	**100.0**

Notes:

1. Our apparel and footwear brands mainly include "Clarks", "Bossini", "bossini.X", "LNG" and "Amedeo Testoni" during the Track Record Period. We acquired a majority stake in Bossini in July 2020 and our revenue attributable to "Bossini" (including "bossini.X") was HK$421.0 million, HK$702.5 million and HK$593.5 million, representing 51.4%, 50.8% and 8.6% of our total revenue, in FY2020, FY2021 and FY2022, respectively. We completed the First Clark Acquisition in July 2022 and our revenue attributable to "Clarks" in FY2022 was HK$5,386.9 million, representing 78.1% of our total revenue for the year.

2. Sports destination development mainly comprises management and operation of sports parks, sports centres and ice-skating rinks.

3. Sports team and event management encompasses management and operation of e-sports clubs, coordination of sport events and sports-related marketing services.

Our Company was first listed on GEM in 2000, and was then an online healthcare content and service provider. In May 2010, Lead Ahead (ultimately controlled by Mr. Li Ning), one of the current Controlling Shareholders acquired control of our Company and we embarked on a new corporate branding and began to engage in sports-related business, primarily comprising sports destination development business and sports team and event management business. In late 2019, we embarked on our multi-brand apparel and footwear business through various acquisitions.

Multi-brand apparel and footwear business

We acquired the trademark of a fashion brand "LNG" in late 2019 to embark on our apparel and footwear business and expanded our portfolio by acquiring Bossini (the owner of "Bossini", a well-known casual wear brand in Hong Kong and the PRC) in July 2020, Viva China Premium Brands (the owner of "Amedeo Testoni", a luxury leatherware brand based in Italy) in January 2022, and the Clark Group (the owner of "Clarks", a well-known British footwear brand with history of almost two centuries) in July 2022. We currently focus on retail and distribution of (i) fashion and casual footwear under "Clarks" focusing on the UK and the US markets, (ii) casual wear under "Bossini", (iii) apparel, footwear and accessories under "bossini.X", a streetwear brand created by our Group targeting at the middle-end streetwear market in the PRC in an effort to rebrand "Bossini", (iv) apparel, footwear and accessories under "LNG", a streetwear brand with ACGN elements targeting at millennials in the PRC, and (v) luxury leatherware under "Amedeo Testoni" in Europe and Asia.

The table below summaries our major brands that we currently operate in terms of (i) brand logo, (ii) product offering, (iii) target markets/style, and (iv) major geographical coverage:

	"Clarks"	**"Bossini"**	**"bossini.X"**	**"LNG"**	**"Amedeo Testoni" (including its diffusion line "i29")**
Brand Logo	Clarks	bossini	bossini.X	LNG	AMEDEO TESTONI
Product Offering	Footwear and accessories	Apparel	Apparel, footwear, accessories	Apparel, footwear, accessories	Leatherware (including footwear and apparel) and accessories
Target Market/Style	Fashion and casual footwear (such as handbags and small leather goods)	Casual wear	Streetwear with sports element	Streetwear with ACGN elements	Luxury
Major Geographical Coverage	the UK and the US	PRC, Hong Kong, Macau and Singapore	PRC	PRC	Europe, Hong Kong, Taiwan, Japan and South Korea

We have multiple sales channels covering offline sales channels (including directly-operated stores, wholesales and partnership stores) and online sales channels. As at 31 December 2022, our "Clarks" operation had 535 directly-operated stores mainly in the UK, the ROI and the US and 3,256 wholesale customers mainly in EMEA and the US. Offline sales channels for our Other Brands comprised 241 directly-operated stores primarily in the PRC and Hong Kong, 93 distributors with distributorship stores primarily in the PRC, Southeast Asia, the Middle East and Eastern Europe, and 31 partnership stores in the PRC as at 31 December 2022. We established our online presence on various online sales platforms, including our flagship online store, T-mall, JD.com, Xiaohongshu and Douyin. During the Track Record Period, we sold our apparel and footwear predominantly through our directly-operated stores. In order to capture the business potential in the e-commerce market, we established an e-commerce team in February 2021, comprising 200 members as at 31 December 2022, to manage and oversee our online sales channels and digital marketing strategies.

Whilst we outsource most of the manufacturing process to OEM suppliers, we established a shoe factory in the PRC in 2021 to reinforce our footwear design, research and development capability. Our shoe factory produces casual trainers and vulcanised shoes for our own brands. It also provides footwear OEM services to LN Group and other footwear manufacturers in order to better utilise our excessive production capacity.

Sports experience business

Our Yangzhou Li Ning Sports Park, which officially opened in October 2015, was the first sports park managed and operated by us under the brand of "Li Ning Sports Park" (李寧體育園). On top of expanding our sports parks and sports centre portfolio, we tapped into the ice-skating rinks business by acquiring "All Star Ice Skating Club" (全明星滑冰俱樂部) in late 2019. As at the Latest Practicable Date, our Group managed and operated (i) nine sports parks and sports centres under the brand of "Li Ning Sports Park" (李寧體育園) in different cities of the PRC and (ii) eleven ice-skating rinks under "All Star Ice Skating Club" (全明星滑冰俱樂部) in some of the first-tier and second-tier cities in the PRC. In such sports destinations, we mainly derive revenue from (i) entrance fees from visitors of such sports destinations, (ii) tuition fees from provision of sports coaching and training on the site, (iii) service fees for organisation of sports events and competitions on the site, (iv) rental income from leasing of units to retailors and restaurants, and (v) sales of consumables at the sports destinations. We also receive subsidies and/or fees for the management and operations of the sports parks and sports centres.

Our sports team and event management business primarily includes e-sports clubs management and sports events management. In 2019, we began our e-sports clubs management business by acquiring the then "Snake Esports" e-sports club and renaming it as "LNG Esports" which is currently one of the major e-sports clubs competing in the League of Legends Pro League. In September 2020, we established another e-sports club "LNG.M TEAM" which competes in the Onmyoji Arena Pro League. Our e-sports clubs generate revenue from (i) sharing of revenue from sponsorship fees and sales of live-broadcasting rights and/or live-viewing tickets of e-sports tournaments, which the organisers pay us based on factors such as our e-sports clubs' performance and ranking, (ii) sponsorship fees, and (iii) transfer fees paid by another clubs for recruiting e-sports athletes from our clubs. To create synergy between our e-sports club management business and apparel and footwear business, we connect the name of our e-sports clubs with our "LNG" brand and roll out e-sports-themed apparel and footwear with ACGN elements under such brand. We expect the increasing popularity of e-sports and our e-sports clubs will help promote our "LNG" brand.

Overview of our historical performance

We recorded substantial increase in revenue from HK$819.0 million in FY2020 to HK$6,900.4 million in FY2022, with a CAGR of 190.3%. Such increase was mainly contributed by our Group's multi-brand apparel and footwear business through (i) the acquisitions of Bossini in July 2020, Viva China Premium Brands in January 2022 and the Clark Group in July 2022; and (ii) the growth of our footwear OEM business and "LNG" brand. With the effect from Beijing Winter Olympics in 2022 and the Chinese e-sport team's victory in the 11th League of Legends World Championship, the interest in winter sports and e-sports continued to heat up in the PRC. Coupled with the gradual economic recovery from COVID-19, revenue from sports experience segment improved in FY2021 compared to FY2020, and decreased slightly in FY2022 compared to FY2021 due to the temporary closure of our sports destinations in response to the national pandemic prevention measures amidst the resurgence of COVID-19 during the year.

We believe that sports will become a key area of development in the PRC as it is the current government initiative and national policy to promote sports, and that there will be growing market demand for diversified sports experience, driven by stronger health consciousness among the public. We will continue to advocate healthy lifestyle, promote sports culture and develop our business of sports and lifestyle consumables and sports experience under multi-brand strategy, striving for the vision of "sports for all" and ultimately generating greater value for the our Shareholders.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths have been the key contributors to our success and will continue to enable us to increase our market share and capture future growth opportunities:

Well-positioned to capture the business opportunities in the apparel and footwear market

Our "Clarks" footwear business operates in the global fashion and casual footwear industry whereas the business of our Other Brands mainly operates in the PRC and Hong Kong fashion industry. According to the Frost & Sullivan Report, (i) retail sales of the global fashion and casual footwear industry increased from US$174.7 billion in 2016 to US$187.7 billion in 2021 at a CAGR of 1.4%, and is expected to reach US$209.4 billion in 2026 at a CAGR of 2.2%, and (ii) retail sales of the PRC fashion industry grew from US$291.2 billion in 2016 to US$353.3 billion in 2021 at a CAGR of 3.9%, and is expected to further increase to US$437.5 billion in 2026 at a CAGR of 4.4%, driven by the economic growth and increasing consumption power of the citizens in the PRC.

The apparel and footwear industry is driven by, amongst others, (i) the rise of new generation of consumers, namely the millennial and Generation Z who pay more attention to self-expression and individuality, quality, and brand reputation, (ii) digital transformation which is driven by the emergence of online channels and popularity of social media platforms, and (iii) diversification of consumer demands where fashion brands are expected to diversify their brands and product portfolio to capture the market of different consumer groups. In light of the above, we believe that our multi-brand strategy and omni-channel capability place us in a good position to capture the business opportunities in the apparel and footwear industry.

Diversified portfolio with differentiated fashion brands and products catered to a broad base of consumers

We adopt a multi-brand strategy, and offer apparel, footwear and accessories (including bags, wallets, socks and caps) featuring multiple categories covering casual wear, sports and leisure streetwear and luxury leatherware catering to the diversified needs, tastes and preferences of consumers of different ages and gender for different occasions. We manage a portfolio of five major apparel and footwear brands, namely "Clarks", "Bossini", "bossini.X", "LNG", and "Amedeo Testoni" (including its diffusion line "i29").

"Clarks" is a well-known British footwear brand and offers fashion and casual footwear for both gender and all age groups worldwide with a focus on the UK and the US markets. Under "Bossini", we primarily offer casual wear such as coats and jackets, T-shirts, dresses, pants, jeans, underwear and socks suitable for women and men at all ages as well as kids at competitive prices. Under "bossini.X", we mainly offer middle-end streetwear with sports element catering to the tastes and preferences of young generations in the PRC. "LNG" is a streetwear brand with ACGN elements which from time to time collaborates with youthful animation and fashion brands to launch crossover products. "Amedeo Testoni" (including its diffusion line "i29"), as our high-end luxury fashion brand, offers a wide selection of leather footwear and leather accessories such as wallet and handbags, suitable for different occasion including leisure and business.

Omni-channel capability

As at 31 December 2022, we had 535 directly-operated stores and 3,256 wholesale customers for our "Clarks" footwear operation; and 241 directly-operated stores, 93 distributors and 31 partnership stores for our Other Brands. We also established presence on over ten online sales platforms, including our online flagship store and other e-commerce and social media platforms. Geographical coverage of our sales channel primarily includes the UK and the US for our "Clarks" operation and the PRC and Hong Kong for our Other Brands. Combining an extensive network of offline stores with increasing presence on the PRC's major e-commerce and social media platforms, we have an omni-channel retail network that provides comprehensive consumer experience.

We strategically roll out directly-operated stores in carefully selected locations with consumption potential from consumers with purchasing power, such as first-tier and second-tier cities in the PRC. We also make use of the distribution channels of our distributors and wholesale customers, which include e-commerce and t-commerce platform operators, and adopt a partnership model to diversify our customer base, and to expand into new geographical markets in an asset-light and cost-effective manner. In addition, we have devoted significant efforts to strengthen our online capabilities in recent years. We have an in-house e-commerce team with 200 members as at 31 December 2022 to oversee our online sales strategies and have established a strong presence on the PRC's major e-commerce platforms, such as T-mall, JD.com and Taobao, and social media platforms, such as Xiaohongshu and Douyin.

Well-equipped to capture the growth opportunities in the policy-driven sports industry in the PRC

In recent years, with the support of favourable government policies in promoting sports as well as the increase in awareness for public health in the PRC, there has been a growing demand from the public for sports venues, facilities and sports coaching and training services. Leveraging on our diversified sports destinations portfolio for sports activities and sports training as well as our reputation in the sports industry in the PRC, we believe that we are well-equipped to capture the growth opportunities in the policy-driven sports industry in the PRC.

Wide spectrum of professional and accessible sports venues and facilities for sports activities and sports training

As at the Latest Practicable Date, we managed and operated (i) nine sports parks and sports centres under the brand of "Li Ning Sports Park"（李寧體育園）in different parts of the PRC, and (ii) eleven ice-skating rinks under the brand of "All Star Ice Skating Club"（全明星滑冰俱樂部）in some of the first-tier and second-tier cities in the PRC. Our sports destinations are well-equipped with a wide array of facilities to host various sports events. We also provide coaching and training services as well as other ancillary services to facilitate the sports experience of the public and our consumers in the PRC.

Facilities of our sports parks and sports centres include, amongst others, sports venues for a variety of ball games including football, basketball, badminton, table tennis, volleyball, and squash, indoor and outdoor swimming pools, fitness centres, and multi-functional sports arenas. Our ice-skating rinks are well-equipped with a range of ice skating facilities and equipment suitable for various types of ice skating.

To promote sports and encourage participation in sports activities among the local neighbourhood communities, we offer a wide variety of sports coaching and training courses delivered by professional coaches and trainers for different age groups and people at different skill levels at our sports destinations. We organise and hold, either by ourselves or by renting our sports venues and facilities to other sports organisations, a range of sports-related competitions and events for professional sports athletes and the general public in our sports destinations from time to time. In particular, our "All Star Ice Skating Club" (全明星滑冰俱樂部) was authorised by the Ice Skating Institute Asia to hold the All-Star Asian Figure Skating Invitational (全明星亞洲花樣滑冰邀請賽) which is a national-level junior ice skating competition in the PRC.

To facilitate the overall sports experiences, we offer ancillary services such as provision and sales of sports-related apparel, footwear and equipment and food by introducing retail stores and restaurants to our sports destinations. In particular, we have retail stores offering a wide selection of ice skating-related consumables under various brands targeting at youngsters in our ice-skating rinks.

Well-established reputation in the sports industry

Our Directors believe that we enjoy well-established reputation in the sports industry. In particular, our senior management team has long-established presence in the sports industry.

Mr. Li Ning, our executive Director, chairman of our Board and chief executive officer is recognised as one of the most outstanding athletes in the 20th century. In the 6th World Cup Gymnastics Competition in 1982, Mr. Li Ning unprecedentedly won six gold medals in men's artistic gymnastics events and was named the "Prince of Gymnastics" ("體操王子") in the PRC. In the 23rd Olympic Games held in Los Angeles in 1984, Mr. Li Ning won three gold, two silver and one bronze medals, making him the athlete winning the most medals in the 23rd Olympic Games. In 1999, Mr. Li Ning was voted as one of the "World's Most Excellent Athletes in the 20th Century" by the World Sports Correspondent Association. Mr. Li Ning is the founder of the LI-NING brand. Besides, Mr. Li Chunyang, an executive Director is also recognised as one of the most outstanding athletes in the PRC, and won the World Gymnastics Championships in 1989 and 1991.

We have accumulated extensive sports-related resources through our management and operation of sports parks and sports centres, ice-skating rinks, e-sports clubs, and multiple apparel and footwear brands featuring sports element. We have established relationships with industry players in the sports ecosystems through various means including (i) our operation of "3+1 Basketball League", a street basketball tournament founded by Li Ning Sports, (ii) collaborations with CBA, the highest-ranking professional basketball league in the PRC, and (iii) our investments in different sports-related businesses including (a) Shanghai Double Happiness Co., Ltd, a company principally engaged in sales of table tennis and badminton equipment under its own brand "紅雙喜 (Double Happiness)", a world-renowned sports brand, (b) Li Ning Co, one of the leading sports brand companies in the PRC, mainly providing sporting goods under the LI-NING brand, and (c) Jump 360 Holdings Limited, an operator of one of the largest indoor trampoline parks in Asia.

We believe that abovementioned accomplishments have helped us strengthen our reputation in the sports industry, and create synergies and commercial opportunities for our multi-brand apparel and footwear business and sports experience business going forward.

Visionary and experienced management team

Our management team is formed by seasoned professionals with experience and knowledge of the apparel and footwear industry and the PRC sports industry. Our management team is led by our three executive Directors, namely Mr. Li Ning, Mr. Li Chunyang and Mr. Li Qilin, and our Chief Financial Officer, namely Mr. Cheung Chi, who provide us with insights which enhance our overall business management and operation, and enable us to better understand market trends, unmet demand and consumer preferences, and steward us towards the continued growth of our business.

Mr. Li Ning, our executive Director, chairman of our Board and chief executive officer, being the helm of our Group, is primarily responsible for devising our strategic blueprint and directing our business strategies to bring our mission and vision to reality. Mr. Li holds a bachelor's degree in law from School of Law of Peking University (北京大學), an executive M.B.A. degree from Guanghua School of Management of Peking University (北京大學光華管理學院), an honorary doctorate in technology from Loughborough University in the United Kingdom and an honorary degree of doctor of humanities from The Hong Kong Polytechnic University. Mr. Li was also conferred honorary fellowship from The Hong Kong University of Science and Technology.

Mr. Li Chunyang, our executive Director, is primarily responsible for overseeing the overall management, business strategic development and general operations of our Group. Mr. Li holds a bachelor's degree in finance from Peking University and had participated in the management of our Group since June 2010.

Mr. Li Qilin, our executive Director, is primarily responsible for overseeing the overall management, business strategic development and general operations of our Group. Mr. Li has considerable experience in financial services industry and was an analyst of Persistent Asset Management Limited during the period from January 2010 to July 2013. Mr. Li first joined our Group as a non-executive Director in June 2013 and was re-designated to an executive Director to participate in the management of our Group since November 2015.

Mr. Cheung Chi, our chief financial officer, is primarily responsible for the financial management of our Group, planning and supervision of our Group's financing activities, and the management of our Group's business. Mr. Cheung holds a Degree of Bachelor of Arts (Hons) in Accountancy from the City University of Hong Kong and a Degree of Master of Business Administration from The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and has over 25 years of experience in financial management, corporate finance and administrative management.

We believe that our management team and operation has been essential to the success of our business and the determination and implementation of our business strategies. For further details of our Directors and senior management, please refer to the section headed "Directors and Senior Management" in this document.

OUR BUSINESS STRATEGIES

We intend to further develop our multi-brand apparel and footwear business, together with the sports experience business, to grasp the market consumption opportunities. We aim to achieve our goal by pursuing the following business strategies:

Expand our apparel and footwear brand portfolio and product categories through internal development and acquisitions

According to the Frost & Sullivan Report, the global fashion industry recorded continuous growth in previous years, and is expected to continue to grow in foreseeable future. Retail sales of the global fashion industry grew from US$1,456.0 billion in 2016 to US$1,570.1 billion in 2021 at a CAGR of 1.5%, and is expected to further increase to US$1,750.2 billion in 2026 at a CAGR of 2.2%.

The fashion industry is driven by, amongst others, the rise of new generation who focus on self-expression and individuality, and diversification of consumer demand where consumers in developed areas prefer more high-end and personalised products, whereas consumers in less-developed areas tend to be more price-sensitive. In an increasingly bifurcated market, fashion brands with multi-brand strategy and a diversified product portfolio to meet the demands of various consumer groups can benefit from this trend and capture the market potentials. We intend to expand our apparel and footwear brand portfolio and products categories to capture the consumption potentials in the global fashion market, and reinforce the sustainability of our multi-brand apparel and footwear business.

Through internal development

We are devoted to nurture growth in businesses acquired by us. After our acquisition of "Bossini", with our efforts in rebranding and creating a fresh new image for this brand, we created "bossini.X", a streetwear brand with sports element targeting at youngsters and millennials in the PRC market. Going forward, we will continue to rebrand "Bossini" by adjusting its production direction, allocating more resources on products development, and optimising and diversifying its product portfolio. We will develop "bossini.X" with a focus on the PRC market, and leverage on its the fresh new image to reshape consumers' perception towards "Bossini" to drive the growth of both brands in the long run. As for "LNG", after our acquisition of the "LNG" trademark, we developed it into a streetwear brand with ACGN elements and we will continue our current overall design direction. Apart from diversifying our existing products series, we intend to launch more products series with e-sports and ACGN elements to create synergy with our e-sports club business, including collaborating with animation and fashion brands to launch crossover products series to cater to the tastes and preferences of millennials in the PRC.

Through acquisitions

We expanded and diversified our brand portfolio by acquiring Bossini (the owner of "Bossini", a well-known casual wear brand in Hong Kong and the PRC) in July 2020 and Viva China Premium Brands (the owner of "Amedeo Testoni", a luxury leatherware brand based in Italy) in January 2022. In July 2022, we acquired a majority stake in the holding company of the Clark Group (being the operator of "Clarks", a well-known British footwear brand with history of almost two centuries) which further diversified and expanded our brand and product portfolio to fashion and casual footwear. According to Frost & Sullivan, as the PRC footwear market outperformed the global market and other more-developed markets from 2016 to 2021, many foreign brands seek to tap into the PRC footwear market through collaboration with experienced local brand operators to develop a localised branding and marketing strategy. With our experience in the PRC apparel and footwear market, we believe we can help "Clarks" to tap into the PRC market and capture the business potential.

Since 2021, the management of the Clark Group has reviewed its business direction and implemented certain cost control measures, coupled with the recovery of sales activities after COVID-19, the financial performance of the Clark Group has been improving. In the meantime, in the first half of 2022, our Directors also noted that many countries, including the UK and the US, had gradually removed pandemic-related restrictive measures. Our Directors were of the view that the commencement of the removal or relaxation of such restrictive measures would be of benefit to the recovery of the global retail business. In view of the above and in order to further increase our indirect equity interest in the Clark Group, we acquired the remaining 49% of the issued share capital of LionRock, being the holding company of 51% equity interests in the Clark Group, from LionRock L.P. at a consideration of GBP110,000,000 in January 2023. Following completion of the Second Clark Acquisition, LionRock has become an indirect wholly-owned subsidiary of our Company and the results of LionRock (including the Clark Group) will continue to be consolidated into the financial statements of our Group.

We will continue to look for quality acquisition targets to enrich our brand portfolio and increase our market coverage, thereby to enhance our overall business sustainability. We did not have any specific acquisition targets, and had not entered into any definitive agreements with any potential targets as at the Latest Practicable Date. The timing of any potential acquisition would depend on the identification of a suitable acquisition target and we do not have any expected timeframe for potential acquisition until a suitable opportunity comes along. When selecting an acquisition target, we would consider, amongst others, their brands recognition, their product portfolio and/or categories, their market coverage, their consumer base, net asset value, valuation, and would focus on selecting a target which could enrich our brand portfolio, increase our market coverage and create synergy with our existing brands.

Expand our sales networks and marketing channels of our multi-brand apparel and footwear business as well as optimise our operation efficiency

We believe that multi-dimensional marketing channels, coupled with well-managed operation, is essential to achieve our expansion plan for sales networks and our multi-brand apparel and footwear business, and will lay the foundations for our future growth. We intend to deepen the market penetration of our apparel and footwear brands by expanding our sales networks and marketing channels, as well as to optimise our operation efficiency so as to coincide with the expected growth in our scale of business operation in future.

According to the Frost & Sullivan Report, whilst offline sales channel remains as the major sales channel of fashion products, online sales channel is growing more rapidly and is expected to gradually capture the market share from offline sales. Therefore, omni-channel capability is essential for apparel and footwear brands to capture sales opportunity in the market. Besides, new generation of consumers are more social media savvy than their preceding generations, making their consumption behaviors more susceptible to social media content and online community. The integration of digital platforms into sales and marketing strategy becomes imperative for apparel and footwear brands.

Similar with the industry norm, during the Track Record Period, we focused on our offline sales which accounted for a majority of our revenue from sales of apparel and footwear and recorded an increase in revenue from online sales primarily due to our efforts in developing our online sales channel. As our short-to-mid-term strategy, we intend to maintain offline sales channel as our major sales channel and further expand our online sales channel on the other hand.

Strategies for offline sales channel

During the Track Record Period, we focused on the sales at our directly-operated stores and complemented our offline sales channel by collaborating with our retail partners from different jurisdictions. Going forward, we intend to maintain our existing offline distribution model and to expand our sales networks to make our products more accessible to our target consumers while reaching a broader consumer base. We will identify attractive store opening opportunities to address untapped consumer demand in both existing and new markets, and expand the geographic coverage of our directly-operated stores in places with consumption potential. In addition to opening new stores, we will continue reviewing the performance of our directly-operated stores to optimise our operation efficiency by upgrading existing stores and closing underperforming stores. We will focus on upgrading our existing stores that are located in premises with proven foot traffic and high sales potential.

Whilst directly-operated stores will remain as our primarily focus, we will continue our collaboration with our retail partners to cover larger domestic and overseas apparel and footwear consumer markets. In particular, we will continue reviewing our return from our collaboration with our retail partners, deepen our collaboration with those delivering outstanding sales performance and terminate business relationship with underperforming ones. We will also seek business opportunities with suitable retail partners who have high sales potentials in existing and new markets.

Strategies for online sales channel

We intend to further expand the appeal 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 of 200 members as at 31 December 2022. In addition to managing the daily operation of our online sales channel, our e-commerce team also conduct analysis on our online sales performance periodically in order to formulate more efficient product planning and marketing strategies. In addition to establishing our presence on conventional third-party e-commerce platforms, such as T-mall and Taobao, we have also developed business partnerships with a number of KOLs and live-streamers on social media platforms (such as Xiaohongshu and Douyin) to promote our brands recognition and sales through word-of-mouth marketing campaigns during the Track Record Period. We intend to continue such marketing avenues to broaden our consumer base while reinforcing our current consumer base as a foundation for our brands. In particular, we will continue to expand our collaboration with KOLs and live-streamers to strengthen our presence on social media platforms. Future marketing endeavours may include other forms of advertising, including digital and traditional advertising.

Synergy with the business of the Clark Group

We completed the First Clark Acquisition in July 2022 and the Second Clark Acquisition in January 2023. "Clarks" is a well-known international footwear brand with almost 200 years of history and worldwide presence. With a focus on the UK and the US markets, "Clarks" ranked the 1st in the fashion and casual footwear market in the UK with a market share of 14.1%, and the 7th in the US with a market share of 1.8% according to the Frost & Sullivan Report. As at 31 December 2022, the Clark Group had 535 directly-operated stores located primarily located in the UK, the ROI and the US, 3,256 wholesale customers primarily situated in EMEA and the US, and various online sales platforms, such as its flagship online store and other e-commerce platforms operated by its wholesale customers. We believe that given the similar nature of our multi-brand apparel and footwear business and the Clark Group's footwear business, we will achieve synergy by integrating the sales network of the two businesses to deepen and expand our customer base and geographical reach to other major fashion markets which we had not been operated in before, including but not limited to, the US, the UK and Western Europe.

Going forward, we intend to increase "Clarks" store efficiency by consolidating its directly-operated stores network at strategic locations and to improve its consumer experience by carrying out upgrades at its physical stores, such as investing in visual merchandising props and introducing mobile payment. In addition, we plan to accelerate the development of "Clarks" e-commerce by improving the user experience of its flagship online store, such as to improve the site speed and streamline the checkout procedures. In addition, we will continue exploring opportunities to expand and diversify "Clarks" online stores to different third-party e-commerce platforms for a broader customer reach. We will focus on reinforcing "Clarks" presence in the UK and the US, and to also seek opportunities to tap into the Asia market, in particular the PRC market, by leveraging on the networks and experience of our Group and our management. In particular, we intend to use popular marketing tools, including but not limited to influencer marketing, to promote "Clarks" products, and set up online stores on popular e-commerce platforms to sell "Clarks" products.

Enhance our sports destinations business by diversifying our sports coaching and training services

It is our mission to advocate healthy lifestyle and promote sports culture among the general public in the PRC. According to Frost & Sullivan, sports-related industry in the PRC had experienced significant growth from 2016 to 2021 and will continue to expand between 2022 and 2026 as sports becomes more popular among the general public with the support of favourable government policies, increasing public awareness on health and media coverage of international sports events hosted by the PRC in recent years.

Over years of operation, we have obtained solid experience in the management and operation of sports venues. Members of our senior management, such as Mr. Li Ning and Mr. Li Chunyang, are also recognised as one of the most outstanding athletes in the PRC. We also managed and operated sports parks, sports centres and ice-skating rinks that are equipped with comprehensive sports facilities and equipment to support full range of sports activities, including football, basketball, badminton, table tennis, volleyball, squash, swimming, fitness training, gymnastic, archery, ice-skating and ice hockey.

Leveraging off our reputation and experience in the sports venues management industry as well as our diverse sports destinations portfolio, we intend to further diversify the sports coaching and training services that we offer at our sports destinations in order to capture the market potential of the sports industry and fulfil our mission in advocating healthy lifestyle and sports among the general public.

Develop our e-sports business and create synergy effects together with our "LNG" brand

According to the Frost & Sullivan Report, the PRC e-sports industry has enjoyed a rapid growth from 2016 to 2021, and will continue to grow in foreseeable futures. The market size of the PRC e-sports club and e-sports influencer commercialisation industry in terms of revenue grew significantly from US$0.5 billion in 2016 to US$2.2 billion in 2021 at a CAGR of 36.9% primarily due to the emergence and increasing popularity of e-sports as a new form of sports, and is expected to increase to US$6.2 billion in 2026 at a CAGR of 22.8%. The PRC e-sports industry is supported by favourable government policies. Several cities have issued policies aiming to make themselves a regional or even a national centre for e-sports. For example, the Beijing government has issued "Medium and Long-term Plan for Beijing to Promote the Construction of National Cultural Center (2019-2035)" to position itself as the capital of e-sports. With the world's largest e-sports market in terms of revenue, the PRC has successfully cultivated a full industry chain from e-sports game development, tournament operation, content production and distribution. This helps provide a solid foundation and supporting system for the PRC e-sports market to flourish in foreseeable future.

As such, we intend to further develop our e-sports business to capture the opportunities within the industry, while leveraging off our "LNG" brand to drive growth for both businesses. All our e-sports clubs are named after LNG, a streetwear label with ACGN elements. We intend to broaden the appeal of our "LNG" brand as well as our "LNG"-labelled e-sports clubs among e-sports audiences by (i) marketing our e-sports club through both digital and traditional advertising, (ii) enhancing the professional capabilities of our "LNG Esports" and other e-sports clubs. Our endeavours in enhancing the performance of our e-sports clubs at e-sports tournaments mainly includes (a) optimisation of the current training mode for our e-sports athletes, (b) engagement of professional trainers and instructors, and (c) introduction of top e-sports athletes into our e-sports club subject to the team structure of our e-sports clubs and the performance of the relevant e-sports athlete and (iii) launch crossover products with our e-sports clubs to fuel up the growth of our "LNG" brand. Further, we intend to further explore the business partnership opportunities within the gaming ecosystem to obtain more sponsorships.

OUR ACQUISITIONS

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

Details of our business plans and strategies for the "LNG" brand, Bossini (owner of "Bossini"), Viva China Premium Brands (owner of "Amedeo Testoni") and Clark (owner of "Clarks"), the synergies brought by these acquisitions and our operation management over these companies are as follows:

Business plans and strategies

LNG

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

Prior to such acquisition, we had already hired a team to engage in certain preparatory work relating to e-commerce which was expected to be one of the major distribution channels for "LNG" in 2020. By March 2020, we had 27 staff for "LNG" covering most functions, including design, procurement, logistics and sales. Most of our key personnel for "LNG" have at least 10 years' experience in retail and consumable industry. In 2020, we primarily distributed our "LNG" products through online sales channels and distributors. With the increasing brand recognition, we started to set up directly-operated stores and partnership stores for "LNG" in early 2021 and expanded our "LNG" workforce to 98 members by the end of the same year. With our continuous efforts, our revenue from "LNG" recorded a significant year-to-year increase by HK$72.6 million or 404.0% in FY2021, and recorded a slight year-to-year decrease in FY2022 by HK$6.5 million or 7.1% mainly due to the resurgence of COVID-19.

Bossini

"Bossini" is a well-known casual wear brand in the PRC and Hong Kong with competitive pricing. After our acquisition of Bossini, we are devoted in rebranding its image and created a new brand "bossini.X" to bring a new change for this company. "bossini.X" is a streetwear brand with sports element targeting at youngsters and millennials in the PRC market which help us to expand to the middle-end streetwear market. Going forward, we will continue to rebrand "Bossini" by adjusting its product direction, allocating more resources on product development, and optimising and diversifying its product portfolio. In addition, we will leverage on the new image of "bossini.X" to reshape consumers' perception towards "Bossini" to drive the growth of both brands in the long run. In terms of geographical market, we plan to focus on the development in the PRC through different distribution channels, including directly-operated stores, distributors, partnership stores and online sales channels.

Before our acquisition of Bossini in July 2020, Bossini recorded a revenue of HK$1,488 million and a loss of HK$139 million for the financial year ended 30 June 2019 and a revenue of HK$1,092 million and a loss of HK$368 million for the financial year ended 30 June 2020. After Bossini was taken over by our Group, we managed to reduce its loss by 57.9% to HK$155 million for the financial year ended 30 June 2021 even through Bossini recorded a decrease in revenue by 22.3% to HK$848 million for the same period due to the resurgence of COVID-19. The decrease in loss was primarily resulted from our effective cost control measures, including reduction of labour costs through streamlining various operation units, closure of under-performing directly-operated stores and better management of marketing expenses. With our continuous efforts in revamping and developing its business, we helped Bossini to further reduced its loss from HK$251.0 million for FY2021 by 47.8% to HK$132.4 million for FY2022, and we believe the business operation and financial performance of Bossini will continue to improve gradually.

Amedeo Testoni

Following completion of our acquisition of Viva China Premium Brands, we conducted a review over its business and various operation units. Going forward, we plan to diversify its product portfolio by expanding women's collection. In terms of geographical markets, we plan to focus on the Asia markets, especially the PRC, covering both offline and online sales channels. In addition, as part of our cost control measures, we will restructure the corporate organisation of Viva China Premium Brands to combine certain administrative functions with our existing units to reduce labour costs. We will also relocate some back office functions from Italy to Hong Kong.

Clarks

Following completion of the First Clark Acquisition in July 2022, we conducted a review on the principal business and the financial position of the Clark Group, and discussed with the management of the Clark Group on the appropriate steps to take for developing its business under the following directions: (i) increasing cost and operational efficiency; (ii) redefining customer segmentation and strengthening brand building; (iii) reviewing distribution strategies; (iv) restructuring the corporate organisation; and (v) increasing the market presence in Asia, in particular the PRC.

Since 2021, we had been participating in the management and operation of the Clark Group gradually through attending regular operation and board meetings of the Clark Group and providing our directions on its business operation. With our cost control measures and directions, the administrative expenses of the Clark Group decreased by £13.7 million (HK$141.1 million) or 17.5% from £78.5 million (HK$808.6 million) for the 22 weeks period ended 3 July 2021 to £64.8 million (HK$667.4 million) for the 22 weeks period ended 2 July 2022 which was attributable to, amongst others, the decrease in (i) salary expense resulting from reduction in severance payments; (ii) foreign exchange differences resulting from the fluctuations of various foreign currencies against GBP; and (iii) depreciation resulting from the early termination of lease of an office in the US. As a result of the foregoing, coupled with the recovery of sales activities after COVID-19, the profit from continuing operations of the Clark Group increased from £18.7 million (HK$192.6 million) for the 22 weeks period ended 3 July 2021 to £40.4 million (HK$416.1 million) for the 22 weeks period ended 2 July 2022.

Over the past three years, less than 10% of the total revenue of the Clark Group was attributable to the Asia Pacific market. We believe that the Clark Group has a growth potential in the Asia market, in particular, the PRC market, by increasing the use of online platforms and leveraging on the expertise, distribution channels and supply chain of our Group. In particular, we intend to use popular marketing tools including but not limited to influencer marketing to promote Clark's products, and set up stores on popular online sale platforms to sell Clark's products.

Other than expanding to the PRC market, we also aim to deepen the Clark Group's penetration in its existing major markets, being the UK and the US. For the UK market, we plan to reshuffle the product mix to recover the market share in women's footwear and place emphasis on athleisure footwear. For the US market, we plan to shift to a more premium product mix and to focus on growing other categories, such as kids and accessories. In addition, we aim to open up new wholesale channels and further promote its e-commerce functions.

Synergies

We believe the acquisitions will bring upon the following synergies to our Group and the acquired companies:

Synergy within the multi-brand apparel and footwear business

Our Board believes that given the similar nature of business of the acquired companies, namely apparel and/or footwear business, the acquisitions will achieve synergy among these businesses within our multi-brand apparel and footwear segment in terms of marketing, supply chains solutions and distribution channels, deepen our market penetration at local markets and further extend our market territories worldwide.

In terms of sales channel, our e-commerce team has taken over the PRC online sales management of "Clarks" and "Amedeo Testoni". In particular, we have expanded the PRC online sales channel of "Clarks" from conventional third-party e-commerce platforms to other social media platforms, such as Xiaohongshu and Douyin, to enhance its brand recognition and online sales in the PRC, and are in the process of developing the PRC online sales channel for "Amedeo Testoni". Furthermore, since our brands have different geographical focus, such as "LNG" and "bossini.X" for the PRC, "Bossini" for Hong Kong, "Clarks" for the UK and the US, and "Amedeo Testoni" for Europe, Hong Kong, Taiwan, Japan and South Korea, the experience and networks in different geographical regions can be shared among our brands to facilitate future expansion to such regions.

In terms of supply chain management, our procurement team will consolidate and centralise the production process of our various brands which help increase our bargaining power with OEM suppliers to reduce our costs of production. In addition, our shoe factory is in the progress of developing prototypes for certain footwear products for the Clark Group for future production. Going forward, it is expected that the consolidation of our supply chain will help us achieve a competitive pricing and improve the quality of our apparel and footwear products. In addition, the sharing of marketing and administrative resources, such as e-commerce, human resources, finance and information technology, will help reduce our labour costs and improve our operation efficiency.

Sharing of expertise and experience of Directors and the management of our Company

Members of our Board, such as Mr. Li Ning and Mr. Victor Herrero, as well as the key members of our operation team, such as Mr. Cheung Chi, for our multi-brand apparel and footwear business have extensive experience in various aspects of the apparel, footwear and consumables industry which can be shared with the board of the acquired companies. Furthermore, leveraging on the reputation and network of Mr. Li Ning in the lifestyle consumables and sports industries, we may open up various expansion and business collaborations opportunities for these acquired companies.

Synergies between our sports team and event management business and the acquired business

We organise the commercial operation of sports events in the PRC under our sports team and event management business segment. For example, we may arrange our acquired fashion brand to act as the sponsor of the sports events managed by us. With the participation of these well-established fashion brands, it could act as a catalyst to attract other more renowned brands to participate in sponsorships. Such sponsorships could potentially enhance the profiles of the events and the participating brands, and further strengthen our resources and capability in the operation of the sports team and event management business.

Synergies between our sports destination development business and the acquired business

As at the Latest Practicable Date, we operated nine sports parks and sports centres and eleven ice-skating rinks under our sports destination development business segment. There are shops selling different sports lifestyle consumables (e.g. casual sports footwear, apparel and accessories consumables) under different brand names in these sports destinations. By acquiring Bossini, Viva China Premium Brands and Clark which are principally engaged in the sales of apparel and/or footwear, we are able to set up stores of our own brands in these sports destinations. We anticipate that such business strategy could (i) attract more customers and increase the visitors traffic of these sports destinations; (ii) improve the commercial image of these sports destinations by association with these well-established brands; and (iii) increase the rental income from different shops at our sports destinations by reason of the increase in foot traffic and improvement in branding.

Operation management

In order to exercise our control over Bossini, Viva China Premium Brands and Clark, following completion of the acquisitions, our management have been participating in the formulation of business strategies, attending weekly and monthly operation meetings of these companies and are involved in their approval procedures for the material contracts and payments. In addition, we had appointed directors to the boards of Bossini, Viva China Premium Brands and Clark to act as our representatives in overseeing the overall operation and took a leading role in selecting suitable candidates for senior management positions of these companies, such as chief executive officer, chief financial officer, head of the sourcing department and quality control department, costing manager, financial analysts and other executives and managers.

OUR BUSINESS MODEL

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

We have been engaged in sports related business since 2010 and embarked on our apparel and footwear business through the acquisition of the trademark of a fashion brand "LNG" from the LN Group at the consideration of RMB1,356,800 (inclusive of tax) in late 2019. Since we acquired the "LNG" trademark, which was originally designed by the LN Group, we re-designed the logo and developed the brand by connecting its name and style with our "LNG Esports" e-sports club to create synergies between the businesses. Other than the collaboration of cross-over products with "LI-NING" and the sales of our "LNG" products to a member of LN Group which is one of our distributors, we have been developing and operating "LNG" brand independently without any sharing of personnel, resources or facilities with LN Group since it was acquired by us. We further expanded and diversified our business by acquiring Bossini (the owner of "Bossini", a well-known casual wear brand in Hong Kong and the PRC) in July 2020, Viva China Premium Brands (the owner of "Amedeo Testoni", a luxury leatherware brand based in the Italy) in January 2022, and the Clark Group (the owner of "Clarks", a well-known British footwear brand with history of almost two centuries) in July 2022. After our acquisition of Bossini, as part of the rebranding exercise, we created a new brand "bossini.X" which is positioned as a streetwear label targeting at youngsters and millennials in the PRC.

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

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

	FY2020		FY2021		FY2022	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Multi-brand apparel and footwear *(Note 1)*	438,994	53.6	851,222	61.6	6,399,546	92.7
Sports experience						
– Sports destination development *(Note 2)*	169,153	20.7	269,365	19.5	244,076	3.5
– Sports team and event management *(Note 3)*	210,889	25.7	261,050	18.9	256,768	3.8
Sub-total of sports experience:	***380,042***	***46.4***	***530,415***	***38.4***	***500,844***	***7.3***
Total	**819,036**	**100.0**	**1,381,637**	**100.0**	**6,900,390**	**100.0**

Notes:

1. Our apparel and footwear brands mainly include "Clarks", "Bossini", "bossini.X", "LNG" and "Amedeo Testoni" during the Track Record Period. We acquired a majority stake in Bossini in July 2020 and our revenue attributable to "Bossini" (including "bossini.X") was HK$421.0 million, HK$702.5 million and HK$593.5 million, representing 51.4%, 50.8% and 8.6% of our total revenue, in FY2020, FY2021 and FY2022, respectively. We completed the First Clark Acquisition in July 2022 and our revenue attributable to "Clarks" in FY2022 was HK$5,386.9 million, representing 78.1% of our total revenue for the year.

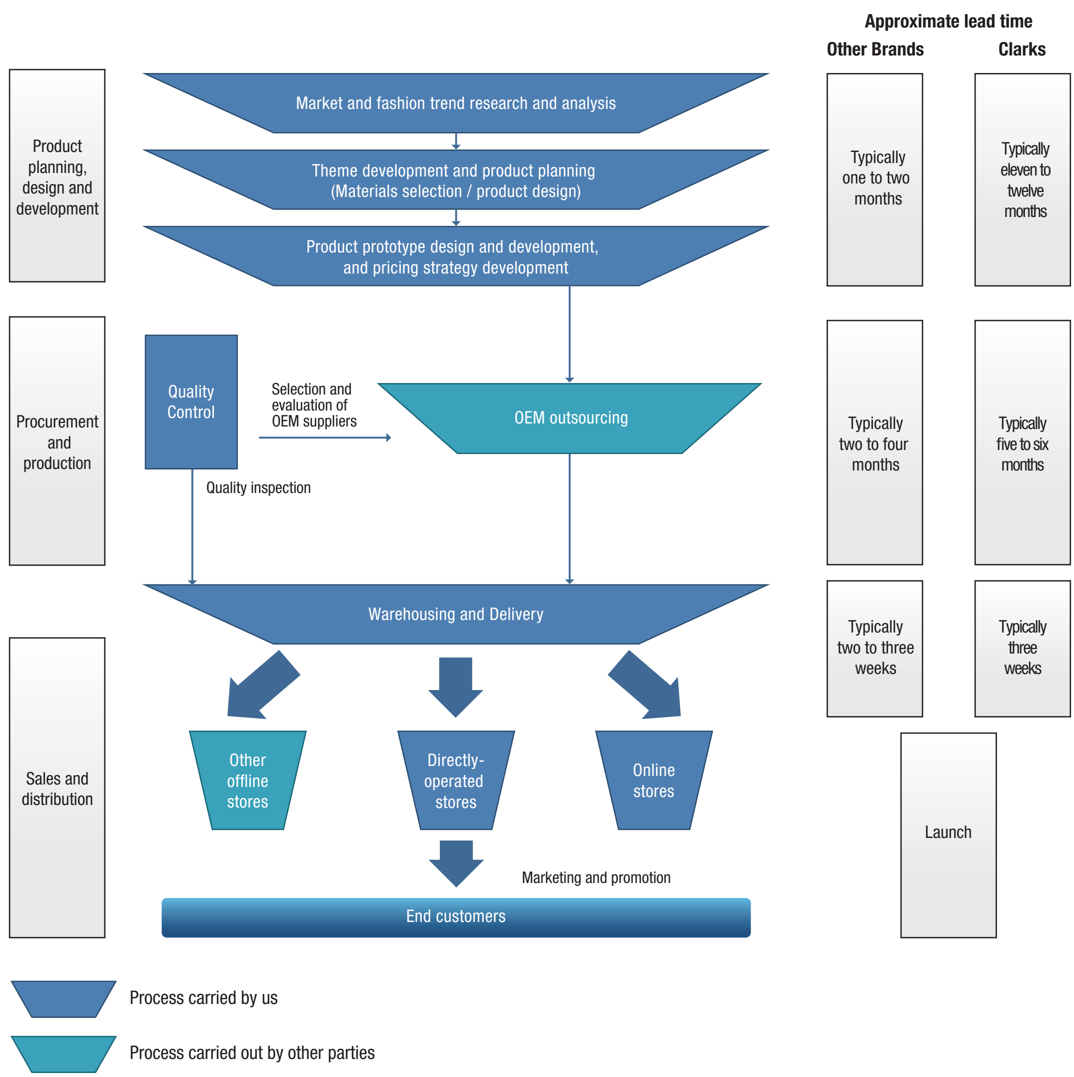
2. Sports destination development mainly comprises management and operation of sports parks, sports centres and ice-skating rinks.

3. Sports team and event management encompasses management and operation of e-sports clubs, coordination of sports events and sports-related marketing services.

OUR MULTI-BRAND APPAREL AND FOOTWEAR BUSINESS

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

The following diagram illustrates our business model for our multi-brand apparel and footwear business:



Our Products and Services

Our Brand and Product Portfolio

We are a multi-brand operator and offer a wide range of apparel, footwear and accessories for women, men and kids under our self-owned brands, namely "Clarks", "Bossini", "bossini.X", "LNG" and "Amedeo Testoni". Our brands collectively cover different spectrum of the apparel and footwear segments and cater to customers of different age groups and gender with various appetite. Each of our brands is managed by a separate business unit which is responsible for its brand positioning, product planning, design and development, pricing, procurement process and marketing strategy, under the supervision from our core management.

The table below summarises the brands operated by us during the Track Record Period in terms of (i) product offering, (ii) target market/style, (iii) target customer group, (iv) price range, (v) major geographical coverage, and (vi) distribution channels:

	"Clarks"	**"Bossini"**	**"bossini.X"**	**"LNG"**	**"Amedeo Testoni" (including its sub-brand "i29")**
Brand Logo	Clarks	bossini	bossini.X	LNG	AMEDEO TESTONI BOLOGNA 1929
Product Offering	Footwear and selected accessories (such as handbags and small leather goods)	Apparel	Apparel, footwear, accessories	Apparel, footwear, accessories	Leatherware (including footwear and apparel) and accessories
Target Market/Style	Fashion and casual footwear	Casual wear	Streetwear with sports element	Streetwear with ACGN elements	Luxury
Target Customer Group	All age group (men, women and kids)	All age group (men, women and kids)	Aged between 18 and 40 (men and women)	Aged between 28 and 45 (men and women)	Adult (men and women)
Price Range	Accessible to middle-end	Accessible	Middle-end	Mid-to-high-end	High-end
Major Geographical Coverage	the UK and the US	PRC, Hong Kong, Macau and Singapore	PRC	PRC	Europe, Hong Kong, Taiwan, Japan and South Korea
Distribution channels as at 31 December 2022	Online and offline (including 535 directly operated stores and 3,256 wholesale customers)	Online and offline (including 79 directly operated stores, 13 distributors and 12 partnership stores)	Online and offline (including 113 directly operated stores and 8 partnership stores)	Online and offline (including 16 directly operated stores, 31 distributors and 11 partnership stores)	Online and offline (including 33 directly operated stores and 49 distributors)

In general, we outsource our manufacturing process to OEM suppliers. The management of our Company recognises that the design and production of footwear (when compared to apparel) typically involves more complicated procedures and additional specifications, and hence it would be beneficial for our Group to have its own in-house footwear design and development capability which would help the long-term development of our Group's own brand footwear business. With that in mind, we decided to establish a shoe factory in the PRC for producing footwear for our self-owned brands. However, the development our own Group's brand footwear business did not pick up as quickly as we planned primarily due to the waves of COVID-19. Accordingly, our shoe factory would have been left under-utilised if we were adamant on only producing footwear for our own brands. In addition, some of the footwear OEM suppliers of LN Group in the PRC, especially those in Fujian Province and Hubei Province, were also affected by COVID-19 which resulted in the suspension of operation in, or complete close down of, their manufacturing facilities. Faced with such supply chain disruption, LN Group invited us to provide them with footwear OEM services. As a result, we started to provide footwear OEM services to LN Group and other footwear manufacturers to utilise spare production capacity in our production facilities. For further details of our shoe factory and footwear OEM services, see sub-section headed "Our footwear OEM services" in this section.

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

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

Notes:

1. "Others" includes other ancillary brand and services, such as our self-owned lingerie brand "Neizhuang" and e-commerce services.

2. The above table does not include our rental income of HK$3,838,000 in FY2020, HK$6,648,000 in FY2021 and HK$2,154,000 in FY2022 generated from the leasing of a self-owned property held under the Bossini Group.

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

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

Notes:

1. Our shoe manufacturing factory produces footwear for our own brands and provides footwear OEM services. It commenced operation in March 2021 and recorded a gross loss during FY2021 primarily due to the relatively low production volume and operation efficiency, and hence, a higher fixed overhead cost at the start-up stage. In FY2022, it turned gross loss into gross profit as it increased its production volume and operation efficiency. For details of the gross profit/(loss) of our footwear OEM services, see section headed "Business – Provision of Footwear OEM Services – Our footwear OEM services" in this document.

2. "Others" includes other ancillary brand and services, such as our self-owned lingerie brand "Neizhuang" and e-commerce services. The decrease in gross profit margin in FY2022 when compared to that of FY2021 was primarily due to the increase in staff costs as we expanded our e-commerce team in the fourth quarter of 2021.

3. The above table does not include our rental income of HK$3,838,000 in FY2020, HK$6,648,000 in FY2021 and HK$2,154,000 in FY2022 generated from the leasing of a self-owned property held under the Bossini Group.

Following are photos of our key products developed under each brand:

1. "Clarks"

The mission of "Clarks" is to "empower everyone with the freedom to move comfortably". Made with nearly 200 years of experience and expert craftsmanship, "Clarks" adopts the following directions in products design and development, including (i) simplicity in design, (ii) crafted construction and detailing, (iii) iconic colours and materials, (iv) comfort and fit, and (v) quality and longevity, which are considered as the key features that differentiate its footwear products from the market.

We have various sub-brands under "Clarks" with different features tailoring for the needs of a specific group of customers, comprising (i) "Clarks Originals" which focuses on fashionable designs and targets the cult and streetwear consumer at a more premium positioning, and (ii) "Clarks Collection" and "Clarks Cloudsteppers" which aim to offer comfortable footwear at an affordable price range for adults. Following are photos of the key products developed under each brand and sub-brand of the Clark Group:

"Clarks"

"Clarks" is the main brand of the Clark Group targeting to deliver trend relevant everyday casual footwear for consumers.







"Clarks Originals"

"Clarks Originals" is regarded by the Clark Group as its key driver of cultural relevancy and brand heat targeting the streetwear, fashion, trend setting consumers.




"Clarks Collection" and "Clarks Cloudsteppers"

"Clarks Collection" and "Clarks Cloudsteppers" are positioned as the high-volume entry-level price point product that will draft from the brand heat and relevancy from "Clarks Originals" and "Clarks".





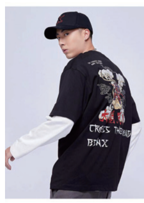
2. "Bossini"

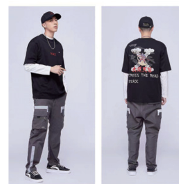
"Bossini" is a well-known casual wear brand in Hong Kong and the PRC. We primarily offer casual wear such as coats and jackets, T-shirts, dresses, pants, jeans, underwear, and socks suitable for women and men at various ages as well as kids at competitive price under this brand.

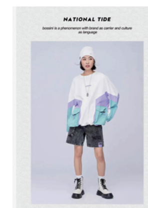


3. "bossini.X"

"bossini.X" is a streetwear brand developed by us under our efforts of rebranding "Bossini" after our acquisition of Bossini in July 2020. We mainly offer middle-end streetwear with sports element catering to the tastes and preferences of young generations in the PRC.







4. "LNG"

Under the "LNG" brand, we offer apparel, footwear and accessories (such as bags, socks and caps) with ACGN elements. Leveraging off the popularity of our "LNG Esports" e-sports club, we also develop and offer fashion products with e-sports elements under our "LNG" brand. "LNG" also from time to time collaborates with youthful animation and fashion brands to launch crossover products.

5. "Amedeo Testoni"

"Amedeo Testoni" and its diffusion line "i29" as our luxury fashion leatherware brand offer a wide selection of leather footwear and leather accessories, such as wallet and handbags, for men and women suitable for different occasion including leisure and business.






Product Planning, Design and Development

Our Design Capabilities

Each of our brands has a dedicated in-house design team that is responsible for product planning, design and development. As at 31 December 2022, our design team had 76 members. Most of the members of our design team are designers and product developers who have seasoned experience and expertise in apparel and footwear design and development, market trends and consumer preferences.

We also engage external design agents to design and develop accessories, such as handbags and small leather goods, for "Clarks". Pursuant to our agreements with the external design agents, the agents will prepare sketches and artworks of designs based on our directions for our exclusive use at a service fee, and we are entitled to the intellectual property rights of the products designed by the agents pursuant to the engagement.

Product Planning, Design and Development Process

"Clarks" footwear are divided into two seasons, comprising "spring/summer" season which is typically launched on the shelf between December and March, and "autumn/winter" season which is typically launched on the shelf between June and October. We start to prepare for each season approximately one and a half years ahead.

Our Other Brands are typically divided into four seasons, comprising "spring" season which is typically launched on the shelf in February, "summer" season which is typically launched on the shelf in June, "fall" season which is typically launched on the shelf in August and "winter" season which is typically launched on the shelf in December. It typically takes five to eleven months from product planning to shop depending on the complexity of each design.

Our product planning, design and development processes utilise our consumer insights and our research of the latest market trends to formulate holistic product launch plans for each new season. Our typical product planning, design and development includes the following process:

– ***Product Planning:*** Our design team conducts data analysis on customer surveys and market research of fashion trends, product ratings and competitive landscape of the apparel and footwear market. Based on these findings, our design team for each brand will formulate the seasonal creative direction and theme for each line of products, including the design concept and product mix, with reference to the overall brand and product strategy. Our design team maintains regular communications with different department functions, such as marketing, operations and sales units, in determining the overall design and strategies, performance metrics, new product development and product divestments.

– ***Product Design and Development:*** Based on the overall creative direction and theme, our design team further prepares design sketches and liaises with our supply chain team and OEM suppliers in turning the sketches into initial product prototypes. Upon receiving the initial product prototypes, we will review and fine-tune the design sketches until the final design has been approved. We assess the product prototypes in terms of, amongst others, colour, materials, technical specifications and engineering, pattern and design. Our management team, comprising members from our design team, marketing team and business management units, also conduct full-spectrum of reviews, such as costs analysis, assortment and retail planning and sales forecast, and determines the recommended retail price, product launch date, and the size and fit of each product line.

Our Sales Channels

We have diversified sales channels for our apparel and footwear, including multiple offline and online sales channels, enabling us to expand our customer reach in different geographical regions efficiently. As at 31 December 2022, our "Clarks" operation had 535 directly-operated stores mainly in the UK, the ROI and the US and 3,256 wholesale customers mainly in EMEA and the US. Offline sales channels for our Other Brands comprised 241 directly-operated stores primarily in the PRC and Hong Kong, 93 distributors with distributorship stores primarily in the PRC, Southeast Asia, the Middle East and Eastern Europe, and 31 partnership stores in the PRC as at 31 December 2022. We also established our online presence on over ten online sales platforms, including our online flagship store, T-mall, Taobao, Xiaohongshu and Douyin.

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

	FY2020 The Group		FY2021 The Group		FY2022 Viva Group		FY2022 Clark Group		FY2022 The Group	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Offline channels										
– Directly-operated stores	334,552	76.9	601,184	76.3	580,460	74.0	2,496,510	46.3	3,076,970	49.9
– Distributors and wholesales	30,633	7.1	97,407	12.4	112,947	14.4	2,097,030	39.0	2,209,977	35.8
– Partnership stores	15,389	3.5	25,905	3.3	14,439	1.8	–	–	14,439	0.2
Sub-total of offline channels:	***380,574***	***87.5***	***724,496***	***92.0***	***707,846***	***90.2***	***4,593,540***	***85.3***	***5,301,386***	***85.9***
Online channels	54,582	12.5	63,202	8.0	76,956	9.8	793,343	14.7	870,299	14.1
Total	**435,156**	**100.0**	**787,698**	**100.0**	**784,802**	**100.0**	**5,386,883**	**100.0**	**6,171,685**	**100.0**

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

The Clark Group distributes its products through directly-operated stores, wholesale customers and online sales platforms. The table below provides a breakdown of revenue by sales channel of the Clark Group for the periods indicated before completion of the First Clark Acquisition:

	52 weeks to 30 January 2021		52 weeks to 29 January 2022		22 weeks to 3 July 2021		22 weeks to 2 July 2022	
	£m	*%*	*£m*	*%*	*£m* (unaudited)	*%*	*£m*	*%*
Offline channels								
– directly-operated stores	290.9	37.3	402.1	43.4	127.8	36.9	175.0	43.9
– wholesales *(Note 1)*	334.9	43.0	365.8	39.5	156.9	45.3	173.5	43.5
Sub-total:	***625.8***	***80.3***	***767.9***	***82.9***	***284.7***	***82.2***	***348.5***	***87.4***
Online channels *(Note 2)*	153.1	19.7	158.3	17.1	61.8	17.8	50.3	12.6
Total	**778.9**	**100.0**	**926.2**	**100.0**	**346.5**	**100.0**	**398.8**	**100.0**

Notes:

1. "Wholesales" includes sales to third party retailers and e-commerce and t-commerce platform operators.

2. "Online channels" refers to the online flagship stores operated by the Clark Group.

Breakdown of our total revenue by geographical locations

For FY2020 and FY2021, over 90% of our revenue were generated from the PRC, Hong Kong and Macau. In FY2022, over 60% of our revenue in FY2022 was generated from Americas, the UK and the ROI as a result of our acquisition of the Clark Group which focused on the UK and the US markets. The table below provides a breakdown of our revenue by geographical region for the periods indicated:

	FY2020 The Group		FY2021 The Group		FY2022 Viva Group		FY2022 Clark Group		FY2022 The Group	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Americas	–	–	–	–	–	–	2,415,651	44.8	2,415,651	35.0
UK and ROI	–	–	–	–	–	–	2,327,041	43.2	2,327,041	33.7
The PRC (including Hong Kong and Macau)	778,371	95.0	1,309,752	94.8	1,388,125	91.7	279,119	5.2	1,667,244	24.2
Asia (other than the PRC, Hong Kong and Macau) *(Note 2)*	40,665	5.0	71,885	5.2	106,532	7.1	187,812	3.5	294,344	4.3
EMEA	–	–	–	–	18,850	1.2	177,260	3.3	196,110	2.8
Total	**819,036**	**100.0**	**1,381,637**	**100.0**	**1,513,507**	**100.0**	**5,386,883**	**100.0**	**6,900,390**	**100.0**

Notes:

1. Our sales to wholesale customers and distributors were categorised by the place of incorporation of our Group member that entered into the relevant agreement. Please refer to the sub-section headed "Our Sales Channels – Breakdown of our sales to wholesale customers and distributors by their geographical locations" for further details.

2. Asia primarily includes Japan, Malaysia, South Korea and Singapore.

3. The above table does not include our rental income of HK$3,838,000 in FY2020, HK$6,648,000 in FY2021 and HK$2,154,000 in FY2022 generated from the leasing of a self-owned property held under the Bossini Group.

According to the Frost & Sullivan Report, "Clarks" ranked the 1st in fashion and casual footwear market in the UK in terms of retail sales with 14.1% market share, and the 7th in the US with 1.8% market share, in 2021. For each of the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, over 80.0% of the Clark Group's revenue was generated from Americas, the UK and ROI. The table below provides a breakdown of the Clark Group's revenue by geographical region for the periods indicated before completion of the First Clark Acquisition:

	52 weeks to 30 January 2021		52 weeks to 29 January 2022		22 weeks to 3 July 2021		22 weeks to 2 July 2022	
	£'m	*%*	*£'m*	*%*	*£'m* (unaudited)	*%*	*£'m*	*%*
Americas	311.0	39.9	389.0	42.0	155.0	44.8	197.2	49.4
UK and ROI	314.3	40.4	375.4	40.5	132.3	38.2	149.3	37.4
Europe *(Note 1)*	54.3	7.0	60.9	6.6	19.2	5.5	18.2	4.6
Asia Pacific *(Note 2)*	99.3	12.7	100.9	10.9	40.0	11.5	34.1	8.6
Total	778.9	100.0	926.2	100.0	346.5	100.0	398.8	100.0

Notes:

1. Europe primarily includes Germany, Italy, Spain and France.

2. Asia Pacific primarily includes Greater China, Japan and South Korea.

Breakdown of our sales to wholesale customers and distributors by their geographical locations

The following table sets forth a breakdown of our revenue from our sales to wholesale customers and distributors by their geographical locations for the periods indicated:

	FY2020		FY2021				FY2022			
	The Group		The Group		Viva Group		Clark Group		The Group	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Americas	–	–	370	0.4	12	0.0	1,292,654	61.6	1,292,666	58.5
EMEA	5,297	17.3	14,549	14.9	31,793	28.2	309,465	14.8	341,258	15.4
UK and ROI	–	–	–	–	–	–	272,955	13.0	272,955	12.4
The PRC (including Hong Kong and Macau)	13,348	43.6	60,456	62.1	52,777	46.7	103,920	5.0	156,697	7.1
Asia (other than PRC, Hong Kong and Macau) *(Note)*	11,988	39.1	22,032	22.6	28,365	25.1	118,036	5.6	146,401	6.6
Total	**30,633**	**100.0**	**97,407**	**100.0**	**112,947**	**100.0**	**2,097,030**	**100.0**	**2,209,977**	**100.0**

Note: Asia primarily includes Japan, Malaysia, South Korea and Singapore.

The following table sets forth a breakdown of the Clark Group's revenue from wholesaling by their geographical locations for the periods indicated:

	52 weeks to 30 January 2021		52 weeks to 29 January 2022		22 weeks to 3 July 2021		22 weeks to 2 July 2022	
	£m	*%*	*£m*	*%*	*£m* (unaudited)	*%*	*£m*	*%*
Americas	184.4	55.0	200.5	54.8	92.7	59.1	117.8	67.9
EMEA	76.2	22.7	85.2	23.3	42.7	27.2	29.9	17.2
UK and ROI	34.7	10.4	44.7	12.2	9.1	5.8	13.9	8.0
The PRC (including Hong Kong and Macau)	20.3	6.1	16.5	4.5	7.0	4.5	6.6	3.8
Asia (other than PRC, Hong Kong and Macau) *(Note)*	19.3	5.8	18.9	5.2	5.4	3.4	5.3	3.1
Total	**334.9**	**100.0**	**365.8**	**100.0**	**156.9**	**100.0**	**173.5**	**100.0**

Note: Asia primarily includes Japan, Malaysia, South Korea and Singapore.

Our Directly-Operated Stores

All our directly-operated stores are mono-brand stores. We manage our directly-operated stores through our regional execution team for each brand under the supervision of our management. We have control over location selection, staff recruitment, product stocking, daily operation and regular maintenance. We are responsible for the investment cost and daily operating expenses, including staff costs, maintenance fees and utilities, of our directly-operated stores, and are entitled to the sales generated therefrom.

Our directly-operated stores are typically located within shopping malls or on street level with high visibility and customer traffic. Save for a small number of "Clarks" directly-operated stores which are operated on our self-owned properties, all other directly-operated stores are operated on leased properties. The leases for "Clarks" directly-operated stores typically have a terms of 10 years or more and are subject to a turnover rent or fixed rent while the leases for directly-operated stores of our Other Brands typically have a term of 2 to 3 years and are subject to a turnover rent for stores located in shopping malls, or a fixed rent for stores located on streets.

In order to optimise our directly-operated store network, we regularly review the performance of our directly-operated stores and make decisions on store openings and closures in accordance with, amongst others, our existing offline sales network, our brand development strategies, historical performance (if available) and sales projection of each stores, geographical location, customer propensity, and level of competition within the region. The break even point and investment payback period of our new directly-operated stores for our Other Brands opened during the Track Record Period were typically 4 months and 14 months, respectively.

The following table sets forth the changes in the number of our directly-operated stores by brands for the periods indicated:

	FY2020		FY2021				FY2022					
	Bossini	*Total*	Bossini	bossini.X	LNG	*Total*	Clarks	bossini.X	Bossini	Amedeo Testoni	LNG	*Total*
Number of stores at the beginning of the period	162	***162***	155	–	–	***155***	571	37	104	38	10	***760***
– Add: Opening of new stores	6	***6***	13	37	10	***60***	43	82	8	2	7	***142***
– Less: Closure of stores	(13)	***(13)***	(64)	–	–	***(64)***	(79)	(6)	(33)	(7)	(1)	***(126)***
Number of stores at the end of the period	155	***155***	104	37	10	***151***	535	113	79	33	16	***776***

The total number of our directly-operated stores remained relatively stable for FY2020 and FY2021. Although we closed down several under-performing "Bossini" stores in FY2020 and FY2021 as part of our regular business review, such effect was 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 our business. For FY2022, we recorded a significant increase in the number of our directly-operated stores primarily due to (i) our acquisitions of "Clarks" in July 2022 and "Amedeo Testoni" in January 2022, and (ii) the expansion of "bossini.X". Subject to the market conditions and unforeseeable events, we currently expect to open a total of 34 new directly-operated stores mostly located in the PRC for "bossini.X", "LNG", "Amedeo Testoni" and "Clarks" in the first half of 2023.

For the 52 weeks to 30 January 2021 and 29 January 2022 and the 48 weeks period ended 31 December 2022, the Clark Group recorded a continuous decrease in the number of directly-operated stores primarily due to the closure of under-performing stores during global economic downturn caused by the resurgence of COVID-19 and the related lock-down and social distancing measures. The following table sets forth the changes in the number of the directly-operated stores of the Clark Group for the periods indicated:

	52 weeks to 30 January 2021	52 weeks to 29 January 2022	48 weeks to 31 December 2022
Number of stores at the beginning of the period	679	578	571
– Add: Opening of new stores	24	40	43
– Less: Closure of stores	(125)	(47)	(79)
Number of stores at the end of the period	578	571	535

As a well-known international footwear brand, the Clark Group has established an extensive directly operated stores sales network across the world with a focus in the UK and the US market. The following table sets forth the number of the Clark Group's directly operated stores by geographical location as at the following dates:

	As at 30 January 2021	As at 29 January 2022	As at 31 December 2022
The UK and ROI	297	289	257
The US	171	164	165
Greater China	68	68	57
Asia Pacific (other than Greater China)	25	29	35
EMEA	17	21	21
Total	**578**	**571**	**535**

During the Track Record Period, our "Bossini" and "bossini.X" directly-operated stores recorded a decrease in average monthly sales per store primarily because (i) our new brand of "bossini.X" is still at the development stage and (ii) the decrease in foot traffic as a result of the lock-down in various cities in the PRC due to the resurgence of COVID-19 in early 2022 whereas that of our "LNG" brand recorded a slight increase in FY2022 despite the resurgence of COVID-19 primarily due to the increase in its brand awareness brought by the outstanding performance of our "LNG Esports" at the League of Legends Pro League in 2021. The following table sets forth the average monthly sales per store of our directly-operated stores for the periods indicated:

	FY2020	**FY2021**	**FY2022**
	HK$'000	*HK$'000*	*HK$'000*
Clarks *(Note)*	–	–	497.6
"Bossini" (including "bossini.X")	434.4	366.9	254.6
"**LNG**"	–	130.8	159.5
"**Amedeo Testoni**"	–	–	158.9

Note: The average monthly sales per store for Clarks covers period from 1 July 2022 to 31 December 2022.

Management of directly-operated stores

We believe that customers experience within retail stores contributes to their purchase decisions and our brand images. We have therefore dedicated resources in managing our directly-operated stores at the following aspects:

– ***Site selection:*** Site selection is critical to the success of physical stores. Most of our directly-operated stores are located within shopping malls and commercial districts which are compatible with our brand positioning.

– ***Store design and decoration:*** We aim to create a consistent image for our directly-operated stores for each of our brands with reference to the relevant brand image and features. We adopt a unified design, store area guidelines regarding the product displays and staff uniforms to create a consistent visual image of our directly-operated stores under each brand.

– ***Sales personnel:*** Sales personnel plays an essential role in creating customer experience and collecting customers' feedbacks. We provide regular training to our sales personnel to enhance their overall capabilities, such as sales and communication skills, product and brand knowledge, industry and market trends, and management skills to better serve our customers.

– ***Cash and payment management:*** We accept payment by cash, credit cards, Alipay and WeChat Pay. Each directly-operated store is equipped with our information technology system, including POS terminals, which are directly connected to the system of our headquarters. We have also adopted internal control procedures for handling cash in our directly-operated stores, including:

  – our regional supervisors can review the daily sales performance and cash proceeds of each directly-operated store through our system; and

  – cash proceeds must be kept in cash cabinet and deposited in our designated bank accounts at least two times per week. Before the cash proceeds are deposited, they are kept in a safe at the directly-operated store.

– ***Sales and inventory record:*** Each directly-operated store is equipped with our information technology system, including POS terminals, which allow us to monitor sales data and inventory levels on a real-time basis. We require each store to conduct stock take regularly and report to our headquarters to ascertain the actual inventory level at each store and to correct any inconsistency identified in our internal system.

Other Offline Channels

In order to diversify our customer base in existing geographical markets, and to expand into new geographical markets in an asset-light and cost-effective manner, we cooperate with our wholesale customers, distributors and partners for the offline sale of our fashion products in different geographical regions across the world. According to Frost & Sullivan, this business model is consistent with market practices in the apparel and footwear industry.

Wholesale by "Clarks"

In order to distribute its products in an asset-light and cost-effective manner, the Clark Group sells its products to its wholesale customers, such as e-commerce and t-commerce platform operators and department stores, for their onward sales to end-customers. According to Frost & Sullivan, this business model is commonly seen in the global footwear industry.

As at 31 December 2022, the Clark Group had 3,256 wholesale customers, most of which are based in EMEA and the US. In most cases, the Clark Group sells its products to the wholesale customers (as purchaser) at the wholesale price where the title of the products passes to the wholesale customers upon delivery to the common carrier. For certain wholesale customers in the UK and EMEA, the Clark Group places its products in the care of the wholesale customers for sale to end-customers on consignment model where title of the products passes to the wholesale customers when they ship the products to the end-customers. Sales to wholesale customers on consignment model constituted an insignificant amount of the total revenue of the Clark Group.

For the 52 weeks to 30 January 2021 and 29 January 2022 and the 48 weeks period ended 31 December 2022, the Clark Group recorded a continuous decrease in the number of wholesale customers primarily due to the global economic downturn resulting from the resurgence of COVID-19 and the related lock-down and social distancing measures. The following table sets forth the changes in the number of the Clark Group's wholesale customers for the periods indicated:

	52 weeks to 30 January 2021	52 weeks to 29 January 2022	48 weeks to 31 December 2022
Number of wholesale customers at the beginning of the period	4,306	3,767	3,525
– Add: New wholesale customers	476	541	472
– Less: Terminated wholesale customers	(1,015)	(783)	(741)
Number of wholesale customers at the end of the period	3,767	3,525	3,256

The following table sets forth the number of the Clark Group's wholesale customers by geographical location as at the following dates:

	As at 30 January 2021	As at 29 January 2022	As at 31 December 2022
EMEA	1,941	1,845	1,657
The US	1,473	1,322	1,262
The UK & ROI	250	249	245
Asia Pacific (other than Greater China)	70	77	63
Greater China	33	32	29
Total	**3,767**	**3,525**	**3,256**

The Clark Group typically enter into a set of terms and conditions with its wholesale customers and maintain an online portal system for those wholesale customers to place orders with the Clark Group directly thereon. Principal terms of the terms and conditions include:

Exclusivity as to products: Wholesale customers are generally permitted to sell products from other brands.

Exclusivity as to geographical region: Wholesale customers are only permitted to sale the products at retail locations and websites registered with and approved by the Clark Group.

	For online sales, wholesale customers are prohibited from selling any products to consumers with mailing address located outside of the country in which wholesale customers business account with Clark Group are set up or as previously communicated to Clark Group or otherwise known to Clark Group.
Intellectual property rights protection:	Whilst wholesale customers are permitted to use the intellectual property of the Clark Group for purposes of promoting the products, they acknowledge that (i) the Clark Group has sole ownership of and all right, title and interest in all such intellectual property rights, and (ii) all intellectual property rights must remain in its original form, and any advertisements, promotions, or other marketing materials utilising such intellectual property rights must be approved by the Clark Group before public release.
Order rights and payment:	***For wholesales under purchase model:*** Wholesale customers place order with the Clark Group for purchase of the products at the purchase price. Title of the products passes to the wholesale customers upon delivery to the common carrier unless otherwise specified in the purchase order.
	For wholesales under consignment model: Upon receiving purchase order from the wholesale customers, the Clark Group places its products in the care of the wholesale customers for onward sale to end-customers on a consignment basis. Title of the products only passes to such wholesale customers when they ship the products to end-customers, and the wholesale customers pay to the Clark Group for the sold consignment products at the price set out in their purchase order with the Clark Group.
Product return arrangement:	Wholesale customers are entitled to return to the Clark Group for any products which are defective, or those are not shipped in accordance with the purchase order within an agreed period.
Sub-distributorship:	Wholesale customers can sell the products only to end-user consumers and exclusively through the approved retail locations and websites.
	Wholesale customers are expressly prohibited from selling any products to, through or in conjunction with, (i) other retailers, wholesalers or distributors, or (ii) any websites unless previously approved by the Clark Group.

In order to uphold the product and brand image of "Clarks" and to avoid any price war or cannibalisation, the Clark Group maintains a minimum advertised price policy that applies to its wholesale customers. Pursuant to such policy, the Clark Group will not conduct business with wholesale customers who advertise (whether directly or indirectly by re-directing to any discount codes) any products from the Clark Group at prices lower than the minimum advertised price determined by the Clark Group. The Clark Group, through its internal management and externally engaged investigators, monitor the pricing of the products set by the wholesale customers. In the event of violation, the Clark Group will issue warning to the defaulting wholesale customers and cease to conduct any business with them.

Distributors and partnership stores for our Other Brands

As at 31 December 2022, we had 93 distributors with distributorship stores located in the various parts of the world (including the PRC, Southeast Asia, the Middle East and Eastern Europe) and 31 partnership stores located in the PRC for distributing products of our Other Brands.

For distributorship model, our distributors (as purchaser) purchase products from us (as seller) for onward distribution to end-customer within the geographical region specified in the distributorship agreement. Ownership of our products passes to our distributors upon delivery to their designated locations set out in the purchase order. According to our accounting policies, revenue is normally recognised when control of our products has been transferred to the buyer, which is upon the acceptance of our products. Revenue from distributors is usually recognised at the time when the title of our products are passed to our distributors. Our distributors are required to invest in and operate the distributorship stores in accordance with our guidelines in respect of, amongst others, pricing, product display, staff uniform and marketing strategies, at their own costs. We are not responsible for the profit or loss of the distributorship stores or our distributors.

For partnership model, we manage and operate the partnership stores together with our partners. We supply and consign our products at partnership stores for sale to end-customers at the partnership stores. Ownership of our products is retained by us until our products are sold to end-customers. We are responsible to bear the inventory risk and determine the retail price range. Revenue is recognised when our products are sold to the end-customers at partnership stores. We are required to share an agreed portion of the actual sales amount generated from partnership stores with our partners in accordance with the agreement. Our partners will be responsible for the major on-going operating expenses of the partnership stores, and we will provide training to our partners and their staff as to store operation. In accordance with the agreement, we may sustain losses during the operation of partnership stores if the actual sales amount of our partnership stores (excluding the agreed portion payable to our partners) is less than costs of our products and the investment costs contributed by us to the partnership stores.

We select distributors and partners based on a number of criteria, including but not limited to, their management experience and brand portfolio, retail network, operation capability, marketing capabilities, financial conditions, and reputation. We also evaluate the performance of our distributors and partnership stores annually based on the above criteria and the historical purchase amount (for distributors) and sales amount (for partners) in determining the continuance of our business cooperation.

Being mindful of the risk of cannibalisation among our retail stores, we also take into account of our existing retail network in selecting and approving the location of the distributorship stores and partnership stores to avoid over-concentration of retail stores in a specific geographical region. For example, our "LNG" directly-operated stores are generally located at first-tier cities in the PRC whereas its distributorship stores and partnership stores are generally located in different regions on second-tier cities in the PRC to avoid direct competition.

Our agreements with distributors and partners explicitly prohibit them from distributing our products outside the territory specified in the agreement and to strictly follow our pricing policy to avoid any price war or damage of our brand, and prohibit them from engaging any sub-distributors unless previously approved by us. In particular, our distributors and partners are required to follow the recommended retail price range determined by us in selling our products and any discounts proposed by them must be approved by us in advance. As a result, we are able to adopt a unified retail price for our products within the same geographical region. Any seasonal discount and product deployment will be coordinated by our management under a centralised system.

To enforce such measures effectively, we also conduct inspections at our distributorship stores and partnership stores regularly to ensure compliance with our pricing policy. In the event of any violation of the above provisions, we are entitled to terminate the agreement with the distributors and/or partners and to claim for damages. Further, we have established formal evaluation system for our distributors and partners based on a set of criteria which includes, amongst others, sales performance, retail network, reputation.

We do not believe our distribution system has been affected by cannibalisation because we did not experience any material sales returns or product exchanges from our distributors and partners except for selected cases of defective products during the Track Record Period. Our Directors believe that the measures taken by us to manage our distributors and partners have been effective to deter activities that would lead to cannibalisation.

We recorded a continuous increase in the number of distributors during the Track Record Period primarily due to (i) the expansion of "LNG" and (ii) completion our acquisition of "Amedeo Testoni" in January 2022. The following table sets forth the changes in the number of our distributors for the periods indicated:

	FY2020			FY2021			FY2022			
	LNG	Bossini	*Total*	LNG	Bossini	*Total*	Amedeo Testoni	LNG	Bossini	*Total*
Number of distributors at the beginning of the period	–	18	***18***	33	16	***49***	23	45	16	***84***
– Add: New distributors	33	1	***34***	24	–	***24***	26	13	1	***40***
– Less: Terminated distributors	–	(3)	***(3)***	(12)	–	***(12)***	–	(27)	(4)	***(31)***
Number of distributors at the end of the period	33	16	***49***	45	16	***61***	49	31	13	***93***

During the Track Record Period, none of our distributors individually contributed more than 5% of our total revenue in any fiscal year, and the primary reason for non-renewal or termination of the distributorship agreement was due to the unsatisfactory performance of the relevant distributors.

The number of our distributorship stores recorded a continuous decrease during the Track Record Period primarily due to the (i) closure of under-performing distributorship stores as part of our regular business review and (ii) rebranding strategy for Bossini to shift its business focus from "Bossini" to "bossini.X" since our acquisition of Bossini in July 2020. The following table sets forth the changes in the number of our distributorship stores for the periods indicated:

	FY2020			FY2021			FY2022			
	Bossini	LNG	*Total*	Bossini	LNG	*Total*	Bossini	LNG	Amedeo Testoni	*Total*
Number of stores at the beginning of the period	773	–	***773***	737	155	***892***	539	206	40	***785***
– Add: Opening of new stores	18	155	***173***	6	104	***110***	24	40	31	***95***
– Less: Closure of stores	(54)	–	***(54)***	(204)	(53)	***(257)***	(216)	(101)	–	***(317)***
Number of stores at the end of the period	737	155	***892***	539	206	***745***	347	145	71	***563***

We recorded a continuous increase in the number of partners during the Track Record Period due to the business expansion of "LNG" and "bossini.X". The following table sets forth the changes in the number of our partners for the periods indicated:

	FY2020		FY2021			FY2022			
	Bossini	*Total*	Bossini	LNG	*Total*	LNG	bossini.X	Bossini	*Total*
Number of partners at the beginning of the period	7	***7***	8	–	***8***	7	–	8	***15***
– Add: New partners	1	***1***	–	7	***7***	7	7	1	***15***
– Less: New partners	–	***–***	–	–	***–***	(4)	–	(4)	***(8)***
Number of partners at the end of the period	8	***8***	8	7	***15***	10	7	5	***22***

The number of our partnership stores decreased in FY2021 primarily due to the (i) closure of under-performing partnership stores under our regular business review and (ii) rebranding strategy for Bossini to shift its business focus from "Bossini" to "bossini.X"; and recorded a slight increase in FY2022 mainly due to the business expansion of "bossini.X". The following table sets forth the changes in the number of our partnership stores for the periods indicated:

	FY2020		FY2021			FY2022			
	Bossini	*Total*	Bossini	LNG	*Total*	Bossini	LNG	bossini.X	*Total*
Number of stores at the beginning of the period	74	***74***	35	–	***35***	18	7	–	***25***
– Add: Opening of new stores	7	***7***	–	7	***7***	7	8	8	***23***
– Less: Closure of stores	(46)	***(46)***	(17)	–	***(17)***	(13)	(4)	–	***(17)***
Number of stores at the end of the period	35	***35***	18	7	***25***	12	11	8	***31***

Arrangements with our distributors and partners

We regulate our business relationship with our distributors and partners by entering into legally binding agreements with them. Depending on the location of the market and the commercial negotiations with the particular distributor and/or partner, terms of our agreements may be different to cater for the specific needs. Please refer to the below table for summary of the material terms of our agreements with distributors and partners, and the material differences between distributorship model and partnership model:

	Distributorship Agreement	**Partnership Agreement**
Duration:	***For "Bossini" and "LNG":*** Typically for a term of 1 to 5 years. ***For "Amedeo Testoni":*** Typically a one-off sale and purchase agreement.	Typically for a term of 1 to 3 years.
Exclusivity as to products:	***For "Bossini":*** Distributors are typically prohibited from distributing products from other brands at the distributorship stores unless approved by us. ***For "LNG" and "Amedeo Testoni":*** Distributors are typically permitted to distribute products from other brands at the distributorship stores.	Products from other brands cannot be sold at the partnership stores.

	Distributorship Agreement	Partnership Agreement
Exclusivity as to geographical region:	Distributors and partners are prohibited from distributing our products outside the territory specified in the agreement.	
Intellectual property rights protection:	Unless previously approved by us or otherwise provided under the agreement, distributors and partners are prohibited from using our trademarks or other intellectual properties. They are also required to protect our credibility and reputation and keep our corporate information, business know-how and trade secrets in strict confidence.	
Order rights and payments:	Distributors (as purchaser) typically place purchase orders with us for our products at the purchase price. Title of our products passes to our distributors upon delivery to the destination specified in the purchase order.	We are responsible for the supply of the products to our partnership stores on a consignment basis. Title of our products is retained by us until our products are sold to end-customers. Revenue is recognised when the products are sold to the end-customers at partnership stores. We are required to share an agreed portion of the actual sales amount generated from partnership store with our partners in accordance with the agreement. We are not required to pay any consignment fee to our partners.
Minimum purchase amount by distributor/partners:	***For "Bossini":*** Distributors are required to purchase a minimum amount of products from us. If the actual purchase amount is lower than the minimum, we are entitled to terminate the agreement forthwith by written notice. ***For "LNG" and "Amedeo Testoni":*** Nil.	Nil.

<table>
<tr><th></th><th>Distributorship Agreement</th><th>Partnership Agreement</th></tr>
<tr><td>Deposits from distributor/partners:</td><td>Distributors may be required to pay a deposit to us upon signing of the agreement and/or upon placing order.</td><td>Partners are required to pay a deposit to us for the products consigned to them and for their due performance of the agreement upon signing of the agreement.</td></tr>
<tr><td>Goods return and obsolete stock arrangement:</td><td>For "Bossini" and "Amedeo Testoni": Our distributors are not permitted to return unsold products to us except for defective products or mismatched delivery.

For "LNG": Other than defective products or mismatched delivery, we generally accept return of selected obsolete stock within a permitted percentage (i.e. typically 20% of our total sales to such distributor) for once during the term of the agreement provided that there is nothing that will affect the subsequent sale of such returned products. (Note)</td><td>We are responsible for the stock arrangement.

Our partners are required to maintain our products in good conditions, and are obliged to compensate us for any loss or damage to the products consigned to them.</td></tr>
<tr><td></td><td colspan="2">According to Frost & Sullivan, our product return policy under both distributorship model and partnership model is in line with the industry practice.</td></tr>
<tr><td>Retail selling prices:</td><td colspan="2">Our distributors and partners are required to follow our pricing policy and recommended retail price range determined by us. Any discounts given by our distributors or partners lower than the agreed discount to end-customers must be approved by us in advance. The recommended price range for distributors is normally wider than the range for partners.</td></tr>
</table>

	Distributorship Agreement	Partnership Agreement
Restrictions on sub-distributorship:	Our distributors are prohibited from engaging any sub-distributors unless previously approved by us.	Our partners are cannot assign the operation of the partnership stores to other third parties, or to sell our products to other third party retailers for onward distributions.

Note: The amount of obsolete goods returned by our distributors in this regard was HK$0.01 million in FY2020, HK$1.61 million in FY2021 and HK$1.40 million for FY2022, accounting for approximately 0.01%, 1.78% and 1.66% of our total revenue derived from "LNG" for the respective periods. All of such returned products are of merchantable quality and are fit for resale to other customers.

To the best knowledge of our Directors, as at 31 December 2022, (i) save for one distributor which is a member of the Li Ning Group ("**Li Ning Group Distributor**"), all of our distributors and partners are Independent Third Parties, (ii) none of our distributors or partners are controlled by our former or current employees, and (iii) none of our distributors or partners has received any material advance or financial assistance from us. Revenue generated from the Li Ning Group Distributor was HK$4.0 million, HK$13.4 million and HK$14.8 million, representing 0.9%, 1.6% and 0.2% of our total revenue from multi-brand apparel and footwear business, for FY2020, FY2021 and FY2022, respectively.

Management of our distributorship stores and partnership stores

We actively supervise the operation of our distributorship stores and partnership stores in various aspects to ensure that our retail policies and operating procedures are implemented uniformly across our entire retail stores without any conflict of interest or abuse, including but not limited to:

– ***Uniform retail pricing policy:*** Our distributors and partners are required to follow the pricing policy and recommended retailing price range determined by us. If our distributors and partners violate our retail pricing guidance, we are entitled to terminate the agreements with them.

– ***Consistent store design and decoration:*** Our distributors and partners are required to design and decorate their stores in accordance with the guidelines covering handed down by us to achieve a consistent brand image and visual image with our retail stores for each brand.

– ***Sales and inventory records:*** To avoid overstocking, we evaluate the purchase orders from our distributors and determine the product assortment policy for our partnership stores with reference to their historical sales and forecasts. In addition, we require our distributors and partners to implement our POS system in their stores which allow us to track and monitor their sales and inventory records. Alternatively, our distributors and partners are required to submit sales report to us monthly.

– ***Regular inspection:*** We are entitled to conduct on-site inspection of the distributorship stores and partnership stores. We conduct regular inspection at the stores to monitor the operation and customer service of our distributors and partners and will notify them the required remedial measures to be taken with respect to aspects that do not meet our standards.

– ***Consent right over opening of retail stores:*** We require our distributors and partners to obtain our prior consent before opening any new stores within their authorised territory.

During the Track Record Period, we are not aware of any material breach by our distributors or partners in respect of their agreements or the applicable operation policies.

Our Online Sales Channels

According to Frost & Sullivan, online channels accounted for 29.4%, 32.1% and 27.1% of the total retail sales of the fashion industry the US, the UK and the PRC in 2021 respectively. Whilst offline channels were, and are expected to remain as, the major contributor to the fashion industry in these jurisdictions, online channels had experienced, and is expected to maintain, a faster growth rate and become more and more important in these markets. Noting the potential of online market, we devoted resources in strengthening our online capabilities and established online presence on our online flagship store and various online platforms, including major e-commerce platforms such as T-mall, JD.com and Taobao as well as social media platforms such as Xiaohongshu and Douyin. In addition to the traditional online sales platforms, we also participate in influencer marketing and engage KOLs and live-streamers for self live-streaming to promote our fashion products. Following completion of the First Clark Acquisition in July 2022, in addition to maintaining the Clark Group's existing online store, our e-commerce team has taken over the PRC online sales management of "Clarks" and expanded its sales channels from conventional third-party e-commerce platforms to other social media platforms, such as Xiaohongshu and Douyin, to enhance its brand recognition and online sales in the PRC.

Other than boosting our sales directly, we believe online sales platform also serves as an important channel for consumer feedback. Through analysis of anonymised customer data such as age groups, product browsing patterns and key words searched, we are able to gain additional consumer insights and perspectives, which acts as an important input for our creative teams when designing new products.

In future, we intend to make additional investment in online channels, including but not limited to modernising "Clarks" online flagship store to target at millennials with purchasing power, engaging more KOLs and live-streamers, product seeding, expanding and diversifying our presence on other online sales platforms, and tapping into the market of group purchasing platform. We believe such marketing strategies will enable us to timely capture market trends and consumer needs and improve our brand recognition on mainstream online channels as well as our customer engagement capabilities. Our marketing expenses incurred in promoting our online channels were HK$16.2 million, HK$32.7 million and HK$108.6 million for FY2020, FY2021 and FY2022, respectively.

As confirmed by our PRC legal advisers, we are not subject to any licensing requirements for our operation of the online stores on the PRC e-commerce platforms under the applicable PRC laws and regulations. In addition, we have implement various personal data privacy protection policies and measures in compliance with the applicable laws and regulations. For further details, please refer to the sub-section headed "Data Privacy Protection" in this section.

Our Pricing Policy

Pricing Policy for "Clarks"

The Clark Group adopts a uniform retail pricing strategies for its products that applies to its directly-operated stores, sales platforms (including retail stores and online platforms) of its wholesale customers, and its own online flagship store. The Clark Group conducts costing review and determine the recommended retail price and wholesale price of the products at the stage of product design and development. In determining the pricing of the products, factors considered include, amongst others, production costs, target return, regional mark-up and global margin requirements, pricing of market competitors, target consumer groups in terms of age, type and geographical region, and other related costs, such as freight, duty and exchange rate. After official launch of the products, the Clark Group undertakes regular review on the pricing, sales level and inventory level of its products which will be used to drive decisions on promotional sales, assortment planning, pricing and new seasonal development. For example, out-of-season products will be sent to outlet stores for sale. The Clark Group continues this pricing policy following completion of the First Clark Acquisition in July 2022.

Pricing Policy for Other Brands

We also adopt a uniform retail pricing strategies for our Other Brands which applies to our retail stores and online channels. Pursuant to the respective agreements with our distributors and partners, they are required to follow our pricing policy or recommended price range and any discount or variance must be approved by us in advance. We price our products at the product design and development stage based on, among other things, market research and analysis on the purchasing power and consumption propensity of our target customers, brand position, market trends as well as costs of purchases from our OEM suppliers. Depending on the sales data and to better management our inventories at the end of each season, we conduct promotional sales of our selected products at selected sales platforms, such as outlets and online sales platforms.

Our After-sales Service

After-sales Services for "Clarks"

The product return, refund and exchange policies of the Clark Group vary depending on, amongst others, customers (end-consumers or wholesale customers), laws and regulations on product return of the relevant jurisdiction, sale channels (online or offline) and products (full-price products or discounted products). All requests for return, refund and exchange must be approved by the Clark Group. The Clark Group continues the existing arrangements following completion of the First Clark Acquisition in July 2022.

For sales to end-consumers, the Clark Group typically accepts requests for product return, refund and exchange of unworn or unused products in original condition and packaging, supported by receipt or delivery documents as proof of purchase, within 28 days of receipt (for full-price products) and 14 days (for products purchased in sale). Defective products can be returned within 6 months for full refund or product exchange.

In respect of wholesale customers, they are generally permitted to return to the Clark Group for any products which are defective, or those are not shipped in accordance with the purchase order within an agreed period. In general, requests for return of products incorrectly shipped must be communicated to the Clark Group within 48 hour of receipt and refund requests must be communicated to the Clark Group in writing within 30 days of shipment date with sufficient details for the Clark Group to identify the relevant products and order. The Clark Group reserves the right to reject any requests if the information provided is not sufficient.

The Clark Group has a designated customer service team to attend to complaints and enquiries from customers online. Upon receipt of enquiries or complaints, they will follow-up with the customers through various means, such as calls, web chat, social media and e-mail. The retail staff at directly-operated stores also attend to the customers' enquiries and complaints onsite for various matters, ranging from products and size selection, product return, exchange and refund.

After-sales Services for Other Brands

For our retail customers, we generally accept product exchange or product return for cash within seven days of purchase in the PRC. Product return or exchange is generally not allowed in Macau and Hong Kong except when the product is defective or mismatched delivery.

We require our store personnel to follow our customer service guidelines in handling customer complaints. We receive and handle customer inquiries and complaints in stores and through hotlines. We address complaints by communicating with customers and, at times, taking actions to reinforce customers' confidence in our brands. Our store personnel keep detailed records of customer inquiries, feedback and complaints, and the results of investigation or measures taken.

We typically do not provide warranty to our distributors, and nor do we allow them to return products to us, except for product quality issues, mismatched delivery or permitted return of obsolete products previously agreed by us on a case by case basis in accordance with the agreements. During the Track Record Period, we have not encountered any return of products of a material sum, and there were no material product liability claims or complaints from our customers, and we did not record any provision for product warranty.

Marketing and Promotion

We continuously invest in advertising and promotion to enhance customer loyalty, brand reputation and market recognition. We determine the overall marketing strategies and budget at the beginning of each year and conduct regular reviews on, among other things, the return on ad spend and marketing efficiency to evaluate the effectiveness and cost-efficiency of our marketing strategies and budget.

We advertise our brands and products through various means, including advertisements on multiple media, maintenance of social media accounts, and engaging brand ambassadors. We place advertisements on different online and offline channels including websites, social media, billboards and magazines. We utilise our website and social media accounts to share our design philosophy, artistic and lifestyle visions and new collections to the general public so as to enhance our brand image and to increase consumer awareness of our products in the market. To spur end-customers' demand for our products, we engage influencers and KOLs to promote our brands and may from time to time offer discounts and promotions, especially on end-of-season and out-of-season inventory. For example, we conduct seasonal sales campaigns under our "Clarks operation" during back-to-school period, festivals and holidays to increase sales and promote "Clarks" products. We may also participate in the seasonal sales or promotional activities organised by department stores during holidays or festivals.

Provision of Footwear OEM Services

In general, we outsource our manufacturing process to OEM suppliers. However, our management recognises that the design and production of footwear (when compared to apparel) typically involve more complicated procedures and additional specifications, and hence it would be beneficial for our Group to have our own in-house footwear design, research and development capability which would serve as a foundation for our long-term business development for our Group's own brand footwear business. With that in mind, in 2020, we decided to establish a shoe factory in the PRC for producing footwear for our own brands. For further details of our shoe factory, please see the paragraph headed "Our footwear manufacturing facilities" in this sub-section. Our shoe factory is supported by favourable local government policies in the form of a performance based rental reduction and tax reduction from its commencement of operation to 30 June 2026. Our management also believes that having our own captive footwear manufacturing capability will increase our overall operation efficiency for our Group's own brand footwear business, and allow us to capture the profit margin from such upstream operation in the longer term. According to Frost & Sullivan, it is common for footwear brand operators to maintain their own production facilities for product development and manufacturing purposes.

While it was our original plan for the shoe factory to focus on producing footwear for our own brands, however the development of our Group's own brand footwear business did not pick up as quickly as we planned primarily due to the waves of COVID-19. Accordingly, our shoe factory would have been left under-utilised if we were adamant on only producing footwear for our own brands. Some of the footwear OEM suppliers of LN Group in the PRC, especially those in Fujian Province and Hubei Province, were also affected by COVID-19 which resulted in the suspension of operation in, or complete close down of, their manufacturing facilities. Faced with such supply chain disruption, LN Group invited us to provide them with footwear OEM services to ensure a sufficient supply of their footwear. As a result, we started to provide footwear OEM services to LN Group and other footwear manufacturers to utilise spare production capacity in our production facilities. The Directors consider that such arrangement is beneficial to our Group.

Our footwear manufacturing facilities

In late 2020, we co-operated with Hubei Fleet Footwear Company Limited*(湖北福力德鞋業有限責任公司)("**Hubei Fleet**") to establish a private limited company in the PRC, namely, Laibin Ningjuli Footwear Company Limited*(來賓寧聚力鞋業有限公司)("**Laibin Ningjuli**") which is held as to 70% by our Group and 30% by Hubei Fleet, for the investment and operation of a shoe factory. As at the Latest Practicable Date, the registered capital of Laibin Ningjuli was RMB45 million, all of which had been fully paid by our Group and Hubei Fleet in proportion to the respective shareholdings.

Hubei Fleet

Hubei Fleet is a private limited company established in the PRC in 2008 and is principally engaged in the research and development, manufacturing and sales of footwear and related raw materials. Hubei Fleet is one of the footwear OEM suppliers of LN Group and has years of experience in footwear development and manufacturing. As at 31 December 2022, Hubei Fleet had one production site of approximately 100,000 square meters located at an industrial park in Hubei Province comprising 12 production lines and supported by approximately 3,000 workers. Hubei Fleet primarily focuses on the development and manufacturing of sports trainers for various sports, such as running, basketball and badminton, and casual trainers for various international and domestic footwear brands, as well as the sale of related raw materials. For FY2020, FY2021 and FY2022, the estimated production capacity[1] of Hubei Fleet was 4.5 million, 5.4 million and 5.3 million pairs of footwear and its actual production volume was 4.3 million, 5.0 million and 5.1 million pairs of footwear, respectively.

Note 1: The estimated production capacity is determined by factors including, number of workers, number of working hours, estimated production per hour, design of the footwear products, complexity of the manufacturing process and the number and types of equipment in use.

Hubei Fleet is held as to 94% by Mr. Liang Jiuzhang who is also the director and general manager of Hubei Fleet and 6% by another individual investor. To the best knowledge, information and belief of our Directors after making all reasonable enquiries, Hubei Fleet and its ultimate beneficial owners are Independent Third Parties (other than their investment in Laibin Ningjuli). In 2014, Mr. Liang acquired 94% equity interest in Hubei Fleet from his brother, Mr. Liang Jiucheng, and other individual sellers, who are Independent Third Parties, and has since been responsible for overseeing the business of Hubei Fleet. Mr. Liang has over 20 years of experience in footwear manufacturing. Mr. Liang was supported by his nephew, Mr. Liang Jiajian who joined Hubei Fleet in 2016 and was promoted as a director of Hubei Fleet in 2022.

Our Director, Mr. Li Ning who is also a director of Li Ning Co became acquainted with Mr. Liang Jiuzhang, the major shareholder and director of Hubei Fleet, in around 2003 by reason of the business relationship between LN Group and another footwear manufacturing company that Mr. Liang previously worked at. Based on prior satisfactory working experience and business relationship with Mr. Liang and Hubei Fleet, Mr. Li was confident in their experience and expertise and believed Hubei Fleet would be a good potential joint venture partner. After our Group embarked on the multi-brand apparel and footwear business in 2019, Mr. Li approached Mr. Liang in mid 2020 on the proposed co-operation between our Group and Hubei Fleet of setting up a shoe factory. Since our Group did not have prior experience in the footwear manufacturing business, we entrust the daily operation of our shoe factory to Hubei Fleet, and remain being responsible for the accounting functions and the overall management and supervision of the shoe factory. Our Directors believe that (i) the experience, knowledge and networks of Hubei Fleet will enhance the research and development capability as well as production efficiency of our shoe factory and (ii) Hubei Fleet can benefit from this co-operation by expanding their operation scale at a relatively lower capital investment costs when compared with expanding its production facilities on its own.

Our shoe factory

To house our shoe factory, Laibin Ningjuli rented a factory building with a gross floor area of 19,915.2 square meters at an industrial park in Guangxi, the PRC from Laibin Xingyuan Asset Management Co., Ltd.*（來賓市興園資產管理有限公司）(''**Landlord**''), a state-owned enterprise, for a term from 1 January 2021 to 31 March 2026 (including a rent free period from 1 January 2021 to 31 March 2021) at a monthly rent of approximately RMB89,600. It is located at Henan Industrial Park, Fengxiang Road, Xingbin District, Laibin City, Guangxi Zhuangzu Autonomous Region, the PRC. We completed renovation of the factory building and installation of the production lines in January 2021, and commenced production in March 2021. In early 2022, Laibin Ningjuli rented an additional building with a gross floor area of 6,605.28 square meters at the same industrial park which was mainly used for warehouse purpose from the Landlord for a term from 1 March 2022 to 31 March 2026 (including a rent free period from 1 March 2022 to 31 May 2022) at a monthly rent of approximately RMB29,700. As at 31 December 2022, Laibin Ningjuli owned 6 production lines and its major equipment included 40 conventional cutting machine, 5 automatic slitter, 24 sewing machine lines and 147 computerised sewing machine. As at 31 December 2022, the capital expenditure incurred by Laibin Ningjuli for the shoe factory primarily included RMB22.9 million for acquisition and installation of equipment and RMB5.9 million for renovation of the factory building, all of which has been fully settled as at the Latest Practicable Date.

We believe that in-house footwear development capability is important in ensuring future success of our Group's own brand footwear business. As at 31 December 2022, Laibin Ningjuli had a research and development team consisting 29 employees which is primarily responsible for footwear design, research and development, mould development and the transfer of technologies applied in manufacturing different footwear models which help improve the efficiency of our production process. The shoe factory's research and development team is led by a team leader who has over 20 years of experience in footwear research, design and manufacturing with management experience, and half of our team members has over 5 years of experience in the footwear industry. Before joining Laibin Ningjuli, the team leader had worked at other shoe factories in the PRC that manufactures sports trainers and casual trainers for other international brands. Our shoe factory possesses the capabilities across various key stages of footwear development to bring a product concept to production, including specification drawings, mould development and measurement, sizing and fit standard, pattern review and prototype development. Going forward, we will continue to focus on the research and development of casual trainers to cater for the needs of our self-owned brands.

Our shoe factory commenced operation in March 2021, and recorded increase in both actual production volume and estimated production capacity in FY2022 primarily due to, amongst others, (i) increase of our workforce, (ii) improvement of our operation efficiency, and (iii) acquisition of additional equipment at the end of 2021. In addition to manufacturing finished footwear for our self-owned brands and LN Group, we also produce certain footwear components for LN Group and other footwear manufacturers. Our manufacturing process of footwear components primarily involves cutting and sewing and is subject to different specifications and requirements for each purchase order. Our actual production volume of footwear components was approximately 88,700 units in FY2021 and approximately 148,000 units in FY2022. For FY2021 and FY2022, we maintained a relatively high and stable utilisation rate. Please see below table for the actual production volume, estimated production capacity and utilisation rate of our shoe factory for the production of footwear for the periods indicated:

	FY2021	**FY2022**
Actual production volume *(pairs)*	885,216	2,106,215
Estimated production capacity *(pairs) (Note 1)*	928,743	2,244,184
Utilisation rate *(Note 2)*	95.3%	93.9%

Notes:

1. The estimated production capacity is determined by factors including number of workers, number of working hours, estimated production per hour, design of the footwear products, complexity of the manufacturing process and the number and types of equipment in use.

2. The utilisation rate is derived by dividing the actual production volume by the estimated production capacity.

3. The above table does not include our output of footwear components. The specifications and requirements for each purchase order of footwear components are different. Without a unified and consistent measurement, it is impracticable, and may not be meaningful, to assess the related estimated production capacity and utilisation rate.

Please see below a breakdown of the actual production volume of our shoe factory for the production of footwear by brands for the periods indicated:

	FY2021		FY2022	
	No. of pairs of footwear	*%*	*No. of pairs of footwear*	*%*
Our self-owned brands:				
– bossini.X	6,305	0.7	1,094	0.1
– LNG	3,829	0.4	16,663	0.8
LN Group	871,677	98.5	2,086,982	99.0
Other obsolete products *(Note 1)*	3,405	0.4	1,476	0.1
Total	**885,216**	**100.0**	**2,106,215**	**100.0**

Notes:

1. Other obsolete products primarily include trial products produced by our newly employed workers during induction and defective products.

2. The above table does not include our output of footwear components.

Subject to the development of the footwear market, the performance of our Group and economic conditions, we intend to maintain the production capacity of our shoe factory at its current level, and do not intend to carry out any significant expansion of our footwear OEM business.

As advised by our PRC legal advisers, during the Track Record Period and up to the Latest Practicable Date, the construction of the relevant facility and the production activities of Laibin Ningjuli had been in compliance with all applicable rules and regulations in the PRC in all material respects considering that (i) Laibin Ningjuli had passed the relevant safety and environmental inspections and obtained the relevant permits, licenses and certificates as required by applicable PRC laws and regulations as well as the relevant local governmental authorities for the construction of the relevant facility and its production; (ii) according to the certificates issued by the relevant local governmental authorities and public searches conducted, Laibin Ningjuli had not been subject to any administrative action, fine or penalty in relation to its construction of the relevant facility and the production activities; and (iii) no major fire and/or production accidents or environmental pollution events had occurred since the commencement of the production activities in our shoe factory.

Our footwear OEM services

In order to better utilise our excessive production capacity, we provide footwear OEM services to LN Group and other footwear manufacturers and recorded revenue of HK$56.9 million in FY2021 and HK$225.7 million in FY2022, amounting to 6.7% and 3.5% of our total revenue from the multi-brand apparel and footwear business for the respective year or 4.1% and 3.3% of our total revenue for the respective year. During the Track Record Period, we primarily manufactured sports trainers for LN Group, and certain footwear components for LN Group and other footwear manufacturers. Most of our revenue from footwear OEM services during the Track Record Period was attributable to LN Group. With reference to the 2021 annual report and 2022 annual results announcement of Li Ning Co, we estimated that the LN Group's purchase of footwear from us represented approximately 0.4% and 1.4% of the LN Group's total purchase amount in FY2021 and FY2022, respectively. Please see below a breakdown of revenue for our footwear OEM services provided to (a) LN Group; and (b) other footwear manufactures for the periods indicated:

	FY2021		**FY2022**	
	HK$'000	*%*	*HK$'000*	*%*
LN Group	54,430	95.7	224,914	99.6
Other footwear manufacturers	2,446	4.3	793	0.4
Total	**56,876**	**100.0**	**225,707**	**100.0**

Given that our shoe factory only commenced operation in March 2021, it recorded a gross loss of HK$4.7 million for FY2021 primarily due to the relatively low production volume and production efficiency, and hence, a higher fixed overhead cost at the start-up stage. As our production volume and production efficiency picked up, we recorded a gross profit of HK$7.6 million for FY2022. Please see below a breakdown of gross profit/(loss) and gross profit margin for our footwear OEM services provided to (a) LN Group and (b) other footwear manufacturers for the periods indicated:

	FY2021		**FY2022**	
	Gross profit/(loss)	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	HK$'000	*%*	*HK$'000*	*%*
LN Group	(4,588)	–	7,382	3.3%
Other footwear manufacturers	37	1.5%	23	2.9%
Total *(Note)*	**(4,551)**	**–**	**7,405**	**3.3%**

Note: In order to reflect the gross profit attributed to different customers, the total gross profit has not included intra-group transactions.

It is our understanding that the LN Group requires its footwear OEM suppliers (including our Group and other suppliers) to purchase raw materials from its designated suppliers at a specific price set out in the purchase order. Accordingly, LN Group's suppliers (including our shoe factory) are not able to lower the production cost by reducing the raw material costs. As a result, the gross profit margin of footwear OEM suppliers for providing similar services to LN Group highly depends on the supplier's production efficiency. As our shoe factory only commenced operation in March 2021 and additional time is required for our shoe factory to optimise its production efficiency, we recorded a gross loss of HK$4.6 million for services provided to LN Group for FY2021. As our shoe factory improved its operation efficiency, we recorded a gross profit of HK$7.4 million from our footwear OEM services provided to LN Group and recorded an increase in our gross profit margin for services provided to other footwear manufacturers in FY2022.

Principal terms of the service agreements

We have entered into a framework agreement with LN Group for a term of 1 year and enter into separate purchase orders with them for each production. Principal terms of our framework agreement include production obligations, quality standards, pricing terms and payment terms, delivery protocol, inspection and acceptance of products, return policy, confidentiality obligations and protection of trademarks and other intellectual property rights, and termination. We typically specify the product type, unit price, quantity of products and delivery timeline, raw material suppliers and raw material costs under separate purchase order for each engagement. The framework agreement does not contain any minimum purchase requirements. LN Group is entitled to return defective products to us due to quality issues upon delivery, or during the warranty period which is 24 months after such product is launched to the market. The terms of our framework agreements for production of footwear for LN Group and our self-owned brands are substantially the same.

Since other footwear manufacturers only engage us for manufacturing certain footwear components on an as-needed basis from time to time, instead of entering into framework agreements with them, we typically enter into separate agreements with them for each engagement setting out the principal terms regarding production obligations, product type, unit price and quantity of products, provision of raw materials (if applicable), delivery arrangement and timeline, and payment terms. As we are only engaged to produce certain part of a footwear, such agreements do not include any terms on protection of trademarks and intellectual property rights, and the warranty provided by us on product quality does not extend to post-delivery.

Whilst the pricing for each purchase order varies depending on the design of the footwear products and the complexity manufacturing procedures, the basis of price determination for purchase orders from LN Group and other footwear manufacturers are substantially the same and comprises mainly raw material costs (if applicable), ordinary loss during production and processing fees.

During the Track Record Period, we had not experienced any difficulties in performing the purchase orders undertaken by us, nor had we experienced any material disruption of our production process or had any material dispute with our customers.

Future plans for our provision of footwear OEM services

Whilst LN Group accounted for most of the production volume of our shoe factory in FY2021 and FY2022, we had and will continue to prioritise design, research and development and production for our self-owned brands. It is our procurement policy for our self-owned brands to first refer any purchase orders for casual trainers and vulcanised shoes to our shoe factory before approaching other OEM suppliers. In considering whether to undertake the purchase order from our self-owned brands, our shoe factory will consider, amongst others, the complexity of the production process, the estimated lead time versus the required delivery time, the expertise and production capacity of our shoe factory. The number of "LNG" and "bossini.X" branded casual trainers and vulcanised shoes sold in FY2021 and FY2022 was approximately 15,700 pairs and 32,700 pairs respectively. Approximately 64.5% and 54.3% of the "LNG" and "bossini.X" branded footwear sold in FY2021 and FY2022 respectively was produced at our shoe factory and the remaining was produced by other OEM manufacturers primarily because our shoe factory could not meet the required delivery timeline, and therefore, did not take up the relevant orders. As "LNG" and "bossini.X" do not provide production blueprint to its footwear OEM suppliers and our shoe factory is still at a development stage, additional time is required for our shoe factory to formulate the manufacturing process. Going forward, we will focus on the research and development of casual trainers to cater for the needs of our self-owned brands. We believe that when our shoe factory becomes more experienced in the development and production of footwear, it will be able to satisfy a tighter delivery schedule and undertake more purchase orders from our own brands in the future.

Furthermore, since 2022, in order to create synergy with the footwear business of the Clark Group, our shoe factory is in the progress of developing prototypes of certain casual footwear for the Clark Group for future production. It is expected that we will complete the development of approximately 5 to 10 footwear prototypes for "Clarks" by the end of 2023. Subject to the progress and outcome of the prototypes, we should be in the position to take orders from "Clarks" for the production of certain of its casual footwear models in the first half of 2024. As casual trainers and vulcanised shoes are not the key products of "Clarks", we do not expect the purchase orders, if any, from "Clarks" would be significant or would fully utilise our production capacity. To the extent we still have excessive capacity after fulfilling orders from our own brands, we will continue to provide footwear OEM services to LN Group and other footwear manufacturers. Accordingly, LN Group is likely to remain as our major customer for our footwear OEM services in the foreseeable future. As we do not intend to expand the scale of our shoe factory and as orders from our own brand pick up, we do not expect to record any material increase in our revenue from footwear OEM business (whether from LN Group or others) in the foreseeable future.

Procurement

Outsourcing Our Production

We outsource the production of most of our products to selected OEM suppliers. We believe that, by outsourcing most of the manufacturing process to third parties, we can focus on our strengths in design and marketing of our brands and products, and to lower the operation and financial risks and expenses relating to production facilities and labour management. Our OEM suppliers procure raw materials from our approved raw material suppliers and manufacture our products by themselves to provide us with the finished products. During the Track Record Period, we had over 180 OEM suppliers who are mostly based in Asia, including the PRC, Vietnam, Cambodia, India and Indonesia. Except one of our footwear OEM suppliers has a minority interest in one of our subsidiaries, all of our other OEM suppliers during the Track Record Period are Independent Third Parties.

We maintain a stable business relationship with our OEM suppliers. We generally enter into framework agreements with our OEM suppliers, and place separate orders with them when necessary depending on the market demand. After launching our products to the market, we monitor the sales and inventory levels as well as market trends and demands regularly to evaluate the need of placing additional purchase orders, and maintain regular communications with our OEM suppliers on any upcoming purchase orders. During the Track Record Period, we had not experienced any difficulties in sourcing suitable OEM suppliers or obtaining finished products from OEM suppliers, nor had we experienced any material disruption of supply of products from our OEM suppliers.

Principal terms of our framework agreements with OEM suppliers generally covers terms such as supplier's qualifications, production obligations, quality standards, pricing terms and payment terms, delivery protocol, inspection and acceptance of products, return policy, confidentiality obligations and protection of trademarks and other intellectual property rights. We typically specify the product type, unit price, quantity and delivery timeline in each purchase order we place with the OEM suppliers. None of the framework agreements with OEM suppliers contain any minimum purchase requirements. Our OEM suppliers typically provides warranty to us as to the quality, description and specifications of the products. We are entitled to return products due to quality issues upon delivery, or during the warranty period (if applicable) when we discover any defect in the products. Our OEM suppliers are prohibited from manufacturing and selling products that are substantially identical to the products ordered by us to anyone other third parties. In the event of any breach of contract, we are entitled to terminate the agreement with immediate effect. During the Track Record Period, we did not have any material disputes with our OEM suppliers.

Selection and evaluation of OEM suppliers

We have a stringent review and quality control procedures over our OEM suppliers and finished products. We maintain and regularly review a list of selected OEM suppliers based on, among other things, their ability to meet our product requirements, production capacity, existing brand customers, quality management, production qualifications, location, price, reputation and ability to meet our delivery timeline. We also assess our existing OEM suppliers annually with reference to the above criteria as well as their historical performance.

We work closely with our OEM suppliers during each step of the process and conducts quality checks upon final product delivery to ensure the products manufactured meet our quality control standards. Pursuant to the framework agreements with the OEM suppliers, we are entitled to conduct onsite quality inspection at the manufacturing facilities of our OEM suppliers without prior notice and to take samples of raw materials, packaging and finished products for testing during the manufacturing process. Please refer to the sub-section headed "Quality Control" in this section for further details.

Raw Materials

Principal raw materials include wool, cotton, linen and synthetic materials for our apparel; and leather, sole units, packaging materials and other non-leather materials for our footwear. Although we do not provide raw materials to our OEM suppliers, we have a list of approved raw material suppliers and require our OEM suppliers to procure raw materials in accordance with our designs and specifications from our approved raw material suppliers in order to control the quality of raw materials and the finished products. During the Track Record Period, raw materials used for production of our products were mainly originated from the PRC, India, Vietnam, Cambodia and Taiwan. Please refer to the sub-section headed "Quality Control" for more details of our quality control measures for raw materials.

The prices of the major raw materials for our products experienced moderate fluctuation during the Track Record Period which would in turn affect the fees charged by our OEM suppliers. We monitor the prices of our major raw materials and the fees charged by our OEM suppliers regularly and may re-negotiate the production price with our OEM suppliers and/or adjust the recommended retail prices of the relevant products to minimise our exposure to the additional purchase costs. We typically can pass on the increase in purchase costs to our customers.

Inventory and Logistics Management

We place emphasis on optimising our logistics and inventory management. We believe that our efficient and responsive inventory management system enables us to shorten our products' time to market, increase rates of inventory turnover and maintain optimal inventory levels, thereby helping us remain competitive in our fast-paced industry.

Warehousing Facility and Product Delivery

We operate distribution centres by ourselves, or by engaging third-party warehousing service providers, at the major geographical regions of our directly-operated stores to support the local warehousing, packaging, distribution and inventory tracking functions of our finished products. As at 31 December 2022, we have distribution centres in the UK, the US, Netherlands, the PRC and Japan for our "Clarks" operation and a distribution centre in the PRC for our Other Brands. We believe these facilities, coupled with the services provided by third-party warehousing service providers, will provide us with sufficient warehousing capacity to fulfil our business requirements in foreseeable future.

Our products are delivered directly from our distribution centres to our retail stores or customers (including wholesale customers, distributors and online customers) by independent logistics service providers by land, shipment and air transportation, as appropriate. We enter into framework agreements with logistics service providers pursuant to which, the service providers will bear the risks during transportation, and are responsible for any damage resulting from delayed delivery. During the Track Record Period, we did not experienced any material delays or improper handling of orders that materially and adversely affected our business operations.

Inventory Control

Our inventory mainly comprises finished products of our own brands and raw materials for our shoe factory. We maintain an inventory and sales management system at our distribution centres and our retail stores to produce real time information of inventories. Most of our retail stores are equipped with a standard information management system (including POS terminals). Each of our finished product is coded under a barcode system for identification in our POS, which is linked to our inventory and sales management system. Through scanning the barcode, sales information from each of our store's POS terminals is collated and uploaded to our management system on a real-time basis which enables our headquarters to timely analyse and record sales details and track inventory. We monitor our days of inventory regularly and carry out inventory audit check at our stores annually. If any variance in the stock level is identified, a re-count will be performed, and if such various is confirmed, an adjustment will be made in the internal inventory system to ratify the variance.

Our inventory sharing and allocation system can enhance consumers' shopping experiences by optimising product replenishment, shipment coordination and inventory control. Through this system, we closely monitor real-time inventory levels of both excess inventory and products in high demand. When a certain product is out of stock in a given retail store, this system enables our store personnel to quickly locate an available item from another store nearby, place an order and ship the item directly to the consumer in the shortest possible time frame.

To monitor the inventory level of our distributors, we monitor their sales and inventory records through our POS system or the sales report submitted by them, and their purchase orders. We also undertake other measures to prevent inventory surplus. For example, our planned production volume is based on a study of historical data which allows us to be more precise in specifying the volume we need. In the case of off-season products, we adopt several measures to ensure they can be cleared efficiently, such as long-term and short-term promotional discounts at retail stores and online channels.

Quality Control

Our commitment to quality is key to our brand image, and we have established a strict quality control system and a set of quality standards. As at 31 December 2022, our quality control team had 211 employees.

We have established a quality management system covering product design and development, procurement and after-sales services as follows:

- ***Product design and development*** – We implement quality control processes at the product design and development stage to ensure that our products will be free from quality issues at the subsequent manufacturing and retail sales stages. In particular, our product designers communicate closely with our supply chain team regarding quality issues during the product development process. From the development of a design concept, production of product prototype to the selection of raw materials and implementation of crafting techniques, our design team and supply chain team work alongside and provide mutual feedbacks to each other so as to further fine tune the product design and address outstanding quality issues.

- ***Selection of raw materials*** – We require our OEM suppliers to procure raw materials from our approved suppliers to ensure that the raw materials as well as finished products can satisfy our product requirements and specifications. Our "Clarks" sourcing team also visits to the major manufacturing facilities of the OEM suppliers to monitor the raw material testing and auditing process from time to time.

- ***Selection of OEM suppliers*** – We conduct a comprehensive selection process to ensure our OEM suppliers meet our quality control standards. We generally require our new OEM suppliers to provide relevant documents and materials relating to their quality control policies, processes and accreditations for our review. We conduct assessments over our OEM suppliers annually based on a robust set of criteria including but not limited to the quality of crafting techniques, the proper use of fabrics and fibres, and the pass-rates of quality control tests conducted over finished products.

- ***Product quality inspections*** – We carry out product quality inspections when we first receive finished products from our OEM suppliers before dispatching them to the market for sale. In particular, we assess whether the finished products are suitable for sale by inspecting the overall appearance and reviewing the results of test reports. Our "Clarks" sourcing team also conducts in-line auditing and lab tests at the major manufacturing facilities of the OEM suppliers from time to time to ensure the production process and finished products for "Clarks" are in line with our standard.

- ***Returns and penalties*** – We adopt a strict product-return policy with regard to products supplied by our OEM suppliers which fail to satisfy our quality standards. Pursuant to the framework agreement with our OEM suppliers, they typically provides warranty to us as to the quality, description and specifications of the products. We are entitled to return all substandard products to our OEM suppliers upon delivery or during the warranty period (if applicable) and require them to repair the defects or replace the products until they meet the quality standards specified at the costs of the OEM suppliers.

- ***After-sales services*** – We provide customer-centric after-sales services to address any concerns raised by our customers relating to the quality of our products. Upon receiving relevant enquiries or complaints from our customers with regard to product quality, our customer service officers and/or retail staff will conduct a preliminary review of the matter and, if necessary, report to the upper-level personnel, who will then conduct a further review. We will also arrange, if necessary, for follow-up inspections or rectifications of the products concerned. During this process, we will communicate closely with the relevant customers to identify acceptable solutions for the matter, including replacement of the product concerned. We are entitled to return the defective products to our OEM suppliers during the warranty period (if applicable) under the framework agreements. Regular trainings in relation to product information, inter-personal and communication skills, market trends will be provided to the relevant staff to enhance the over-all consumer experience of our end-customers.

Product Recall for "Clarks" Breeze and Brinkley Women's Shoes in Navy and Dark Navy

In the third quarter of 2022, we became aware that the amount of azo dyes contained in the fabric of the shoe's upper in one of our footwear products exceeded the legally permitted level according to local law ("**Incident**"). Benzidine and dimethoxybenzidine are chemicals found in azo dyes, which have been used to colour or dye a large range of products, including fabrics and leathers, but the extent to which azo dyes can be used is now restricted by some countries. Prolonged and direct contact with the shoes' upper material can expose the wearer to the chemicals benzidine or dimethoxybenzidine, which are toxic and can cause adverse health effects.

In response, we immediately conducted sample testing on footwear produced using the same affected fabric from different distribution centres to ascertain the scale of the Incident. While only some of the samples have tested positive for the presence of azo dyes, out of an abundance of caution, we have voluntarily recalled eight styles of Breeze and Brinkley women's footwear in navy or dark navy-blue colours sold during the spring/summer 2022 season, amounting to approximately 138,000 pairs of footwear. Most of the affected footwear were sold in the US and some were sold in the UK and other jurisdictions in smaller quantities. Considering the relevant test results and to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, the presence of excessive level of azo dyes in some of our footwear came from the fabric provided by one of the raw material suppliers.

In order to prevent recurrence of similar incidents, we have implemented the following measures:

- ceased production of the footwear (by reference of article number) that were affected by the recall;

- conducted a comprehensive internal review of our quality control process as well as our material specification process and sourcing strategy to ensure our products continue to comply with the applicable chemical limits and guidelines in the future; and

- terminated our business relationship with the supplier of the affected fabric and continue to work with other suppliers to ensure that they fully comply with our restricted substances policy and applicable law.

Given that (i) we have recalled all affected products which were only in the market for a relatively short period of time; (ii) we had not been subject to any product liability claim from our customers or penalty from government authorities in relation to the Incident as at the Latest Practicable Date; and (iii) sufficient provision of HK$11.7 million were made for the Incident as at 31 December 2022, our Directors are of the view that the Incident did not have any material adverse impact on our results of operations or financial conditions. Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we had not received any major product return request from our customers, nor did we experience any material complaints from our customers, material product liability claims or material penalty from government authorities for product quality issues.

OUR SPORTS EXPERIENCE BUSINESS

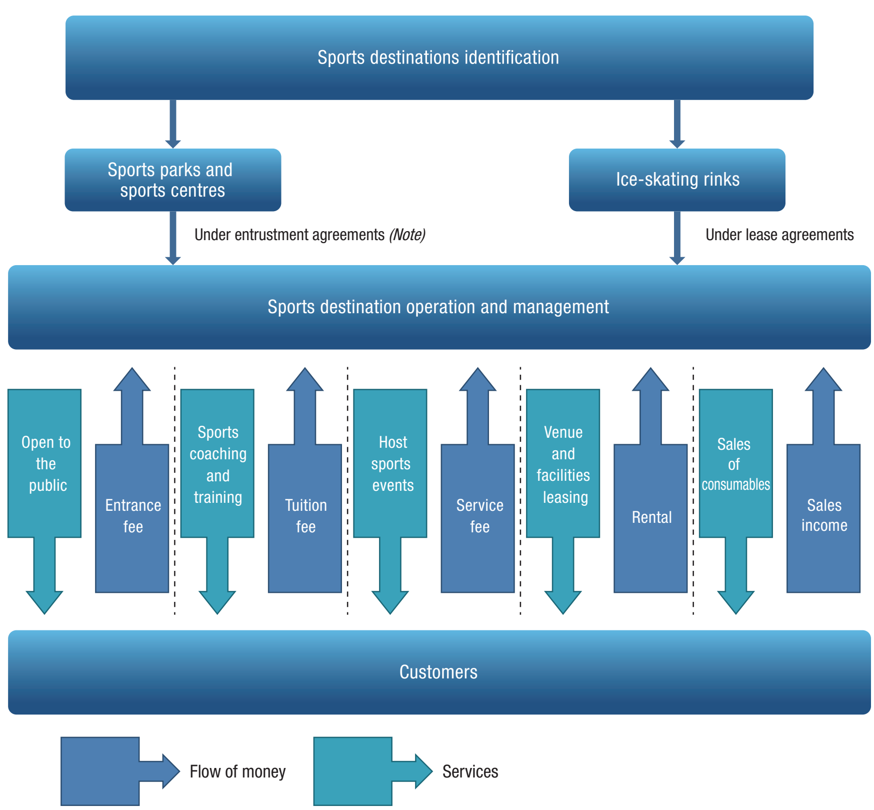
Our sports experience business comprises (i) sports destination development business (including sports parks, sports centres and ice-skating rinks), and (ii) sports team and event management business.

Our Sports Destination Development Business

Our sports destination development business comprises the management and operation of sports parks, sports centres and ice-skating rinks in the PRC. We operate our sports destinations through an asset-light model where we do not own the sports destinations and are not required to invest in the construction and development. We typically operate our sports parks and sports centres through an entrustment model and lease ice-skating rinks at shopping malls from the landlords for our operation. We also recorded a small amount of revenue from our provision of sports rehabilitation services to sports teams and organisations.

We (as operator) started to cooperate with mostly local governments (as owner) in managing and operating sports parks and sports centres under our brand of "Li Ning Sports Park"(李寧體育園) by way of the entrustment model in the PRC since 2015 and generate revenue from our services provided to third parties thereon. In addition, we may receive subsidies on the basis that we will be proving public services to the community, such as hosting charitable sports events and exhibitions and providing free or discounted entrance tickets to certain public spectrum. Most of the sports parks and sports centres operated by us were owned by local governments. Leveraging on our reputation and solid experience in sports parks and sports centres management, in late 2019, we further diversified and expanded our business to the management and operation of ice-skating rinks by acquiring "All Star Skating Club"(全明星滑冰俱樂部), a chained-brand of indoor ice-skating rinks in the PRC.

Please see below an operational flow chart of our sports destinations business segment:



Note: We may receive subsidies for operation of sports parks and sports centres.

Services provided at our sports destinations

With a mission of promoting sports culture in the local community, we operate our sports destinations, host international and national sports competitions and events, and provide training and coaching services for local residents.

We offer a wide variety of sports coaching and training courses delivered by professional and skilful coaches and trainers for different age groups and people at different skill levels. The type of trainings offered generally depends on the sports facilities available at our sports destinations. In particular, our All Star Skating Club has employed a team of professional coaches comprising retired national athletes and professional trainers.

We also aim to promote sports and encourage the public's participations in sports activities among the local neighbourhood communities. To this end, we hold, either by ourselves or by renting our sports venues and facilities to other sports organisations, a wide range of sports-related events for professional sports athletes and the general public at our sports destinations from time to time. In particular, our "All Star Ice Skating Club" (全明星滑冰俱樂部) was authorised by the Ice Skating Institute Asia to hold the All-Star Asian Figure Skating Invitational (全明星亞洲花樣滑冰邀請賽), which is a national-level junior ice skating competition in the PRC.

To facilitate the overall sports experiences, we also offer ancillary services such as provision of sports-related apparel, footwear and equipment and food by introducing retail stores and restaurants at our sports destinations. In particular, we have retail stores offering a wide selection of ice skating-related consumables under various brands targeting at youngsters at our ice-skating rinks.

We have specific rules to ensure the safety of all guests and visitors of our sports destinations. We have adopted stringent policies with respect to the procurement and maintenance of on-site sports equipment, safety of visitors and staff (including emergency preparedness), purchase of public liability and property insurance policies, onsite security, crowd control, and public health and sanitation. During the Track Record Period, we had not encountered any material casualty accident at our sports destinations.

Revenue generated at our sports destinations primarily includes (i) entrance fees from visitors of such sports destinations, (ii) tuition fees from provision of relevant sports coaching and training on the site to institutions and individuals, (iii) service fees for hosting sports events on the site, (iv) rental income from leasing of sites to retailors and restaurants, and (v) sales of consumables at the sports destinations. Costs and expenses in relation to the management of sports destinations primarily includes (i) rental (for ice-skating rinks), (ii) utilities and other expenses for ancillary services to support daily operation, such as security and cleaning, (iii) salaries to coaches, and (iv) maintenance fees for the sports destinations.

We also recorded a small amount of revenue from our provision of sports rehabilitation services at our rehabilitation centre located in Beijing, which had commenced operation since 2017, to various national and local sports teams.

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

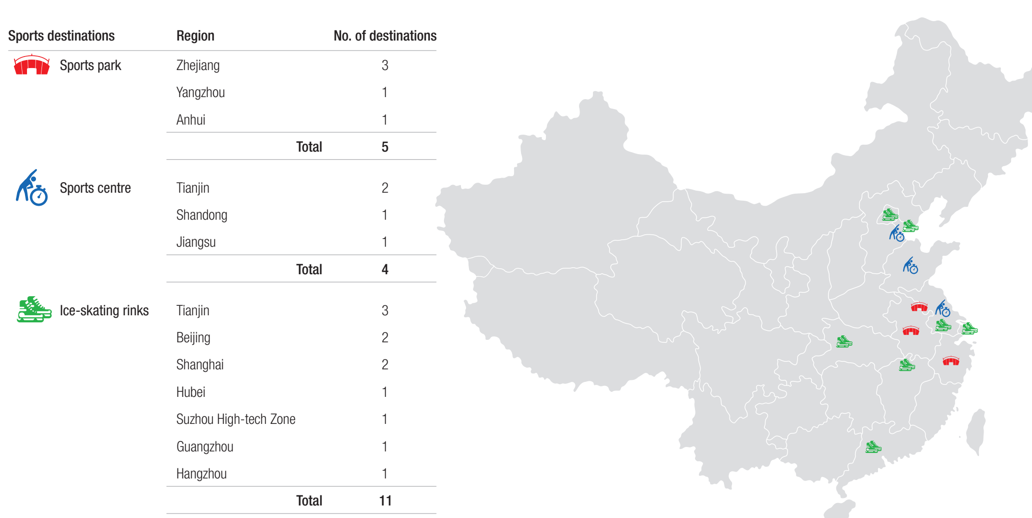
	FY2020		FY2021		FY2022	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Ice-skating rinks	88,789	52.5	145,704	54.1	130,474	53.5
Sports parks and sports centres	71,881	42.5	113,931	42.3	109,401	44.8
Others *(Note 1)*	8,483	5.0	9,730	3.6	4,201	1.7
Total	**169,153**	**100.0**	**269,365**	**100.0**	**244,076**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

Notes:

1. "Others" primarily refers to the provision of sports rehabilitation services to sports teams and organisations.

2. The above table does not include subsidies received from local government for operation of sports parks and sports centres which are recognised as other income.

As at the Latest Practicable Date, we operated nine sports parks and sports centres in different regions of the PRC, and eleven ice-skating rinks in first-tier and second-tier cities in the PRC. The following map shows the geographical distribution of our sports parks, sports centres and ice-skating rinks as at the Latest Practicable Date:



Management of sports parks and sports centres

As at the Latest Practicable Date, we operated nine sports parks and sports centres supporting a wide array of sports activities and cater for the needs of the local community in different parts of the PRC. Our sports parks are well-equipped with various sports venues and facilities for a variety of ball games including football, basketball, badminton, table tennis, volleyball, squash, indoor and outdoor swimming pools, fitness centres, multi-functional sports arenas. Our sports centres are usually smaller in terms of areas, as compared to our sports parks, and are more for leisure than for professional sports activities. Each of our sports centres houses a number of courts for different ball games (such as basketball, badminton and table tennis courts), an indoor swimming pool, a fitness centre and a multi-functional sports arena.

The revenue contribution among our various revenue sources from our operation of sports parks and sports centres remained relatively stable during the Track Record Period except for the closure of restaurant since FY2021. The following table provides a breakdown of revenue by revenue source from our operation of sports parks and sports centres for the periods indicated:

	FY2020		**FY2021**		**FY2022**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Entrance fees and tuition fees	29,599	41.1	58,889	51.5	66,025	60.2
Sales of goods	12,823	17.8	28,917	25.3	21,974	20.0
Rental	4,859	6.7	6,753	5.9	7,052	6.4
Restaurant	17,322	24.0	–	–	–	–
Others *(Note)*	7,530	10.4	19,885	17.3	14,723	13.4
Revenue before VAT	**72,133**	**100.0**	**114,444**	**100.0**	**109,774**	**100.0**
Less: VAT	(252)		(513)		(373)	
Revenue after VAT	**71,881**		**113,931**		**109,401**	

Note: "Others" primarily includes hosting of sports events and cultural activities.

During the Track Record Period, charges of the facilities at our sports parks and sports centres ranged from RMB10 to RMB600 per hour, depending on the type of sports facilities, the period (i.e. whether on weekday or holiday) and the location of the sports destination. The entrance pass of our swimming pools and gym rooms is priced at RMB99 to RMB500 per month and RMB999 and RMB3,200 per year. We also offer free entrance to the public during specified period for certain facilities. To cater for the different needs of local residents, we offer various types of training courses and packages. Tuition fee of our training courses is typically determined based on the types of sports, training level (such as beginner, intermediate or advanced), tutor-to-student ratio, number of lessons and location of the sports destination. Tuition fee of our beginners course is priced between RMB500 and RMB15,000 per course.

Please see below summary of the sports parks and sports centres under our management as at the Latest Practicable Date:

Sports Park

No.	Sports park/sports centre	Location	Approximate site area *(sq. m.)*	Major facilities	Opening year	Expiry year of the entrustment agreement *(Note)*
1.	Yangzhou Li Ning Sports Park 揚州李寧體育園	Guangling, Yangzhou	52,500	Indoor swimming pools, badminton courts, table-tennis courts, basketball courts, light volleyball courts, football pitches, tennis and squash courts, gymnasium, multifunctional stadium and fitness centre	2015	2035
2.	Hefei Nanyan Lake Li Ning Sports Park 合肥南艷湖李寧體育園	Hefei, Anhui	300,000	Indoor swimming pools, integrated table tennis and badminton courts, basketball courts, tennis courts, multifunctional stadium and fitness centre	2020	2035
3.	Tongxiang Li Ning Sports Park 桐鄉李寧體育園	Tongxiang, Zhejiang	150,000	Gym room, summer camp training center, outdoor tennis court, outdoor basketball court, outdoor leisure pool and other facilities	2021	2031
4.	Ningbo Hangzhou Bay Li Ning Sports Park 寧波杭州灣李寧體育園	Hangzhou Bay, Ningbo, Zhejiang	32,800	Comprehensive gymnasium with a 50-meter standard swimming pool, a multi-functional hall with basketball and badminton courts, swimming pools, gyms, football fields, and tennis courts	2018	2038
5.	Hangzhou Li Ning Sports Park 杭州李寧體育園	Hangzhou, Zhejiang	68,800	Main cultural and sports centre, comprising riverside promenade area, recreational area, sports cultural area, parent-child sightseeing area, green landscape area	2022	2032

Sports Centre

No.	Sports park/sports centre	Location	Approximate site area *(sq. m.)*	Major facilities	Opening year	Expiry year of the entrustment agreement *(Note)*
6.	Tianjin Li Ning Sports Centre 天津李寧運動中心	Xiqing, Tianjin	29,400	Basketball arena, an integrated table tennis and badminton arena, a natatorium and a 2,000-seater multifunctional coliseum.	2019	2028
7.	Tianjin Chilong Li Ning Cultural and Sports Centre 天津赤龍李寧文體中心	Xiqing, Tianjin	15,000	Sports complex comprising table tennis and badminton arena, swimming pool, gym and a multifunctional coliseum.	2020	2040
8.	Linyi Li Ning Sports Centre 臨沂李寧運動中心	Linyi, Shandong	60,100	Badminton courts, basketball courts, tennis and squash courts, swimming pool, gym and yoga studios, and multi-functional activities room	2018	2037
9.	Nantong Li Ning Sports Centre 南通李寧運動中心	Gangzha, Nantong, Jiangsu	6,000	Sports complex comprising a natatorium, an integrated sports arena, a fitness centre with fitness monitoring equipment	2019	2028

Note: The year of expiry has not taken into account of the effect of any renewal.

Leveraging on our experience and reputation in the sports venues operation and management industry, we have gradually expended our sports park and sports centre portfolio. The following table sets forth the changes in the number of our sports parks for the periods indicated.

	FY2020	FY2021	FY2022
Number of sports parks at the beginning of the period	5	7	9
– Add: New sports parks	2	2	–
– Less: Closure of sports parks	–	–	–
Number of sports parks at the end of the period	7	9	9

Subject to the market conditions and unforeseeable events, we currently expect to commence operation of 3 new sports parks through entrustment model, including one sports park in each of Jiangxi Province and Zhejiang Province in the second quarter of 2023, and one sports park in Anhui Province in the third quarter of 2023.

Principle terms of the entrustment agreements

All of our sports parks and sports centres are operated under the entrustment model with mostly local government who are the owners of the sports parks and sports centres. Under this model, owner of the sports parks and sports centres, will be responsible for the constructions and the related expense, and we, as operator, will be responsible for the management and operation of the sports parks and sports centres and the related expenses. We are entitled to the revenue received from third parties and generated from the services and products provided by us during the operation of sports parks and sports centres. In addition, we may receive subsidies on the basis that we will be proving public services to the community, such as hosting charitable sports events and exhibitions and providing free or discounted entrance tickets to certain public spectrum.

We entered into entrustment agreement in respect of each of sports parks and sports centres with the relevant property owner. Salient terms of these agreements typically contain provisions as to entrustment period, specifications of the sports parks and sports centres, rights and obligations of the operator, general operation of the sports destination, subsidies and payment term, renewal (if applicable), and termination. Typically, the property owners (as entrusting party) are responsible for upgrading, alteration and maintenance in relation to the structure of the sports destinations whereas we (as operator) are responsible for daily operating costs of the sports destinations, such as expenses for utilities, property management, security and cleaning, and maintenance fees for the daily wear and tear. Subsidies are typically granted at a fixed amount pursuant to the payment schedule in the agreement. Our entrustment agreements are typically in a term of 10 to 20 years.

As confirmed by Frost & Sullivan, the entrustment model adopted by our Group, and the terms thereof, are in line with the market norm. As further confirmed by our PRC legal advisers, given that (i) there is no laws or regulations in the PRC, which explicitly prohibits entrustment operation of sports parks and sports centres; and (ii) the relevant entrustment agreements in respect of each of sports parks and sports centres were entered into between the entrusting parties and us after arm's length negotiations, and no terms of such agreements would violate mandatory rules and render the entire agreements void, such entrustment model, and the terms thereof, are in full compliance with the relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

Management of ice-skating rinks

As at the Latest Practicable Date, we operated eleven ice-skating rinks under the brand of "All Star Ice Skating Club" (全明星滑冰俱樂部) located in some of the first-tier and second-tier cities in the PRC. Our ice-skating rinks are well-equipped with professional ice skating facilities and equipment suitable for various types of ice skating.

All of the ice-skating rinks managed by us are located at shopping malls and are leased by us (as tenant) from the owners (as landlord) for operation at our own costs and expenses. We typically enter into leases of the ice-skating rinks for a term of 15 to 20 years. During the Track Record Period, we had not experienced any material breach of the leases for our ice-skating rinks or any difficulties in renewing our existing leases for our ice-skating rinks operations. In the event of any termination of leases or eviction, we believe that suitable alternative location can be identified for our ice-skating rinks operation without material disruption to our business or financial performance.

Revenue mix among our various revenue sources from our ice-skating rinks remained relatively stable during the Track Record Period except we received a sponsorship fee of HK$9.9 million, representing 7.4% of the total revenue from this business, in FY2022. The following table provides a breakdown of revenue by revenue source from our ice-skating rinks for the periods indicated:

	FY2020		**FY2021**		**FY2022**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Entrance fees and tuition fees	90,884	98.9	148,893	98.8	122,788	91.2
Sponsorship fee income	–	–	–	–	9,925	7.4
Others *(Note)*	1,035	1.1	1,766	1.2	1,863	1.4
Revenue before VAT	***91,919***	**100.0**	***150,659***	**100.0**	***134,576***	**100.0**
Less: VAT	(3,130)		(4,955)		(4,102)	
Revenue after VAT	**88,789**		**145,704**		**130,474**	

Note: Others primarily includes renting of equipment and sales of consumables.

We offer different packages for visitors of our ice-skating rinks, including one-off entrance ticket and entrance pass for unlimited entrance on monthly, quarterly, semi-annually and annually basis. During the Track Record Period, our one-off entrance fee ranged from RMB70 to RMB100, depending on the location of the ice-skating rink, and our entrance pass is priced at RMB580 per month to RMB5,888 per year. Our tuition fee ranged from RMB300 to RMB350 per lesson, depending on the training level (such as beginner, intermediate or advanced) and location of the sports destination, and we offer discount to customers who purchased a considerable number of lessons in advance.

Please see below summary of the ice-skating rinks under our management as at the Latest Practicable Date:

No.	**Ice-skating rinks**	**Location**	**Approximate site area** *(sq. m.)*
1.	All-Star Beijing Solana Ice Rink* 全明星北京藍色港灣國際商區冰場	Chaoyang District, Beijing	1,300
2.	All-Star Beijing Longhu Changying Paradise Walk Ice Rink* 全明星北京龍湖長楹天街冰場	Chaoyang District, Beijing	2,000
3.	All-Star Shanghai Mercedes – Benz Arena Ice Rink* 全明星上海梅賽德斯－奔馳文化中心冰場	Pudong New Area, Shanghai	2,109
4.	All-Star Shanghai Incity MEGA Ice Rink* 全明星上海印象城冰場	Jiading District, Shanghai	3,146
5.	All-Star MIXC TIANJIN Ice Rink* 全明星天津萬象城購物中心冰場	Hexi District, Tianjin	2,900
6.	All-Star Tianjin Ocean Future Plaza Ice Rink* 全明星天津遠洋未來廣場冰場	Hedong District, Tianjin	1,350
7.	All-Star Tianjin Joy City Shopping Center Ice Rink* 全明星天津大悅城購物中心冰場	Nankai District, Tianjin	1,500
8.	All-Star Wuhan International Plaza Shopping Center Ice Rink* 全明星武漢國際廣場購物中心冰場	Jianghan District, Hubei	2,100
9.	All-Star Suzhou Longhu Shishan Paradise Walk Ice Rink* 全明星蘇州龍湖獅山天街冰場	Suzhou High-tech Zone	2,500
10.	All-Star Guangzhou Paso Plaza Ice Rink* 全明星廣州百信冰場	Baiyun District, Guangzhou	3,700
11.	All-Star Hangzhou Longhu Binjiang Paradise Walk Ice Rink* 全明星杭州龍湖濱江天街冰場	Binjiang District, Hangzhou	2,500

We maintained a stable portfolio of ice-skating rinks during the Track Record Period. The following table sets forth the changes in the number of our ice-skating rinks for the periods indicated.

	FY2020	FY2021	FY2022
Number of ice-skating rinks at the beginning of the period	12	12	11
– Add: New ice-skating rinks	1	–	–
– Less: Closure of ice-skating rinks *(Note)*	(1)	(1)	–
Number of ice-skating rinks at the end of the period	12	11	11

Note: The closure of the ice-skating rinks in Shenzhen was primarily due to the continuous loss suffered by such ice-skating rinks.

Subject to the market conditions and unforeseeable events, we currently expect to commence operation of 2 new ice-skating rinks through leasing in Beijing in the third quarter of 2023.

Site selection and expansion of sports destinations

Our long-term strategy is to build a comprehensive sports destinations network and we have been dedicating our effort to promote a sportive and healthy lifestyle in the community. Echoing the PRC government's strategy to promote nationwide physical fitness, we look for cooperation with different prospective contracting parties through an asset-light model. We have been selecting suitable cooperation opportunities to expand and diversify our sports destinations management portfolio.

In considering whether to undertake the operation of a sports park and sports centre, we consider a number of factors, such as amount of subsidies, our existing sports parks and sports centres management portfolio, the estimated operating costs, the estimated demand from local community and the estimated revenue, geographical location, government development plan of the area and level of competition.

We believe site selection is crucial to the success of ice-skating rinks. In selecting suitable ice-skating rinks, we generally take into account of, amongst others, the geographical location and level of competition, customer flow, the consumption capacities of the relevant region, the estimated demand and revenue to be generated, the estimated operation costs, industry and market trends, and our existing ice-skating rinks networks. Going forward, we intend to develop and expand our ice-skating rinks business in cities with strong consumption capacities, and capitalise on the boom in winter sports to provide the public with skating experience and various training.

Our Sports Team and Event Management Business Segment

Our sports team and event management business primarily comprises e-sports club management and sports event management. It is our strategy to capture and maximise the commercial values of our sports resources, and encourage social participation in sporting activities through operation of e-sports clubs as well as coordination of sports events and provision of sports-related marketing services.

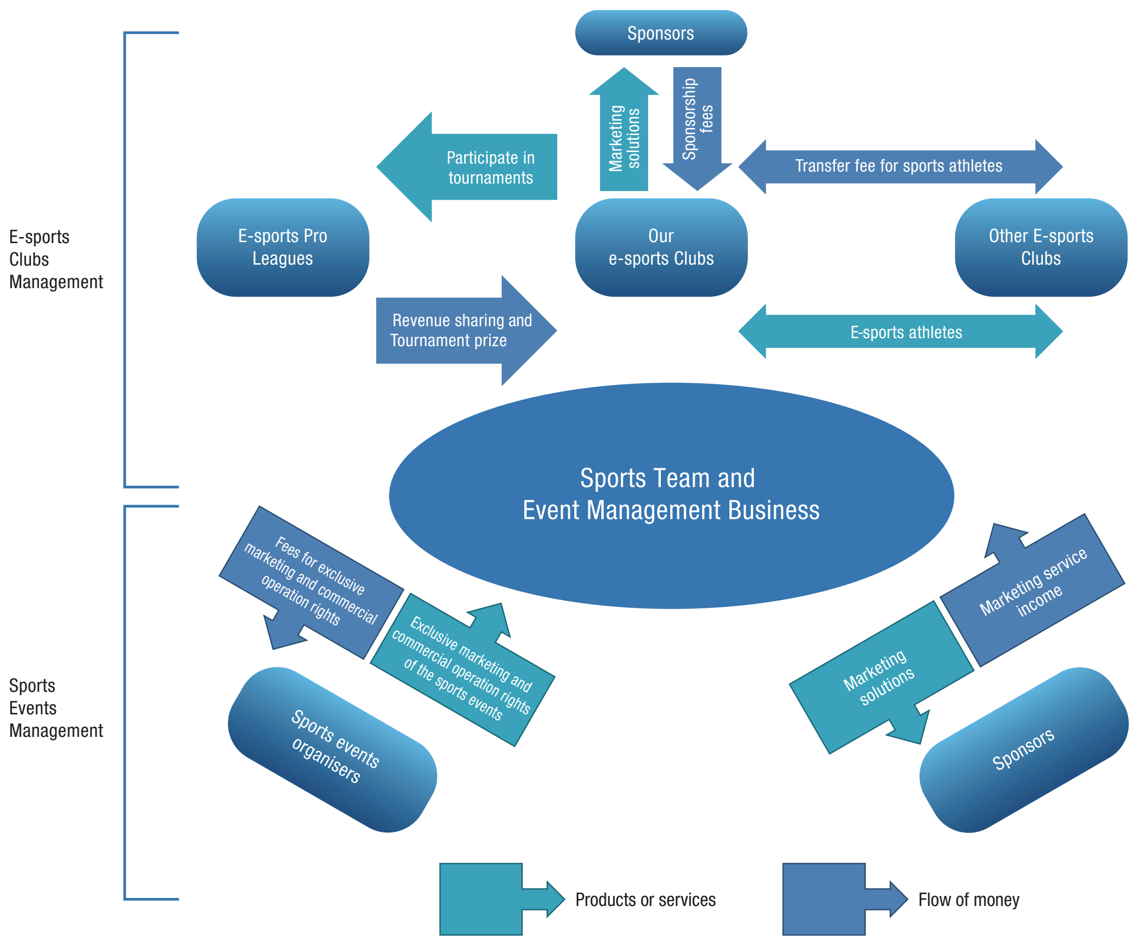
During the Track Record Period, most of our revenue from sports team and event management business was generated from sports event management. The table below sets forth a breakdown our revenue from sports team and event management business for the periods indicated:

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

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

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

Please find below operational flow chart of our sports team and event management business:



Note: Our sports team and event management business comprises (a) e-sports club management business and (b) sports event management which are independent of each other.

E-Sports Club Management

Leveraging on our extensive sports resources and managerial experience, we aspire to provide professional support and resources for the development of e-sports clubs as well as the e-sports industry in the PRC, and to create commercial opportunities for their sustainable development.

In 2019, we acquired an established e-sports club "Snake Esports" which is one of the e-sports clubs competing in the League of Legends Pro League, a professional e-sports competition event in the PRC for League of Legends game series, and re-branded it as "LNG Esports" with a fresh team logo to create synergy effects with our self-owned apparel and footwear brand "LNG" targeting at millennials. In September 2020, we established a new e-sports club "LNG.M TEAM" which competes in the Onmyoji Arena Pro League, a professional e-sports competition event in the PRC for the Onmyoji Arena game series.

We currently manage three e-sports clubs in the PRC that participates at professional e-sports tournaments. They are (a) "LNG Esports" which plays in the League of Legends Pro League, (b) "LNG.M TEAM" which plays in the Onmyoji Arena Pro League and (c) "LNG Academy" which plays in the League of Legends Development League. As at the Latest Practicable Date, there were six members in our "LNG Esports" club, six members in our "LNG.M TEAM" and eleven members in our "LNG Academy" club. Members of our e-sports clubs are experienced in e-sports and video-games and have an existing fan base from the e-sports tournaments. Our e-sports club competes at various regular matches, such as summer split and spring split, and playoffs organised under the relevant tournaments.

The number of our e-sports athletes participating at e-sports tournaments remained relatively stable during the Track Record Period save for a decrease in the number of participating members of "LNG Academy" in FY2022 as we focused on training our core team members during the relevant year. The table below sets forth the number of e-sport athletes who participated at the tournaments for the periods indicated:

	FY2020	**FY2021**	**FY2022**
"LNG Esports"	11	9	11
"LNG Academy"	24	24	15
"LNG.M TEAM"	5	7	7

The League of Legends Pro League is divided into two splits (i.e. spring and summer splits) for every year comprising over 240 matches for each split with 16 to 17 participating teams. Our "LNG Esports" participated in 32, 38 and 38 matches with 10, 19 and 22 wins in FY2020, FY2021 and FY2022 respectively.

The Onmyoji Arena Pro League is divided into three splits (i.e. spring, summer and autumn splits) for every year with 10 participating teams. Our "LNG.M TEAM" participated in 22, 32 and 33 matches with 22, 15 and 23 wins in FY2020, FY2021 and FY2022 respectively.

The League of Legends Development League is divided into two splits (i.e. spring and summer splits) for every year with 24 to 26 participating teams. Our "LNG Academy" participated in 68, 89 and 79 matches with 49, 52 and 38 wins in FY2020, FY2021 and FY2022 respectively.

Our e-sports clubs generate revenue from (i) sharing of revenue from sponsorship fees and sales of live-broadcasting rights and/or live-viewing tickets of e-sports tournaments, which the organisers pay us based on factors such as our e-sports clubs' the performance and ranking, (ii) sponsorship fees, and (iii) transfer fees paid by other clubs for recruiting e-sports athletes from our clubs. Our brand "LNG" also creates business synergy with our e-sports clubs, which are named after LNG, by launching e-sports-themed products series. Costs and expenses in relation to the management of e-sports club primarily includes (i) remuneration to e-sports athletes, and (ii) transfer fees payable to another e-sports club for recruiting athletes from them.

Our revenue mix from sports team management business remained relatively stable during the Track Record Period. The table below sets forth a breakdown of revenue by income source of our sports team management business during periods indicated:

	FY2020		FY2021		FY2022	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
E-sports tournaments	9,891	80.2	25,365	76.4	20,366	63.6
Sponsorship fee income	1,321	10.7	3,777	11.4	11,658	36.4
Others *(Note)*	1,119	9.1	4,046	12.2	–	–
Total	**12,331**	**100.0**	**33,188**	**100.0**	**32,024**	**100.0**

Note: Others include fees for transfer or leasing of athletes.

In 2020, our "LNG.M TEAM" won the champion title in the autumn split of Onmyoji Arena Pro League by winning all 22 matches. In 2021, our "LNG Esports" achieved outstanding performance during the League of Legends Pro League, and was qualified for the League of Legends World Championship during the summer split for the first time and advanced to the group stage. Along with the upsurge of e-sports and the increasing popularity of our e-sports clubs, our apparel and footwear brand of "LNG" is expected to benefit from the branding effect and will gain recognitions from the younger generation.

In recent years, the development of e-sports industry has been encouraged and supported by relevant governments in the PRC. For instance, in early 2021, the government of Suzhou City issued the Circular on the Implementing Opinions on Promoting the Healthy Development of the E-sports Industry in Suzhou City (關於促進蘇州市電競產業健康發展的實施意見的通知), which provides certain preferential policies and action plans to promote the orderly and healthy development of e-sports products, competition brands, e-sports teams, venue operation, live broadcast platforms, etc. According to the relevant laws and regulations in the PRC, we are not required to obtain special licenses or permits from governmental authorities prior to our commencement of operation of e-sport club. Nevertheless, we may be subject to certain restrictive policies during the operation of our e-sports club. For instance, organisers of e-sports tournaments may make rules to require that any e-sports player of e-sports clubs has to be over a certain age to be eligible for participating such tournaments.

In early 2022, the PRC government had issued a public consultation on the Regulations on the Protection of Minors Online (Draft for Solicitation of Comments)(《未成年人網絡保護條例(徵求意見稿)》) which aims to regulate and restricts the access to online video games by minors in the PRC. Given that (i) all of our e-sports athletes are adults who are not subject to the said regulation (if enacted in the current form), and (ii) our revenue from e-sports business are generated from our participation in e-sports tournaments, sponsorship and transfer of e-sports athletes, none of which is directly affected by the said regulation, we currently do not expect the recent regulatory changes in the gaming industry in the PRC to have any material adverse impact on the operation and financial performance of our e-sports business or "LNG" brand.

Arrangements with e-sports tournaments organisers

As a competing e-sports club of e-sports tournaments, we enter into agreement with the relevant tournaments organisers in relation to our participation and revenue-sharing arrangements. Summary of the key terms of these agreements typically includes, participation of e-sports clubs at the e-sports tournaments and related events, management of the e-sports club, calculation and sharing of revenue from the tournaments a portion of which is performance-based, payment terms, restrictions on the e-sports clubs on sponsorships, ownership and change of control, and termination.

Our agreements with e-sports tournament organisers are typically for a term of 5 years. Our agreement for League of Legends Pro League and League of Legends Development League is expected to expire in December 2025 and we are preparing to work with the organiser of Onmyoji Arena Pro League to renew our agreement for the upcoming season. Typically, the agreement with e-sports tournament organisers can be terminated by the non-defaulting party if there has been a breach of contract by the other party which cannot be remedied, or has not been remedied within a prescribed period. In addition, e-sports tournament organisers are entitled to terminate the agreement in any of the following events, including but not limited to, any breach of e-sports athletes service contract by e-sports club, any reputational damage to the organiser and the subject video game by any acts of the e-sports club and its members, and any transfer of the business of the e-sports clubs (unless previously approved by the organiser).

During the Track Record Period, our e-sports clubs had not been withdrawn from the participation of their respective e-sports tournaments, including League of Legends Pro League, Onmyoji Arena Pro League and League of Legends Development League.

Incubation and management of e-sports athletes

We believe sustainable supply of talented e-sports athletes are essential to the success of e-sports club management. We incubate professional e-sports athletes to compete in e-sports tournaments, and to create and distribute high-quality e-sports-related content for live streaming and other online entertainment platforms and engage in other commercialisation activities.

Since our acquisition of "LNG Esports" (the then "Snake Esports") in 2019, we have been gradually expanding our pool of e-sports talents and have recruited other promising candidates in emerging and popular video-games. We are committed to discovering new candidates to enlarge our talent pool and have a dedicated team that closely tracks all major entertainment platforms and professional e-sports tournaments to identify candidates with potential, with whom we seek to recruit. Moreover, we manage "LNG Academy", an e-sports club competing at the League of Legends Development League, which focuses on the training of new players and promotion of sustainable development of the e-sports industry, with a view to nurture e-sports athletes and enable them to accumulate practical experiences in preparation for the League of Legends Pro League. We recruit professional e-sports coaches to provide regular trainings for all our e-sports athletes to strength their gaming techniques. With our efforts in nurturing talents, we maintain a pool of replacement e-sports athletes and do not rely on any particular e-sports athlete.

We enter into service agreements with our e-sports athletes based on the prescribed template approved by the e-sports tournaments organisers, material terms of which includes, length of service, remuneration and other benefits, performance-based bonus, obligations of the e-sports athletes and e-sports clubs, restrictions on press, social media and sponsorships, transfer of e-sports athletes, non-solicitation and anti-bribery covenants, and termination. During the Track Record Period, we did not experience any difficult in recruiting suitable e-sports talents, and did not have any material disputes with members of our e-sports clubs.

Sports Event Management Business

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

Arrangements with sports events organisers

Leveraging on the reputation and existing networks of our Group as well as our core management team in the sports industry, we acquire from sports events organisers the exclusive rights to market and operate their events. The work typically involves sourcing suitable sponsors for the sports events and managing the related commercial activities, such as advertisement, merchandise and sponsored products. Whilst we are required to pay to the sports event organisers a fee for such exclusive marketing and commercial operation rights, we are entitled to the marketing service income generated from the commercial activities.

We typically enter into agreements with sports event organisers in relation to each sports event. Major terms of these agreements generally include, coverage of the marketing and commercial operation rights in terms of geographical region, sponsored products as well as marketing channels and frequencies, fees for the exclusive marketing and commercial operation rights and payment terms, and details of the sports events, such as number of matches or events, date and schedule of the events and location.

The fee we pay for the exclusive rights to market and operate the commercial aspects of a sports event varies depending on the event and the marketing activities we propose. We negotiate the fee with the sports event organiser based on factors such as (i) the popularity and nature of the event, (ii) the scope of the rights we obtain, (iii) the estimated number and duration of the event, (iv) the expected viewers and participants of the event, and (v) the potential income and commercialisation opportunities from the event. The sports event organiser usually gives us an initial fee proposal. We then evaluate the profitability of the event by comparing the expected income and the production costs. The expected income comes from the sponsors who pay us for our marketing services. The production costs include the expenses we incur when providing these services, such as advertising, promotion, and event management. We aim for a minimum gross profit margin of 10%. If we think the event can meet this target, we will try to negotiate a lower fee with the sports event organiser. If the production costs are higher than the expected income, we do not participate in the event.

Arrangements with sponsors

To create commercial value from sports events, we invite sports and fashion brands to sponsor the sports events and provide marketing services to them in return of a service fee. Leveraging on the popularity and brand premium of the sports events, sponsors can improve their brand recognition and promote their products at the sports events, and may receive revenue from developing and selling merchandise associated with the sports events.

We generally enter into a sponsorship agreement with each sponsor for every sports event. Under this agreement, we provide the following marketing services in exchange for a service fee: (i) we ensure that the athletes and other participants use only the sponsor's sports apparel, footwear and accessories throughout the event, excluding those of their competitors, and (ii) we organise marketing activities to promote the event, featuring the sponsor's logos and/or merchandise in the agreed format and frequencies.

Principal terms of the sponsorship agreements generally include, marketing service income and payment terms, requirements on the usage of the sponsored products, means and frequencies of the guaranteed publication of the sponsor's logo on the marketing materials, and the list of the sponsors' prohibited competitors.

We adopt a cost-plus approach in determining the marketing service fee we charge for our marketing services. The costs of our marketing services mainly comprise (i) the fee for the exclusive marketing and commercial operation rights for the relevant sports event, (ii) the costs for carrying out the related marketing activities, such as payment for stage setting, audio visual production, and renting advertising spaces, and (iii) staff costs. The specific features of each sports event and the marketing activities we propose determine the marketing service fee we charge. We negotiate this fee with the sponsors, taking into account factors such as: (i) the event's popularity and nature, (ii) the number and duration of the event, (iii) the estimated viewers and participants of the event, (iv) the scope and coverage of the marketing activities, (v) the exposure of the brands, (vi) the impact on the sponsor's sales and brand recognition, and (vii) the exclusivity of sponsorship. The average event profit margin of the two major sports events managed by us during the Track Record Period, being CBA Basketball League and 3+1 Basketball League, was 25.5% and 15.2% respectively. Variance in both the revenue and event profit margin recorded by us during the Track Record Period for providing marketing services at each sports event was primarily due to the difference in the popularity and scale of the sports events, and our service scope.

In selecting the sponsors, we generally consider, among other things, the brand positioning and reputation of the sponsor, the financial position of the sponsor, the quality of the sponsored products, the marketing service income, the targeted participants of the sports event.

Landmark sports events of our sports event management business

During the Track Record Period, we partook in the CBA basketball league and 3+1 basketball league which collectively accounted for over 90% of our total revenue from sports event management business during the Track Record Period. Revenue generated from these two events was HK$188.4 million, HK$220.2 million and HK$224.8 million for FY2020, FY2021 and FY2022 respectively. CBA basketball league is the highest-ranking professional basketball league in the PRC. 3+1 basketball league is a pop culture event for youngsters and campus basketball players hosting in business districts and university basketball courts in the PRC which combines "three-on-three" and "one-on-one" basketball league with hip-hop elements, such as rap, street dance, music and graffiti. Details of such events are as follows:

No.	Event	Relevant financial year during the Track Record Period	Identities of organiser	Identities of major sponsors	Average event profit margin during the Track Record Period *(Note)*	Services provided by our Group
1	Basketball league in the PRC	FY2020 to FY2022	Chinese Basketball Association	LN Group, Double Happiness	25.5%	Marketing and promotion of the event and sponsored brand, distribution of sponsored products, liaise with various stakeholders, including sponsors, sports clubs, athletes and media, monitor and attend to press release
2	3+1 Basketball League	FY2020 to FY2022	Our Group	LN Group	15.2%	Overall co-ordination of the event, including marketing and promotion, and execution of the event

Note: Event cost only includes those costs directly attributable to the event and does not include indirect and overhead costs.

To the best knowledge, information and belief of our Directors after making all reasonable enquiries, the organisers and sponsors of the above major sports events are Independent Third Parties except we were interested in 10.29% equity interests in Li Ning Co and 10% equity interests in Double Happiness as at the Latest Practicable Date.

OUR CUSTOMERS

Our customers are primarily (i) consumers and third-party retailers for our multi-brand apparel and footwear segment, (ii) local government, private enterprises and local residents for our sports destination development segment, (iii) sports events sponsors for our sports event management business, and (iv) e-sports tournament organisers for our e-sports team management business.

Top five customers of our Group

Our five largest customers accounted for 27.2%, 25.1% and 16.2% of our total revenue for FY2020, FY2021 and FY2022, respectively, and our single largest customer accounted for 24.6%, 21.4% and 6.9% of our total revenue for these respective periods. The percentage level of revenue attributable to our five largest customers and our single largest customer recorded a continuous decrease during the Track Record Period primarily due to our expansion and diversification of business through acquisitions and subsequent growth.

The following table sets out the background information about our five largest customers for the periods indicated:

FY2020

Rank	Customer	Background and principal business activities of the customers	Products sold/ services provided	Year our customer started to do business with us	Revenue *(HK$'000)*	Approximate % to our total revenue	Credit period and payment term
1	LN Group *(Note 1)*	A Hong Kong listed company based in the PRC and principally engages in sales of sportswear and equipment	Provision of sports-related marketing activities, sales of apparel	2017	201,180	24.6%	On or before the date specified in the agreement, bank transfer
2	Customer TS	A private company established on 4 January 2019 and based in Shanghai, the PRC with a registered capital of RMB530.0 million (of which RMB362.5 million had been paid up) and principally engages in the organisation of e-sports tournaments	E-sports live-broadcasting fees	2019	9,892	1.2%	30-60 days from invoice, bank transfer
3	Customer A *(Note 2)*	A private company incorporated in 1982 based in Thailand with its head office in Bangkok, Thailand and principally engages in sales of garments	Sales of apparel products	2011	5,792	0.7%	45 days from invoice, bank transfer
4	Customer SD *(Note 3)*	A state-owned enterprise established on 26 December 1995 and based in Shanghai, the PRC with a registered capital of RMB112.0 million (all of which had been paid up) and principally engages in sales of sports equipment	Provision of sports-related marketing services	2017	3,167	0.4%	On or before the date specified in the agreement, bank transfer
5	Customer TN *(Note 2)*	A private company based in Vietnam and principally engages in sales of garments	Sales of apparel products	2019	2,666	0.3%	Deposit and 10 days before shipment, bank transfer
				Total	**222,697**	**27.2%**	

FY2021

Rank	Customer	Background and principal business activities of the customers	Products sold/ services provided	Year our customer started to do business with us	Revenue *(HK$'000)*	Approximate % to our total revenue	Credit period and payment term
1	LN Group *(Note 1)*	A Hong Kong listed company based in the PRC and principally engages in sales of sportswear and equipment	Provision of sports-related marketing services, sales of apparel and provision of footwear OEM services	2017	295,956	21.4%	On or before the date specified in the agreement, bank transfer
2	Customer TS	A private company established on 4 January 2019 and based in Shanghai, the PRC with a registered capital of RMB530.0 million (of which RMB362.5 million had been paid up) and principally engages in the organisation of e-sports tournaments	E-sports live-broadcasting fees	2019	23,597	1.7%	30-60 days from invoice, bank transfer
3	Customer A *(Note 2)*	A private company incorporated in 1982 based in Thailand with its head office in Bangkok, Thailand and principally engages in sales of garments	Sales of apparel products	2011	18,160	1.3%	45 days from invoice, bank transfer
4	Customer I *(Note 2)*	A private company incorporated on 7 October 2013 based in Jordan with a registered capital of 30,000 Jordanian Dinar (all of which had been paid up) and principally engages in sales of garments	Sales of apparel products	2015	7,064	0.5%	Deposit and 10 days before shipment, bank transfer
5	Customer SD *(Note 3)*	A state-owned enterprise established on 26 December 1995 and based in Shanghai the PRC with a registered capital of RMB112.0 million (all of which had been paid up) and principally engages in sales of sports equipment	Provision of sports-related marketing services	2017	3,405	0.2%	On or before the date specified in the agreement, bank transfer
				Total	**348,182**	**25.1%**	

FY2022

Rank	Customer	Background and principal business activities of the customers	Products sold/ services provided	Year our customer started to do business with us	Revenue *(HK$'000)*	Approximate % to our total revenue	Credit period and payment term
1	LN Group *(Note 1)*	A Hong Kong listed company based in the PRC and principally engages in sales of sportswear and equipment	Provision of sports-related marketing services, sales of apparel and provision of footwear OEM services	2017	478,896	6.9%	On or before the date specified in the agreement, bank transfer
2	Clark Customer A *(Notes 4 and 5)*	A company listed on NASDAQ and principally engages in the provision of e-commerce services	Sales of footwear	2007	285,093	4.1%	60-90 days from invoice, bank transfer
3	Clark Customer M *(Note 5)*	A private company based in the US and principally engages in the operation of department stores	Sales of footwear	2013	152,033	2.2%	45 days on receipt of goods and 60 days from invoice, bank transfer
4	Clark Customer D *(Note 5)*	A company listed on the New York Stock Exchange based in the US and principally engages in the sales of footwear	Sales of footwear	2015	136,782	2.0%	70 days from end of month, bank transfer
5	Clark Customer JC *(Note 5)*	A private company based in the US and principally engages in the operation of department stores	Sales of footwear	2013	66,208	1.0%	30 days from invoice, bank transfer
				Total	**1,119,012**	**16.2%**	

Notes:

1. As at the Latest Practicable Date, Li Ning Co was held as to 10.29% by our Group, 0.15% by Mr. Li Ning (being our Director and Controlling Shareholder) under his personal capacity, and 0.04% by Mr. Li Qilin (being our Director) under his personal capacity. LN Group is also our supplier during the Track Record Period.

2. These are customers of Bossini and our Group completed the acquisition of Bossini in July 2020.

3. As at the Latest Practicable Date, Customer SD was held as to 10% by our Group.

4. Clark Customer A includes two subsidiaries (based in the US and the Europe respectively) and is a company listed on NASDAQ which is principally engaged in the provision of e-commerce services.

5. These are customers of the Clark Group and our Group completed the First Clark Acquisition in July 2022.

6. Information regarding the background and principal business activities of our customers is prepared based on publicly available information.

Top five customers of our multi-brand apparel and footwear business

Our five largest customers from our multi-brand apparel and footwear business accounted for 2.0%, 7.1% and 12.8% of our total revenue for FY2020, FY2021 and FY2022 respectively, and our single largest customer from this business accounted for 0.7%, 4.9% and 4.1% of our total revenue for these respective periods.

The following table sets out the background information about our five largest customers from our multi-brand apparel and footwear business for the periods indicated:

FY2020

Rank	Customer	Background and principal business activities of the customer	Products sold/ services provided	Brands and major distribution channels	Year our customer started to do business with us	Revenue *(HK$'000)*	Approximate % to our total revenue	Credit period and payment term
1	Customer A *(Note 2)*	A private company incorporated in 1982 based in Thailand with its head office in Bangkok, Thailand and principally engages in sales of garments	Sales of apparel products	Bossini, retail stores in Thailand	2011	5,792	0.7%	45 days from invoice, bank transfer
2	LN Group *(Note 1)*	A Hong Kong listed company based in the PRC and principally engages in sales of sportswear and equipment	Sales of apparel	LNG, retail stores in the PRC	2020	3,975	0.5%	Monthly settlement, bank transfer
3	Customer TN *(Note 2)*	A private company based in Vietnam and principally engages in sales of garments	Sales of apparel products	Bossini, retail stores in Vietnam	2019	2,666	0.3%	Deposit and 10 days before shipment, bank transfer
4	Customer I *(Note 2)*	A private company incorporated on 7 October 2013 based in Jordan with a registered capital of 30,000 Jordanian Dinar (all of which had been paid up) and principally engages in sales of garments	Sales of apparel products	Bossini, retail stores in Jordan	2015	2,096	0.3%	Deposit and 10 days before shipment, bank transfer
5	Customer M *(Note 2)*	A private company founded in 1996 and based in Yangon, Myanmar with more than 600 employees and principally engages in the distribution of fast-moving consumable goods and fashion apparel	Sales of apparel products	Bossini, retail stores in Myanmar	2007	1,602	0.2%	Deposit and 14 days before proforma invoice, bank transfer
					Total	**16,131**	**2.0%**	

FY2021

Rank	Customer	Background and principal business activities of the customer	Products sold/ services provided	Brands and major distribution channels	Year our customer started to do business with us	Revenue *(HK$'000)*	Approximate % to our total revenue	Credit period and payment term
1	LN Group *(Note 1)*	A Hong Kong listed company based in the PRC and principally engages in sales of sportswear and equipment	Sales of apparel and provision of footwear OEM services	LNG, retail stores in the PRC	2020	67,771	4.9%	Monthly settlement, bank transfer
2	Customer A *(Note 2)*	A private company incorporated in 1982 based in Thailand with its head office in Bangkok, Thailand and principally engages in sales of garments	Sales of apparel products	Bossini, retail stores in Thailand	2011	18,160	1.3%	45 days from invoice, bank transfer
3	Customer I *(Note 2)*	A private company incorporated on 7 October 2013 based in Jordan with a registered capital of 30,000 Jordanian Dinar (all of which had been paid up) and principally engages in sales of garments	Sales of apparel products	Bossini, retail stores in Jordan	2015	7,064	0.5%	Deposit and 10 days before shipment, bank transfer
4	Customer SA *(Note 2)*	A private company incorporated on 7 March 2017 under the law of France with registered capital of EUR8,000 and its registered office at Reunion Island and principally engaged in the sales of garments	Sales of apparel products	Bossini, retail stores in Reunion Island	2019	3,135	0.2%	Deposit and 30 days before shipment, bank transfer
5	Customer NB	A private company established on 25 April 2012 and based in Ningbo, the PRC with a registered capital of RMB60.0 million (of which RMB2.5 million had been paid up) and principally engages in sales of garments, footwear and other consumables	Sales of apparel products	LNG, retail stores in the PRC focusing on Ningbo, Shanghai, Nanjing and Hangzhou	2020	2,671	0.2%	Prepayment, bank transfer
					Total	**98,801**	**7.1%**	

FY2022

Rank	Customer	Background and principal business activities of the customer	Products sold/ services provided	Brands and major distribution channels	Year our customer started to do business with us	Revenue *(HK$'000)*	Approximate % to our total revenue	Credit period and payment term
1	Clark Customer A *(Notes 3 and 4)*	A company listed on NASDAQ and principally engages in the provision of e-commerce services	Sales of footwear	Clarks, online sales	2007	285,093	4.1%	60-90 days from invoice, bank transfer
2	LN Group *(Note 1)*	A Hong Kong listed company based in the PRC and principally engages in sales of sportswear and equipment	Sales of apparel and provision of footwear OEM services	LNG, retail stores in the PRC	2020	242,270	3.5%	Monthly settlement, bank transfer
3	Clark Customer M *(Note 4)*	A private company based in the US and principally engages in the operation of department stores	Sales of footwear	Clarks, retail stores in the US and online sales	2013	152,033	2.2%	45 days on receipt of goods and 60 days from invoice, bank transfer
4	Clark Customer D *(Note 4)*	A company listed on the New York Stock Exchange based in the US and principally engages in the sales of footwear	Sales of footwear	Clarks, retail stores in the US and online sales	2015	136,782	2.0%	70 days from end of month, bank transfer
5	Clark Customer JC *(Note 4)*	A private company based in the US and principally engages in the operation of department stores	Sales of footwear	Clarks, retail stores in the US and online sales	2013	66,208	1.0%	30 days from invoice, bank transfer
					Total	**882,386**	**12.8%**	

Notes:

1. As at the Latest Practicable Date, Li Ning Co was held as to 10.29% by our Group, 0.15% by Mr. Li Ning (being our Director and Controlling Shareholder) under his personal capacity, and 0.04% by Mr. Li Qilin (being our Director) under his personal capacity. LN Group is also our supplier during the Track Record Period.

2. These are customers of Bossini and our Group completed the acquisition of Bossini in July 2020.

3. Clark Customer A includes two subsidiaries (based in the US and the Europe respectively) and is a company listed on NASDAQ which is principally engaged in the provision of e-commerce services.

4. These are customers of the Clark Group and our Group completed the First Clark Acquisition in July 2022.

5. Information regarding the background and principal business activities of our customers is prepared based on publicly available information.

Top five customers of the Clark Group before completion of the First Clark Acquisition

For FY2020 and FY2021, most of our Group's top five customers from the multi-brand apparel and footwear business are customers of the Bossini Group by reason of our acquisition of Bossini in July 2020. Following completion of the First Clark Acquisition in July 2022, most of our Group's top five customers from this business segment for FY2022 are customers of the Clark Group.

Customers of the Clark Group are substantially individual shoppers and wholesale customers. Before completion of the First Clark Acquisition, the five largest customers of the Clark Group accounted for 14.9%, 14.0% and 15.9% of its total revenue for 52 weeks to 30 January 2021 and 29 January 2022 and the 22 weeks ended 2 July 2022, respectively, and its largest customer accounted for 7.5%, 6.2% and 6.1% of its total revenue for these respective periods. The following table sets out the background information about the five largest customers of the Clark Group for the periods indicated:

52 weeks to 30 January 2021

Rank	Customer	Background and principal business activities of the customers	Products sold/ services provided	Major distribution channels	Year of commencement of business relationship	Revenue	Approximate % to total revenue	Credit period and payment term
						(£'m)		
1	Clark Customer A *(Note)*	A company listed on NASDAQ and principally engages in the provision of e-commerce services	Sales of footwear	Online sales	2007	58.5	7.5%	60-90 days from invoice, bank transfer
2	Clark Customer M	A private company based in the US and principally engages in the operation of department stores	Sales of footwear	Retail stores in the US and online sales	2013	22.4	2.9%	45 days on receipt of goods and 60 days from invoice, bank transfer
3	Clark Customer D	A company listed on the New York Stock Exchange based in the US and principally engages in the sales of footwear	Sales of footwear	Retail stores in the US and online sales	2015	15.0	1.9%	70 days end of month, bank transfer
4	Clark Customer Q	A company listed on the New York Stock Exchange based in the US and principally engages in the operation of online and television shopping network	Sales of footwear	T-commerce and e-commerce platform	2013	12.6	1.6%	45 days from invoice, bank transfer
5	Clark Customer Z	A private company based in the US and principally engages in the retail sales of apparel and footwear	Sales of footwear	E-commerce platform	2013	7.6	1.0%	90 days from invoice, bank transfer
					Total	**116.1**	**14.9%**	

52 weeks to 29 January 2022

Rank	Customer	Background and principal business activities of the customers	Products sold/ services provided	Major distribution channels	Year of commencement of business relationship	Revenue (£'m)	Approximate % to total revenue	Credit period and payment term
1	Clark Customer A *(Note)*	A company listed on NASDAQ and principally engages in the provision of e-commerce services	Sales of footwear	Online sales	2007	57.1	6.2%	60-90 days from invoice, bank transfer
2	Clark Customer M	A private company based in the US and principally engages in the operation of department stores	Sales of footwear	Retail stores in the US and online sales	2013	29.2	3.1%	45 days on receipt of goods and 60 days from invoice, bank transfer
3	Clark Customer D	A company listed on the New York Stock Exchange based in the US and principally engages in the sales of footwear	Sales of footwear	Retail stores in the US and online sales	2015	19.1	2.1%	70 days end of month, bank transfer
4	Clark Customer Q	A company listed on the New York Stock Exchange based in the US and principally engages in the operation of online and television shopping network	Sales of footwear	T-commerce platform and online sales	2013	13.5	1.4%	45 days from invoice, bank transfer
5	Clark Customer JC	A private company based in the US and principally engages in the operation of department stores	Sales of footwear	Retail stores in the US and online sales	2013	11.0	1.2%	30 days from invoice, bank transfer
					Total	**129.9**	**14.0%**	

22 weeks to 2 July 2022

Rank	Customer	Background and principal business activities of the customers	Products sold/services provided	Major distribution channels	Year of commencement of business relationship	Revenue (£'m)	Approximate % to total revenue	Credit period and payment term
1	Clark Customer A *(Note)*	A company listed on NASDAQ and principally engages in the provision of e-commerce services	Sales of footwear	Online sales	2007	24.4	6.1%	60-90 days from invoice, bank transfer
2	Clark Customer M	A private company based in the US and principally engages in the operation of department stores	Sales of footwear	Retail stores in the US and online sales	2013	12.4	3.1%	45 days on receipt of goods and 60 days from invoice, bank transfer
3	Clark Customer D	A company listed on the New York Stock Exchange based in the US and principally engages in the sales of footwear	Sales of footwear	Retail stores in the US and online sales	2015	11.5	2.9%	70 days from end of month, bank transfer
4	Clark Customer JC	A private company based in the US and principally engages in the operation of department stores	Sales of footwear	Retail stores in the US and online sales	2013	7.7	1.9%	30 days from invoice, bank transfer
5	Clark Customer K	A company listed on the New York Stock Exchange based in the US and principally engages in the operation of department stores	Sales of footwear	Retail stores in the US and online sales	2013	7.4	1.9%	45 days on receipt of goods
					Total	**63.4**	**15.9%**	

Note: Clark Customer A includes two subsidiaries (based in the US and the Europe respectively) and is a company listed on NASDAQ which is principally engaged in the provision of e-commerce services.

Top five customers of our sports experience business

Our five largest customers from our sports experience business accounted for 25.9%, 18.8% and 4.0% of our total revenue for FY2020, FY2021 and FY2022, respectively, and our single largest customer from this business accounted for 24.1%, 16.5% and 3.4% of our total revenue for these respective periods. The percentage level of revenue attributable to our five largest customers and our single largest customer from our sports experience business recorded a continuous decrease during the Track Record Period primarily due to our expansion of the multi-brand apparel and footwear business.

The following table sets out the background information about our five largest customers from our sports experience business for the periods indicated:

FY2020

Rank	Customer	Background and principal business activities of the customer	Products sold/ services provided	Year our customer started to do business with us	Revenue *(HK$'000)*	Approximate % to our total revenue	Credit period and payment term
1	LN Group *(Note 1)*	A Hong Kong listed company based in the PRC and principally engages in sales of sportswear and equipment	Provision of sports-related marketing services	2017	197,205	24.1%	On or before the date specified in the agreement, bank transfer
2	Customer TS	A private company established on 4 January 2019 and based in Shanghai, the PRC with a registered capital of RMB530.0 million (of which RMB362.5 million had been paid up) and principally engages in the organisation of e-sports tournaments	E-sports live-broadcasting fees	2019	9,892	1.2%	30-60 days from invoice, bank transfer
3	Customer SD *(Note 2)*	A state-owned enterprise established on 26 December 1995 and based in Shanghai, the PRC with a registered capital of RMB112.0 million (all of which had been paid up) and principally engages in sales of sports equipment	Provision of sports-related marketing services	2017	3,167	0.4%	On or before the date specified in the agreement, bank transfer
4	Customer XA	A private company established on 23 March 2018 based in Xi'an, the PRC with a registered capital of RMB57.5 million (of which RMB7.5 million had been paid up) and principally engages in the management of e-sports team	Transfer of e-sports athlete	2019	1,119	0.1%	On or before the date specified in the agreement, bank transfer
5	Customer O	PRC national sports team	Rehabilitation services	2020	1,057	0.1%	On or before the date specified in the agreement, bank transfer
				Total	**212,440**	**25.9%**	

FY2021

Rank	Customer	Background and principal business activities of the customer	Products sold/ services provided	Year our customer started to do business with us	Revenue *(HK$'000)*	Approximate % to our total revenue	Credit period and payment term
1	LN Group *(Note 1)*	A Hong Kong listed company based in the PRC and principally engages in sales of sportswear and equipment	Provision of sports-related marketing services	2017	228,185	16.5%	On or before the date specified in the agreement, bank transfer
2	Customer TS	A private company established on 4 January 2019 and based in Shanghai, the PRC with a registered capital of RMB530.0 million (of which RMB362.5 million had been paid up) and principally engages in the organisation of e-sports tournaments	E-sports live-broadcasting fees	2019	23,597	1.7%	30-60 days from invoice, bank transfer
3	Customer SD *(Note 2)*	A state-owned enterprise established on 26 December 1995 and based in Shanghai, the PRC with a registered capital of RMB112.0 million (all of which had been paid up) and principally engages in sales of sports equipment	Provision of sports-related marketing services	2017	3,405	0.2%	On or before the date specified in the agreement, bank transfer
4	Customer NBA	A private company established on 24 January 2008 and based in Beijing, the PRC with a registered capital of USD5.0 million (all of which had been paid up) and principally engages in the organisation and promotion of sports activities	E-sports team sponsorship	2021	2,392	0.2%	On or before the date specified in the agreement, bank transfer
5	Customer LK	A private company established on 23 February 2017 based in Zhejiang Province, the PRC with a registered capital of RMB100.0 million (all of which had been paid up) and principally engages in the sales of automotives	E-sports team sponsorship	2021	2,279	0.2%	On or before the date specified in the agreement, bank transfer
				Total	**259,858**	**18.8%**	

FY2022

Rank	Customer	Background and principal business activities of the customer	Products sold/ services provided	Year our customer started to do business with us	Revenue *(HK$'000)*	Approximate % to our total revenue	Credit period and payment term
1	LN Group *(Note 1)*	A Hong Kong listed company based in the PRC and principally engages in sales of sportswear and equipment	Provision of sports-related marketing services	2017	236,626	3.4%	On or before the date specified in the agreement, bank transfer
2	Customer TS	A private company established on 4 January 2019 and based in Shanghai, the PRC with a registered capital of RMB530.0 million (of which RMB362.5 million had been paid up) and principally engages in the organisation of e-sports tournaments	E-sports live-broadcasting fees	2019	18,944	0.3%	30-60 days from invoice, bank transfer
3	Customer LK	A private company established on 23 February 2017 based in Zhejiang Province, the PRC with a registered capital of RMB100.0 million (all of which had been paid up) and principally engages in the sales of automotives	E-sports team sponsorship	2021	3,925	0.1%	On or before the date specified in the agreement, bank transfer
4	Customer SD *(Note 2)*	A state-owned enterprise established on 26 December 1995 and based in Shanghai, the PRC with a registered capital of RMB112.0 million (all of which had been paid up) and principally engages in sales of sports equipment	Provision of sports-related marketing services	2017	3,419	0.1%	On or before the date specified in the agreement, bank transfer
5	Shanghai Yifeng Culture Media Co., Ltd.(上海崟楓文化傳媒有限公司)	A private company established on 29 August 2017 and based in Shanghai, the PRC with a registered capital of RMB1.2 million (all of which had been paid up) and principally engages in cultural exchange, public relations, marketing and live-broadcasting and performance	Live-broadcasting fees	2021	1,988	0.1%	3 days from invoice, bank transfer
				Total	**264,902**	**4.0%**	

Notes:

1. As at the Latest Practicable Date, Li Ning Co was held as to 10.29% by our Group, 0.15% by Mr. Li Ning (being our Director and Controlling Shareholder) under his personal capacity, and 0.04% by Mr. Li Qilin (being our Director) under his personal capacity. LN Group is also our supplier during the Track Record Period.

2. As at the Latest Practicable Date, Customer SD was held as to 10% by our Group.

3. Information regarding the background and principal business activities of our customers is prepared based on publicly available information.

To the best knowledge of our Directors, save as disclosed above, (a) none of our Directors, their respective close associates or any Shareholder who owned more than 5% of the issued share capital of our Company as at the Latest Practicable Date had any interest in any of our five largest customers under each of our business segments during the Track Record Period; and (b) other than acting as customers of our Group, there is no other relationship or dealing (including family, business, employment, trust, fund flow, financing or otherwise) (whether past or present) between our Group and our five largest customers under each of our business segments, their respective shareholders, directors or senior management, or any of their respective associates.

OUR SUPPLIERS

Our suppliers primarily comprises (i) OEM suppliers for our multi-brand apparel and footwear segment, (ii) utilities suppliers and coaches for our sports destination development segment, (iii) sports events organisers for our sports event management business, and (iv) e-sports club operators and talent management company in relation to recruitment of e-sports athletes for our e-sports team management business.

Our five largest suppliers accounted for 32.2%, 29.2% and 17.5% of our total cost of sales for FY2020, FY2021 and FY2022, respectively, while our largest supplier accounted for 20.7%, 15.6% and 5.0% of our total cost of sales for these respective periods. The percentage level of purchase amount attributable to our five largest suppliers and our single largest supplier recorded a continuous decrease during the Track Record Period primarily due to our business expansion and diversification through acquisitions and subsequent growth.

The following table sets out the background information about our five largest suppliers for the periods indicated:

FY2020

Rank	Supplier	Background and principal business activities of the suppliers	Products/services procured	Year our supplier started to do business with us	Purchase amount *(HK$'000)*	Approximate % to our total costs of sales	Credit period and payment term
1	Chinese Basketball League (Beijing) Sports Co., Ltd.(中籃聯(北京)體育有限公司)	A private company established on 21 October 2016 and based in Beijing, the PRC with a registered capital of RMB60.0 million (of which RMB20.0 million had been paid up) and principally engages in organisation of basketball event	Exclusive right to marketing and commercial operation of basketball event in the PRC	2017	101,238	20.7%	On or before the date specified in the agreement, bank transfer
2	Supplier T *(Note 1)*	A private company incorporated on 15 January 2003 in Hong Kong and principally engages in the export and import of garments	Purchase of garments	2007	16,399	3.4%	60 days from invoice, bank transfer
3	Jiangsu High Power IMP & Export Company Limited(江蘇匯鴻國際集團盛世進出口有限公司) *(Note 1)*	A private company established on 16 November 1992 and based in Nanjing City, the PRC with a registered capital of RMB10.2 million (all of which had been paid up) whose largest shareholder is a company listed on the Shanghai Stock Exchange and principally engages in the manufacturing of garments and other products	Purchase of garments	2012	15,012	3.1%	60 days from invoice, bank transfer
4	Supplier SM *(Note 1)*	A private company incorporated in 2002 based in Dhaka, Bangladesh and principally engages in the manufacturing of garments	Purchase of garments	2018	12,405	2.5%	60 days from invoice, bank transfer
5	Supplier SJ	A private company established on 12 February 2018 and based in Shanghai, the PRC with a registered capital of RMB60.0 million (all of which had been paid up) and principally engages in e-sports team management and is indirectly and wholly-owned by a sportswear company listed on the Main Board of the Stock Exchange	Transfer fee of e-sports team member	2020	12,140	2.5%	On or before the date specified in the agreement, bank transfer
				Total	**157,194**	**32.2%**	

FY2021

Rank	Supplier	Background and principal business activities of the suppliers	Products/services procured	Year our supplier started to do business with us	Purchase amount *(HK$'000)*	Approximate % to our total costs of sales	Credit period and payment term
1	Chinese Basketball League (Beijing) Sports Co., Ltd.(中籃聯(北京)體育有限公司)	A private company established on 21 October 2016 and based in Beijing, the PRC with a registered capital of RMB60.0 million (of which RMB20.0 million had been paid up) and principally engages in organisation of basketball event	Exclusive right to marketing and commercial operation of basketball event in the PRC	2017	126,542	15.6%	On or before the date specified in the agreement, bank transfer
2	Jiangsu High Power IMP & Export Company Limited(江蘇匯鴻國際集團盛世進出口有限公司) *(Note 1)*	A private company established on 16 November 1992 and based in Nanjing City, the PRC with a registered capital of RMB10.2 million (all of which had been paid up) whose largest shareholder is a company listed on the Shanghai Stock Exchange and principally engages in the manufacturing of garments and other products	Purchase of garments	2012	34,594	4.3%	60-90 days from invoice, bank transfer
3	Ningbo Bridge Power Import & Export Company Limited(寧波布利傑博厚進出口有限公司) *(Note 1)*	A private company established on 14 April 2006 and based in Ningbo, the PRC with a registered capital of RMB10.0 million (all of which had been paid up) and principally engages in the manufacturing of garments	Purchase of garments	2007	30,614	3.8%	60-90 days from invoice, bank transfer
4	Jiangsu Soho International Group Corporation(江蘇蘇豪國際集團股份有限公司) *(Note 1)*	A state-owned enterprise established on 5 September 1981 and based in Nanjing, the PRC with a registered capital of RMB983.8 million (of which RMB894.3 million had been paid up) and principally engages in the import and export of garments	Purchase of garments	2007	23,836	2.9%	60-90 days from invoice, bank transfer
5	Jiangsu Sainty Eagle Co., Ltd.(江蘇舜天力佳服飾有限公司) *(Note 1)*	A private company established on 1 February 2002 and based in Jiangsu Province, the PRC with a registered capital of RMB10.0 million (all of which had been paid up) and principally engages in the manufacturing of garments	Purchase of garments	2007	21,389	2.6%	60-90 days from invoice, bank transfer
				Total	**236,975**	**29.2%**	

FY2022

Rank	Supplier	Background and principal business activities of the suppliers	Products/services procured	Year our supplier started to do business with us	Purchase amount *(HK$'000)*	Approximate % to our total costs of sales	Credit period and payment term
1	Vietnam Shoe Majesty Co., Ltd *(Note 2)*	A private company based in Vietnam and principally engages in manufacturing of footwear	Footwear manufacturing services	2005	189,005	5.0%	90 days end of month, bank transfer
2	Chinese Basketball League (Beijing) Sports Co., Ltd. (中籃聯(北京)體育有限公司)	A private company established on 21 October 2016 and based in Beijing, the PRC with a registered capital of RMB60.0 million (of which RMB20.0 million had been paid up) and principally engages in organisation of basketball event	Exclusive right to marketing and commercial operation of basketball event in the PRC	2017	133,994	3.6%	On or before the date specified in the agreement, bank transfer
3	Clark Supplier TI *(Note 2)*	A private company established in 2006 and based in Cambodia and principally engages in manufacturing of footwear	Footwear manufacturing services	2008	123,157	3.3%	3 months end of month, bank transfer
4	Clark Supplier T *(Note 2)*	A private company based in India and principally engages in manufacturing of footwear. This supplier is a member of a multi-national group established in November 1962 which principally engages in trading and distribution of various materials, including footwear, garments and finished leather and minerals.	Footwear manufacturing services	2018	108,736	2.9%	90 days end of month, bank transfer
5	Binh Tien Bien Hoa Company Limited *(Note 2)*	A private company established in 2016 and based in Vietnam and principally engages in manufacturing of footwear	Footwear manufacturing services	2020	99,781	2.7%	60 days end of month, bank transfer
				Total	**654,673**	**17.5%**	

Notes:

1. These are suppliers of Bossini and our Group completed the acquisition of Bossini in July 2020.

2. These are suppliers of the Clark Group and our Group completed the First Clark Acquisition in July 2022.

3. Information regarding the background and principal business activities of our suppliers is prepared based on publicly available information.

Top five suppliers of our multi-brand apparel and footwear business

Our five largest suppliers from our multi-brand apparel and footwear business accounted for 13.0%, 15.7% and 16.4% of our total cost of sales for FY2020, FY2021 and FY2022, respectively, and our single largest suppliers from this business accounted for 3.4%, 4.3% and 5.0% of our total cost of sales for these respective periods.

The following table sets out the background information about our five largest suppliers from our multi-brand apparel and footwear business for the periods indicated:

FY2020

Rank	Supplier	Background and principal business activities of the suppliers	Products/services procured	Year our supplier started to do business with us	Purchase amount *(HK$'000)*	Approximate % to our total cost of sales	Credit period and payment term
1	Supplier T *(Note 1)*	A private company incorporated on 15 January 2003 in Hong Kong and principally engages in the export and import of garments	Purchase of garments	2007	16,399	3.4%	60 days from invoice, bank transfer
2	Jiangsu High Power IMP & Export Company Limited (江蘇匯鴻國際集團盛世進出口有限公司) *(Note 1)*	A private company established on 16 November 1992 and based in Nanjing City, the PRC with a registered capital of RMB10.2 million (all of which had been paid up) whose largest shareholder is a company listed on the Shanghai Stock Exchange and principally engages in the manufacturing of garments and other products	Purchase of garments	2012	15,012	3.1%	60 days from invoice,bank transfer
3	Supplier SM *(Note 1)*	A private company incorporated in 2002 based in Dhaka, Bangladesh and principally engages in the manufacturing of garments	Purchase of garments	2018	12,405	2.5%	60 days from invoice, bank transfer
4	Ningbo Bridge Power Import & Export Company Limited (寧波布利傑博厚進出口有限公司) *(Note 1)*	A private company established on 14 April 2006 and based in Ningbo, the PRC with a registered capital of RMB10.0 million (all of which had been paid up) and principally engages in the manufacturing of garments	Purchase of garments	2007	10,775	2.2%	60 days from invoice, bank transfer
5	Jiangsu Soho International Group Corporation (江蘇蘇豪國際集團股份有限公司) *(Note 1)*	A state-owned enterprise established on 5 September 1981 and based in Nanjing, the PRC with a registered capital of RMB983.8 million (of which RMB894.3 million had been paid up) and principally engages in the import and export of garments	Purchase of garments	2007	8,760	1.8%	60 days from invoice, bank transfer
				Total	63,351	13.0%	

FY2021

Rank	Supplier	Background and principal business activities of the suppliers	Products/services procured	Year our supplier started to do business with us	Purchase amount *(HK$'000)*	Approximate % to our total cost of sales	Credit period and payment term
1	Jiangsu High Power IMP & Export Company Limited (江蘇匯鴻國際集團盛世進出口有限公司) *(Note 1)*	A private company established on 16 November 1992 and based in Nanjing City, the PRC with a registered capital of RMB10.2 million (all of which had been paid up) whose largest shareholder is a company listed on the Shanghai Stock Exchange and principally engages in the manufacturing of garments and other products	Purchase of garments	2012	34,594	4.3%	60-90 days from invoice, bank transfer
2	Ningbo Bridge Power Import & Export Company Limited (寧波布利傑博厚進出口有限公司) *(Note 1)*	A private company established on 14 April 2006 and based in Ningbo, the PRC with a registered capital of RMB10.0 million (all of which had been paid up) and principally engages in the manufacturing of garments	Purchase of garments	2007	30,614	3.8%	60-90 days from invoice, bank transfer
3	Jiangsu Soho International Group Corporation (江蘇蘇豪國際集團股份有限公司) *(Note 1)*	A state-owned enterprise established on 5 September 1981 and based in Nanjing, the PRC with a registered capital of RMB983.8 million (of which RMB894.3 million had been paid up) and principally engages in the import and export of garments	Purchase of garments	2007	23,836	2.9%	60-90 days from invoice, bank transfer
4	Jiangsu Sainty Eagle Co., Ltd. (江蘇舜天力佳服飾有限公司) *(Note 1)*	A private company established on 1 February 2002 and based in Jiangsu Province, the PRC with a registered capital of RMB10.0 million (all of which had been paid up) and principally engages in the manufacturing of garments	Purchase of garments	2007	21,389	2.6%	60-90 days from invoice, bank transfer
5	Supplier JKK *(Note 1)*	A private company incorporated in 2001 based in Dhaka, Bangladesh and principally engages in the manufacturing of garments	Purchase of garments	2017	17,052	2.1%	60-90 days from invoice, bank transfer
				Total	**127,485**	**15.7%**	

FY2022

Rank	Supplier	Background and principal business activities of the suppliers	Products/services procured	Year our supplier started to do business with us	Purchase amount *(HK$'000)*	Approximate % to our total cost of sales	Credit period and payment term
1	Vietnam Shoe Majesty Co., Ltd *(Note 2)*	A private company based in Vietnam and principally engages in manufacturing of footwear	Footwear manufacturing services	2005	189,005	5.0%	90 days end of month, bank transfer
2	Clark Supplier TI *(Note 2)*	A private company established in 2006 and based in Cambodia and principally engages in manufacturing of footwear	Footwear manufacturing services	2008	123,157	3.3%	3 months end of month, bank transfer
3	Clark Supplier T *(Note 2)*	A private company based in India and principally engages in manufacturing of footwear. This supplier is a member of a multi-national group established in November 1962 which principally engages in trading and distribution of various materials, including footwear, garments and finished leather and minerals.	Footwear manufacturing services	2018	108,736	2.9%	90 days end of month, bank transfer
4	Bing Tien Bien Hoa Company Limited *(Note 2)*	A private company established in 2016 and based in Vietnam and principally engages in manufacturing of footwear	Footwear manufacturing services	2020	99,781	2.7%	60 days end of month, bank transfer
5	Clark Supplier BO *(Note 2)*	A private company based in Bangladesh and principally engages in manufacturing of footwear	Footwear manufacturing services	2019	93,373	2.5%	60 days end of month, bank transfer
				Total	**614,052**	**16.4%**	

Notes:

1. These are suppliers of Bossini and our Group completed the acquisition of Bossini by our Group in July 2020.

2. These are suppliers of the Clark Group and our Group completed the First Clark Acquisition in July 2022.

3. Information regarding the background and principal business activities of our suppliers is prepared based on publicly available information.

Top five suppliers of the Clark Group before completion of the First Clark Acquisition

For FY2020 and FY2021, all of our Group's top five suppliers from the multi-brand apparel and footwear business are suppliers of the Bossini Group by reason of our acquisition of Bossini in July 2020. Following completion of the First Clark Acquisition in July 2022, all of our Group's top five suppliers from this business segment for FY2022 are suppliers of the Clark Group.

Suppliers of the Clark Group primarily comprises OEM suppliers for its products. Before completion of the First Clark Acquisition, the five largest suppliers of the Clark Group accounted for 30.1%, 32.7% and 25.9% of its total cost of sales for 52 weeks to 30 January 2021 and 29 January 2022 and the 22 weeks ended 2 July 2022, respectively, and its largest supplier accounted for 8.7%, 10.3% and 6.0% of its total cost of sales for these respective periods. The following table sets out the background information about the five largest suppliers of the Clark Group for the periods indicated:

52 weeks to 30 January 2021

Rank	Supplier	Background and principal business activities of the suppliers	Products/services procured	Year of commencement of business relationship	Purchase amount (£'m)	Approximate % to the total costs of sales	Credit period and payment term
1	Vietnam Shoe Majesty Co., Ltd	A private company based in Vietnam and principally engages in manufacturing of footwear	Footwear manufacturing services	2005	35.7	8.7%	90 days end of month, bank transfer
2	Clark Supplier VC	The Vietnam branch of a private company established in 1978 and principally engages in the manufacturing of footwear in the PRC and Vietnam	Footwear manufacturing services	2015	31.4	7.6%	90 days end of month, bank transfer
3	Clark Supplier G	A private company based in Vietnam and principally engages in manufacturing of footwear	Footwear manufacturing services	2005	21.2	5.2%	90 days end of month, bank transfer
4	Clark Supplier W	A private company based in Cambodia and principally engages in manufacturing of footwear	Footwear manufacturing services	2013	18.0	4.4%	45 days end of month, bank transfer
5	Clark Supplier SP	A private company principally engages in manufacturing of footwear with its manufacturing facilities based in the Cambodia and opened in 1998	Footwear manufacturing services	2011	17.5	4.2%	90 days end of month, bank transfer
				Total	**123.8**	**30.1%**	

52 weeks to 29 January 2022

Rank	Supplier	Background and principal business activities of the suppliers	Products/services procured	Year of commencement of business relationship	Purchase amount *(£'m)*	Approximate % to the total costs of sales	Credit period and payment term
1	Vietnam Shoe Majesty Co., Ltd	A private company based in Vietnam and principally engages in manufacturing of footwear	Footwear manufacturing services	2005	47.8	10.3%	90 days end of month, bank transfer
2	Clark Supplier SP	A private company principally engages in manufacturing of footwear with its manufacturing facilities based in the Cambodia and opened in 1998	Footwear manufacturing services	2011	32.8	7.1%	90 days end of month, bank transfer
3	Clark Supplier B	A private company founded in 2001 and based in Bangladesh and principally engages in manufacturing of footwear	Footwear manufacturing services	2014	24.2	5.2%	90 days end of month, bank transfer
4	Clark Supplier SM	A private company based in the PRC and principally engages in manufacturing of footwear	Footwear manufacturing services	2011	23.9	5.2%	120 days end of month, bank transfer
5	Clark Supplier T	A private company based in India and principally engages in manufacturing of footwear. This supplier is a member of a multi-national group established in November 1962 which principally engages in trading and distribution of various materials, including footwear, garments and finished leather and minerals.	Footwear manufacturing services	2018	22.8	4.9%	90 days end of month, bank transfer
				Total	**151.5**	**32.7%**	

22 weeks to 2 July 2022

Rank	Supplier	Background and principal business activities of the suppliers	Products/services procured	Year of commencement of business relationship	Purchase amount (£'m)	Approximate % to the total costs of sales	Credit period and payment term
1	Clark Supplier F	A private company based in Cambodia and principally engages in manufacturing of footwear	Footwear manufacturing services	2020	12.2	6.0%	120 days end of month, bank transfer
2	Bing Tien Bien Hoa Company Limited	A private company established in 2016 and based in Vietnam and principally engages in manufacturing of footwear	Footwear manufacturing services	2020	11.6	5.7%	60 days end of month, bank transfer
3	Vietnam Shoe Majesty Co., Ltd	A private company based in Vietnam and principally engages in manufacturing of footwear	Footwear manufacturing services	2005	11.6	5.7%	90 days end of month, bank transfer
4	Clark Supplier T	A private company based in India and principally engages in manufacturing of footwear. This supplier is a member of a multi-national group established in November 1962 which principally engages in trading and distribution of various materials, including footwear, garments and finished leather and minerals.	Footwear manufacturing services	2018	9.0	4.5%	90 days end of month, bank transfer
5	Clark Supplier TI	A private company established in 2006 and based in Cambodia and principally engages in manufacturing of footwear	Footwear manufacturing services	2008	8.1	4.0%	3 months end of month, bank transfer
				Total	**52.5**	**25.9%**	

Top five suppliers of our sports experience business

Our five largest suppliers from our sports experience business accounted for 26.0%, 19.5% and 4.7% of our total cost of sales for FY2020, FY2021 and FY2022, respectively, and our single largest suppliers from this business accounted for 20.7%, 15.6% and 3.6% of our total cost of sales for these respective periods. The percentage level of cost of sales attributable to our five largest suppliers and our single largest customer from our sports experience business recorded a continuous decrease during the Track Record Period primarily due to our expansion of the multi-brand apparel and footwear business.

The following table sets out the background information about our five largest suppliers from our sports experience business for the periods indicated:

FY2020

Rank	Supplier	Background and principal business activities of the suppliers	Products/services procured	Year our supplier started to do business with us	Purchase amount *(HK$'000)*	Approximate % to our total cost of sales	Credit period and payment term
1	Chinese Basketball League (Beijing) Sports Co., Ltd. (中籃聯(北京)體育有限公司)	A private company established on 21 October 2016 and based in Beijing, the PRC with a registered capital of RMB60.0 million (of which RMB20.0 million had been paid up) and principally engages in organisation of basketball event	Exclusive right to marketing and commercial operation of basketball event in the PRC	2017	101,238	20.7%	On or before the date specified in the agreement, bank transfer
2	Supplier SJ	A private company established on 12 February 2018 and based in Shanghai, the PRC with a registered capital of RMB60.0 million (all of which had been paid up) and principally engages in e-sports team management and is indirectly and wholly-owned by a sportswear company listed on the Main Board of the Stock Exchange	Transfer fee of e-sports team member	2020	12,140	2.5%	On or before the date specified in the agreement, bank transfer
3	LN Group *(Note 1)*	A Hong Kong listed company based in the PRC and principally engages in sales of sportswear and equipment	Purchase of sports apparel	2015	6,732	1.4%	3 business days from invoice, bank transfer
4	Supplier SA	A PRC national organisation for shooting and archery and established on 7 November 1991 based in Beijing, the PRC with a registered capital of RMB1.2 million (all of which had been paid up)	Exclusive right to marketing and commercial operation of sports event in the PRC	2017	3,695	0.8%	On the date specified in the agreement, bank transfer
5	Xinshi Hanhai (Beijing) International Advertising Company Limited (新勢瀚海(北京)國際廣告有限公司)	A private company established on 6 January 2009 based in Beijing, the PRC with a registered capital of RMB8.2 million (of which RMB3.6 million had been paid up) and principally engages in multi-media communication and production	Marketing and promotion services	2018	2,850	0.6%	25 business days from invoice, bank transfer
				Total	**126,655**	**26.0%**	

FY2021

Rank	Supplier	Background and principal business activities of the suppliers	Products/services procured	Year our supplier started to do business with us	Purchase amount *(HK$'000)*	Approximate % to our total cost of sales	Credit period and payment term
1	Chinese Basketball League (Beijing) Sports Co., Ltd. 中籃聯(北京)體育有限公司	A private company established on 21 October 2016 and based in Beijing, the PRC with a registered capital of RMB60.0 million (of which RMB20.0 million had been paid up) and principally engages in organisation of basketball event	Exclusive right to marketing and commercial operation of basketball event in the PRC	2017	126,542	15.6%	On or before the date specified in the agreement, bank transfer
2	Supplier SY	A private company based in Korea and principally engages in talent management business	Transfer fee of e-sports team member	2021	11,729	1.4%	On the date specified in the agreement, bank transfer
3	LN Group *(Note 1)*	A Hong Kong listed company based in the PRC and principally engages in sales of sportswear and equipment	Purchase of sports apparel	2015	9,542	1.2%	3 business days from invoice, bank transfer
4	Xinshi Hanhai (Beijing) International Advertising Company Limited (新勢瀚海(北京)國際廣告有限公司)	A private company established on 6 January 2009 based in Beijing, the PRC with a registered capital of RMB8.2 million (of which RMB3.6 million had been paid up) and principally engages in multi-media communication and production	Marketing and promotion services	2018	5,950	0.7%	25 business days from invoice, bank transfer
5	Chinese Cycling Association (中國自行車運動協會)	A PRC national organisation for cycling and established on 19 August 1991 based in Beijing, the PRC with a registered capital of RMB0.1 million	Exclusive right to marketing and commercial operation of sports event in the PRC	2021	5,135	0.6%	On the date specified in the agreement, bank transfer
				Total	**158,898**	**19.5%**	

FY2022

Rank	Supplier	Background and principal business activities of the suppliers	Products/services procured	Year our supplier started to do business with us	Purchase amount *(HK$'000)*	Approximate % to our total cost of sales	Credit period and payment term
1	Chinese Basketball League (Beijing) Sports Co., Ltd. (中籃聯(北京)體育有限公司)	A private company established on 21 October 2016 and based in Beijing, the PRC with a registered capital of RMB60.0 million (of which RMB20.0 million had been paid up) and principally engages in organisation of basketball event	Exclusive right to marketing commercial operation of basketball event in the PRC	2017	133,994	3.6%	On or before the date specified in the agreement,bank transfer
2	Supplier SHH	A private company established on 2 July 2014 and based in Shanghai, the PRC with a registered capital of RMB100.0 million (of which RMB61.1 million had been paid up) and principally engages in e-sports talent management and social platform business	Transfer fee of e-sports team member	2022	11,300	0.3%	On the date specified in the agreement, bank transfer
3	Supplier SY	A private company based in Korea and principally engages in talent management business	Transfer fee of e-sports team member	2021	10,618	0.3%	On the date specified in the agreement, bank transfer
4	LN Group *(Note 1)*	A Hong Kong listed company based in the PRC and principally engages in sales of sportswear and equipment	Purchase of sports apparel	2015	9,390	0.3%	3 business days from invoice, bank transfer
5	Shanghai Renyou Advertising Communication Company Limited (上海仁宥廣告傳播有限公司)	A private company established on 10 July 2018 based in Shanghai, the PRC with a registered capital of RMB2.0 million and principally engages in stage setting and management, lighting and decoration	Stage-setting services	2020	7,721	0.2%	On the date specified in the agreement, bank transfer
				Total	**173,023**	**4.7%**	

Notes:

1. As at the Latest Practicable Date, Li Ning Co was held as to 10.29% by our Group, 0.15% by Mr. Li Ning (being our Director and Controlling Shareholder) under his personal capacity, and 0.04% by Mr. Li Qilin (being our Director) under his personal capacity. LN Group is also one of our top five customers during the Track Record Period.

2. Information regarding the background and principal business activities of our suppliers is prepared based on publicly available information.

To the best knowledge of our Directors, save as disclosed above, (a) none of our Directors, their respective close associates or any Shareholder who owned more than 5% of the issued share capital of our Company as at the Latest Practicable Date had any interest in any of our five largest suppliers under each of our business segments during the Track Record Period; and (b) other than acting as suppliers of our Group, there is no other relationship or dealing (including family, business, employment, trust, fund flow, financing or otherwise) (whether past or present) between our Group and our five largest suppliers under each of our business segments, their respective shareholders, directors or senior management, or any of their respective associates.

Overlapping of customer and supplier

LN Group

LN Group was the largest customer of our Group for FY2020, FY2021 and FY2022, and one of our five largest suppliers of our sports experience business for FY2020, FY2021 and FY2022. Li Ning Co was a Hong Kong listed company based in the PRC and principally engages in brand marketing, research and development, design, manufacturing, distribution and retail of professional and leisure footwear, sport apparel, equipment and accessories.

During the Track Record Period, revenue received by us from LN Group mainly includes marketing service income for our sports-related marketing services provided under our sports event management business and purchase price for our sales of apparel and footwear (including footwear manufactured by us for LN Group during the provision of footwear OEM services) under our multi-brand apparel and footwear business. The revenue derived from our products sold and services provided to LN Group amounted to HK$201.2 million, HK$296.0 million and HK$478.9 million, representing 24.6%, 21.4% and 6.9% of our total revenue for FY2020, FY2021 and FY2022 respectively.

During the Track Record Period, we procured sports apparel from LN Group for onward sales at shops located at our sports destinations under our sports experience business. Our cost of sales from LN Group amounted to HK$7.5 million, HK$9.5 million and HK$14.8 million, representing 1.5%, 1.2% and 0.4% of our total cost of sales for FY2020, FY2021 and FY2022 respectively.

LN Group is a leading sports apparel, footwear and equipment retailer in the PRC. Given that our Group carries on multiple businesses, including multi-brand apparel and footwear as well as sports experience, it is natural that we have business transactions with LN Group acting as our customer or supplier from time to time. Our Directors confirm that our transactions with LN Group during the Track Record Period were on normal commercial terms, which were negotiated and considered each time based on the relevant specifications and requirements for such transaction. According to Frost & Sullivan, given the diversified business scope of our Group, it is not uncommon in the industry for an entity to be a supplier and a customer of our Group at the same time.

Hubei Fleet

Hubei Fleet is a raw material supplier and a customer of our footwear OEM business. It is also our business partner in the investment and operation of our shoe factory holding 30% equity interest thereof. Hubei Fleet is a private limited company established in the PRC in 2008 and was principally engaged in the research and development, manufacturing and sales of footwear and related raw materials. To the best knowledge, information and belief of our Directors after making all reasonable enquiries, Hubei Fleet and its ultimate beneficial owners are Independent Third Parties (other than their investment in the shoe factory). During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, (a) there was no other relationship or dealing (including family, business, employment, trust, financing or otherwise) (whether past or present) between our Group and Hubei Fleet, their respective shareholders, directors or senior management, or any of their respective associates, save for being our Group's joint venture partner, customer and raw material supplier; and (b) there is no other side agreement, arrangement, understanding or fund flow between the Group and Hubei Fleet. For further details of Hubei Fleet, please see "Business – Provision of Footwear OEM Services" in this document.

In FY2021 and FY2022, we procured raw materials from Hubei Fleet for providing footwear OEM services to LN Group which amounted to HK$0.3 million and HK$42.4 million, representing 0.04% and 1.1% of our total cost of sales during the respective periods. As Hubei Fleet is one of the raw material suppliers designated by LN Group, we are required by LN Group to procure raw materials from Hubei Fleet at a specific price stated in the purchase order when providing footwear OEM services to LN Group. On that basis, we believe the principal terms of the transactions between our Group and Hubei Fleet (as our raw material supplier) are similar with those between other LN Group's footwear OEM suppliers and Hubei Fleet for the purchase of similar raw materials.

Considering Hubei Fleet's investment in our shoe factory and that they are familiar with the business operation and product quality of our shoe factory, Hubei Fleet outsourced part of their manufacturing process to us in FY2021 when they did not have sufficient production capacity. We therefore provided footwear OEM services to Hubei Fleet for producing certain footwear components of their semi-finished products and recorded revenue of HK$2.2 million, representing 0.2% of our total revenue for in FY2021. Principal terms of the purchase orders between our Group and Hubei Fleet (as our footwear OEM services customer) in relation to the outsourced production process are similar with those between Hubei Fleet (as footwear OEM supplier) and the footwear brand. We did not procure any raw materials from Hubei Fleet for performing the footwear OEM orders from them.

Based on the above, our Directors confirm that the transactions with Hubei Fleet were on normal commercial terms, which were negotiated and considered each time based on the relevant specifications and requirements for such transaction. According to Frost & Sullivan, as some of the footwear manufacturers engage in different stages of the industry value chain, it is not uncommon for an entity to be a supplier and a customer of our Group's footwear OEM business at the same time.

MARKET COMPETITION

Our multi-brand apparel and footwear business

Mos of our Other Brands operate in the PRC apparel and footwear industry which is highly fragmented. According to Frost & Sullivan, our major competitors include both local and foreign fashion brands. Our "Clarks" footwear business also faces fierce competition in the global footwear market which is high competitive and fragmented. According to Frost & Sullivan, major competitors are other fashion and casual footwear brands based in the US, the UK and other parts of the Western Europe. We compete with our competitors mainly on product design, product price and sales network. The key barriers to entry in the apparel and footwear industry generally include, among others, brand recognition, product design and development capability, supply chain capability, sales and marketing network and data intelligence and consumer insight.

We believe that our diversified portfolio with multi-brand and multi-category strategies, coupled with our extensive sales network and brand recognition, provide us with competitive advantages which allow us to capture the business opportunities in the increasingly diversified apparel and footwear market. For further details, please refer to the section headed "Industry Overview" in this document.

Our sports experience business

We manage and operate a number of sports destinations and e-sports clubs, and provide marketing solutions in various sports events in the PRC. According to the Frost & Sullivan Report, the sport venues operation and management market in the PRC is dominated by the government authorities and other non-enterprise institutions, such as village committee and resident committee, and our major competitors are enterprises who operates the sports destinations mainly for commercial purpose. Both the e-sport club and e-sport influencer commercialisation industry and the sport marketing solution industry in the PRC are fragmented, and our major competitors include other e-sports clubs and other marketing solution providers.

We believe that our (i) wide spectrum of professional and accessible sports venues and facilities for sports activities and training, (ii) well-established reputation in the sports industry, and (iii) business synergies between our multi-brand apparel and footwear business and sports experience business, provide us with competitive advantages in the PRC sports experience industry. For more information, please refer to the section headed "Industry Overview" in this document.

INSURANCE

We review our insurance policies from time to time for adequacy in the breadth of coverage. We believe our existing insurance coverage is in line with the common industry practice in the jurisdictions in which we operate and is adequate for our existing operations. In particular, we purchased public liability insurance for the sports destinations operated by us, health and safety insurance policies for our employees, and property all-risk insurance policies for our distribution centres, and marine cargo policy to cover our assets whilst in transit by third parties. During the Track Record Period, we did not have any material insurance claims in relation to our business. For risk factors relating to our insurance policies, please see "Risk Factors – Risks Relating to Our Business and Industry – Our insurance policies may be insufficient to cover potential losses arising as a result of business interruption, damage to our property or third-party liabilities".

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We acknowledge our responsibilities on environmental protection and social responsibilities and are aware of the climate-related issues that may have impact on our Group's business operation. We are committed to comply with environmental, social and corporate governance ("**ESG**") reporting requirements.

Corporate governance

Our Board understands that effective ESG governance plays a definite role in driving our Group's pathway towards sustainable development. Hence, to ensure proper implementation of ESG governance, our Board has well-defined duties and responsibilities to oversee our execution of ESG-related matters. Our Board holds the overall accountability for our Group's ESG strategies and performance. The main responsibilities of our Board's executive committee include determining ESG materiality issues, developing and reviewing ESG strategies, reviewing the performance of environmental key performance indicators, assessing and determining the relevant ESG risks and materiality issues of our Group, and ensuring that appropriate and effective ESG risk management and internal control systems are in place at the Group level. While our Board provides oversight of our Group's risk management system in ESG; daily management of our Group has been delegated to the management team. As such, we have set up a designated ESG management committee (the "**ESG Management Committee**"), which comprises of the chief executive officer, the chief financial officer, and the heads of the investor relations department, human resources and administration department and company secretary department of our Company. The ESG Management Committee is responsible for planning and coordinating the day-to-day execution of our Group's ESG strategies, and reporting the progress of the associated targets and initiatives to our Board in writing on an annual basis. We also have an ESG execution team that is responsible for the implementation of ESG governance of our Group.

In order to ensure the effective ESG governance of our newly acquired business, we established communication channels with the newly acquired business units and make sure regular communication could be made on ESG objectives, strategies, targets and review. We will comprehensively review the existing ESG management system and integrate the businesses acquired into our Company's existing management system to strengthen our ESG performance and effective governance. We will also provide training to the ESG working groups of the newly acquired businesses and evaluate their qualification and performance.

Environmental protection and climate-related matters

Our Group's operations are subject to certain environmental protection law and regulations. For details of the regulatory requirements, please refer to the section headed "Regulatory Overview – Other relevant laws and regulations in the PRC – Regulations on environmental protection" in this document.

In order to comply with the applicable environmental protection laws and regulations, as well as to strengthen the sustainable management of our environmental impacts, our Group has systematised its environmental policy to manage its environmental footprint. We focus on reducing emissions and improving energy efficiency, valuing the earth's resources and building internal environmental awareness. We adopt corresponding policies, supplemented by relevant guidelines and principles, to fulfil our environmental responsibilities. Among which, the Clark Group has also established a restricted substances policy and a responsible sourcing policy (animal derived materials) to reduce its impact on the environment.

We recognise that climate change poses significant financial and non-financial risks to our business. To deal with the climate-related impact, we (i) have developed mitigation, adaptation and resilience strategies to address climate-related impacts; (ii) maintain ongoing communications with our stakeholders regarding climate- related impacts and work to support business partners to decarbonise; and (iii) set out clear work response policies and ensure constant internal communication to prepare for emergency situations.

Identification, management and assessment approaches

We also believe stakeholder engagement and support are crucial to our business success. As such, we regularly engage with our stakeholders to gain valuable feedback and address their concerns over our ESG performance and strategies. By engaging with an independent third party consultant, we conducted a comprehensive stakeholder engagement and materiality assessment to determine the most material ESG issues to our business operation. We adopted the following approaches to identify, assess and manage material ESG issues in our operation: (i) conducting stakeholders review to rank the importance of different ESG issues; (ii) analysing the result of peer benchmarking exercise and stakeholder to develop a prioritised list of material ESG issues; (iii) confirming the material key performance indicators ("**KPIs**") with the help from independent consultant; and (iv) data collection and information disclosure of assessment results.

Metrics, targets and mitigating measures in response to our ESG and climate-related risks

Our Group has taken into account the quantitative information that reflects our Group's management on risks relating to gas emissions, resources usage, as well as the hazardous and non-hazardous waste. We completed the First Clark Acquisition in July 2022. Since the data system of the Clark Group is under adjustment, the KPIs of the Clark Group from the time after Clark joined our Group will be disclosed separately.

Viva Group

(1) Emissions

Our emissions are classified as scope 1 and scope 2 emissions. Scope 1 emissions include direct emissions from sources which are owned or controlled by our Group, including the consumption of natural gas and fuels for vehicles. Scope 2 emissions include indirect emissions from the consumption of purchased electricity and steam by our Group as a result of our usual operations. The sources of emissions are owned or controlled by other companies.

The following table sets forth the information of our emissions for our sports and apparel operations for the year indicated:

	FY2020	**FY2021**	**FY2022**
SPORTS OPERATIONS			
Carbon emission in total and intensity			
Scope 1 emission *(Tonnes)*	876.8	703.2	664.6
Scope 2 emission *(Tonnes)*	4,800.9	12,763.8	12,424.5
Total emissions *(Tonnes)*	5,677.7	13,467	13,089.1
Total emission intensity *(Tonnes/FTE)*	10.1	24.5	19.8
Other Emissions			
Wastewater generated *(Tonnes)*	161,159	157,025	154,634
NOx emissions *(Kg)*	25.6	16.2	167.1
SOx emissions *(Kg)*	0.2	0.2	20.7
PM emissions *(Kg)*	1.4	1.4	0.4
APPAREL AND FOOTWEAR OPERATIONS			
Carbon emission in total and intensity			
Scope 1 emission *(Tonnes)*	–	0	64.6
Scope 2 emission *(Tonnes)*	–	1,448.1	1,080.7
Total emissions *(Tonnes)*	–	1,448.1	1,145.2
Total emission intensity *(Tonnes/FTE)*	–	1.3	2.1
Other Emissions			
NOx emissions *(Kg)*	–	–	9.2
SOx emissions *(Kg)*	–	–	0.4
PM emissions *(Kg)*	–	–	0.2

(2) Resource Usage

The following table sets forth the information of our resource usage for our sports and apparel operations for the year indicated:

	FY2020	FY2021	FY2022
SPORTS OPERATIONS			
Electricity consumption *(MWh)*	61,584.2	16,738.8	21,804.3
Renewable energy *(MWh)*	–	–	7.2
Natural gas consumption *(MWh)*	1,999.9	2,203.2	1,111.6
Gasoline consumption *(MWh)*	92.1	121.7	86.6
Electricity consumption intensity *(MWh/FTE)*	10.9	30.4	33.0
Natural gas consumption intensity *(MWh/FTE)*	3.6	4.0	1.7
Gasoline consumption intensity *(MWh/FTE)*	0.2	0.2	0.1
Water consumption *(m^3)*	208,094	279,123	223,659
Water consumption intensity *(m^3/FTE)*	370	507	338
APPAREL AND FOOTWEAR OPERATIONS			
Electricity consumption *(MWh)*	–	2,781.8	2,656.0
Natural gas consumption *(MWh)*	–	–	437.9
Gasoline consumption *(MWh)*	–	–	176.4
Diesel consumption *(MWh)*	–	–	7.8
Electricity consumption intensity *(MWh/FTE)*	–	2.5	4.8
Natural gas consumption intensity *(MWh/FTE)*	–	–	0.8
Gasoline consumption intensity *(MWh/FTE)*	–	–	0.3
Diesel consumption intensity *(MWh/FTE)*	–	–	0.0
Water consumption *(m^3)*	–	4,874	2,157
Water consumption intensity *(m^3/FTE)*	–	4.3	3.9

(3) Hazardous and Non-hazardous Waste

The following table sets forth the information of our hazardous and non-hazardous waste for our sports and apparel operations for the year indicated:

	FY2020	FY2021	FY2022
SPORTS OPERATIONS			
Hazardous waste (Usage)			
Waste carbon battery and alkaline battery *(Kg)*	–	–	17.5
Discarded lamp *(Piece)*	–	–	200
Discarded cartridge *(Piece)*	–	–	35
Discarded paints *(Litre)*	–	–	2
Hazardous waste intensity *(Kg/FTE)*	–	–	0.1
Hazardous waste (Recycled)			
Waste carbon battery and alkaline battery *(Kg)*	0	2.0	0.0
Hazardous waste recycled intensity *(Kg/FTE)*	–	–	0.0

	FY2020	FY2021	FY2022
Non-hazardous waste (Usage)			
Paper *(Tonnes)*	2.1	0.8	1.1
Plastic *(Tonnes)*	0.08	0	0.3
General waste *(Tonnes)*	22.2	9.6	13.4
Metal *(Kg)*	24	0	0.1
Glass *(Kg)*	6.8	0	10
Non-hazardous waste intensity *(Tonnes/FTE)*	0.04	0.02	0.02
Non-hazardous waste (Recycled)			
Paper *(Tonnes)*	1.7	2	1.6
Plastic *(Tonnes)*	0.08	0	0.1
General waste *(Tonnes)*	0	0	0.3
Non-hazardous waste recycled intensity *(Tonnes/FTE)*	0.003	0.004	0.003
APPAREL AND FOOTWEAR OPERATIONS			
Hazardous waste (Usage)			
Waste carbon battery and alkaline battery *(Kg)*	–	–	0
Discarded lamp *(Piece)*	–	–	0
Discarded cartridge *(Piece)*	–	–	28
Discarded paints *(Litre)*	–	–	0
Hazardous waste intensity *(Kg/FTE)*	–	–	0.003
Hazardous waste (Recycled)			
Waste carbon battery and alkaline battery *(Kg)*	–	2.6	0
Hazardous waste recycled intensity *(Kg/FTE)*	–	–	0
Non-hazardous waste (Usage)			
Paper *(Tonne)*	–	5.1	12.1
Plastic *(Tonne)*	–	–	28.7
Metal *(Tonne)*	–	–	0.0
General waste *(Tonne)*	–	–	30.2
Shopping bag *(Tonne)*	–	13.6	14.9
Non-hazardous waste intensity *(Kg/FTE)*	–	16.7	34.3
Non-hazardous waste (Recycled)			
Paper *(Tonne)*	–	0.1	8.4
Plastic *(Tonne)*	–	–	17.5
Metal *(Tonne)*	–	–	7.9
General waste *(Tonne)*	–	–	16.2
Non-hazardous waste recycled intensity *(Kg/FTE)*	–	0.1	1.4

Note: Hazardous waste intensity is calculated based on discarded lamp as 250g/ piece, discarded cartridge as 54g/ piece and discarded paint as 1.3kg/litre.

Clark Group

We completed the First Clark Acquisition on 2 July 2022. The following tables set forth the information of the Clark Group's estimated carbon emissions and resource usage for the period between 2 July 2022 and 31 December 2022 with reference to the 2022 Sustainability Report issued by the Clark Group.

(1) Emission

	From 2 July 2022 to 31 December 2022
Carbon emission in total and intensity	
Scope 1 emission *(Tonnes)*	240.0
Scope 2 emission *(Tonnes)*	2,073.8
Scope 3 emissions (from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel) *(Tonnes)*	51.8
Total emissions	2,365.6
Emission intensity *(Tonnes/GBP1,000 net turnover)*	0.013
Emission intensity *(Tonnes/1,000 units sold, including all sales)*	0.363
Emission intensity *(Tonnes/1,000 units sold, direct sales only)*	0.400

(2) Resource Usage

Electricity consumption *(MWh)*	10,724.0
Natural gas consumption *(MWh)*	1,314.5
Gasoline consumption *(MWh)*	267.4

Note: The above estimated figures are calculated by dividing the relevant data in the Clark Group's 2022 Sustainability Report for the period from February 2022 to December 2022 by eleven and multiplying by six.

To ensure reduce emission, resource usage and hazardous and non-hazardous waste, we have adopted the following measures, including, during the Track Record Period:

- we have set long-term carbon reduction and energy targets applicable for our respective operations, such as, (i) introduced renewable energy and undergoing hardware upgrades across our operations; (ii) replaced obsolete electrical appliances with products which are more energy-efficient; (iii) made use of smart technology and data analysis to ensure constant adjustment of indoor air temperature to optimise energy performance and enhance energy saving; and (iv) replaced traditional incandescent bulbs with LED lights in all of our sports destinations and retail shops;

- we have adopted and plan to continue to adopt, as a short to medium term target, a multipronged approach to efficiently manage our water resources, such as, (i) introduced a circulation system to reduce the frequency of pool water replacement; (ii) installed a rainwater and wastewater recovery and recycling system for designated sports destinations to capture water around the complex; and (iii) conducted regular leakage tests on water pipes and installed water-saving devices to enhance water efficiency across our office premises;

- we have promoted and plan to continue to promote, as a short to medium term target, waste reduction and recycling, such as, (i) encouraged our employees to reuse office supplies and festive decorations; (ii) enhanced our recycling capacity to minimise the amount of landfilled waste generated from our operations; and (iii) digitalised our internal communications, circulating memorandums and reports.

We have launched the various programmes to ensure emissions reduction and responsible resource management in our subsidiaries operating around the world, including, amongst others:

– ***for Bossini***: (i) all of our stores in Hong Kong and Macau participated in Earth Hour 2021 by switching off unnecessary lighting for an hour and pledging to greater energy efficiency throughout our operations; (ii) we offered innovative and eco-friendly reversible jackets and jeans using REPREVE, i.e. recycled fibres made from plastic bottles and other discarded materials., which emits fewer greenhouse gases and conserves more water and energy along the manufacturing process; and (iii) we implemented paperless stocktaking system which enables us to substantially reduce paper usage and waste, save energy and optimise the management process;

– ***for Clarks***: (i) to divert waste from landfill, over 80% of our store, office and warehouse waste in the UK was recycled, with the rest going to facilities which generate power and only a very small amount going to landfill, in 2018; (ii) to increase our use of renewable energy, 90% of our sites across UK and Europe moved onto Renewable Energy Guarantees of Origin (REGO) renewable electricity tariffs in 2020; (iii) to minimise greenhouse gas emission, we have replaced inefficient heating and cooling systems, insulated draughty buildings and replaced traditional lighting with more efficient LED lamps, as well as installed LEDs with motion sensors in our Global Headquarters in Somerset, as well as our UK warehouses over the past five years; (iv) to reduce waste generated in the manufacturing process, we have integrated recycled materials into our products and introduced new line of products using minimal glue; and (v) over 90% of our key raw material, i.e. leather, is sourced from tanneries with environmental management system in place and robust procedures covering restricted substances, energy consumption, water usage, air and noise emissions, waste management, effluent treatment and traceability.

In order to reduce obsolete inventory and returned products, we have carried out the following measures:

- To minimise our inventory risk, we conduct periodical review over our inventory levels for slow-moving inventory, obsolescence or decline in market value. All of our retail stores are equipped with a standard information management system (including POS terminals) and each of our products is coded under a barcode system for identification in our POS, which allow us to monitor our sales data and inventory levels on a real-time basis. We monitor our days of inventory regularly and carry out stock take at our stores annually. To promote the sales of slow-moving or out-of-season inventory, we typically conduct promotional sales of selected products at selected sales platforms, such as outlets and online sales platforms, at the end of each season;

- For FY2020, FY2021 and FY2022, insignificant amount of the returned apparel and footwear products in terms of quantity were defective. All defective products were returned to the respective OEM suppliers who were responsible for handling and disposing the defective products. We will continue ensuring our adherence to stringent quality control measures in order to minimise the number of defective products manufactured by our OEM suppliers, and to reduce product returns; and

- In respect of return of non-defective products, since such products are of merchantable quality and are fit for resale, these products would not be disposed nor destructed and thus there is no material impact on the environment. For return of non-defective products which were sold at e-commerce platforms, such products are required to be in good condition and in original packaging that are suitable for resale, which help ensure the products are intact and to reduce packaging wastes.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we did not record any material non-compliance with the applicable PRC laws and regulations in relation to air and greenhouse gas emissions, discharges into water and land, and the generation of hazardous and non-hazardous wastes that resulted in prosecution, conviction or penalty being brought against us.

Our Group did not incur significant costs directly in relation to the compliance with applicable environmental requirements during the Track Record Period. We estimate that our annual cost of compliance going forward will be consistent with our scale of operation.

Social matters

Our Group has set out different policies to address various social issues pertinent to us, including but not limited to, (i) adopting equal opportunity policy for fair recruitment and promotion process which are based on individual merits, experience and qualifications regardless of gender, race, age, religion, disability or family status; (ii) offering our employees competitive remuneration packages and fringe benefits; (iii) providing professional training to our employees, which covers (a) sports management, customer service, data analysis, financial risk regulations, tax management and workplace safety for our sports experience business, and (b) a variety of leadership and professional skills training, including classroom, digital and on-the-job trainings, to our office, warehouse and shop employees through "Bossini Academy" for our multi-brand apparel and footwear; (iv) adopting stringent controls in the recruitment process for screening out forced labour and child labour within our Group's operations and along our supply chain; (v) adopting Supplier Code of Conduct to outline our approach to ethical behaviours, health and safety, labour rights and environmental practices; (vi) prioritising local suppliers and support green procurement; (vii) adopting zero-tolerance approach to corruption or malpractice of any form throughout our operations; and (viii) conducting regular audits and internal reviews to ensure full compliance with applicable laws and regulations, as well as imposing disciplinary action to any staff member who is in breach of our policies.

We also pride our success in promoting active and healthy lifestyles across the country to enhance citizens' health and wellbeing. For more than a decade, we have been leveraging our sports resources and mobilising our human capital to organise a variety of sports-related activities and community programmes for the neighbourhoods we serve. We continue to offer complimentary access to our well-equipped sports parks and sports centres. During the Track Record Period, a number of interest classes, sports-themed carnivals and sports competitions suitable for citizens of different ages were successfully organised at our sports destinations.

We are also motived to support diverse social segments to create a more connected and inclusive society. In addition to offering in-kind and financial donations to the socially disadvantaged, we encourage staff volunteering and outreach to different non-governmental organisations for community partnership. For instance, our staff in Bossini donated around 500 pieces of down jackets and vests that were in good condition as Christmas gifts to the elderly at Yan Chai Hospital in 2020.

HEALTH AND OCCUPATIONAL SAFETY

Occupational health and safety is always our priority. To minimise work-related hazards across our operations, we have implemented different precautionary measures which go beyond regulatory compliance. For employees working under our sports-related operations, we offer them healthcare benefits such as free physical check-up services and complimentary access to sports facilities. In an effort to build an ergonomic workplace, we provided employees in our Hong Kong headquarters with office furniture such as ergonomic chairs and footrests.

To reinforce our safety-first culture, we continue to organise talks and workshops covering occupational health and safety topics including mental wellness, first aid, accident prevention and fire precaution. We also practised onsite housekeeping through regular inspections of firefighting supplies, work equipment and workplace hygiene to mitigate environmental-related hazards. For example, retail managers and shop supervisors will perform spot checks on their retail stores and storerooms to ensure full execution of our stringent safety requirements.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material accident in the course of our operation and none of our employees were involved in any major workplace accident in the course of their employment, and we were not subject to any disciplinary actions with respect to labour protection issues.

EMPLOYEES

Our Employees

As of 31 December 2022, we had 5,816 employees, comprising 2,507 employees for our "Clarks" footwear business and 3,309 employees for our other business. Most of our employees for "Clarks" are based in the UK and the US whereas employees for our other business are mostly located in the PRC and Hong Kong. The following table provides a breakdown of our total employees by function as of 31 December 2022:

Function	**Number of employees**
Overall	
Core management	82
Human resources	107
Accounting and finance	262
Information technology	166
Administration	85
Others	26
Sub-total	***728***

Function	**Number of employees**
Multi-brand apparel and footwear segment:	
– Sales and marketing	2,688
– Supply chain management	210
– Product design, planning, research and development	213
– Quality control	211
– Staff from footwear manufacturing facilities and other ancillary functions	1,184
Sub-total	***4,506***
Sports experience segment:	
– Sports destination operation	365
– Coaching and training	187
– E-sports clubs and sports events management	30
Sub-total	***582***
Total	**5,816**

We emphasise the career development of our personnel and provide regular workshops and trainings to help them acquire practical and experience-based knowledge and skills. We recruit our employees primarily through recruitment agency, advertisements and internal referrals. In addition to salaries, we offer our employees additional benefits such as performance-based discretionary bonus, annual leave, insurance and retirement schemes.

We strive to continuously maintain amicable working relations with our employees. We believe that our management policies, working environment, development opportunities and employee benefits have contributed to establishing good employee relations and employee retention. During the Track Record Period, we did not have any strikes, protests or other material labour conflicts that may result in any material adverse effect over our business operations or results of operations of financial condition.

INTELLECTUAL PROPERTY RIGHTS

We believe intellectual property rights, primarily consisting of trademarks, are key to the success and competitiveness of the businesses of our Group. For more details of the material intellectual property rights, please refer to the paragraph headed "Statutory and General Information – B. Further Information about our Business – 2. Material intellectual property rights" in Appendix V to this document.

Measures undertaken by us to prevent infringement of our own intellectual property rights includes, among other things, registration of trademarks in the relevant jurisdictions, and inclusion of clauses on intellectual property rights protection and confidentiality undertaking in the agreements with our OEM suppliers and retail partners. As of the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us.

LICENSES, APPROVALS AND PERMITS

As of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations. We renew all our material permits and licenses from time to time to comply with the relevant laws and regulations. Our PRC legal advisers have advised us that there is no material legal impediment to renewing such permits or licenses as they expire in future as long as we are in compliance with applicable laws, regulations and rules in the PRC.

LAND AND PROPERTIES

As at 31 December 2022, we had no single property with a carrying amount of 15% or more of our total assets, and, on this basis, we are not required under rule 5.01A of the Main Board Listing Rules to include in this document any valuation report.

Owned Property

As at 31 December 2022, we had eleven self-owned properties with an aggregate site area of approximately 114,275 square meters in the UK, the US and Hong Kong which are mainly used for our "Clarks" directly-operated stores and distribution centres.

A summary of our self-owned properties as at 31 December 2022 is set out below:

No.	Location	Usage	Approximate site area *(square meters)*
The UK *(Note 1)*			
1.	Westway Distribution Centre, Westway, Street, Somerset, BA16 0LN, the UK	"Clarks" distribution centre	28,000
2.	Watercrook Business Distribution Centre, Natland Road, Kendal, LA9 7LR, the UK	Idle *(Note 2)*	20,446
3.	40 High Street, Street, Somerset BA16 0EQ, the UK	"Clarks" office and showroom	18,436
4.	12-14 Brigg Street, Norwich, NR2 1QN, the UK	"Clarks" directly-operated store	980
5.	1-3 Foregate Street, Chester, CH1 1HD, the UK	"Clarks" directly-operated store	850
6.	34 Week Street, Maidstone, ME14 1RP, the UK	"Clarks" directly-operated store	676
7.	16 Commercial Road, Bournemouth, BH2 5LP, the UK	"Clarks" directly-operated store	451
8.	114 High Street, Winchester, SO23 9AS, the UK	"Clarks" directly-operated store	392
The US			
9.	355 Kindig Lane, Hanover, PA 17331, the US	"Clarks" distribution centre	41,806
10.	30 Center Square, Hanover, PA 17331, the US	"Clarks" directly-operated store	338
Hong Kong			
11.	Unit 1 with Air Handling Plant Room on 9th Floor and Car Park No.L12 on 1st Floor, High Block of Cheung Fung Industrial Building, 23/39 Pak Tin Par Street, Tsuen Wan, New Territories, Hong Kong	Leased to an Independent Third Party	1,900

Notes:

1. These are freehold properties in the UK.

2. The premises was previously used as a "Clarks" distribution centre and was closed down in 2021 after the Clark Group relocated the distribution centre to other locations.

Leased Properties

As at 31 December 2022, we leased approximately 880 properties in total. Our leased properties for our "Clarks" footwear business are mainly located in the UK and the US and the leased properties for our other business are mainly located in the PRC. The vast majority of our leased properties were used for operating our directly-operated stores under the multi-brand apparel and footwear business as well as ice-skating rinks under our sports destination development business, and the remainder were used for other ancillary support services, such as office, warehouse and staff dormitory.

As at 31 December 2022, the future minimum lease payments under our non-cancellable operating leases (classified under lease liabilities) are as follows:

	As at 31 December 2022
	HK$'000
Within 1 year	631,503
More than 1 year but less than 2 years	466,886
More than 2 years but less than 5 years	703,079
Over 5 years	401,804
Total	**2,203,272**

Some of our leased properties are subject to title defects as detailed below.

Absence of title documents or authorisations from lessors of leased properties

As at the Latest Practicable Date, the lessors for 59 of our leased properties in the PRC with a total gross floor area of 25,558.96 square meters had not provided valid authorisation documents evidencing their right to lease the properties, or had not provided valid title certificates or other ownership documents for the leased properties. We have been using these leased properties primarily as our directly-operated stores and warehouse for our multi-brand apparel and footwear business.

The absence of such certificates or documents may hamper our ability to determine whether the lessor has the legal right or authority to lease the property to us. If the lessor is not the legal owner, or is not properly authorised, the relevant lease agreement may be deemed invalid and, as a result, we may be challenged by the legal owner of the property and may be forced to vacate the relevant property, which could interrupt our business operations and cause us to incur relocation costs.

We consider that such defects in the titles of our leased properties are primarily attributable to reasons beyond our control because the lessors of these properties are responsible for procuring the necessary ownership certificates and authorisations. As advised by our PRC legal advisers, it is the lessors' responsibility to obtain the title certificates to enter into the leases, and, as a tenant, we will not be subject to any administrative punishment in this regard.

As at the Latest Practicable Date, we were not aware of any challenge being made by a third party or government authority on the title of the abovementioned leased properties that might have a material adverse effect on our current occupation, nor have we been asked to vacate from any of the leased properties. No single property leased by us was material to our overall business operations, nor do we expect to incur significant time for identifying, or incur significant cost to relocate our operations to, comparable alternative properties in proximity.

Non-registration of leases

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the relevant land and real estate administration bureau. The registration of such leases will normally require the cooperation of our lessors. As at the Latest Practicable Date, we had not obtained lease registration for 165 of our leased properties with a total gross floor area of 84,242.4 square meters in the PRC, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. We have been using these leased properties primarily as our directly-operated stores for our multi-brand apparel and footwear business as well as our operation of ice-skating rinks. To minimise the potential negative impact of the non-registered leases on our operations, we will continue to communicate with such lessors to seek their cooperation to complete the registration process.

As advised by our PRC legal advisers, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease agreement. As of the Latest Practicable Date, we had not received any such request or been required to pay any such fine from the relevant PRC government authorities.

Lease of collectively-owned properties without prior approval from the local collective economic organisation

As at the Latest Practicable Date, one of our lease properties in the PRC which we use as a warehouse was situated on collectively-owned land which is currently prohibited from leasing to third party without the prior approval from the local collective economic organisation.

As advised by our PRC legal advisers, the lease agreement may be deemed to be invalid under PRC laws due to the violation of the PRC Land Administration Law, and we may be asked to vacate from the leased property if the validity of the lease agreement is being challenged. We have been using the leased property as warehouse for our multi-brand apparel and footwear business.

As of the Latest Practicable Date, we were not aware of any challenge being made by a third party or government authority on the lease agreement, nor have we been asked to vacate from the leased property. Given the leased property is merely used as a warehouse, in the event we were asked to vacate from such leased property, we can outsource our warehouse functions to other third party service providers or other existing warehouse facilities to meet our business needs. Alternatively, we can identify and relocate our warehouse functions to comparable alternative properties in proximity without incurring significant time or costs.

After taking into consideration of the above, we believe that the title defects described above are not likely to have a material adverse impact on our overall business, results of operations and financial condition.

BUSINESS ACTIVITIES WITH COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

Certain countries or organisations, including the US, the European Union, the UK, the United Nation and Australia, maintain economic sanctions and trade restrictions targeting certain industries or sectors within the Countries subject to International Sanctions.

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

As advised by our International Sanctions Legal Advisers, (i) our customers in the Relevant Regions were not SDNs or Sanctioned Targets; (ii) our sales of non-US origin products to Iran did not involve any US nexus (including, specifically, that no payments were made in United States Dollars nor did it involve US persons) thus did not trigger applicable US sanctions; and (iii) the nature of our sales to the Relevant Regions should not trigger the United States secondary sanctions targeting certain industries or products since we had no activities targeted by extra-territorial provisions of sanctions law or regulation in the Relevant Jurisdictions.

Based on our current understanding and as advised by our International Sanctions Legal Advisers, (i) our business dealings in Iran do not appear to be unlawful under the restrictive measures of International Sanctions as our sales to Iran had no US nexus and thus were not restricted by primary US sanctions, and therefore a voluntary self-disclosure to OFAC is not necessary; and (ii) we did not engage in Primary Sanctioned Activity or Secondary Sanctionable Activity during the Track Record Period, thus would not be subject to material sanctions risks.

Our Directors confirm that, as at the Latest Practicable Date, we had not been notified that any International Sanctions penalties would be imposed on us for our historic sales to the Relevant Regions during the Track Record Period. We have ceased to accept orders for sales to distributors in the Relevant Regions (excluding Hong Kong) and we do not intend to conduct any further business with our distributors in the Relevant Regions (excluding Hong Kong) that will cause us to violate the International Sanctions. We will not knowingly and intentionally conduct any future business or investment with persons, entities or organisations designated as Sanctioned Persons or any business in or involving any Comprehensively Sanctioned Countries that will cause us to violate the International Sanctions.

Given the scope of the **[REDACTED]** and, in particular, we are **[REDACTED]**, our International Sanctions Legal Advisers are of the view that the involvement by parties in the **[REDACTED]** will not implicate any applicable International Sanctions on such parties, including our Company, the Sole Sponsor, our **[REDACTED]**, Shareholders, the Stock Exchange and its **[REDACTED]** committee and group companies and accordingly, the sanctions risk exposure to our Company, **[REDACTED]** and Shareholders, and persons who might, directly or indirectly, be involved in permitting **[REDACTED]** of our Shares (including the Stock Exchange, its **[REDACTED]** committee and related group companies) is low.

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

LEGAL PROCEEDINGS AND NON-COMPLIANCE

Legal Proceedings

We may from time to time be subject to legal proceedings arising from the ordinary course of our business. As at the Latest Practicable Date, to the best of our knowledge, information and belief and having made due and careful enquiry, our Group was not subject to any material litigation or claim of material importance.

Non-compliance

During the Track Record Period and up to the Latest Practicable Date, we did not have non-compliance incidents that our Directors believe would, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

As advised by our PRC legal advisers, during the Track Record Period and up to the Latest Practicable Date, save as set out below, we had complied with the relevant laws and regulations in all material respects in the PRC.

Non-compliance with social insurance and housing provident fund contributions

Background and reasons of non-compliance incidents

Pursuant to relevant PRC laws and regulations, employers are obligated to directly and duly make social insurances and housing provident fund contributions for their employees. During the Track Record Period, we failed to fully make social insurances and housing provident fund contributions for certain current and former employees with the relevant social insurance or housing provident fund authorities. We estimate that the shortfall of relevant contributions during the Track Record Period were immaterial. Our non-compliance was primarily related to the workers from our footwear manufacturing facilities for whom we did not make sufficient contribution mainly due to their high turnover rate. In addition, some of our employees prefer us not to contribute to the social insurance and housing provident funds due to the requirement that they need to co-contribute.

During the Track Record Period and up to the Latest Practicable Date, we engaged third party agents to pay social insurance and housing provident funds for a small number of our employees in order to enable them to enjoy the social insurance and housing provident funds at their habitual residence where we did not have any local subsidiaries and branches for completing the necessary registration or making the relevant contributions. Such arrangements are not in strict compliance with relevant PRC laws and regulations.

Potential legal consequences

As advised by our PRC legal advisers, if any of the relevant social insurance authorities is of the view that we failed to make full social insurance contributions for our employees in accordance with the relevant laws and regulations, it may order us to pay outstanding amounts within a prescribed time limit, and we may be subject to a late charge at the daily rate of 0.05% on the outstanding amounts from the date on which such amounts are payable. If such payment is not made within the prescribed period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. If any of the relevant social insurance authorities is of the view that we failed to complete the social insurance registration for our employees, they may request us to complete such registration within a prescribed period, and failing which, we may be subject to a fine from one to three times of the amount of social insurance contributions payable by us.

As advised by our PRC legal advisers, if any of the relevant housing provident fund authorities is of the view that we failed to make full housing provident fund contributions for our employees in accordance with the relevant laws and regulations, it may order us to make outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to PRC courts for compulsory enforcement. If any of the relevant housing provident fund authorities is of the view that we failed to complete the housing provident fund registration for our employees, we may be subject to a fine between RMB10,000 and RMB50,000.

Rectification

During the Track Record Period and up to the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our contributions to social insurance and housing provident funds or payment of contribution through third party agents, nor had we received any order, employee complaints or been informed to settle the under-payments. We have obtained confirmations from, and/or consulted with, the relevant government authorities supervising our principal subsidiaries since May 2022, which confirmed that we had not been subject to any administrative action, fine or penalty imposed by the relevant regulatory authorities with respect to our contributions to social insurance and housing provident funds during the Track Record Period. Our PRC legal advisers have confirmed that these regulatory authorities are the competent authorities governing our contributions to social insurance and housing provident funds in the relevant cities.

We are committed to being fully compliant with applicable laws and regulations, and have begun to implement measures to rectify our non-compliance with social insurance and housing provident funds laws and regulations. We undertake to make timely payments for the deficient amount and overdue charges, as soon as requested by the competent government authorities. As at 31 December 2022, we have a provision of HK$34.8 million to cover the shortfall of social insurance and housing provident fund contributions for the Track Record Period and preceding years.

We have enhanced our internal control measures, including enhancing policy on social insurance and housing provident fund contributions in compliance with relevant PRC laws and regulations. In addition, we have designated our accounting department and human resources department to review and record the reporting and contributions of social insurance and housing provident fund on a monthly basis. We will continue to communicate with the respective regulatory authorities and consult our corporate legal counsel on a regular basis to keep us abreast of relevant regulatory developments in the PRC.

We expect to gradually rectify our social insurance and housing provident fund contributions of our employees in the period of three years starting from the second half of 2023 as the regulatory authorities in major cities only adjust the base of contributions in July every year. Our compliance with social insurance and housing provident fund contributions is in part subject to cooperation from our employees, who may not be receptive and may have a different attitude towards such contributions due to the requirement that they co-contribute. In this connection, we will communicate with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, and adjust the base of contribution starting with those business units with low staff turnover and where the majority of our employee is willing to pay such additional contributions. To avoid the need of engaging third party agents to pay social insurance and housing provident funds for employees from other regions or provinces, we have instructed our local subsidiaries in the PRC to hire only local employees going forward.

Taking into account of the above confirmation from, and consultation with, the competent regulatory authorities and considering that (i) we had not been subject to any material administrative action, fine or penalty imposed by the relevant regulatory authorities with respect to our contributions to social insurances and housing provident funds during the Track Record Period and up to the Latest Practicable Date; (ii) as at the Latest Practicable Date, we had not received any notifications from the relevant PRC authorities requiring us to pay the shortfalls or the penalties with respect to social insurance and/or housing provident funds, nor had we received any material complaints from our employees with respect to social insurance and housing provident fund contributions; (iii) we have made provisions for social insurance and housing provident fund contributions; (iv) we will comply with the requirements of the competent regulatory authorities to make supplemental contributions in the event we receive such requirements; and (v) according to the urgent notice on stabilizing collection of social insurances pursuant to the executive meeting of State Council (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) issued by General Office of Ministry of Human Resources and Social Security (人力資源社會保障部辦公廳) in September 2018, local governments are strictly prohibited from collecting historical outstanding social insurance contributions, our PRC legal advisers are of the view that the risk of us being subject to material administrative penalties due to failure to make full social insurance and housing provident fund contributions is relatively low.

In addition, our PRC legal advisers are of the view that our engagement of third party agents for payment of social insurance and housing provident funds contributions will not bring upon any material adverse impact over the **[REDACTED]** after considering (i) the confirmation from relevant third party agents that they have made sufficient social insurance and housing provident funds contributions for the relevant employees in a timely manner; and (ii) the confirmation from relevant employees consenting to the arrangement for payment of the social insurance and housing provident funds contributions through third party agents.

Based on the above, our Directors are of the view that the above non-compliance will not have a material adverse effect on our overall operations and financial condition as a whole.

Some of our operation sites fail to complete fire safety related procedures

Background and reasons of non-compliance incidents

As at the Latest Practicable Date, among the sites we currently occupied for operation, (i) four of our sports parks or sports centres, which we operated under entrustment, did not obtain the fire safety inspection certificates (消防安全檢查合格證) or make the fire safety undertaking (消防安全告知承諾) for public gathering places, and (ii) three of our ice-skating rinks, which we operated under lease, did not complete the fire safety completion acceptance recordation (消防驗收備案). During the Track Record Period, revenue generated from the foregoing premises involving fire safety non-compliance amounted to HK$55.7 million, HK$117.8 million and HK$99.1 million, representing 6.8%, 8.5% and 1.4% of our total revenues for FY2020, FY2021 and FY2022, respectively, and the revenue generated from each of the premises is as follows:

	FY2020	**FY2021**	**FY2022**
	HK$'000	*HK$'000*	*HK$'000*
Sports parks/sports centres			
Yangzhou Li Ning Sports Park 揚州李寧體育園	15,908	23,062	15,164
Hefei Nanyan Lake Li Ning Sports Park 合肥南艷湖李寧體育園	5,623	20,659	21,890
Nantong Li Ning Sports Centre 南通李寧運動中心	4,785	6,737	7,420
Tianjin Chilong Li Ning Cultural and Sports Centre天津赤龍李寧文體中心	126	2,028	731
Ice-skating rinks			
All-Star Beijing Solana Ice Rink* 全明星北京藍色港灣國際商區冰場	10,073	17,406	16,076
All-Star Shanghai Incity MEGA Ice Rink* 全明星上海印象城冰場	5,286	22,141	17,207
All-Star Shanghai Mercedes – Benz Arena Ice Rink* 全明星上海梅賽德斯－奔馳文化中心冰場	13,939	25,747	20,606
Total	**55,740**	**117,780**	**99,094**

Note: Performance of our sports destination development business improved in FY2021 as a result of the increased interest in winter sports due to Beijing Winter Olympics in 2022 and the economic recovery from COVID-19.

Our non-compliance was primarily due to failure of the entrusting parties or the landlords as applicable, which are state–owned enterprises or well–established property developers to provide the necessary documents for the completion of relevant fire safety related procedures which is out of our control.

Potential legal consequences

As advised by our PRC legal advisers, we may be subject to the following fines and/or penalties in connection with the abovementioned non-compliances:

- for sites that were put into use without obtaining the fire safety inspection certificates or making the fire safety undertaking for public gathering places, we are subject to the risk of being prohibited from using these sites or closing of our business relevant to the affected sites and being fined between RMB30,000 and RMB300,000; and

- for sites that were put into use without completing the fire safety completion acceptance recordation, we are subject to the risk of being fined up to RMB5,000.

Furthermore, as the manager or user of the sites, we are generally responsible for fire safety management of such sites and shall perform relevant fire safety duties, such as establishing fire safety policies, setting up and conducting regular testing and maintenance of fire control facilities, organising fire prevention drills and adopting other necessary fire safety measures to eliminate potential fire risks. In addition, we shall normally take responsibility for and bear losses arising from fire accidents occurring at the sites, which are caused by our mismanagement.

Rectification

Despite of our failure to complete the necessary fire safety related procedures in a timely manner, which was primarily due to failure of the entrusting parties or the landlords (as applicable) to provide us with the necessary documents for the completion of relevant fire safety related procedures, we have been continuously communicating with the entrusting parties or the landlords and the relevant governmental authorities with a goal to rectify the fire safety related non-compliance. Nevertheless, there are various practical difficulties for us to rectify all of the fire safety related non-compliance, which include: (i) failure of the entrusting parties or the landlords to complete the required fire safety procedures, which shall have been completed by the entrusting parties or the landlords themselves, for the entire premises where our operation sites are located and thus such entrusting parties or landlords cannot provide us with the relevant documents, which caused delays in our application for completing the fire safety procedures; and (ii) the relevant local governmental authorities may not accept applications for completing the fire safety procedures that are submitted after the commencement of business operations at such sites. As a result, the expected time for completion of the fire safety procedures is subject to various factors that may be out of our control.

We are committed to completing the fire safety procedures as soon as practicable. We have been communicating with the relevant fire authorities in charge of the relevant sports parks and sports centres, with the coordination of the sports destinations owners who are mostly local governments or state-owned enterprises with an intention to guarantee our normal operation, on our proposed rectification measures for the non-compliance and have made our best efforts to fulfill the requirements required by the authorities.

In addition to the above general rectification measures, please see below table for the current status of fire safety related non-compliance, reasons of non-compliance, and the specific rectification measures as well as expected timeline, for each of the relevant sports destinations:

	Name	Status of fire safety related non-compliance	Reasons for Non-compliance	Rectification measures/expected timeline
	Sports Parks/sports centres			
1	Yangzhou Li Ning Sports Park 揚州李寧體育園	Did not obtain the fire safety inspection certificates (消防安全檢查合格證) or make the fire safety undertaking (消防安全告知承諾) for public gathering places	Failure of the entrusting party, which is a state-owned enterprise, to provide the necessary documents for the completion of relevant fire safety related procedures which is out of our control	– In December 2021, an independent fire safety consultant performed a full assessment of the fire safety facilities of our sports centre in Yangzhou and issued an evaluation report, which suggests that there is no material defect in the fire safety facilities of such sports park. – We have consulted with the owner of our sports park in Yangzhou, confirming that relevant fire safety facilities have been put into use and there have been no major fire accidents at such sites.
2	Hefei Nanyan Lake Li Ning Sports Park 合肥南艷湖李寧體育園	– Did not obtain the fire safety inspection certificates (消防安全檢查合格證) or make the fire safety undertaking (消防安全告知承諾) for public gathering places	Failure of the entrusting party, which is a state-owned enterprise, to provide the necessary documents for the completion of relevant fire safety related procedures which is out of our control	– The sports park in Hefei was already opened in 2020, and passed fire control inspection (消防驗收) by the local fire authorities in late 2021, but no fire safety inspection certificate was granted due to the local policy that the fire control inspection certificate would normally not be granted after commencement of business operation. – We have been continuously communicating with the local fire authority and invite them to carry out on-site inspection regularly. – In order to further assess and mitigate the risks related to fire safety, we have engaged an independent fire safety consultant to perform an assessment on the fire safety facilities of the Hefei sports park, and the report issued by such consultant in December 2022 suggests that there is no material defect in the fire safety facilities of such sports park.
3	Nantong Li Ning Sports Centre 南通李寧運動中心	Did not obtain the fire safety inspection certificates (消防安全檢查合格證) or make the fire safety undertaking (消防安全告知承諾) for public gathering places	Failure of the entrusting party, which is a government body, to provide the necessary documents for the completion of relevant fire safety related procedures which is out of our control	– Although our sports centre in Nantong did not obtain fire safety inspection certificate (消防安全檢查合格證) before it was opened, the entire building, in which such sports centre is located, passed fire control inspection (消防驗收) by the local fire authorities in late 2018 as a whole. – Our sports centre in Nantong is currently designated by the local fire authorities as its swimming training base, which may serve as an indication that the local fire authorities have substantially acknowledged the status of the fire safety facilities in such sports centre.

	Name	Status of fire safety related non-compliance	Reasons for Non-compliance	Rectification measures/expected timeline
				– We have consulted with the entrusting party of our sports center in Nantong, confirming that relevant fire safety facilities have been put into use and there have been no major fire accidents at such sites. – We have been continuously communicating with the local fire authority and invite them to carry out on-site inspection regularly. – In order to further assess and mitigate the risks related to fire safety, we have engaged an independent fire safety consultant to perform an assessment on the fire safety facilities of Nantong sports centre, and the report issued by such consultant in December 2022 suggests that there is no material defect in the fire safety facilities of such sports centre.
4	Tianjin Chilong Li Ning Cultural and Sports Centre 天津赤龍李寧文體中心	Did not obtain the fire safety inspection certificates (消防安全檢查合格證) or make the fire safety undertaking (消防安全告知承諾) for public gathering places	Failure of the entrusting party, which is a government body, to provide the necessary documents for the completion of relevant fire safety related procedures which is out of our control	– On 27 June 2022, the sports centre was requested to suspend its business operations temporarily and a fine of RMB30,000 was imposed on us by the competent fire control authority for not obtaining the fire safety inspection certificate before commencing its business operations. The fine has been fully paid by us and the revenue generated from such sports centre was relatively low during the Track Record Period. – The competent fire control authority has issued a written certificate on 11 August 2022, confirming that we have been actively rectifying the non-compliance and there is no major potential fire hazard or serious violation of fire safety laws at the sports centre in Tianjin. – To rectify the non-compliance, we have been communicating with the local fire authority to arrange an inspection at our sports centre. As at the Latest Practicable Date, the local fire authority is still processing our application and has not completed such inspection. Although the sports centre remains suspended, our Directors believe that such suspension will not have any material adverse impact on the business operation or financial results of our Group given that such sports centre accounted for less than 1% of our total revenue for each of FY2020, FY2021 and FY2022.

<table>
<tr><th></th><th>Name</th><th>Status of fire safety related non-compliance</th><th>Reasons for Non-compliance</th><th>Rectification measures/expected timeline</th></tr>
<tr><td></td><td>Ice-skating rinks</td><td></td><td></td><td></td></tr>
<tr><td>1</td><td>All-Star Beijing Solana Ice Rink* 全明星北京藍色港灣國際商區冰場</td><td rowspan="3">Did not complete the fire safety completion acceptance recordation (消防驗收備案), but already obtained the fire safety inspection certificates (消防安全檢查合格證) for public gathering places</td><td rowspan="3">Failure of the relevant landlord, which is a large scale property developer, to provide the necessary documents for the completion of relevant fire safety related procedures which is out of our control</td><td rowspan="3">– Based on our consultation with the local fire authorities in charge of the ice-skating rinks, it is confirmed that as each of three ice-skating rinks has passed the fire safety inspection and obtained the fire safety inspection certificates (消防安全檢查合格證) for public gathering places before its opening, the risk is relatively low that we would be imposed administrative fines or penalty for not completing the fire safety completion acceptance recordation for our decoration of such ice-skating rinks provided that such decoration does not materially change the overall fire safety facilities of the shopping malls. During the Track Record and up to the Latest Practicable Date, we had not made any material change to the overall fire safety facilities of such shopping malls during our decorations of the leased premises.

– The relevant shopping malls where the three ice-skating rinks are located have passed the fire safety inspection as a whole before their opening, and are under regular inspection by the local fire authorities.</td></tr>
<tr><td>2</td><td>All-Star Shanghai Incity MEGA Ice Rink* 全明星上海印象城冰場</td></tr>
<tr><td>3</td><td>All-Star Shanghai Mercedes – Benz Arena Ice Rink* 全明星上海梅賽德斯–奔馳文化中心冰場</td></tr>
</table>

Furthermore, we have enhanced our internal control measures and procedures with respect to fire safety to manage associated risks and prevent re-occurrence of such non-compliance incidents. Set forth below are key efforts we have made:

- ***Fire safety policies***. We have established our detailed fire safety management policies, which require necessary fire safety facilities to be equipped at our operation sites, provide detailed guidance on the proper use of fire safety facilities, and provide for frequent inspection and maintenance of the electrical systems and fire safety equipment that we equip on our premises. We have also formulated evacuation plans, fire protection and rescue plans in the event of fire emergency, and have also installed signs for fire evacuation.

- ***Personnel.*** We have designated personnel at each of our sports destinations responsible for the fire safety. Duties of such fire safety manager includes review fire safety measures, prepare fire safety work plan and budget, conduct inspection and arrange for maintenance of fire safety equipment on a regular basis, organise fire safety trainings and fire drills, and identify and report to the management on material fire safety issue.

- ***Equipment.*** We equip our sports destinations with the proper fire safety equipment and systems, and regularly assess the need to repair and upgrade our equipment and facilities to achieve better ventilation, fire and heat protection.

- ***Inspection.*** We conduct daily inspection at our sports destinations over the electrical system and fire safety facilities. We also conduct daily checks at the evacuation routes and exit doors to ensure that the signs are properly installed, the evacuation routes are free from obstruction and the exit doors are unlocked. We also engage independent fire safety consultants to conduct inspection and carry out maintenance work over our fire safety facilities and equipment regularly.

- ***Employee trainings***. We provide extensive and regular trainings on fire safety to our employees, which cover general fire safety awareness and knowledge, and trainings on proper use of fire safety equipment and emergency evacuation plans. We also organise fire drills at our sports destinations on a regular basis to familiarise our employees with our evacuation plan and increase their fire safety awareness.

- ***Management of licenses and certificates***. We have established our license and certificate management policies, which, among others, govern the timely applications for the required fire safety procedures. Such policies require our new operation sites to be opened only after the necessary fire safety procedures are completed and the fire safety related licenses and certificates are obtained. In addition, we also designate dedicated personnel to manage licenses and certificates required for our business operations, who are responsible for monitoring the status and renewal of such fire safety related licenses and certificates in a timely manner.

- ***Enhancement of fire safety compliance.*** We established policy to include fire safety compliance as one of the key assessment for acquisition and operation and cover fire safety compliance as part of our internal training.

Our PRC legal advisers are of the view that the above fire safety related non-compliance will not bring upon any material adverse effect on the **[REDACTED]** given that (i) the relevant sports parks are ultimately owned by the respective local governments or state-owned enterprises controlled by such governments, which are mainly responsible for completing the relevant fire safety procedures for the construction of such premises, and the above fire safety related non-compliance is mostly caused by the failure of such owners to complete the pre-requisite fire safety procedures, which shall not be handled by us and are practically beyond our control; (ii) the relevant ice-skating rinks are located at major shopping malls and all of the ice-skating rinks have passed the fire safety inspection and obtained the fire safety inspection certificates（消防安全檢查合格證）for public gathering places before their opening, and we have not made any material change to the overall fire safety facilities of such shopping malls during our decorations of the leased premises. In such cases, the risk of us being imposed administrative fines or penalty is relatively low based on our consultation with the relevant fire authorities. Even if we are imposed administrative penalty for not completing such recordation, the maximum amount of fine for each of the ice-skating rinks would be no more than RMB5,000; (iii) the revenue generated from the relevant premises only attributed to a small portion of our total revenue during the Track Record Period; (iv) no material fire accident took place at the relevant premises during the Track Record Period and up to the Latest Practicable Date; (v) except for the penalty disclosed in (vi) below, we were not subject to any administrative penalties by the relevant regulatory authorities due to the above fire safety related non-compliance during the Track Record Period; (vi) on 27 June 2022, one of our sports centres in Tianjin was requested to suspend its business operations temporarily and a fine of RMB30,000 was imposed on us by the competent fire control authority for not obtaining the fire safety inspection certificate before commencing its business operations. The fine has been fully paid by us and the revenue generated from such sports centre was relatively low during the Track Record Period. The competent fire control authority has issued a written certificate on 11 August 2022, confirming that we have been actively rectifying the non-compliance and there is no major potential fire hazard or serious violation of fire safety laws at the sports centre in Tianjin. For further details of this sports centre, please refer to the paragraph headed "Rectification" in this sub-section.

Furthermore, with the rectification measures adopted, as disclosed in the sub-section headed "Rectification" in this section, the other non-compliant operating sites will not cause any material disruption to the Group's business operations going forward. Besides, we have adopted various measures to mitigate our risks in respect of potential fire accidents, such as engaging independent fire safety consultants to regularly inspect and maintain fire safety facilities, equipping the sites with adequate and sufficient fire safety facilities and carrying out fire safety trainings and drills, and purchasing relevant insurance to cover our losses suffering from fire accidents, etc. Based on the above, our PRC legal advisers are of the view that the risk of us being further requested by local fire authorities to suspend our business operation of the relevant sports sites as a result of the above non-compliance is relatively low as long as we make our best efforts to rectify such non-compliance and continue to implement adequate and effective internal control measures and procedures to prevent re-occurrence of such non-compliance incidents, and our Directors are of the view that the above non-compliance will not have a material adverse effect on our overall operations and financial condition as a whole.

DATA PRIVACY PROTECTION

We are committed to protecting consumer data in our business operations. We collect certain data and information from consumers in connection with our business and are subject to data privacy laws in relevant jurisdictions we operate. The relevant data privacy laws may require consumers to consent to our data collection, usage and transfer. We have taken necessary measures to prevent the leakage of consumer data, such as formulating internal policies on customer data protection, taking appropriate encryption and anonymisation on personal data, external testing to identify any weakness in our cyber defences, and providing training to our employees to ensure their awareness of our internal policies in relation to customer data protection. We also have in place the policies, procedures, software and technology infrastructure to collect, use, store, retain and transmit our consumer data in compliance with applicable data protection laws and regulations of our major markets. See sections headed "Regulatory Overview – Laws and Regulations in the PRC – Regulations on information security and personal information – Personal information protection" and "Regulatory Overview – Relevant Laws and Regulations in the United Kingdom and United States – A. United Kingdom (UK) – 4. Data Protection and e-Privacy Laws" for further details.

We collect customers' personal information mainly from visitors and members of our sports park, sports centre and ice-skating rinks as well as online sales of our footwear and apparel. We process a customer's personal information based on the legal requirements as provided under the applicable laws and regulations which may include obtaining the customer's consent to the terms of our online data privacy policy, which specify the data we collect, store, use and may share with third parties. Such personal information may include: the customer's nickname and phone number, for membership identity verification; gender, birth date and residing region, for the customer to receive certain benefits and services; brands and products purchased and purchase amounts, as part of our sales records; contact information, for product delivery services; phone number, username and password, for purposes of online shopping account registration; online view, search and purchase records, to provide online sales services; internet behavioural records, personal device information and location information, to provide personalised product or service recommendations. We own the consumer data that we collect through our own online channels, and we store and manage this data in our data center. We only share customers' data for the purpose of providing services to our customers, such as product delivery and credit card payment processing. Opt-in consent is required for marketing activities. We assess the legality, appropriateness and necessity of such data sharing and require the third parties to protect the security of the data and strictly comply with relevant laws and regulations. Data regarding our customers' online purchases made through third-party platforms are subject to those third-party platforms' data governance policies.

Sufficient maintenance, storage and protection of consumer data and other related information is critical to our business. Our policy on data collection and protection practices primarily include: (i) requirements on processing personal information with legal basis, such as providing adequate notice to consumers as to how their data is being collected and used and obtaining their consent, (ii) encrypting and anonymising consumer data stored on our system, (iii) limiting access of consumer data to authorised employees, and (iv) making reasonable efforts to prevent loss or leakage of consumer data. Access to the original consumer data is prohibited unless approved in accordance with the "need to know basis" principle pursuant to our internal policies. We perform regular data security and privacy checks to ensure that the usage, maintenance and protection of consumer data are in compliance with our internal rules and applicable laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material consumer data privacy breach, leakage or dispute.

CYBERSECURITY

On 28 December 2021, the Cyberspace Administration of China(國家互聯網信息辦公室)(the "**CAC**"), jointly with other PRC governmental authorities, promulgated the Measures for Cybersecurity Review(《網絡安全審查辦法》)(the "**Measures**"), which came into effect on 15 February 2022. Pursuant to Article 2 of the Measures, critical information infrastructure operators purchasing network products and services and online platform operators engaging in data processing activities, which affect or may affect national security, shall be subject to cybersecurity review. According to the verbal consultation (the "**Consultation**") conducted by the Company and the Company's PRC legal adviser with the China Cybersecurity Review Technology and Certification Center(中國網絡安全審查技術與認證中心)(the "**Center**") on 5 August 2022, which is the competent authority to provide views and interpretations relating to the Measures and the Regulation on the Administration of Cyber Data Security (Draft for Comments)(《網絡數據安全管理條例(徵求意見稿)》)(the "**Draft Regulations**"), during which we notified the Center of our **[REDACTED]**, it is confirmed by the Center that (i) critical information infrastructure operators are identified by the governmental authorities of the corresponding industry; (ii) if a company is not involved in the collection and processing activities of personal information through operating its own platform, such company would not be deemed as online platform operators; and (iii) if the activities of a company affect or may affect national security based on the factors set out in Article 10 of the Measures, the relevant governmental authorities will initiate cybersecurity review at their own discretion pursuant to Article 16 of the Measures.

As of the Latest Practicable Date, to the best knowledge of our Directors, (i) we had not been determined or identified as a critical information infrastructure operator by any governmental authorities; (ii) we believe that we are not an online platform operator engaged in any data processing activities that affect or may affect national security; (iii) we had not been involved in any investigations on cybersecurity review made by the CAC, and nor had we received any inquiry, notice, warning or sanctions in this regard. Based on the above and as advised by our PRC legal adviser, we believe it is unlikely for us to be determined or identified as a critical information infrastructure operator or an online platform operator engaging in data processing activities which affect or may affect national security, as long as there is no material change to our Group's current business, and therefore it is unlikely for us to be subject to cybersecurity review under Article 2 of the Measures.

In addition, Article 7 of the Measures stipulates that an "online platform operator" which possesses personal information of over one million users and intends to be "**[REDACTED]**" shall be subject to cybersecurity review. According to the Consultation, it is confirmed by the Center that a company will not be subject to the cybersecurity review by virtue of seeking a **[REDACTED]** in Hong Kong under Article 7 of the Measures. Given that Hong Kong is not a country or region outside of the PRC, as long as there is no specific official guidance or implementation rules to include Hong Kong in the scope of "abroad" in the future, our PRC legal adviser is of the view that **[REDACTED]** in Hong Kong is unlikely to be considered as being "**[REDACTED]**", and therefore it is unlikely for us to be subject to cybersecurity review for our proposed **[REDACTED]** under Article 7 of the Measures.

On 14 November 2021, the CAC released the Draft Regulations for public comment, which provides the requirements for data processing activities through internet as well as the supervision and regulation of cyber data security within the PRC. As of the Latest Practicable Date, the Draft Regulations had not yet entered into force. According to the Draft Regulations, "cyber data" refers to any information that is electronically recorded, whereas "data processing activities" refers to activities such as data collection, storage, usage, processing, transmission, provision, disclosure and deletion. As advised by our PRC legal adviser, in general, by collecting, storing and otherwise processing certain information via internet in connection with our business operations, our Group would be subject to relevant requirements under the Draft Regulations in terms of personal data protection, cyber data security management, supervision and other applicable aspects, assuming the Draft Regulations is implemented in its current form. In addition, Article 13 of the Draft Regulations stipulates that data processors shall apply for cybersecurity review when carrying out activities including (i) seeking to be **[REDACTED]** in Hong Kong that affect or may affect national security; and (ii) other data processing activities that affect or may affect national security. According to the Consultation, it is confirmed by the Center that as the Draft Regulations is not yet in force, currently we are not required to comply with the requirements therein, and the applicability of various requirements under the Draft Regulations is still subject to the enactment of the final version of the Draft Regulation.

We believe that we would be able to comply with the Measures in all material aspects on the basis that we do not need to file an application for cybersecurity review to the CAC under Article 2 and Article 7 of the Measures at this stage. In addition, we believe that we would be able to comply with the Draft Regulations in all material aspects, assuming it is implemented in its current form, on the basis that (i) we do not need to file an application for cybersecurity review to the CAC under Article 13 of the Draft Regulations at this stage; (ii) as of the Latest Practicable Date, we had not been subject to any fines or administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to the infringement of cyber data protection laws and regulations; (iii) as of the Latest Practicable Date, we had not been involved in any investigations on cybersecurity review made by the CAC, nor had we received any inquiry, notice, warning, or sanctions in such respect; and (iv) we will closely monitor the legislative development of the Draft Regulations, continuously review and comply with the compliance measures and management system, and prepare for the corresponding compliance in advance. In light of the foregoing, our PRC legal adviser does not foresee any material obstacles for us to comply with the Measures and the Draft Regulations (if implemented in its current form) in all material aspects. Based on the above, we believe, as advised by our PRC legal adviser, that the Measures and the Draft Regulations (if implemented in its current form before the completion of the **[REDACTED]**) would not have a material adverse impact on our business operations or the **[REDACTED]** in Hong Kong.

RISK MANAGEMENT AND INTERNAL CONTROLS

We are exposed to various risks in the course of our operations and have established risk management systems with policies and procedures that we believe are appropriate for our business operations. Our management is responsible for maintaining appropriate and effective risk management and internal control systems, and our Board is responsible for reviewing and monitoring the effectiveness of our Group's risk management and internal control systems at least annually, covering financial, operational and compliance controls, to ensure that the systems in place are adequate and effective.

The risk management process of our Group would involve, among others, (i) identification of risks that may potentially affect our Group's business and operations, (ii) risk assessment over their impact of the business and likelihood of occurrence, (iii) development of risk management strategies and internal control procedures for preventing or mitigating such risks; (iv) review of the implementation of the risk management strategies and internal control procedures and revise such policies when necessary; and (v) regular report to our Board and management team on the result of risk monitoring.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the **[REDACTED]**, we have adopted or will continue to adopt, among other things, the following internal control measures:

(i) We have established an audit committee to review and supervise our financial reporting process and internal control system. The Audit Committee is responsible for reviewing our Company's financial statements, annual reports, half-year reports, quarterly reports and risk management and internal control systems, as well as providing advice and comments thereon to our Board.

(ii) We have engaged an internal control consulting firm to review the effectiveness of our internal controls associated with our major business processes, identify deficiencies and improvement opportunities, provide recommendations on remedial actions and review our implementation status of remedial actions.

(iii) We have adopted various policies to ensure compliance with the Main Board Listing Rules, including aspects related to risk management, connected transactions and information disclosure.

(iv) By taking a zero-tolerance approach to corruption or malpractice of any form throughout our operation, we strictly prohibit the acceptance of money or any other gifts from outside entities such as customers, suppliers, contractors, authorities or other business partners. The relevant principles on responsible business conduct and anti-corruption measures were included in our employee handbook. We also provide periodic anti-corruption compliance training to our Board members and employees to update them on the latest anti-corruption enforcements and proper practice procedures.

(v) A comprehensive financial monitoring system was implemented, which includes among others, (i) review of the tax provisions, monthly and quarterly financial statements of our Group on a regular basis; (ii) formulation of a unified accounting system to standardise the accounting standard within our Group; (iii) provision of weekly cash flow statement by our subsidiaries; (iv) implementation of a comprehensive budget monitoring and management system in which the annual budget for different business segments will be reviewed and approved by our Board; (v) regular performance review on the person responsible for each of the business segment; and (vi) dual reporting arrangement, i.e. the person responsible for each of the business segment shall report to both our head office and the business line.

(vi) We have a strict quality control system which set out quality standard for various business processes, covering product design and development, procurement and product quality management. For instance, we have a team of experienced professionals to manage the quality of our product design and ensure the registration of the relevant intellectual property rights for the design. For further details on the quality control measures, please refer to "Quality Control" of this section.

(vii) As part of our supply chain management and monitoring mechanism, we conduct audits, site visits and assessments on our suppliers regularly to ensure our stringent requirements are fully met. Areas of concern are identified and addressed through proactive corrective actions for future improvement. Suppliers who consistently fail to meet the expected standards may be subject to contract termination. This holistic approach enables us to develop long-term sustainable partnerships with our suppliers.

(viii) A whistle-blowers policy is also in place to allow employees at all levels and other stakeholders to raise concerns regarding any misconduct. To ensure whistle-blowers have the freedom to report grievances without fear of reprisal, all cases are treated strict with confidentiality and submitted to designated personnel for further investigation.

IMPACTS OF AND OUR RESPONSE TO COVID-19

Impacts on our Group

The outbreak of COVID-19 has adverse financial and operational impacts on our Group. Our revenue from sports experience business for FY2020 was adversely affected by the temporary closure of sports parks, sports centres and ice-skating rinks during February to March 2020 and postponement and cancellation of sports competitions and events resulted from the outbreak of COVID-19. Also, due to the lockdowns and social measures imposed to avoid the spreading of COVID-19, our revenue from retails stores for FY2020 also deteriorated temporarily. Nevertheless, with our strategies in expanding our retail network, our revenue from multi-brand apparel and footwear business was not materially affected.

Although the overall revenue of our Group in FY2022 recorded a significant increase due to completion of the First Clark Acquisition, the recurring waves of COVID-19 in Hong Kong and the PRC in 2022 had adversely affected our business operation and financial performance for the year. In particular, some of our directly-operated stores in Shanghai, Shenzhen and Shenyang, and all of our sports parks, sports centres and ice-skating rinks were temporarily closed down on several occasions, for a period of a few days to a few weeks for each time. In addition, the social distancing measures had lowered the foot traffic of our directly-operated stores, and many sports events, if not cancelled or delayed, were held without any live audience at e-sports tournaments and other sports events which resulted in a loss of revenue from entrance tickets.

Our Response to COVID-19

In response to COVID-19, we implemented the following measures at our sports destinations, retail stores, office premises and warehouses to better protect our employees, In terms of our Group's internal arrangements, we have policies include (i) providing staff with anti-epidemic supplies such as medical masks and hand sanitisers; (ii) adopting flexible work arrangements (e.g. work from home) to minimise physical contact; (iii) requiring both staff to measure body temperature before entering our premises; (iv) offering one day of compensation leave for employees who had taken a vaccination dose; (v) reminding staff to maintain good personal hygiene by organising mental health-related workshops; and (vi) requiring staff members who work in the office, shops and warehouses physically to complete an online health declaration form on a weekly or bi-weekly basis.

Our policies for the operation of sports destinations and retail stores includes (i) requiring customers and visitors to measure body temperature before entering our premises; (ii) maintaining sufficient anti-epidemic supplies at our premises; (iii) imposing crowd control and social distancing measures at the relevant premise; and (iv) improving the sanitation level of the relevant premises by carrying out regular cleaning.

For our multi-brand apparel and footwear business, given the outbreak of COVID-19 had lowered consumer sentiment for fashion products and reduced the foot traffic of retail stores, we increased the frequency and intensity of the discounts on our products in order to boost our sales and clear our inventory. For our sports destination development business, whilst our sports destinations are subject to temporary closures and crowd control restrictions, we put forward various cost control measures to mitigate our potential loss, such as reducing labour costs, cutting marketing expenses, and postponing capital expenditure. For our sports team and event management business, although the absence of live audience at e-sports tournaments and other sports events had led to a loss of revenue from entrance tickets, it had not materially and adversely affected our business operation or financial performance, and such loss was also partially compensated by the revenue from live-broadcasting.

We believe the above measures will help us to control the impact of COVID-19 on our business operations, and we have sufficient financial resources to navigate the uncertainties brought about by the COVID-19 pandemic. We will continue to closely monitor the development of COVID-19 and react in a timely manner. In view of the above, our Directors believe that the outbreak of COVID-19 would not have any material adverse impact on our Group's operation and financial performance. However, the extent to which COVID-19 affects our future results of operations will depend on the duration and severity of the pandemic, the progress in administration of COVID-19 vaccines and development of new drugs and vaccines, and government measures to contain the pandemic, all of which are beyond our control.

Impact on the Clark Group

The outbreak of COVID-19 has adverse financial and operational impacts on the Clark Group which is a global footwear retailer and wholesaler with a seasonally driven business model. The impact of COVID-19, together with the government mandated lockdowns, reduced the demand for footwear which coincided with the commencement of the Spring/Summer season and the payment for new inventory, resulting in a significant working capital impact in 2020 that continued into 2021. For further details, see "Financial Information – Key Factors Affecting the Results of Operations of the Clark Group – Impact of COVID-19" in this document. Resurgence of COVID-19 in regions where our OEM suppliers and logistic services providers are located may result in delay in delivery of our finished products. If any finished products have become off-season due to delay in delivery by our suppliers, we may need to offer additional discount to our customers to lower our inventory level.

The Clark Group's Response to COVID-19

In terms of financial management, actions were taken by the Clark Group to reduce costs and cash outflow, such as, (i) reduction of capital expenditure and other discretionary expenditure where possible; (ii) extension of payment terms with the Clark Group's suppliers to provide liquidity support for the Clark Group; and (iii) entering into company voluntary arrangement with landlords in November 2020 which allowed for compromises in rent arrears and adjusting from fixed rent to turnover rent basis for most leased properties for the coming three years.

In terms of business operation, the Clark Group has taken various steps to provide a safe work place and shopping areas for its staff and customers, including, amongst others, (i) provide cleaning, handwashing and hygiene procedures for its staff and locations, (ii) perform regular cleaning and sanitisation at its work place and shops; (iii) provide work from home arrangements for its staff, (iv) implement social distancing measures at its work place and shops to minimise transmission risks; and (v) ensure adequate ventilation in closed spaces.

In the first half of 2022, certain countries, including the UK and the US, had gradually removed pandemic-related restrictive measures which would be of benefit to the recovery of the global retail business. Our management will continue to monitor the development of COVID-19 at the relevant jurisdictions as well as its impact on the Clark Group's operation and carry out appropriate response measures.

BOARD OF DIRECTORS

Our Board consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors.

The table below sets forth certain information in respect of members of our Board:

Members of our Board

Name	Age	Date of joining our Group	Current Position	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and/or senior management
Executive Directors						
Mr. Li Ning (李寧先生)	60	2 June 2010	Executive Director, chairman of our Board and chief executive officer	2 June 2010	Responsible for overseeing the overall management, business strategic development and general operations of our Group, convening and hosting Board meetings, and hosting general meetings of our Company	Uncle of Mr. Li Qilin
Mr. Li Chunyang (李春陽先生)	54	2 June 2010	Executive Director	2 June 2010	Responsible for overseeing the overall management, business strategic development and general operations of our Group	Nil
Mr. Li Qilin (李麒麟先生)	36	6 June 2013	Executive Director	13 November 2015[(1)]	Responsible for overseeing the overall management, business strategic development and general operations of our Group	Nephew of Mr. Li Ning
Non-executive Directors						
Mr. Victor Herrero	54	18 May 2020	Non-executive Director	14 January 2021	Responsible for participating in strategic planning and advising on significant decision-making of our Group	Nil
Mr. Ma Wing Man (馬詠文先生)	57	2 June 2010	Non-executive Director	2 June 2010	Responsible for participating in strategic planning and advising on significant decision-making of our Group	Nil
Ms. Lyu Hong (呂紅女士)	51	18 November 2022	Non-executive Director	18 November 2022	Responsible for participating in strategic planning and advising on significant decision-making of our Group	Nil

Name	Age	Date of joining our Group	Current Position	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and/or senior management
Independent non-executive Directors						
Mr. Li Qing (李励先生)	56	20 December 2019	Independent non-executive Director	20 December 2019	Responsible for supervising and providing independent judgement on our Group's strategies, performance, resources and standard of conduct	Nil
Mr. Pak Wai Keung, Martin (白偉強先生)	59	13 February 2019	Independent non-executive Director	13 February 2019	Responsible for supervising and providing independent judgement on our Group's strategies, performance, resources and standard of conduct	Nil
Mr. Wang Yan (汪延先生)	50	1 July 2017	Independent non-executive Director	1 July 2017	Responsible for supervising and providing independent judgement on our Group's strategies, performance, resources and standard of conduct	Nil

Note:

(1) Mr. Li Qilin was appointed as a non-executive Director on 6 June 2013 and was re-designated from a non-executive Director to an executive Director with effect from 13 November 2015.

Executive Directors

Mr. Li Ning (李寧先生), aged 60, has been the chairman and an executive Director since June 2010. Mr. Li is also the chairman of the nomination committee, the chairman of the executive committee and the chief executive officer of our Company. He is responsible for overseeing the overall management, business strategic development and general operations of our Group, convening and hosting Board meetings, and hosting general meetings of our Company. He is also a director of various subsidiaries of our Company. Mr. Li is the founder of the LI-NING brand. He has been appointed as an executive director of Li Ning Co (stock code: 2331) since 4 March 2004 and is currently its executive chairman. Mr. Li was appointed as interim chief executive officer of Li Ning Co on 18 March 2015 and has been re-designated as its joint chief executive officer with effect from 2 September 2019. Mr. Li is the younger brother of Mr. Li Chun, a substantial shareholder of our Company and the uncle of Mr. Li Qilin, who is an executive Director.

Mr. Li is one of the most outstanding athletes in the 20th century. In the 6th World Cup Gymnastics Competition in 1982, Mr. Li unprecedentedly won six gold medals in men's artistic gymnastics events and was named the "Prince of Gymnastics"(「體操王子」) in the PRC. In the 23rd Los Angeles Olympic Games in 1984, Mr. Li won three gold, two silver and one bronze medals, making him the athlete winning the most medals of that Olympic Games. In 1987, Mr. Li became the Asian member of Athlete's Commission of the International Olympic Committee. From 1993 to 2000, Mr. Li served as a member of the Men's Artistic Gymnastics Technical Committee of the Federation Internationale De Gymnastique. He is currently an honorary member of the Federation Internationale De Gymnastique. In 1999, Mr. Li was voted as one of the "World's Most Excellent Athletes in the 20th Century" by the World Sports Correspondent Association.

After retiring from his athlete career in 1989, Mr. Li initiated the idea of LI-NING brand with the goal of creating the first national sports goods brand in the PRC. He has dedicated the past over 30 years to the development of the business of Li Ning Co and its subsidiaries, achieving great contribution to the development of the sporting goods industry in the PRC. Mr. Li is the non-executive chairman of LionRock Capital GP Limited.

Mr. Li holds a bachelor's degree in law from the School of Law of Peking University(北京大學), an executive master of business administration degree from the Guanghua School of Management of Peking University(北京大學光華管理學院), an honorary doctorate in technology from the Loughborough University in the United Kingdom and an honorary degree of doctor of humanities from The Hong Kong Polytechnic University. In June 2010, Mr. Li was also conferred honorary fellowship from The Hong Kong University of Science and Technology.

Mr. Li has also been actively involved in charities via his "Li Ning Foundation"(李寧基金) and supporting educational development in impoverished and remote areas in the PRC. In October 2009, Mr. Li was appointed by the United Nations World Food Programme (WFP) as "WFP Goodwill Ambassador Against Hunger". Mr. Li is an honorary president of the Hong Kong Association of Youth Development and a life member of The Chinese General Chamber of Commerce, Hong Kong.

Mr. Li Chunyang(李春陽先生), aged 54, was appointed as an executive Director on 2 June 2010 and is a member of the executive committee of our Company. He is responsible for overseeing the overall management, business strategic development and general operations of our Group.

Mr. Li joined our Group in June 2010 and is a director of Viva Leading Sports Development, Viva China Community Development Holdings Limited and various subsidiaries of our Company. Mr. Li graduated from Peking University in 2004 with a bachelor's degree in finance. In 1989 and 1991, he won the World Gymnastics Championships.

Mr. Li Qilin (李麒麟先生), aged 36, was appointed as a non-executive Director on 6 June 2013. Mr. Li has been re-designated from a non-executive Director to an executive Director and appointed as a member of the executive committee of our Company with effect from 13 November 2015. He is responsible for overseeing the overall management, business strategic development and general operations of our Group. Mr. Li joined our Group in June 2013 and is a director of various subsidiaries of our Company. Mr. Li had been a director of Lead Ahead Limited, a substantial shareholder of our Company.

Mr. Li has been appointed as a non-executive director of Li Ning Co (stock code: 2331) since 13 December 2017 and re-designated as its executive director with effect from 19 June 2018.

Mr. Li has considerable experience in financial services industry and was an analyst of Persistent Asset Management Limited during the period from January 2010 to July 2013. Mr. Li is the son of Mr. Li Chun, a substantial shareholder of our Company and the nephew of Mr. Li Ning, the chairman, chief executive officer and an executive Director of our Company.

Non-executive Directors

Mr. Victor Herrero, aged 54, has been appointed as a non-executive Director of our Company with effect from 14 January 2021. He is responsible for participating in strategic planning and advising on significant decision-making of our Group. Prior to the appointment, he was a senior advisor of our Company. On 24 July 2020, Mr. Herrero has been appointed as the chairman and a non-executive director of a non-wholly owned subsidiary of our Company, Bossini (stock code: 592).

Mr. Herrero has extensive experience in corporate management and business operations in the consumables industry. From 2015 to 2019, Mr. Herrero served as the chief executive officer and director of Guess Inc. (NYSE: GES), a company listed on the New York Stock Exchange which is principally engaged in designing, marketing, distributing and licensing a lifestyle collection of contemporary apparel, denim, handbags, watches, footwear and other related consumer products around the world. Prior to joining Guess Inc., Mr. Herrero served as the head of Asia Pacific and managing director of Greater China of Industria de Diseño Textil, S.A. (Inditex Group), an international fashion retailer with brands including Zara, Massimo Dutti, Pull & Bear, Bershka and Stradivarius. Mr. Herrero is a supervisory board member of Global Fashion Group S.A. (FWB: GFG) (an e-commerce fashion site operator and owner of Zalora and The Iconic, the shares of which are listed on the Frankfurt Stock Exchange), a board member of G-III Apparel Group, Ltd (Nasdaq: GIII) (a US manufacturer and distributor operating through a portfolio of brands, the shares of which are listed on the Nasdaq Stock Market in the US).

Mr. Herrero graduated with a master of business administration from Kellogg School of Management at Northwestern University and School of Business and Management at the Hong Kong University of Science and Technology in 2003. He obtained a bachelor's degree in business administration from ESCP Europe in Paris, France in 1992 and a bachelor of law degree from the University of Zaragoza in Spain in 1993. He was also awarded "Best CEO in the Sustainable Apparel Industry" in 2018 by the European CEO Magazine.

Mr. Ma Wing Man (馬詠文先生), aged 57, has been a non-executive Director and a member of the audit committee of our Company since 2 June 2010. He is responsible for participating in strategic planning and advising on significant decision-making of our Group. Mr. Ma has over 30 years of experience in finance and administration. Mr. Ma has been employed by "Li Ning Foundation" as the financial controller since 2005. From 1992 to 2005, Mr. Ma had been employed first as accountant and later as financial and accounting manager of Jianlibao Holdings (H.K.) Company Limited, which was a wholesaler and retailer of Jianlibao drinks.

Mr. Ma graduated from Hong Kong Shue Yan College (predecessor of Hong Kong Shue Yan University) in 1989 with a diploma in business administration. In 1993, he obtained a diploma in accounting from the School of Professional and Continuing Education, the University of Hong Kong. In 1998, he obtained a professional diploma for financial controllers & finance directors of foreign investment & foreign enterprise in China, which was jointly awarded by the School of Management Zhongshan University, China and The Hong Kong Management Association. In 2003, he obtained a bachelor of business administration degree with honours in accounting from the Open University of Hong Kong.

Ms. Lyu Hong (呂紅女士), also known as Lu Hong, aged 51, has been a non-executive Director since 18 November 2022 and is also a member of the remuneration committee of our Company. She is responsible for participating in strategic planning and advising on significant decision-making of our Group.

Ms. Lyu has over 20 years of experience in global human resources management. She joined Pfizer Pharmaceuticals Limited (輝瑞製藥有限公司), a group member of Pfizer Inc. (NYSE: PFE), a company listed on the New York Stock Exchange which is a global biopharmaceutical corporation (together with its subsidiaries, the "**Pfizer Group**") in September 1993 and started her career in the industry as a human resources learning and development manager in the PRC in August 1997. Since then, she progressed through increasingly senior human resources leadership positions within Pfizer Group. From June 2011 to August 2016, she was employed by Pfizer Business Service (Dalian) Co. Ltd. (輝瑞商務服務(大連)有限公司) and served as the vice president of human resources for the Asia Pacific region, leading a human resources team consisting of 260 team members which provided human resources and strategic management services to all business units, senior management and more than 30,000 employees across 15 Asia Pacific countries or regions. In 2016, Ms. Lyu was appointed as the vice president of the global human resources operations based in the New York headquarters of Pfizer Group and was subsequently redesignated as a senior vice president of human resources and relocated to Shanghai after the establishment of Pfizer's Upjohn division in December 2018. Upon the merger of Pfizer's Upjohn business (its primarily off-patent branded and generic established medicines business) with Mylan N.V. (a global pharmaceutical company) forming Viatris Inc. (NASDAQ: VTRS) in November 2020, Ms. Lyu has been redesigned to be employed by Upjohn US Employment Inc. (a group member of Viatris Inc.) and currently as the head of human resources for Greater China region and Japan, Australia and New Zealand region.

Ms. Lyu had been a director of Clark from February 2021 to December 2021 before Clark became a subsidiary of the Group. Ms. Lyu also previously acted as a non-executive director of Pfizer Limited (BSE: 500680), a company listed on the Bombay Stock Exchange, from December 2015 to November 2016.

Ms. Lyu obtained an executive master of business administration degree from Peking University in July 2006, and also obtained a bachelor degree in economy, major in international economy and trade, (through long distance learning) from Dongbei University of Finance and Economics (東北財經大學) in January 2007.

Independent non-executive Directors

Mr. Li Qing (李勍先生), aged 56, was appointed as an independent non-executive Director and a member of both the audit committee and the remuneration committee of our Company on 20 December 2019. He is responsible for supervising and providing independent judgement on our Group's strategies, performance, resources and standard of conduct. Mr. Li has accumulated over 20 years of experience in investment and asset management, merge and acquisition and business operation in Hong Kong and the PRC. Mr. Li graduated with an executive master of business administration degree from Guanghua School of Management of Beijing University (北京大學光華管理學院) in 2006.

Mr. Li has been appointed as an executive director of Crystal Clear Electronic Material Co., Ltd. (formerly known as Suzhou Crystal Clear Chemical Co., Ltd.) (SZSE: 300655), a company listed on the Shenzhen Stock Exchange, in July 2016 and is currently its chairman and chief strategy officer. He is currently the chairman of both Jiming Asset Management (Shanghai) Co., Ltd and Ma'anshan Jishipujiang Asset Management Co., Ltd. He was appointed as the president of HuaAn Funds Management Limited from May 2010 to September 2014 and a director of China Investment Information Services Limited, from July 2001 to July 2010.

Mr. Pak Wai Keung, Martin (白偉強先生), aged 59, was appointed as an independent non-executive Director, the chairman of the audit committee and a member of the nomination committee of our Company on 13 February 2019. He is responsible for supervising and providing independent judgement on our Group's strategies, performance, resources and standard of conduct. He has accumulated over 25 years of experience in finance, accounting and corporate governance affairs. Mr. Pak graduated with a bachelor of commerce degree from the Murdoch University, Australia in 1991 and a master of corporate governance degree from The Hong Kong Polytechnic University in 2009. Mr. Pak is a fellow of the Hong Kong Institute of Certified Public Accountants, an associate of The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries).

Mr. Pak has been appointed as an independent non-executive director of Nan Nan Resources Enterprise Limited (Stock Code: 1229) and Dragon Mining Limited (Stock Code: 1712) which are companies listed on the Main Board of the Stock Exchange with effect from 19 September 2017 and 5 November 2018 respectively. Mr. Pak had been an independent non-executive director of China Huiyuan Juice Group Limited (previous stock code: 1886) since 12 June 2019. The trading in securities of such company had been suspended since 3 April 2018 and such company was subsequently delisted from the Main Board of the Stock Exchange on 18 January 2021. Mr. Pak had also served as an independent non-executive director of Convoy Global Holdings Limited (previous stock code: 1019) since 8 December 2017. The trading in securities of such company had been suspended since 7 December 2017 and such company was subsequently delisted from the Main Board of the Stock Exchange on 4 May 2021.

Mr. Wang Yan (汪延先生), aged 50, was appointed as an independent non-executive Director, the chairman of the remuneration committee, and a member of both the audit committee and the nomination committee of our Company on 1 July 2017. He is responsible for supervising and providing independent judgement on our Group's strategies, performance, resources and standard of conduct. From May 2003 to March 2021, he was a director of Sina Corporation ("**SINA**") (previous Nasdaq: SINA), which was previously listed on the Nasdaq Stock Market in the US and delisted on 23 March 2021 after privatisation. During the period from 1996 to March 2021, as the co-founder of SINA, Mr. Wang successively held the posts of chief executive officer and chairman. In May 2021, Mr. Wang has been appointed as an independent director of Weibo Corporation which is listed on the Nasdaq Stock Market in the US (Nasdaq: WB) and the Main Board of the Stock Exchange (stock code: 9898).

Mr. Wang obtained a bachelor degree in public law in July 1997 and a master degree in international relations in September 2020 from the Université Paris-Panthéon-Assas in France.

Save as disclosed in this section, each of our Directors has confirmed that as at the Latest Practicable Date, he/she (i) did not hold other positions in our Company or other members of our Group; (ii) had no other relationship with any Directors, senior management, substantial shareholders or Controlling Shareholders of our Company; (iii) did not hold any other directorships in any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date; and (iv) save as disclosed in the section headed "Substantial Shareholders" and the paragraph headed "Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – 1. Disclosure of interests" in Appendix V to this document, he/she did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed in this section, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, there were no other matters relating to the appointment of our Directors that need to be brought to the attention of our Shareholders, nor is there any information relating to our Directors that was required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Main Board Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. Mr. Li Ning, Mr. Li Chunyang and Mr. Li Qilin, being the executive Directors, are also the senior management of our Group. Please refer to the paragraph headed "Board of Directors – Executive Directors" in this section for details of their qualifications and experiences.

Save as disclosed in this section or the section headed "Relationship with our Controlling Shareholders" in this document, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, none of the above members of senior management has been a director in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document, or had any relationship with our Directors, other senior management and our Controlling Shareholders as at the Latest Practicable Date.

COMPANY SECRETARY

Ms. Chan Tsz Ping (陳芷萍女士), aged 48, was appointed as our company secretary on 1 April 2022. She is responsible for corporate secretarial duties and corporate governance matters of our Group. She has been appointed as the financial controller of our Group since March 2019 and has been working in our Group since September 2010.

Ms. Chan graduated from the Hong Kong University of Science and Technology with a degree of bachelor of business administration in accounting. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. She has over 20 years' experience in auditing, tax, financial and treasury management with audit firms and various listed companies in Hong Kong.

COMPLIANCE OFFICER

Mr. Li Ning was appointed as the compliance officer of our Company on 4 November 2019. Please refer to the paragraph headed "Board of Directors – Executive Directors" in this section for details of his qualifications and experiences.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee with written terms of reference in respect of its GEM Listing. Our audit committee comprises three independent non-executive Directors, namely, Mr. Pak Wai Keung, Martin, Mr. Li Qing and Mr. Wang Yan and one non-executive Director, Mr. Ma Wing Man. Mr. Pak Wai Keung, Martin is the chairman of our audit committee. We adopted on [•] 2023 a new set of terms for the audit committee which shall be effective upon the **[REDACTED]**.

The primary duties of our audit committee are to review our Company's financial statements, annual reports, half-year reports and risk management and internal control systems and to provide advice and comments thereon to our Board. The establishment of our audit committee is in compliance with Rule 3.21 of the Main Board Listing Rules and its written terms of reference are in compliance with Appendix 14 to the Main Board Listing Rules.

Remuneration Committee

Our Company established a remuneration committee with written terms of reference in respect of its GEM Listing. Our remuneration committee comprises two independent non-executive Directors, namely, Mr. Li Qing and Mr. Wang Yan and one non-executive Director, Ms. Lyu Hong. Mr. Wang Yan is the chairman of our remuneration committee. We adopted on [•] 2023 a new set of terms for the remuneration committee which shall be effective upon the **[REDACTED]**.

The primary duties of our remuneration committee are making recommendations to our Board regarding our Group's policy and structure for remuneration of all our Directors and senior management. Our Board has adopted the operation model, where our remuneration committee has duties to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management. The establishment of our remuneration committee is in compliance with Rule 3.25 of the Main Board Listing Rules and its written terms of reference are in compliance with Appendix 14 to the Main Board Listing Rules.

Nomination Committee

Our Company established a nomination committee with written terms of reference in respect of its GEM Listing. Our nomination committee comprises two independent non-executive Directors, namely, Mr. Pak Wai Keung, Martin and Mr. Wang Yan and one executive Director, Mr. Li Ning. Mr. Li Ning is the chairman of our nomination committee. We adopted on [•] 2023 a new set of terms for the nomination committee which shall be effective upon the **[REDACTED]**.

The primary duties of our nomination committee include review of the structure, size, composition and diversity of our Board and provision of recommendation on the appointment or re-appointment of Directors and succession planning for Directors, senior management, the chairman and the chief executive of our Company to complement our Company's corporate strategy. The written terms of reference of our nomination committee are in compliance with Appendix 14 to the Main Board Listing Rules.

Our Company also adopted a nomination policy with effect from 1 January 2019. The purpose of such policy is to set guidelines for the administration by our nomination committee of the nomination, evaluation and termination of each member of the Board. In the nomination process, each new candidate shall be considered upon evaluation against core criteria including gender, age, capability, experience, skill and knowledge, integrity and ethics, independency and leadership. According to the nomination procedure, our nomination committee is responsible for identifying potential new Directors and recommending them to the Board for decision.

Executive Committee

Our Company established an executive committee with written terms of reference in respect of its GEM Listing. Our executive committee comprises three executive Directors, namely, Mr. Li Ning, Mr. Li Chunyang and Mr. Li Qilin. Mr. Li Ning is the chairman of our executive committee. We adopted on [•] 2023 a new set of terms for the executive committee which shall be effective upon the **[REDACTED]**.

The primary duties of our executive committee are to propose and implement business strategies and plans for our Group, monitor the operations of companies of our Group and approve matters relating to their day-to-day operations. Our executive committee is responsible for performing the corporate governance duties which include the development and review of our Company's policies and practices on corporate governance, review and monitor the training and continuous professional development of our Directors and senior management, review and monitor our Company's policies and practices on compliance with legal and regulatory requirements, develop, review and monitor the code of conduct and compliance manual applicable to employees of our Group and our Directors and review our Company's compliance with the Corporate Governance Code as set out in Appendix 14 to the Main Board Listing Rules and disclosure in the corporate governance report of our Company. Our executive committee also has duty to design, implement and monitor the risk management and internal control systems and to provide confirmation to our Board on the effectiveness of the risk management and internal control systems of our Company. The written terms of reference of our executive committee are in compliance with Appendix 14 to the Main Board Listing Rules.

CORPORATE GOVERNANCE

We are expected to comply with the Corporate Governance Code as set out in Appendix 14 to the Main Board Listing Rules. Any deviation shall be carefully considered, and the reasons for such deviation shall be provided in our interim report and annual report in respect of the relevant period. We are committed to achieving high standards of corporate governance with a view of safeguarding the interests of our Shareholders as a whole. We will comply with the Corporate Governance Code after the **[REDACTED]** save for the deviation from code provision C.2.1 of the Corporate Governance Code which stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Li Ning is the chairman and the chief executive officer of our Company. Taking into account Mr. Li's expertise and insight of the sports field and consumables business, having these two roles performed by Mr. Li enables more effective and efficient overall business planning and implementation of business decisions and strategies of our Group. The Board believes that the balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals and adequate independent element in the composition of the Board, with over one-third of them being independent non-executive Directors. As such, the deviation from code provision C.2.1 of the Corporate Governance Code is appropriate in such circumstance. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy with effect from 12 August 2013 which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, the nomination and appointment of Board members should be based on meritocracy, taking into considerations of the diversity of Board members from different aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and the Board has discussed all measurable objectives set for implementing the policy. The ultimate decision will be based on the merits and contributions that the selected candidates will bring to our Board. Our nomination committee is responsible for monitoring the implementation of the policy and reviewing such policy from time to time to ensure its continued effectiveness. We will disclose in our corporate governance report details of the implementation of the board diversity policy on an annual basis.

Our Directors have a diverse mix of knowledge and skills, including overall management and strategies and planning, administration, business development, sales, accounting and corporate finance, administrative and legal compliance. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. Our Company has taken and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and senior management levels and improve the composition of our Board.

Our Group has taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. For instance, Ms. Lyu Hong was appointed as our non-executive Director in November 2022 and Ms. Chan Tsz Ping was appointed as our company secretary in April 2022. To enhance our corporate governance by diversifying our Board's composition, our Group has set out the following targets and policies:

(1) our Group will continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of our Board; and

(2) our Group will emphasise on training senior female staff who have long and relevant experience in our business, including but not limited to business operation, management, accounting and finance, legal and compliance. Our Directors believe that such policy will provide the required manpower resources to achieve gender diversity in our Board.

COMPLIANCE ADVISER

As the **[REDACTED]** is made after the expiry of the requirement under Rule 6A.19 of the GEM Listing Rules, the continuous requirement relating to the appointment of a compliance adviser under Rule 9A.13 of the Main Board Listing Rules and the requirement under 3A.19 of the Main Board Listing Rules on the appointment of a compliance adviser are not applicable to our Company.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of senior management receive remuneration in the form of salaries, bonuses, other allowances and benefits in kind. The determination of remuneration packages of our Directors takes into consideration factors such as time commitment and responsibilities of our Directors and by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. We determine the remuneration of our members of senior management based on their merit, qualifications and competence. The aggregate amount of remuneration (including fees, salaries, allowances and benefits in kind, equity-settled share option expenses and pension scheme contributions) paid to our Directors for FY2020, FY2021 and FY2022 amounted to HK$17.3 million, HK$31.5 million and HK$25.4 million, respectively.

The aggregate amount of remuneration (including fees, salaries, allowances and benefits in kind, equity-settled share option expenses and pension scheme contributions) paid to the five highest paid individuals (excluding our Directors) of our Group for FY2020, FY2021 and FY2022 amounted to HK$15.2 million, HK$28.0 million and HK$41.8 million, respectively. Details of the remuneration paid to our Directors and five highest paid individuals during the Track Record Period are set out in note 9 to the Accountant's Report of our Group set out in Appendix I to this document.

Save as disclosed above, no other payments have been made or are payable by any member of our Group to any of our Directors or senior management during the Track Record Period.

During the Track Record Period, no emoluments were paid by our Group to our Directors or to the above highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office as a director or management of any members of our Group. None of our Directors or the highest paid individuals waived any compensation during the Track Record Period.

Under the arrangement currently in force, the aggregate amount of remuneration (including fees, salaries, allowances and benefits in kind, equity-settled share option expenses and pension scheme contributions) payable to our Directors for FY2023 is estimated to be HK$20.4 million. Our Board will review and determine the remuneration and compensation packages of our Directors and senior management upon receiving recommendation from our remuneration committee.

Further details of the terms of the service agreements of and remuneration paid to our Directors are set out under the paragraph headed "Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – 2. Directors' service contracts" in Appendix V to this document.

SHARE OPTION SCHEME

Our Company had adopted the Share Option Scheme for providing share incentives for our employees and other eligible participants thereunder on 18 January 2021 which will remain in force for a period of 10 years commencing thereon. For details of the principal terms of the Share Option Scheme, please refer to the paragraph headed "Statutory and General Information – D. Share Option Scheme" in Appendix V to this document.

MANAGEMENT OVER OUR ACQUIRED COMPANIES

During the Track Record Period, we entered into acquisitions of various companies principally engaged in the sales of apparel and/or footwear business, such as Bossini, Viva China Premium Brands and Clark. In order to exercise our control over these companies, following completion of the acquisition, our management have been participating in the weekly and monthly operation meetings of these companies and are involved in their approval procedures for the material contracts and payments.

In addition, we had appointed directors to the boards of Bossini, Viva China Premium Brands and Clark to act as our representatives in overseeing the overall operation and took a leading role in selecting suitable candidates for the senior management positions of these companies, such as chief executive officer, chief financial officer, head of the sourcing department and quality control department, costing manager, financial analysts and other executives and managers.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, and assuming that the total number of Shares in issue remains unchanged from the Latest Practicable Date to the date of this document, immediately upon the **[REDACTED]**, the following persons/entities will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

		As at the Latest Practicable Date	
Name	**Capacity/Nature of interest**	**Number of Shares**(1)	**Approximate percentage of shareholding**
Mr. Li Ning	Beneficial owner	**[REDACTED]** (L)(2)	
	Interest in controlled corporation	**[REDACTED]** (L)(3)	
		[REDACTED] (L)	**[REDACTED]**
Lead Ahead	Beneficial owner	**[REDACTED]** (L)(3)(4)	**[REDACTED]**
Victory Mind	Beneficial owner	**[REDACTED]** (L)(3)(4)	**[REDACTED]**
Ace Leader	Interest in controlled corporation	**[REDACTED]** (L)(3)(4)	**[REDACTED]**
Jumbo Top	Interest in controlled corporation	**[REDACTED]** (L)(3)(4)	**[REDACTED]**
Dragon City	Trustee	**[REDACTED]** (L)(3)(4)	**[REDACTED]**
TMF	Trustee	**[REDACTED]** (L)(3)(4)	**[REDACTED]**
Mr. Li Chun	Beneficial owner	**[REDACTED]** (L)(4)	
	Interest in controlled corporation	**[REDACTED]** (L)(4)	
		[REDACTED] (L)	**[REDACTED]**

		As at the Latest Practicable Date	
Name	**Capacity/Nature of interest**	**Number of Shares**[1]	**Approximate percentage of shareholding**
Mr. Li Qilin	Beneficiary of trusts	**[REDACTED]** (L)[4]	
	Beneficial owner	**[REDACTED]** (L)[5]	
		[REDACTED] (L)	**[REDACTED]**
Mr. Zhao Jianguo	Beneficial owner	**[REDACTED]** (L)[6]	
	Interest of spouse	**[REDACTED]** (L)[6]	
	Interest in controlled corporation	**[REDACTED]** (L)[6]	
		[REDACTED] (L)	**[REDACTED]**
Ms. Li Ying	Beneficial owner	**[REDACTED]** (L)[6]	
	Interest of spouse	**[REDACTED]** (L)[6]	
	Interest in controlled corporation	**[REDACTED]** (L)[6]	
		[REDACTED] (L)	**[REDACTED]**

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.

2. Mr. Li Ning is interested in **[REDACTED]** Shares as beneficial owner, including **[REDACTED]** Shares and **[REDACTED]** Shares which may be issued on the basis of a full exercise of conversion rights at a conversion price of HK$0.325 per Share attaching to the Earn-out Convertible Bonds issued to Mr. Li Ning by our Company, and share options which are exercisable into **[REDACTED]** Shares. Such share options were granted on 18 January 2021 and are exercisable at HK$0.670 each during the period from 18 January 2022 to 17 January 2029 after vested according to the respective vesting schedules. Each share option entitles its holder to subscribe for one Share.

3. Mr. Li Ning is deemed to be interested in the long positions of **[REDACTED]** Shares through his interests in Lead Ahead, Victory Mind and Dragon City, respectively as follows:

    (a) the long position of **[REDACTED]** Shares is held by Lead Ahead, which is owned as to 60% by Mr. Li Ning and 40% by his brother, Mr. Li Chun. Mr. Li Ning is also a director of Lead Ahead;

    (b) the long position of **[REDACTED]** Shares is held by Victory Mind, which is owned as to 57% by Ace Leader and 38% by Jumbo Top. All shares of Ace Leader are held by TMF in its capacity as trustee of a discretionary trust. For avoidance of doubt and double counting, it should be noted that Ace Leader, Jumbo Top and TMF are deemed to be interested in the **[REDACTED]** Shares which Victory Mind is interested in. Mr. Li Ning is the settlor of the trust and is therefore deemed to be interested in such **[REDACTED]** Shares. Mr. Li Ning is a director of each of Victory Mind and Ace Leader; and

(c) the long position of **[REDACTED]** Shares is held by Dragon City in its capacity as trustee of a unit trust, the units of which are owned as to 60% by TMF and as to 40% by TMF, each as the trustee of separate discretionary trust. TMF is deemed to be interested in the **[REDACTED]** Shares which Dragon City is interested in. Mr. Li Ning is the 60% shareholder of Dragon City and a founder of the unit trust and is therefore deemed to be interested in such **[REDACTED]** Shares. Mr. Li Ning is a director of Dragon City.

4. Mr. Li Chun has personal interest in **[REDACTED]** Shares and is deemed to be interested in the long positions of **[REDACTED]** Shares through his interests in Lead Ahead, Victory Mind and Dragon City, respectively as follows:

(a) the long position of **[REDACTED]** Shares is held by Lead Ahead, which is owned as to 60% by Mr. Li Ning and 40% by Mr. Li Chun;

(b) the long position of **[REDACTED]** Shares is held by Victory Mind, which is owned as to 57% by Ace Leader and 38% by Jumbo Top. All shares of Jumbo Top are held by TMF in its capacity as trustee of a discretionary trust. Mr. Li Chun is the settlor of the trust and is therefore deemed to be interested in such **[REDACTED]** Shares. Mr. Li Qilin is a beneficiary of the trust and is also therefore deemed to be interested in such **[REDACTED]** Shares. Mr. Li Chun is a director of each of Victory Mind and Jumbo Top; and

(c) the long position of **[REDACTED]** Shares is held by Dragon City in its capacity as trustee of a unit trust, the units of which are owned as to 60% by TMF and as to 40% by TMF, each as the trustee of separate discretionary trust. Mr. Li Qilin is a beneficiary of one of the said separate trusts and is also therefore deemed to be interested in such **[REDACTED]** Shares. Mr. Li Chun is taken to be interested in 40% of the shares of Dragon City and is therefore deemed to be interested in such **[REDACTED]** Shares. Mr. Li Chun is a director of Dragon City.

5. Mr. Li Qilin is interested in share options which are exercisable into **[REDACTED]** Shares. Such share options were granted on 18 January 2021 and are exercisable at HK$0.670 each during the period from 18 January 2022 to 17 January 2029 after vested according to the respective vesting schedules. Each share option entitles its holder to subscribe for one Share.

6. Mr. Zhao Jianguo has personal interest in **[REDACTED]** Shares and the share options which are exercisable into **[REDACTED]** Shares. Ms. Li Ying, the spouse of Mr. Zhao, has personal interest in the Earn-out Convertible Bonds in the principal amount of HK$**[REDACTED]** which are convertible into **[REDACTED]** Shares. Double Essence Limited was interested in **[REDACTED]** Shares and is owned as to 50% by Mr. Zhao and 50% by Ms. Li respectively.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately upon the **[REDACTED]**, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the **[REDACTED]**, Lead Ahead, Dragon City and Victory Mind will continue to be entitled to exercise or control the exercise of **[REDACTED]** of the voting power at general meetings of our Company. Each of Lead Ahead and Dragon City is owned as to 60% by Mr. Li Ning. Victory Mind is owned as to 57% by Ace Leader, all shares of which are held by TMF in its capacity as trustee of a discretionary trust, and Mr. Li Ning is the settlor of the trust and is therefore deemed to be interested in such Shares held by Victory Mind. As Lead Ahead, Dragon City and Victory Mind are controlled by Mr. Li Ning, Lead Ahead, Dragon City, Victory Mind and Mr. Li Ning are regarded as a group of Controlling Shareholders.

RELATIONSHIP WITH LI NING CO

Our Group acquired 25.23% of the issued ordinary shares of Li Ning Co in December 2012. As at the Latest Practicable Date, we held 271,201,543 ordinary shares in, representing 10.29% of the issued share capital of, Li Ning Co. Mr. Li Ning, our executive Director, chairman of our Board and chief executive officer is also an executive director, and the executive chairman and joint chief executive officer of Li Ning Co while Mr. Li Qilin, our executive Director also serves as an executive director of Li Ning Co.

Li Ning Co is mainly engaged in brand marketing, research and development, design, manufacturing, distribution and retail of professional and leisure footwear, sport apparel, equipment and accessories under the LI-NING brand and other licensed brands. Our Group has been sharing the results of LN Group and has accounted for such investment as "interest in an associate" of our Group in our consolidated financial statements.

Transactions with LN Group

During the Track Record Period, our Group had certain material related party transactions with LN Group. The following table sets forth the transaction amount relating to such transactions for the periods indicated:

		FY2020	**FY2021**	**FY2022**
		HK$'000	*HK$'000*	*HK$'000*
	Revenue paid/payable to our Group			
1.	Sports-related marketing services	196,258	225,701	234,333
2.	Sale of apparel and provision of footwear OEM services	3,974	67,637	239,679
3.	Consultancy and other service income	586	2,618	4,517
	Cost and expense incurred by our Group			
4.	Purchase cost	7,543	9,542	14,834
5.	Office and car-park rental expense	1,455	1,832	8,207
	Dividend income received by our Group			
6.	Dividend income	56,039	67,421	144,957

For further details, please refer to note 38 to the Accountant's Report of our Group in Appendix I to this document.

Save for the dividend income received from LN Group which is subject to the dividend policy of LN Group, the above transactions with LN Group will continue after the **[REDACTED]**. We expect that the size and scale of the transactions with LN Group will remain stable in the foreseeable future.

Decreasing revenue contribution from the LN Group

From time to time, our Group generates revenue through provision of sports-related marketing services and footwear OEM services as well as sales of apparel and footwear to LN Group. LN Group was the largest customer of our Group, which contributed to 24.6%, 21.4% and 6.9% of our Group's total revenue for FY2020, FY2021 and FY2022, respectively.

Although the LN Group remained as our largest customer throughout the Track Record Period, its revenue contribution recorded a continuous decrease during the Track Record Period primarily due to our expansion and diversification of business through acquisitions and subsequent growth. In particular, our acquisitions of (i) "Bossini", "Amedeo Testoni" and "Clarks" for the multi-brand apparel and footwear business; and (ii) operators of sports parks/ sports centres, ice-skating rinks and LNG E-sports for the sports experience business, had enlarged and diversified our customer base and sources of revenue which are unrelated to LN Group.

Despite there was an increase in the revenue generated from our footwear OEM services provided to LN Group from HK$54.4 million in FY2021 to HK$224.9 million in FY2022 by HK$170.5 million or 313.2%, such revenue accounted for merely 3.9% and 3.2% of our total revenue for FY2021 and FY2022 respectively. In addition, given that (i) we do not intend to carry out any significant expansion of our footwear OEM business or the related production facilities in foreseeable future; and (ii) we intend to prioritise production for our self-owned brands, we do not expect any significant increase in the revenue from our footwear OEM services provided to the LN Group in foreseeable future.

We also recorded a decreasing trend in our sports-related marketing services income from LN Group as a percentage of our revenue from sports experience business from 51.7% in FY2020 to 42.6% in FY2021 primarily due to our expansion and diversification of other sports experience business, such as sports destination development and e-sports team management, through acquisitions and subsequent growth. Percentage of our sports-related marketing services income from LN Group to our revenue from sports experience business remained relatively stable and increased slightly to 46.8% in FY2022 primarily due to (i) the decrease in our revenue from sports destination development business as a result of the temporary closure of our sports destinations amidst the resurgence of COVID-19 during the relevant period; and (ii) the decrease in our revenue from sports team management business as a result of the delay in recognition of revenue from e-sports tournaments pending confirmation by the event organiser. We expect the percentage of our sports-related marketing services income from LN Group to decrease gradually when we resume the operation of our sports destinations in full and recognise the revenue from our sports team management business.

In addition, the revenue contribution from LN Group to our total revenue recorded a significant decrease from 21.4% in FY2021 to 6.9% in FY2022 following completion of the First Clark Acquisition in July 2022 since then the Clark Group's financial results have been consolidated into that of our Group. The Clark Group (being the owner of "Clarks") primarily engages in retail and wholesale of footwear globally with a focus on the UK and the US markets, and has a diversified customer base and supply chain that are unrelated to the LN Group. For the 52 weeks period ended 30 January 2021 and 29 January 2022, the Clark Group recorded a total revenue of £778.9 million (HK$8,022.7 million) and £926.2 million (HK$9,539.9 million), which represented 9.8 times and 6.9 times of our Group's total revenue during FY2020 and FY2021, respectively. Taking into account the full-year effect of our consolidation of the Clark Group's financial results going forward, it is expected that the revenue contribution from LN Group to our total revenue will continue to decrease.

Established relationship between our Group and LN Group

Common directorship

Mr. Li Ning has been an executive director and the chief chairman of Li Ning Co since March 2004, and our executive Director and chief executive officer since June 2010 after his controlled corporation, Lead Ahead, acquired control of our Company. In addition, Mr. Li Qilin has been an executive director of Li Ning Co since June 2018, and our executive Director since November 2015.

Shareholding

Our Group acquired 25.23% of the total issued shares of Li Ning Co in December 2012, and has been interested in over 10% of the total issued share capital of Li Ning Co since then. We have been sharing the results of LN Group and have accounted for such investment as "interest in an associate" of our Group in our consolidated financial statements.

Business co-operation

We have started to conduct business with the LN Group since 2017. During the Track Record Period, we generated revenue from LN Group through provision of sports-related marketing services, sale of apparel and provision of footwear OEM services. We also procured sports apparel from LN Group for onward sales at shops located at our sports destinations under our sports experience business.

Mutual benefits for our Group and LN Group

In view of the above relationship between our Group and LN Group in terms of common directorship, shareholding and business co-operation, the two groups have developed a mutual and in-depth understanding of each other's business operations. Accordingly, we consider that we are familiar with the specific requirements and expected deliverables of the LN Group, which creates mutual benefits for both groups. In particular, it helps reduce communication costs, accumulate tacit knowledge of service provisions and supply of products, establish mutual trust and has enabled us to provide high-quality services and products that could satisfy LN Group's specific requirements. As a result, we have competitive advantage which distinguishes us from other competitors, and it is expected that the LN Group will continue to engage us for provision of services and supply of products.

Going forward, given (i) the established relationship between our Group and LN Group; (ii) our familiarity with the requirements of LN Group and our capability to provide quality services and products; (iii) the mutual benefits for our Group and LN Group to maintain such reciprocal relationship; (iv) we expect to continue to hold at least 10% of the issued share capital of Li Ning Co in near future; and (v) it is expected that Mr. Li Ning and Mr. Li Qilin will continue to act as the directors of both of our Company and Li Ning Co in near future, we expect to maintain our current business relationship with the LN Group, and it is unlikely for such relationship to be materially and adversely changed or terminated.

Business delineation between our Group and LN Group

We have two major business segments, namely multi-brand apparel and footwear and sports experience. Our revenue derived from our multi-brand apparel and footwear business accounted for 53.6% in FY2020, 61.6% in FY2021 and 92.7% in FY2022 of our total revenue. Whilst LN Group also engages in the sale of apparel and footwear, the apparel and footwear businesses between our Group and LN Group can be delineated without any direct competition. The following table sets out the differences between the apparel and footwear businesses of our Group and LN Group:

	Our Group	**LN Group**
Business strategies and segments	– Multi-brand sports and lifestyle apparel and footwear (excluding LI-NING brand)	– Single brand, multi-categories apparel and footwear for sports purposes – Equipment and accessories for sports purposes

	Our Group	**LN Group**
Product types and target market	Apparel and footwear for casual and formal occasions, including "Clarks" for casual and dress footwear, "Bossini" for casual wear, "LNG" and "bossini.X" for streetwear and "Amedeo Testoni" for high-end leatherware	Athletic sportswear, footwear and equipment for sports purposes, such as basketball, running, training and badminton
Stages of value chain (in relation to our provision of footwear OEM services)	Provision of footwear OEM services to retailers	Retail sales to end customers
Strategic geographical coverage	Worldwide	Mainland China
Independent management team and their expertise (other than Mr. Li Ning and Mr. Li Qilin who are common board members of our Company and Li Ning Co)	Mr. Li Chunyang has been managing our Group for more than ten years. He was one of the founders of "The Chinese Athletes Educational Foundation" and winner of the World Gymnastics Championships and has extensive networks in sports field. Mr. Victor Herrero, who is the chairman and a non-executive director of Bossini, a non-wholly owned subsidiary of our Company, joined our Board as non-executive Director in early 2021. Mr. Herrero who served as the chief executive officer and director of Guess Inc. (NYSE: GES), a company listed on the New York Stock Exchange, has extensive experience in corporate management and business operations in the consumables industry.	Mr. Kosaka Takeshi, an executive director and joint chief executive officer of Li Ning Co, worked for Fast Retailing Co., Limited and worked in various division and Asian regions gaining extensive experience in supply chain, products and merchandising as well as retail management.

As shown in the table above, the businesses of our Group and LN Group can be differentiated in terms of business strategies and segments, product types and target market, stages of value chain and geographical coverage. In addition, our Company and Li Ning Co have separate boards that function independently.

Different business strategies and segments

Our Group and LN Group have different business strategies and operate in different segments. Other than the LI-NING brand, LN Group manufactures, develops, markets, distributes and sells various sports products under other brands which are self-owned by or licensed to LN Group through its joint ventures or associates with third parties, including "Double Happiness", "AIGLE", "Danskin" and "Kason", most of which have been maintained by LN Group for more than 10 years. To the best knowledge of the Directors, although LN Group continues to maintain such other brands due to long term relationship and cooperation with its business partners, LN Group primarily adopts a single brand strategy with an aim to enhance product and brand competitiveness of its core brand, the LI-NING brand, such that the LI-NING brand will become the favourite sports brand among Chinese consumers. This is different from our Group's multi-brand strategy which targets at consumers of different target groups across the globe. We offer our apparel and footwear under various brands, including "Bossini", "bossini.X", "LNG", "Clarks" and "Amedeo Testoni", with different styles and product portfolio targeting at different customer groups.

Different product types, target market and stages of value chain

LN Group's products are different from those of our Group in terms of product type, target market and style. For instance, while LN Group principally engages in the research and development, manufacture and sale of sports equipment, such as table tennis equipment under the "Double Happiness" brand and badminton equipment under the "Kason" brand, our Group does not engage in the sale of sports equipment.

In terms of apparel and footwear, while LN Group primarily offers athletic apparel and footwear to end customers for sports purposes, such as basketball, running, training and badminton, we offer different types of apparel and footwear targeting at different customer groups for various occasions and functions (other than professional sports activities) under various brands. Our self-owned brands comprises (i) "Bossini", a casual wear brand, offering accessible apparel to customers of all age group; (ii) "Amedeo Testoni", a luxury leatherware brand, offering high-end leather footwear; (iii) "Clarks", a well-known British footwear brand, offering athleisure, modern casual and dress footwear for all age groups; (iv) "LNG", a streetwear brand with ACGN elements; and (v) and "bossini.X", a streetwear brand with sports element, offering streetwear and casual footwear to youngsters and millennials. In particular, "Clarks" accounted for 84.2% of our revenue from the multi-brand apparel and footwear business in FY2022 following completion of the First Clark Acquisition in July 2022. As such, the product types and target market of the apparel and footwear business between our Group and LN Group are fundamentally different.

In respect of our provision of footwear OEM services, although we manufacture sports trainers, casual trainers and vulcanised shoes for footwear retailers (including LN Group), unlike LN Group, we are not engaged in the retail sales of professional sports footwear to end customers and we only act as the footwear OEM supplier in manufacturing sports trainers and related footwear components for LN Group and other footwear manufacturers. Furthermore, to the best knowledge of our Directors, LN Group primarily focuses on the retail of footwear and does not provide footwear OEM services to third party footwear retailers. Given the footwear business of LN Group and the footwear OEM services of our Group are located at different stages of the footwear business value chain, there is no direct competition between the two businesses.

Different geographical coverage

According to the 2021 annual report of Li Ning Co, 98.7% of the total revenue of LN Group was derived from the PRC market. Whilst LN Group focuses on the PRC market, our Group has established presence internationally. In particular, "Clarks" focuses on the UK and the US markets, "Bossini" focuses on the markets in Hong Kong and Singapore and "Amedeo Testoni" focuses on the markets in Europe, Hong Kong, Taiwan, Japan and South Korea. 36.5% and 41.0% of our total revenue from multi-brand apparel and footwear business was derived from the PRC for FY2020 and FY2021 respectively, and such percentage significantly decreased to 12.5% for FY2022 as a result of completion of the First Clark Acquisition in July 2022.

Different management team

Apart from Mr. Li Ning and Mr. Li Qilin, our Company and Li Ning Co have separate board members with diverse management expertise, and the board of the two companies function independently. For further details of our management independence, please refer to the sub-section headed "Independence from Controlling Shareholders – Management Independence" in this section.

In view of the above, LN Group is not in direct or indirect competition with our Group. Our Group has maintained strategic cooperation with LN Group and our Directors consider that a closer relationship between our Group and LN Group would enable the two companies to come closer in exploring strategic initiatives or development opportunities identified by either of them, including sports marketing and sponsorship opportunities and to promote the aligned utilisation of their resources in hand, including the talents or events managed by our Group and our Group's sports community development projects. Our Group expects that the strategic cooperation with LN Group will not only bring positive impact to our Group's financial performance in terms of revenue generation from time to time, but will also benefit from sharing of its results derived from greater demand for sports-related consumer products in the long run.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates (other than our Group) taking into account the following factors:

Management Independence

Our business is managed and conducted by our Board and senior management of our Company. Our Board consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. For details, please refer to the section headed "Directors and Senior Management" in this document.

Our Directors consider that our Board and senior management are able to function independently of our Controlling Shareholders because:

(a) each Director is aware of his/her fiduciary duties as a Director which require, amongst others, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his personal interest;

(b) in the event that any Director or any of his/her close associates has a material interest in any transaction or arrangement or there is an actual or potential conflict of interest arising out of any transaction or arrangement to be entered into between our Group and any of our Directors or their respective associates, the Director(s) shall fully disclose such matters to our Board and abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. Our Group has also adopted certain corporate governance measures for conflict situation, details of which are set out in the sub-section headed "Corporate Governance Measures" in this section;

(c) with three independent non-executive Directors out of a total of nine Directors in our Board, there will be independent voice within our Board to counter-balance any situation involving a conflict of interest and to protect the interests of our independent Shareholders;

(d) connected transactions between our Group and companies controlled by our Controlling Shareholders are subject to the rules and regulations under the Main Board Listing Rules including the rules relating to annual reporting, review, announcement, circular and independent shareholders' approval (where applicable);

(e) although Mr. Li Ning, being our ultimate Controlling Shareholder and executive Director, also holds directorship in Lead Ahead, Dragon City and Victory Mind respectively, we believe that our Board and senior management will function independently of our Controlling Shareholders on the basis that these companies are merely investment holding companies for holding equity interests in our Group, and Mr. Li Ning's involvement and/or interests in these companies will not affect the discharge of his duties to our Group; and

(f) our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of such business plans, strategies and policies, and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Operational Independence

We have established our own organisational structure comprising individual departments, each with specific areas and responsibilities. We have also established a set of internal control mechanisms to facilitate the effective operations of our business. We have sufficient capital, facilities, equipment and employees to operate our business independently. We have our own operational and administrative resources and we do not share such resources with our Controlling Shareholders or other companies controlled by our Controlling Shareholders. We hold all the relevant licences and own all the relevant intellectual properties necessary to carry on our business. As such, our Directors consider that our Group can operate independently of our Controlling Shareholders.

Financial Independence

Our Directors are of the view that our Group is financially independent of our Controlling Shareholders and any of their respective close associates. We have an independent financial system and make financial decisions according to our own business needs. Our Group has sufficient capital to operate our business independently, and has adequate internal resources to support our day-to-day operations. We have been and are capable of obtaining equity and debt financing from third parties. As at the Latest Practicable Date, our Controlling Shareholders and their respective close associates did not provide any financial assistance to our Group.

CORPORATE GOVERNANCE MEASURES

We recognise the importance of good corporate governance in the protection of our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of his/its associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted towards the quorum in the voting;

(b) our Group has established internal control mechanisms to identify connected transactions. If our Group enters into connected transactions with a Controlling Shareholder or any of his/its associates, we will comply with the applicable Main Board Listing Rules;

(c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, please refer to the paragraph headed "Directors and Senior Management – Board of Directors – Independent non-executive Directors" in this document;

(d) our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested except as permitted by the Articles;

(e) where we reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses;

(f) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our independent non-executive Directors; and

(g) where our Company maintains the engagement of a compliance adviser, such compliance adviser shall provide our Company with professional advice on compliance of continuing obligations under the Main Board Listing Rules in accordance with the provisions of the compliance adviser agreement and the requirements of the Main Board Listing Rules.

SHARE CAPITAL

Assuming the total number of Shares in issue remains unchanged from the Latest Practicable Date to the date of this document and without taking into account any Shares to be issued upon exercise of any options granted under the Share Option Scheme or the conversion of the Earn-out Convertible Bonds, or any Shares which may be allotted and issued or repurchased pursuant to the Issue Mandate and Repurchase Mandate, the share capital of our Company immediately upon the **[REDACTED]** will be as follows:

Authorised share capital

Number of Shares	Description of Shares	Total nominal value of the Shares
20,000,000,000	Ordinary Shares of HK$0.05 each	HK$1,000,000,000.00
6,000,000,000	Preference Shares of HK$0.01 each	HK$60,000,000.00
26,000,000,000	Total Shares	HK$1,060,000,000.00

Issued share capital

Number of Shares	Description of Shares	Total nominal value of the Shares
[REDACTED]	Ordinary Shares of HK$0.05 each	**[REDACTED]**
[REDACTED]	Preference Shares of HK$0.01 each	**[REDACTED]**
[REDACTED]	Total Shares	**[REDACTED]**

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after the **[REDACTED]** under the Main Board Listing Rules is 25% of its share capital in issue from time to time. Our Directors confirm that from the GEM Listing up to the Latest Practicable Date, we have maintained the minimum level of public float required under the GEM Listing Rules and is expected to comply with the requirements under Rule 8.08 of the Main Board Listing Rules following the **[REDACTED]**.

RANKING

The Shares in issue are ordinary shares in the share capital of our Company and rank *pari passu* in all respects with each other. The Shares will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date following the **[REDACTED]**.

SHARE OPTION SCHEME

We have adopted the Share Option Scheme on 18 January 2021 which will remain in force for a period of 10 years commencing thereon. The Share Option Scheme will remain valid and effective following the **[REDACTED]** and will be implemented in full compliance with Chapter 17 of the Main Board Listing Rules.

As at the Latest Practicable Date, 229,330,333 share options granted to our Directors and certain employees remained outstanding in relation to the subscription of a total of 229,330,333 Shares (representing 2.31% of the enlarged issued share capital of our Company upon exercise of the outstanding share options in full) at the exercise price of HK$0.670 per Share in respect of 216,034,333 share options and the exercise price of HK$1.30 per Share in respect of 13,296,000 share options. Please refer to the paragraph headed "Statutory and General Information – D. Share Option Scheme" in Appendix V to this document for details of the principal terms of the Share Option Scheme and the outstanding share options.

EARN-OUT CONVERTIBLE BONDS

Pursuant to a sale and purchase agreement dated 12 October 2012 entered into between our Company (as purchaser) and Victory Mind and Dragon City (as vendors) (the "**Vendors**") for the acquisition of certain shares in Li Ning Co and the deed dated 30 August 2013 entered into by the above parties, our Company issued the Earn-out Convertible Bonds in the principal amount of HK$780,000,000 in total to the Vendors (as the original holders) which are convertible into 2,400,000,000 Shares at an initial conversion price of HK$0.325 per Share subject to certain undertaking under which a portion of the Earn-out Convertible Bonds may be returned to our Company in the event that certain performance targets of Li Ning Co are not met. On 10 April 2017, the condition for releasing the undertaking has been met and our Company had released all the Earn-out Convertible Bonds held by the Vendors.

As at the Latest Practicable Date, the outstanding principal amount of the Earn-out Convertible Bonds is HK$555,100,000 which is convertible into 1,708,000,000 Shares (representing 15.00% of the enlarged issued share capital of our Company) at the initial conversion price of HK$0.325 per Share. For further details of the terms of the Earn-out Convertible Bonds, please refer to the circular of our Company dated 17 October 2013 and the announcement of our Company dated 10 April 2017.

GENERAL MANDATE TO ISSUE SHARES

The Directors have been granted a general mandate to allot and issue Shares pursuant to the ordinary resolution passed at the annual general meeting of our Company held on 15 June 2022, details of which are set out in the circular of our Company dated 18 March 2022.

Such general mandate will remain in effect until whichever is the earliest of (a) the conclusion of the next annual general meeting of our Company; (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles, or any other applicable law of the Cayman Islands to be held; and (c) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying such authority given to our Directors.

GENERAL MANDATE TO REPURCHASE SHARES

The Directors have been granted a general mandate to repurchase Shares pursuant to the ordinary resolution passed at the annual general meeting of our Company held on 15 June 2022. Details of which are set out in the circular of our Company dated 18 March 2022 and in the paragraph headed "Statutory and General Information – A. Further information about our Group – 4. Repurchase of our own securities" in Appendix V to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company may by ordinary resolution (i) increase its share capital by the creation of new shares; (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (iii) divide its shares into several classes; (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person; (v) sub-divide its shares or any of them into shares of smaller amount; and (vi) change the currency of denomination of its share capital. In addition, our Company may by special resolution reduce its share capital or undistributable reserve subject to any conditions prescribed by the Cayman Companies Act.

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated only with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

For further details, please refer to the paragraph headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix IV of this document.

SHAREHOLDING DISTRIBUTION

Our Company has engaged a search agent, which is an Independent Third Party, to conduct a shareholding search of our Company with record date as at 1 March 2023 ("**Shareholding Report**"). To the best knowledge of our Directors having made reasonable enquires, including review of the Shareholding Report and the publicly available information, our Company had at least 300 Shareholders and the shareholding structure of our Company as at the Latest Practicable Date was as follows:–

	Number of Shares held *(Note 1)*	**Approximate percentage of shareholding to our Company's issued share capital**
Controlling Shareholders *(Note 2)*	**[REDACTED]**	**[REDACTED]**
Top 25 Shareholders (including our Controlling Shareholders)		
– Top 1 to 3 Shareholders *(Note 3)*	**[REDACTED]**	**[REDACTED]**
– Top 4 Shareholder *(Note 4)*	**[REDACTED]**	**[REDACTED]**
– Top 5 Shareholder *(Note 5)*	**[REDACTED]**	**[REDACTED]**
– Top 6 to 10 Shareholders *(Notes 4 and 6)*	**[REDACTED]**	**[REDACTED]**
– Top 11 to 15 Shareholders *(Note 4)*	**[REDACTED]**	**[REDACTED]**
– Top 16 to 20 Shareholders *(Notes 4 and 7)*	**[REDACTED]**	**[REDACTED]**
– Top 21 to 25 Shareholders *(Notes 4 and 8)*	**[REDACTED]**	**[REDACTED]**
Sub-total:	**[REDACTED]**	**[REDACTED]**
Other Shareholders	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**[REDACTED]**

Notes:

1. In calculating the number of Shareholders, (i) Shareholders with the same names; (ii) Shareholders who share the same address or (iii) Shareholders who holds Shares through multiple brokerage accounts via different brokerage firms would be deemed as one single beneficial Shareholder and the respective shareholdings will be aggregated in our shareholding distribution analysis.

2. Save for the interests disclosed in this document, our Controlling Shareholders are not and were not interested in any Shares through any person, entity, custodian, nominee and brokerage firm. On the other hand, our Controlling Shareholders do not and did not hold any Shares on behalf of any person, entity, custodian, nominee and brokerage firm.

3. Lead Ahead, Dragon City and Victory Mind, being our Controlling Shareholders, are our top 3 Shareholders.

4. To the best knowledge of our Directors and having made all reasonable enquiries, save as otherwise specified in the notes to this sub-section, these Shareholders are all Independent Third Parties.

5. Our top 5 Shareholder is a director of our subsidiary.

6. Our top 6 to 10 Shareholders include one director of our subsidiary.

7. Our top 16 to 20 Shareholders include Mr. Li Chun, being the brother of Mr. Li Ning who is one of our Controlling Shareholders and our executive Director.

8. Our top 21 to 25 Shareholders include one director of our subsidiary.

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.

You should read this section in conjunction with the consolidated financial information of the Clark Group, including the notes thereto, as set out in "Appendix IIB – Accountant's Report of the Clark Group" in 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 the Clark Group in light of the 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, the actual results of the Clark Group 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

The mission of the Clark Group is "empower everyone with the freedom to move comfortably". Made with nearly 200 years of experience and craftsmanship, the Clark Group adopts the following directions in products design and development, including (i) simplicity in design, (ii) crafted construction and detailing, (iii) iconic colours and materials, (iv) comfort and fit, and (v) quality and longevity, which are considered as the key features that differentiate its footwear products from the market.

For each of the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022 and 22 weeks period ended 2 July 2022, the total revenue of the Clark Group was £778.9 million (HK$8,022.7 million), £926.2 million (HK$9,539.9 million) and £398.8 million (HK$4,107.6 million), respectively, while the Clark Group recorded a net profit of net loss of £150.6 million (HK$1,551.2 million), net profit of £53.0 million (HK$545.9 million) and net profit of £40.4 million (HK$416.1 million) during the respective period.

BASIS OF PREPARATION

The financial information of the Clark Group has been prepared by the 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 3.1 in the Accountant's Report of the Clark Group contained in Appendix IIB to this document, and no adjustments have been made in preparing the financial information.

In the opinion of the reporting accountant of the Clark Group, the historical financial information of the Clark Group gives, for the purposes of the Accountant's Report of the Clark Group as set out in Appendix IIB to this document, a true and fair view of the financial position of the Clark Group as at 30 January 2021, 29 January 2022 and 2 July 2022 and of the financial performance and cash flows of the Clark Group for each of the 52 weeks period ended 30 January 2021, 29 January 2022 and the 22 weeks period ended 2 July 2022 in accordance with the basis of preparation set out in note 3.1 in the Accountant's Report of the Clark Group contained in Appendix IIB to this document.

KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS OF THE CLARK GROUP

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

Economies of the major regions where the Clark Group operates

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, over 80.0% of the Clark Group's revenue was generated in the UK and ROI and the Americas. The customers of the Clark Group are mainly individual shoppers as well as wholesales customers mainly in the UK and ROI and the Americas. Therefore, changes in the economies of these places would directly impact the disposable income of the local household, and thus, the consumer sentiment of the customers and the financial performance of the Clark Group. It is believed that customers' spending is inter-related to the overall GDP growth in their respective countries/regions. The Clark Group 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 purchasing and operating costs of the Clark Group. The finance cost may also be affected by the global interest rate increment. Hence, the profitability of the Clark Group is susceptible to the above factors.

Attractiveness of the product offering of the Clark Group

Being a well-known international footwear brand with almost 200 years of history and worldwide presence, the Clark Group is known for the quality and style of products offered. Under the "Clarks" brand, the Clark Group has developed various sub-brands with different features tailoring for the needs of a specific group of customers, comprising (i) "Clarks Originals" which focuses on fashionable designs and targets the cult and streetwear consumer at a more premium positioning, and (ii) "Clarks Collection" and "Clarks Cloudsteppers" which aim to offer comfortable footwear at an affordable price range for adults.

The attractiveness of the products of the Clark Group mainly is susceptible to the product design, product price and sales network. The Clark Group generally launches its products twice in a year, namely the Spring/Summer collection and the Autumn/Winter collection. The continuous success of the Clark Group depends largely on the products development in the future.

The direct-to-consumer sales channels of the Clark Group

Clarks is an international footwear brand with a focus on the UK and the US markets. According to the Frost & Sullivan Report, "Clarks" ranked the first in fashion and casual footwear market in the UK with a market share of 14.1%, and seventh in the US with a market share of 1.8%.

As at 2 July 2022, the Clark Group had 577 directly-operated stores primarily located in the UK, ROI and the US, 2,845 wholesale customers primarily situated in EMEA and the US, and various online sales platforms, such as its flagship online store and other e-commerce platforms operated by its wholesale customers. During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the Clark Group generated majority of its revenue from the direct-to-customers channel, which accounted for 57.0%, 60.5% and 56.5% of the total revenue of the Clark Group, respectively. The Clark Group operates the direct-to-customers channel both by retail stores and on e-commerce platforms, which complement each other in times when chances of physical presence in the stores may be hindered such as during the lockdown period of the COVID-19 pandemic.

Cost of inventories sold

The cost of inventories sold of the Clark Group accounted for 84.2%, 84.5% and 80.8% of its cost of sales, for the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022 and 22 weeks period ended 2 July 2022, respectively. The price of the product may vary from period to period due to factors such as raw material used, categories, quality, customer's preference and market conditions. The selling price was determined on a cost-plus basis, taking into account, among others, the cost of inventories sourced from the suppliers, including primarily style and quality.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of the cost of inventories used on the profit before tax of the Clark Group during the 52 weeks period ended 30 January 2021, 29 January 2022 and 22 weeks period ended 2 July 2022. Fluctuations in the cost of inventories are assumed to be 5%, 10% and 15%.

	Changes in cost of inventories		
	+/-5%	**+/-10%**	**+/-15%**
Hypothetical fluctuations	*£'m*	*£'m*	*£'m*
Increase/decrease in profit before tax			
52 weeks to 30 January 2021	–/+17.3	–/+34.7	–/+52.0
52 weeks to 29 January 2022	–/+19.6	–/+39.2	–/+58.8
22 weeks to 2 July 2022	–/+8.2	–/+16.4	–/+24.6

Prospective **[REDACTED]** should note that the above analysis on the historical financials is based on assumptions and for reference only. The above analysis should not be viewed as the actual effect of such hypothetical fluctuations.

Employee benefit expense

The employment benefit expense of the Clark Group was one of the major component of the operating expenses incurred during the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 2 July 2022 which had a significant impact on the profitability of the Clark Group. The total employment benefit expense of the Clark Group amounted to £217.3 million (HK$2,238.2 million), £173.4 million (HK$1,786.0 million) and £75.1 million (HK$773.5 million) for the 52 weeks period ended 30 January 2021, 29 January 2022 and 22 weeks period ended 2 July 2022, respectively, representing 27.9%, 18.7% and 18.8% of its total revenue during the respective period. The salaries of the sales staff of the Clark Group generally consist of fixed portion of base salary and sales incentives based on the value of sales. As such, the salaries of the sales staff generally fluctuate with the total revenue. The salaries of the staff of back office is mainly fixed in nature.

If the Clark Group is unable to retain its employees, the Clark Group may incur additional costs in hiring or training new staff, hence, affecting the profitability of the Clark Group.

Lease related expenses

The Clark Group's directly-operated stores are typically located within shopping malls, department stores or on street level with high visibility and customer traffic. The Clark Group believes the accessibility of the stores would affect the number of visits from the customers. Since the Clark Group strategically locates the stores in prime shopping areas, the lease related expenses with respect to the stores constituted a significant portion of its total cost. Further, the Clark Group has other lease arrangement such as the offices and outlets during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022. The lease related expenses mainly include the depreciation of right-of-use assets, interest on lease liabilities, short-term rental expenses and variable lease payments. The lease related expenses of the Clark Group amounted to £63.6 million (HK$655.1 million), £42.5 million (HK$437.8 million) and £15.6 million (HK$160.7 million) for the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively, representing 8.2%, 4.6% and 3.9% of its total revenue during the respective period.

Save for a very few self-owned properties, all other directly-operated stores are operated on leased properties. If the Clark Group is unable to renew the tenancies when the existing one expires, the Clark Group may incur additional costs in moving the existing store to a new location with the risk of loss of customers during the lead time. See "Business – Our Multi-brand Apparel and Footwear Business – Our Sales Channels – Our Directly-operated Store".

Foreign exchange exposure

The Clark Group is exposed to currency risk as a result of the Clark Group's international nature and business activities due to mismatch between currencies in which sales, purchases, receivables and borrowings are denominated.

Over the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the Clark Treasury function has managed currency exposure on cash flows relating to the Clark Group's trading operations by entering into forward dated foreign currency contracts maturing throughout future seasons based on forecasts of future transaction flows.

There was a net liability position of £10.0 million (HK$103.0 million) as at 30 January 2021, net asset position of £1.8 million (HK$18.5 million) as at 29 January 2022 and net asset position of £15.1 million (HK$155.5 million) as at 2 July 2022 for the derivative financial instruments at fair value through other comprehensive income.

Seasonality

The business of the Clark Group is subject to seasonal fluctuations. The Clark Group typically record higher sales around the second half of a calendar year with the launch of Back-to-School programme in July in the UK. If the Clark Group fails to capture the sales opportunities arising from the programme, the overall performance could be adversely affected. For the same reason, the Clark Group may need to increase the stock level to satisfy the increased sales demand around the launch of Back-to-School programme, which exposes the Clark Group to risk of higher levels 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 the Clark Group. Being a global footwear retailer with a seasonally driven business model, the impact of COVID-19 was immediate during the period 52 weeks period ended 30 January 2021 given the reduced demand coincided with the commencement of the Spring/Summer season and the new inventory resulted in a significant working capital impact which continued into 2021. The impact of COVID-19 had been significant on the business, with turnover from continuing operations falling 43.2% from £1,370.7 million (HK$14,118.2 million) for the 52 weeks period ended 1 February 2020 to £778.9 million (HK$8,022.7 million) for the 52 weeks to 30 January 2021.

The revenue from the UK and ROI decreased by 43.8% given the direct impacts of government mandated lockdowns in Spring 2020, November/December 2020 and again in January 2021. Benefited from the strong margin control, cost reductions, company voluntary arrangement ("**CVA**")-related rent arrear savings and government furlough support, the decrease in revenue contributed by the UK and ROI regional was partially offset.

In EMEA, revenue showed a decline of 38.0% from the 52 weeks period ended 1 February 2020 to the 52 weeks to 30 January 2021. The distribution centre in Europe has been transferred successfully to Venlo in the Netherlands. This has led to improvement in supply chain efficiency and reduction in duty costs by allowing product to be directly shipped from the suppliers to the distribution centre in Europe.

In the Americas, the revenue decreased by 48.2% in all channels apart from the online channel, which had a year on year improvement. A national lockdown in Spring/Summer 2020 was followed by local restrictions imposed by many states and municipalities significantly impacting customer confidence and depressing footfall.

Performance in the Asia Pacific region showed a decline of 20.1% from the 52 weeks period ended 1 February 2020 to the 52 weeks to 30 January 2021. In the PRC, the Clark Group also recorded decrease in wholesale but digital performance remained stable.

In addition, many of the wholesale partners imposed extended payment terms which has delayed the receipt of cashflow for inventory sold to these customers. In response, the Clark Group took immediate global action to reduce cost and cash outflow: (i) all discretionary expenditure was halted where possible; (ii) while acting responsibly, the Clark Group sought to extend payment terms with the suppliers which provided liquidity support to offset the actions imposed on it by its customers; and (iii) the Clark Group also decided not to declare a final dividend relating to 2019/20.

Additionally, UK rent and debt enforcement moratoriums helped give liquidity support across the year and provided additional time to negotiate rent reductions and payment deferrals with landlords. On 20 November 2020, C&J Clark International successfully entered into a CVA with its landlords which allowed it to compromise rent arrears and move to a turnover rent basis for most properties for the coming three years, providing protection against the uncertain risk of COVID-19 during this period.

Progress was being made on implementing the property portfolio strategy with 125 stores exited during the period 52 weeks period ended 30 January 2021 with 122 permanent store closures and 3 being transferred to franchise or license partners.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that are significant to the preparation of the Clark Group's financial statements. Some of such accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing the financial statements of the Clark Group, you should consider (i) the selection of critical accounting policies; (ii) the judgements and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. The significant accounting policies, estimates and judgements of the Clark Group, which are important for the understanding of the Clark Group's financial condition and results of operations are set out below. For details, please see notes 3.2 and 4 of the Accountant's Report of the Clark Group contained in Appendix IIB to this document.

Significant accounting policies

Revenue recognition

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

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

Revenue is recognised as follows:

Sales

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

(i) Sale of goods – wholesale

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

(ii) Sale of goods – retail

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

Sale of goods – online

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

Sale of gift vouchers

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

Sale with a right of return/exchange

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

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

(b) a refund liability; and

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

Loyalty scheme

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

Government grants

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

Property, plant and equipment

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

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

The principal useful lives used for this purpose are as follows:

Land and buildings	30-50 years
Plant and equipment	3-20 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Intangible assets

Software

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

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

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

Trademarks

Acquired trademarks are initially recognised at cost and amortised on a straight line basis over the expected useful life of 20 years because the management of the Clark Group estimates that the economic useful life of the trademark is 20 years at maximum with reference to the trademark registration valid years and expected renewal years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

During the Track Record Period, we have provided amortisation for our trademark of less than £0.1 million (HK$1.0 million).

Inventories

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

Leases

The Clark Group as a lessee

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

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

Lease modifications

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

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

Clark Group as a lessor

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

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

Critical Accounting Estimates, Assumptions and Judgements

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

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

Incremental borrowing rate determined for leases

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

Valuation for post-retirement benefits

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

Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. For details of the sensitivity analysis, please see note 24 of the Accountant's Report of the Clark Group contained in Appendix IIB to this document.

RESULTS OF OPERATIONS

The following table summarises the consolidated statements of profit or loss and other comprehensive income from the financial statements during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, details of which are set out in the Accountant's Report of the Clark Group in Appendix IIB to this document.

	52 weeks to 30 January 2021		52 weeks to 29 January 2022		22 weeks to 3 July 2021		22 weeks to 2 July 2022	
	£'m	%	£'m	%	£'m (unaudited)	%	£'m	%
Continued operations								
Revenue	778.9	100.0	926.2	100.0	346.5	100.0	398.8	100.0
Cost of sales	(411.4)	(52.8)	(463.3)	(50.0)	(181.9)	(52.5)	(202.6)	(50.8)
Gross profit	367.5	47.2	462.9	50.0	164.6	47.5	196.2	49.2
Distribution expenses	(279.3)	(35.9)	(231.7)	(25.0)	(81.1)	(23.4)	(106.8)	(26.8)
Administrative expenses	(257.3)	(33.0)	(173.2)	(18.7)	(78.5)	(22.6)	(64.8)	(16.2)
Other income	52.3	6.7	17.5	1.9	12.8	3.7	4.3	1.1
Finance costs	(21.0)	(2.7)	(26.6)	(2.9)	(11.3)	(3.3)	(11.2)	(2.8)
Impairment loss reversed (recognised)	(1.1)	(0.1)	(10.9)	(1.2)	(0.7)	(0.2)	31.2	7.8
Profit before income tax	(138.9)	(17.8)	38.0	4.1	5.8	1.7	48.9	12.3
Income tax (expenses)/credit	(11.7)	(1.5)	15.0	1.6	12.9	3.7	(8.5)	(2.1)
Profit/(loss) for the period	(150.6)	(19.3)	53.0	5.7	18.7	5.4	40.4	10.1

DESCRIPTION OF SELECTED ITEMS IN STATEMENTS OF PROFIT OR LOSS

Revenue

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the revenue of Clark derived from its activities in the shoe trading. The following table sets forth a breakdown of the Clark Group's revenue by geographical segments for the periods indicated:

	52 weeks to 30 January 2021		52 weeks to 29 January 2022		22 weeks to 3 July 2021		22 weeks to 2 July 2022	
	£'m	%	£'m	%	£'m	%	£'m	%
					(unaudited)			
UK and ROI	314.3	40.4	375.4	40.5	132.3	38.2	149.3	37.4
Americas	311.0	39.9	389.0	42.0	155.0	44.8	197.2	49.4
Europe	54.3	7.0	60.9	6.6	19.2	5.5	18.2	4.6
Asia Pacific	99.3	12.7	100.9	10.9	40.0	11.5	34.1	8.6
Total	778.9	100.0	926.2	100.0	346.5	100.0	398.8	100.0

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the Clark Group's shoe trading was generally transacted through (i) offline sales which included retail sales and wholesale; and (ii) online sales.

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

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

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

The table below provides a breakdown of revenue by sales channel of the Clark Group for the periods indicated:

	52 weeks to 30 January 2021		52 weeks to 29 January 2022		22 weeks to 3 July 2021		22 weeks to 2 July 2022	
	£m	*%*	*£m*	*%*	*£m* (unaudited)	*%*	*£m*	*%*
Offline channels								
– directly-operated stores	290.9	37.3	402.1	43.4	127.8	36.9	175.0	43.9
– wholesales	334.9	43.0	365.8	39.5	156.9	45.3	173.5	43.5
Sub-total:	***625.8***	***80.3***	***767.9***	***82.9***	***284.7***	***82.2***	***348.5***	***87.4***
Online channels	153.1	19.7	158.3	17.1	61.8	17.8	50.3	12.6
Total	**778.9**	**100.0**	**926.2**	**100.0**	**346.5**	**100.0**	**398.8**	**100.0**

Notes:

1. "Wholesales" includes sales to third party retailers and e-commerce and t-commerce platform operators.

2. "Online channels" refers to the online flagship stores operated by the Clark Group.

From the 52 weeks period ended 30 January 2021 to 29 January 2022, sales started to pick up again after the recovery of certain parts of the world which was affected by the resurgence of COVID-19 in 2020. The total revenue of the Clark Group increased from the 22 weeks period ended 3 July 2021 to the 22 weeks period ended 2 July 2022 primarily due to the increase in sale from its directly-operated stores resulting from the recovery of sale activities from the resurgence of COVID-19 during the 22 weeks period ended 2 July 2022.

Cost of sales

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks ended 2 July 2022, cost of sales of the Clark Group mainly represented the cost of inventories sold. The following table sets forth a breakdown of the cost of sales for the periods indicated:

	52 weeks to 30 January 2021		52 weeks to 29 January 2022		22 weeks to 3 July 2021		22 weeks to 2 July 2022	
	£'m	*%*	*£'m*	*%*	*£'m* (unaudited)	*%*	*£'m*	*%*
Cost of inventories sold	346.6	84.2	391.7	84.5	155.8	85.7	163.8	80.8
Others *(Note 1)*	64.8	15.8	71.6	15.5	26.1	14.3	38.8	19.2
Total	411.4	100.0	463.3	100.0	181.9	100.0	202.6	100.0

Note:

1. Others mainly included distribution and transportation charges.

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks ended 2 July 2022, cost of sales of the Clark Group fluctuated in line with its revenue, representing 52.8%, 50.0% and 50.8% of total revenue for the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022 and the 22 weeks period ended 2 July 2022.

Gross profit and gross profit margin

The gross profit of the Clark Group represented revenue less cost of sales during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks ended 2 July 2022. The gross profit of the Clark Group amounted to £367.5 million (HK$3,785.3 million), £462.9 million (HK$4,767.9 million) and £196.2 million (HK$2,020.9 million) for the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively, while the gross profit margin was 47.2%, 50.0% and 49.2% in the respective period.

Distribution expenses

The distribution expenses of the Clark Group mainly comprised salary expenses of sales personnel, utilities and operating expenses, depreciation of right-of-use assets and property, plant and equipment, and marketing and advertising expenses. The following sets forth a breakdown of the distribution expenses for the periods indicated:

	52 weeks to 30 January 2021		**52 weeks to 29 January 2022**		**22 weeks to 3 July 2021**		**22 weeks to 2 July 2022**	
	£'m	*%*	*£'m*	*%*	*£'m* (unaudited)	*%*	*£'m*	*%*
Salary expenses	125.3	44.9	105.5	45.5	43.3	53.4	45.8	42.9
Utilities and operating expenses	69.3	24.8	72.9	31.5	19.6	24.1	40.3	37.7
Depreciation	61.2	21.9	39.1	16.9	12.3	15.2	14.5	13.6
Marketing and advertising expenses	23.0	8.2	14.2	6.1	5.9	7.3	6.2	5.8
Others	0.5	0.2	–	–	–	–	–	–
Total	279.3	100.0	231.7	100.0	81.1	100	106.8	100

The distribution expenses of the Clark Group amounted to £279.3 million (HK$2,876.8 million), £231.7 million (HK$2,386.5 million) and £106.8 million (HK$1,100.0 million) for the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively, representing 35.9%, 25.0% and 26.8% of the Clark Group's total revenue during the respective period.

The distribution expenses accounted for a relatively higher amount of the total revenue of the Clark Group for the 52 weeks period ended 30 January 2021, primarily due to the fixed costs incurred which did not reduce in line with the decrease in revenue. Such fixed costs mainly included salaries for the sales personnel and rental expenses for stores and warehouses before the CVA arrangement.

The salary expenses decreased from the 52 weeks period ended 30 January 2021 to the 52 weeks period ended 29 January 2022, primarily due to the decrease in average number of headcounts from approximately 8,500 employees to approximately 6,700 employees over the 52 weeks period ended 30 January 2021 and 52 weeks period ended 29 January 2022, respectively.

Administrative and other operating expenses

The administrative expenses of the Clark Group primarily comprised salary expenses of corporate personnel, legal and professional fee, utilities and office expenses, depreciation of property, plant and equipment, foreign exchange differences and fair value changes of derivative financial instruments.

The following table sets forth a breakdown of administrative expenses for the periods indicated:

	52 weeks to 30 January 2021		52 weeks to 29 January 2022		22 weeks to 3 July 2021		22 weeks to 2 July 2022	
	£'m	*%*	*£'m*	*%*	*£'m*	*%*	*£'m*	*%*
					(unaudited)			
Salary expenses	92.0	35.8	67.9	39.2	36.5	46.5	29.3	45.2
Legal and professional fee	49.8	19.4	13.3	7.7	9.8	12.5	3.0	4.6
Utilities and office expenses	88.1	34.2	74.8	43.2	18.4	23.5	40.3	62.3
Depreciation	15.2	5.9	18.9	10.9	10.4	13.2	2.6	4.0
Foreign exchange differences	12.0	4.7	(4.2)	(2.4)	2.9	3.7	(10.4)	(16.1)
Fair value change of derivative financial instruments	(2.1)	(0.8)	–	–	0.1	0.1	(0.2)	(0.3)
Others	2.3	0.8	2.5	1.4	0.4	0.5	0.2	0.3
Total	257.3	100.0	173.2	100.0	78.5	100.0	64.8	100.0

Administrative expenses of the Clark Group amounted to £257.3 million (HK$2,650.2 million), £173.2 million (HK$1,784.0 million) and £64.8 million (HK$667.4 million) for the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022 and 22 weeks period ended 2 July 2022, respectively, representing 33.0%, 18.7% and 16.2% of the total revenue of the Clark Group during the respective period.

The administrative expenses accounted for a relatively higher amount of the total revenue of the Clark Group for the 52 weeks period ended 30 January 2021, primarily due to the (i) legal and professional fee of £34.8 million (HK$358.4 million) mainly related to the refinancing project, which was one-off in nature; (ii) foreign exchange differences of £17.5 million (HK$180.3 million); and (iii) utilities and office expenses of £10.6 million (HK$109.2 million) primarily attributable to restructuring costs centred on simplifying the business model and reducing administrative costs, which was one-off in nature.

The salary expenses decreased from the 52 weeks period ended 30 January 2021 to the 52 weeks period ended 29 January 2022, primarily due to the decrease in average number of headcounts from approximately 8,500 employees to approximately 6,700 employees over the 52 weeks period ended 30 January 2021 and 52 weeks period ended 29 January 2022, respectively.

Other income

Other income of the Clark Group mainly represented (i) government grants; (ii) gain on lease modification and early termination of lease arrangements; and (iii) royalty income. The following sets forth a breakdown of the Clark Group's other income for the periods indicated:

	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 3 July 2022
	£'m	£'m	£'m (unaudited)	£'m
Continuing operations				
Interest income	2.3	0.2	0.1	1.0
Government grants	18.5	5.3	4.4	0.2
Royalty income	3.0	4.1	1.0	0.6
Rates rebates	–	7.0	6.5	0.2
Gain on lease modification and early termination of lease arrangements	26.8	0.2	0.1	2.3
Others	1.7	0.7	0.7	–
Total	52.3	17.5	12.8	4.3

During the 52 weeks period ended 30 January 2021, the Clark Group received government grants in the form of the Coronavirus Job Retention Scheme ("**CJRS**"), a scheme put in place to help UK businesses through the COVID-19 situation. Under the CJRS, grant income may be claimed in respect of certain costs to the Clark Group of furloughed employees. During the 52 weeks period ended 30 January 2021 and the 22 weeks period ended 3 July 2021, the Clark Group claimed £16.4 million (HK$168.9 million) and £4.1 million (HK$42.2 million), respectively, through this scheme. The CJRS income reflects the costs incurred for the period ended 30 January 2021 that are eligible to be included in CJRS grant claims to the extent the Clark Group considers there to be reasonable certainty that the grant will be received. Other territories offered government employment support in relation to COVID-19, Clark claimed £2.1 million (HK$21.6 million), £5.3 million (HK$54.6 million), £0.3 million (HK$3.1 million) and £0.2 million (HK$2.1 million) for the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022, 22 weeks period ended 3 July 2021 and 22 weeks period ended 2 July 2022, respectively, relating to employees in the Americas and Europe.

Gain on lease modification and early termination of lease arrangements represents the gain on early termination of leases and lease modification arising from rental concessions that occurred as a direct consequence of COVID-19 pandemic in several jurisdictions as the rent concessions were not within the scope of COVID-19-related rent concessions and management concluded the changes in lease payments constitute lease modifications. The lease modification represents any change in lease terms such as lease period and rental amount. Due to the outbreak of COVID-19, the Clark Group underwent valuation adjustment for leased properties in the UK. The credit valuation adjustment took place in November 2020, which reflected that the majority of the leased properties in the UK was affected and the lease terms were being modified. In addition, there were stores that were early terminated during the COVID-19 pandemic.

Royalty income represented the fee received from the use of assets such as trademarks, patents, software and copyright during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022.

Rates rebates represents the refund of overpaid rates as a result of the early termination of certain lease arrangements for properties in the UK.

Finance costs

The finance costs of the Clark Group mainly represented (i) preference shares coupon; (ii) interest payable on bank loans and overdrafts measured at amortised cost; and (iii) interest on lease liabilities. The following sets forth a breakdown of the finance costs for the periods indicated:

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

The finance costs of the Clark Group amounted to £21.0 million (HK$216.3 million), £26.6 million (HK$274.0 million) and £11.2 million (HK$115.4 million) for the 52 weeks period ended 30 January 2021, 52 weeks period ended 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively.

Interest payable on bank loans and overdrafts measured at amortised cost represented interest incurred for the interest-bearing bank loans and overdrafts of the Clark Group.

Preference share coupon represented the coupon based on the rate of 10% per annum on the 100 million preference shares issued on 19 February 2021. For details, please refer to "Description of Certain Items of Consolidated Statements of Financial Position – Trade and other payables – other payables" in this section.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

Impairment loss (recognised)/reversed

The Clark Group has impairment loss of £1.1 million (HK$11.3 million) and £10.9 million (HK$112.3 million) for the 52 weeks period ended 30 January 2021 and 29 January 2022, respectively; and reversal of impairment loss of £31.2 million (HK$321.4 million) for the 22 weeks period ended 2 July 2022.

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

Income tax (expenses)/credit

UK corporation tax rate has been provided at the rate of 19.0% on the estimated assessable profits arising in UK during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022.

The Clark Group has income tax expense of £11.7 million (HK$120.5 million) and £8.5 million (HK$87.6 million) for the 52 weeks period ended 30 January 2021 and the 22 weeks period ended 2 July 2022, respectively. The Clark Group has income tax credit of £15.0 million (HK$154.5 million) for the 52 weeks period ended 29 January 2022. The effective tax rate was 17.4% for the 22 weeks period ended 2 July 2022. Effective tax rates for the 52 weeks period ended 30 January 2021 and 29 January 2022 were not applicable because the Clark Group had either income tax credit for the period or income tax expense charged for assessable loss for the period due to the derecognition of deferred tax assets during COVID-19.

During the 52 weeks period ended 30 January 2021, 29 January 2022 and the 22 weeks period ended 2 July 2022 and up to the Latest Practicable Date, the Clark Group had fulfilled all the 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

The 52 weeks period ended 29 January 2022 compared to the 52 weeks period ended 30 January 2021

Revenue

The revenue of the Clark Group increased by £147.3 million (HK$1,517.2 million) or 18.9% from £778.9 million (HK$8,022.7 million) for the 52 weeks period ended 30 January 2021 to £926.2 million (HK$9,539.9 million) for the 52 weeks period ended 29 January 2022. The increase was primarily due to the strong recovery in direct-to-customer channels. The revenue was risen by 18.9% due to the change of operating environment in the major markets such as the UK & ROI and the Americas. Revenue has risen by 19.4% in the UK and ROI while the sales in the Americas has also improved by 25.1%.

Cost of sales

The cost of sales of the Clark Group increased by £51.9 million (HK$534.6 million) or 12.6% from £411.4 million (HK$4,237.4 million) for the 52 weeks period ended 30 January 2021 to £463.3 million (HK$4,772.0 million) for the 52 weeks period ended 29 January 2022, which was in line with the increase in revenue.

Gross profit and gross profit margin

The gross profit of the Clark Group increased by £95.4 million (HK$982.6 million) or 26.0% from £367.5 million (HK$3,785.3 million) for the 52 weeks period ended 30 January 2021 to £462.9 million (HK$4,767.9 million) for the 52 weeks period ended 29 January 2022. Such increase in gross profit was mainly in line with the increase in revenue. The gross profit margin of the Clark Group remained relatively stable at 47.2% and 50.0% for the 52 weeks period ended 30 January 2021 and the 52 weeks period ended 29 January 2022, respectively.

Distribution expenses

The distribution expenses of the Clark Group decreased by £47.6 million (HK$490.3 million) or 17.0% from £279.3 million (HK$2,876.8 million) for the 52 weeks period ended 30 January 2021 to £231.7 million (HK$2,386.5 million) for the 52 weeks period ended 29 January 2022. The decrease was attributable to (i) a decrease in the depreciation mainly in respect of right-of-use assets related to retail stores and outlets of £22.1 million (HK$227.6 million); (ii) a reduction in salary expenses of £19.8 million (HK$203.9 million); and (iii) a decrease in the marketing and advertising expenses of £8.8 million (HK$90.6 million) resulting from the implementation of tight cost control.

Administrative expenses

The administrative expenses of the Clark Group decreased by £84.1 million (HK$866.2 million) or 32.7% from £257.3 million (HK$2,650.2 million) for the 52 weeks period ended 30 January 2021 to £173.2 million (HK$1,784.0 million) for the 52 weeks period ended 29 January 2022. The decrease was attributable to the decrease in the (i) legal and professional fee of £36.5 million (HK$376.0 million) mainly related to the refinancing project completed in the prior financial period, which was one-off in nature; (ii) salary expenses of £24.1 million (HK$248.2 million) mainly resulting from reduction in headcounts; (iii) foreign exchange differences of £16.2 million (HK$166.9 million) resulting from the fluctuations of various foreign currencies against GBP during the 52 weeks period ended 29 January 2022; and (iv) utilities and office expenses of £13.3 million (HK$137.0 million) primarily attributable to restructuring costs incurred in prior financial year centred on simplifying the business model and reducing administrative costs, which was one-off in nature.

Other income

Other income of the Clark Group decreased by £34.8 million (HK$358.4 million) or 66.5% from £52.3 million (HK$538.7 million) for the 52 weeks period ended 30 January 2021 to £17.5 million (HK$180.3 million) for the 52 weeks period ended 29 January 2022. The decrease was mainly attributable to the decrease in (i) government grants of £13.2 million (HK$136.0 million) primarily in relation to the relief measures for the outbreak of COVID-19 previously discussed; and (ii) gain on lease modification and early termination of lease arrangements of £26.6 million (HK$274.0 million) for certain leases amidst the outbreak of COVID-19 in 2020.

Finance costs

The finance costs of the Clark Group increased from £21.0 million (HK$216.3 million) for the 52 weeks period ended 30 January 2021 to £26.6 million (HK$274.0 million) for the 52 weeks period ended 29 January 2022. The increase in finance costs was primarily attributable to the preference share coupon of £9.4 million (HK$96.8 million) incurred during the 52 weeks period ended 29 January 2022.

Impairment loss reversed (recognised)

The impairment recognised for the Clark Group increased from £1.1 million (HK$11.3 million) for the 52 weeks period ended 30 January 2021 to £10.9 million (HK$112.3 million) for the 52 weeks period ended 29 January 2022. The impairment loss recognised for the 52 weeks period ended 30 January 2021 was mainly due to the impairment of property, plant and equipment of £9.0 million (HK$92.7 million) and trade receivables of £8.8 million (HK$90.6 million), which was largely offset by the reversal of impairment of right-of-use assets £16.7 million (HK$172.0 million). The impairment loss recognised for the 52 weeks period ended 29 January 2022 was mainly attributable to the impairment of right-of-use assets.

Income tax expenses

The income tax expenses of the Clark Group amounted to £11.7 million (HK$120.5 million) for the 52 weeks period ended 30 January 2021. While the Clark Group has income tax credit of £15.0 million (HK$154.5 million) for the 52 weeks period ended 29 January 2022. Such tax credit was mainly attributable to the tax losses of prior periods recognised in current period.

Profit/(loss) for the period from continuing operations

The Clark Group had a loss for the period from continuing operations of £150.6 million (HK$1,551.2 million) for the 52 weeks period ended 30 January 2021, but turnaround to a profit for the period from continuing operations of £53.0 million (HK$545.9 million) for the 52 weeks period ended 29 January 2022. The change was mainly due to the increase in revenue generated due to the recovery from COVID-19 during the 52 weeks period ended 29 January 2022 and cost saving.

Exchange differences on translation of foreign operations

The exchange differences on translation of foreign operations decreased from a gain of £0.7 million (HK$7.2 million) for the 52 weeks period ended 30 January 2021 to a loss of £5.1 million (HK$52.5 million) for the 52 weeks period ended 29 January 2022, primarily due to the translation of foreign currencies, such as, USD, EUR and RMB into GBP at spot rate at period end date.

Effective portion of changes in fair value of cash flow hedges, net of income tax

The effective portion of loss in fair value of cash flow hedges, net of income tax, changed from a loss of £11.8 million (HK$121.5 million) for the 52 weeks period ended 30 January 2021 to a gain of £9.4 million (HK$96.8 million) for the 52 weeks period ended 29 January 2022, primarily due to the release of matured foreign exchange contract and the foreign exchange rate movement of hedged currency of foreign exchange contracts that were yet to mature as at the period end.

Actuarial gain (loss) on pension schemes, net of income tax

The Clark Group recorded actuarial loss on pension schemes of £105.6 million (HK$1,087.7 million) for the 52 weeks period ended 30 January 2021 and gain on pension schemes of £64.7 million (HK$666.4 million) for the 52 weeks period ended 29 January 2022, primarily resulting from the changes in valuation of the schemes which was carried out by qualified independent actuaries.

The 22 weeks period ended 2 July 2022 compared to the 22 weeks period ended 3 July 2021

Revenue

The revenue of the Clark Group increased by £52.3 million (HK$538.7 million) or 15.1% from £346.5 million (HK$3,569.0 million) for the 22 weeks period ended 3 July 2021 to £398.8 million (HK$4,107.6 million) for the 22 weeks period ended 2 July 2022. The increase was primarily due to the strong recovery in direct-to-customer channels. The revenue was risen by 36.9% attributable to the directly-operated stores as a result of the recovery of sale activities from COVID-19 during the 22 weeks period ended 2 July 2022.

The revenue of the Clark Group from the UK and ROI and Americas increased by £17.0 million (HK$175.1 million) and £42.2 million (HK$434.7 million), respectively, from the 22 weeks period ended 3 July 2021 to the 22 weeks period ended 2 July 2022, primarily due to the sales in the retail stores and outlets resulting from the recovery of sale activities from the outbreak of the COVID-19. The increase in revenue was partially offset by the decrease in revenue from Asia Pacific by £5.9 million (HK$60.8 million) primarily resulted from the lockdown in the Clark Group's key operating cities in the PRC, such as Shanghai.

Cost of sales

The cost of sales of the Clark Group increased by £20.7 million (HK$213.2 million) or 11.4% from £181.9 million (HK$1,873.6 million) for the 22 weeks period ended 3 July 2021 to £202.6 million (HK$2,086.8 million) for the 22 weeks period ended 2 July 2022, which was generally in line with the increase in revenue.

Gross profit and gross profit margin

The gross profit of the Clark Group increased by £31.6 million (HK$325.5 million) or 19.2% from £164.6 million (HK$1,695.4 million) for the 22 weeks period ended 3 July 2021 to £196.2 million (HK$2,020.9 million) for the 22 weeks period ended 2 July 2022. Such increase in gross profit was mainly in line with the increase in revenue. The gross profit margin of the Clark Group remained relatively stable at 47.5% and 49.2% for the 22 weeks period ended 3 July 2021 and the 22 weeks period ended 2 July 2022, respectively.

Distribution expenses

The distribution expenses of the Clark Group increased by £25.7 million (HK$264.7 million) or 31.7% from £81.1 million (HK$835.3 million) for the 22 weeks period ended 3 July 2021 to £106.8 million (HK$1,100.0 million) for the 22 weeks period ended 2 July 2022. The increase was attributable to the increase in salaries expenses and utilities and operating expenses which was consistent with the improvement in sales activities for the 22 weeks period ended 2 July 2022.

Administrative expenses

The administrative expenses of the Clark Group decreased by £13.7 million (HK$141.1 million) or 17.5% from £78.5 million (HK$808.6 million) for the 22 weeks period ended 3 July 2021 to £64.8 million (HK$667.4 million) for the 22 weeks period ended 2 July 2022. The decrease was attributable to the decrease in the (i) salary expenses of £7.2 million (HK$74.2 million) mainly resulting from the reduction in severance payment during the 22 weeks period ended 2 July 2022; (ii) foreign exchange differences of £13.3 million (HK$137.0 million) resulting from the fluctuations of various foreign currencies against GBP during the 22 weeks period ended 2 July 2022; and (iii) depreciation of £7.8 million (HK$80.3 million) resulting from the early termination of lease of an office in the US. The decrease was partially offset by the increase in utilities and office expenses of £21.9 million (HK$225.6 million) resulting from (i) the increase in loss on disposal of property, plant and equipment of £8.4 million (HK$86.5 million) in relation to the office in the US terminated; and (ii) the provision made for planned restructuring amounted to £11.0 million (HK$113.3 million).

Other income

Other income of the Clark Group decreased by £8.5 million (HK$87.6 million) or 66.4% from £12.8 million (HK$131.8 million) for the 22 weeks period ended 3 July 2021 to £4.3 million (HK$44.3 million) for the 22 weeks period ended 2 July 2022. The decrease was mainly attributable to the decrease in (i) rates rebates of £6.3 million (HK$64.9 million) resulting from the absence of rebates from the UK government during the 22 weeks period ended 2 July 2022; and (ii) government grants of £4.2 million (HK$43.3 million) due to the absence of government grants received from the UK government primarily in relation to the relief measures for the outbreak of COVID-19 previously discussed. The decrease in other income of the Clark Group was partially offset by increase in gain on lease modification and early termination of lease arrangements of £2.2 million (HK$22.7 million) in the 22 weeks period ended 2 July 2022 compared to £0.1 million (HK$1.0 million) in the 22 weeks period ended 3 July 2021. The gain on lease modification and early termination of lease arrangements in the 22 weeks period ended 2 July 2022 was mainly due to the early termination of an office in the US.

Finance costs

The finance costs of the Clark Group remained relatively stable at £11.3 million (HK$116.4 million) and £11.2 million (HK$115.4 million) for the 22 weeks period ended 3 July 2021 and 2 July 2022, respectively.

Impairment loss reversed (recognised)

The Clark Group had impairment recognised of £0.7 million (HK$7.2 million) for the 22 weeks period ended 3 July 2021 and impairment loss reversed of £31.2 million (HK$321.4 million) for the 22 weeks period ended 2 July 2022. The impairment loss reversed for the 22 weeks period ended 2 July 2022 was mainly attributable to the reversal of impairment on property, plant and equipment and right-of-use assets resulting from the reassessment of impairment.

Income tax expenses

The income tax expenses of the Clark Group amounted to £8.5 million (HK$87.6 million) for the 22 weeks period ended 2 July 2022. While the Clark Group has income tax credit of £12.9 million (HK$132.9 million) for the 22 weeks period ended 3 July 2021. Such tax credit was mainly attributable to the recognition of deferred tax assets for tax losses in the UK.

Profit/(loss) for the period from continuing operations

As a result of the foregoing, the profit for the period from continuing operations of the Clark Group increased from £18.7 million (HK$192.6 million) for the 22 weeks period ended 3 July 2021 to £40.4 million (HK$416.1 million) for the 22 weeks period ended 2 July 2022, which was mainly due to the increase in revenue and gross profit resulting from the recovery of sale activities from COVID-19.

Exchange differences on translation of foreign operations

The exchange differences on translation of foreign operations increased from a loss of £10.3 million (HK$106.1 million) for the 22 weeks period ended 3 July 2021 to a gain of £10.1 million (HK$104.0 million) for the 22 weeks period ended 2 July 2022, primarily due to the translation of foreign currencies, such as, USD, EUR and RMB into GBP at spot rate at period end date.

Effective portion of changes in fair value of cash flow hedges, net of income tax

The effective portion of gain in fair value of cash flow hedges, net of income tax, increased from a gain of £2.2 million (HK$22.7 million) for the 22 weeks period ended 3 July 2021 to a gain of £10.0 million (HK$103.0 million) for the 22 weeks period ended 2 July 2022, primarily due to the release of matured foreign exchange contract and the foreign exchange rate movement of hedged currency of foreign exchange contracts that were yet to mature as at the period end.

Actuarial gain (loss) on pension schemes, net of income tax

The actuarial gain on pension schemes of the Clark Group decreased from £58.5 million (HK$602.6 million) for the 22 weeks period ended 3 July 2021 to £16.0 million (HK$164.8 million) for the 22 weeks period ended 2 July 2022, primarily resulting from the changes in valuation of the schemes which was carried out by qualified independent actuaries.

NET CURRENT ASSETS

The Clark Group recorded net current assets of £186.1 million (HK$1,916.8 million), £236.1 million (HK$2,431.8 million) and £277.5 million (HK$2,858.3 million) as at 30 January 2021, 29 January 2022 and 2 July 2022 respectively. The table below sets out selected information for the current assets and current liabilities of the Clark Group as at the dates indicated, respectively:

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	*£'m*
Current assets			
Inventories	316.0	268.4	363.1
Trade and other receivables	78.6	80.1	111.6
Derivative financial instruments	0.2	1.9	14.9
Tax recoverable	0.6	0.7	–
Bank balances and cash	98.2	161.0	108.1
Total current assets	493.6	512.1	597.7
Current liabilities			
Trade and other payables	251.8	229.9	265.8
Provision	–	–	1.4
Loans and borrowings	7.7	6.3	5.6
Lease liabilities	31.9	31.4	36.6
Derivative financial instruments	9.8	0.5	0.4
Contract liabilities	3.2	3.8	2.5
Tax payable	3.1	4.1	7.9
Total current liabilities	307.5	276.0	320.2
NET CURRENT ASSETS	186.1	236.1	277.5

The net current assets of the Clark Group increased from £186.1 million (HK$1,916.8 million) as at 30 January 2021 to £236.1 million (HK$2,431.8 million) as at 29 January 2022. The increase was primarily due to the (i) increase in bank balances and cash of £62.8 million (HK$646.8 million); and (ii) decrease in trade and other payables of £21.9 million (HK$225.6 million).

The net current assets of the Clark Group increased to £277.5 million (HK$2,858.3 million) as at 2 July 2022. The increase was primarily due to the (i) increase in inventories of £94.7 million (HK$975.4 million); and (ii) trade and other receivables of £31.5 million (HK$324.5 million). The increase was partially offset by the (i) decrease in bank balances and cash of £52.9 million (HK$544.9 million); and (ii) increase in trade and other payables of £35.9 million (HK$369.8 million).

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

As at 30 January 2021, 29 January 2022 and 2 July 2022, the property, plant and equipment of the Clark Group mainly consisted of land and buildings and plant and equipment. The property, plant and equipment of the Clark Group amounted to £145.6 million (HK$1,499.7 million), £127.1 million (HK$1,309.1 million) and £127.9 million (HK$1,317.4 million), respectively, as at 30 January 2021, 29 January 2022 and 2 July 2022.

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

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	
Land and buildings	79.2	73.9	68.4
Plant and equipment	66.4	53.2	59.5
Total	145.6	127.1	127.9

The property, plant and equipment of the Clark Group decreased from £145.6 million (HK$1,499.7 million) as at 30 January 2021 to £127.1 million (HK$1,309.1 million) as at 29 January 2022 mainly due to the depreciation charge of £22.6 million (HK$232.8 million) for the period. The property, plant and equipment of the Clark Group then remained relatively stable at £127.9 million (HK$1,317.4 million) as at 2 July 2022.

Right-of-use assets

As at 30 January 2021, 29 January 2022 and 2 July 2022, the right-of-use assets of the Clark Group mainly represented operating lease arrangements for various offices, retail stores and outlets in multiple jurisdiction from which the group operated. The right-of-use assets of the Clark Group decreased from £71.0 million (HK$731.3 million) as at 30 January 2021 to £48.5 million (HK$499.6 million) as at 29 January 2022 primarily attributable to the depreciation charge of £20.1 million (HK$207.0 million) and impairment loss of £15.6 million (HK$160.7 million) recognised for the period. The right-of-use assets of the Clark Group increased to £92.8 million (HK$955.8 million) as at 2 July 2022 primarily attributable to the increase in right-of-use assets for certain retail stores and office and the reversal of impairment loss of £25.4 million (HK$261.6 million).

Intangible assets

As at 30 January 2021, 29 January 2022 and 2 July 2022, intangible assets of the Clark Group consisted of (i) software costs for Clark's departments, retail stores and warehouses; and (ii) trademark which represented the "Clarks" brand. The intangible assets of the Clark Group amounted to £48.9 million (HK$503.7 million), £37.8 million (HK$389.3 million) and £35.3 million (HK$363.6 million), respectively, as at 30 January 2021, 29 January 2022 and 2 July 2022.

The intangible assets of the Clark Group decreased from £48.9 million (HK$503.7 million) as at 30 January 2021 to £37.8 million (HK$389.3 million) as at 29 January 2022 and further to £35.3 million (HK$363.6 million) as at 2 July 2022, primarily due to the amortisation charged during each financial period.

Inventories

The inventories of Clark Group represented shoes ready for trading. The inventories of the Clark Group decreased from £316.0 million (HK$3,254.8 million) as at 30 January 2021 to £268.4 million (HK$2,764.5 million) as at 29 January 2022, primarily attributable to the inventory management in response to the outbreak of the COVID-19. The inventories of the Clark Group increased to £363.1 million (HK$3,739.9 million) as at 2 July 2022, primarily due to stock-up for Back-to-School program which will be launched in July and August of the same year.

The Clark Group also periodically reviews its 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. As at 30 January 2021, 29 January 2022 and 2 July 2022, included within inventories are below cost inventory provisions of £14.7 million (HK$151.4 million), £11.6 million (HK$119.5 million) and £13.3 million (HK$137.0 million), respectively.

The following table sets forth the turnover days of the Clark Group's inventories for the periods indicated.

	52 weeks period ended 30 January 2021	52 weeks period ended 29 January 2022	22 weeks to 2 July 2022
Average turnover days of inventories[(1)]	296	230	242

(1) Average turnover days of inventories for during the 30 January 2021 and 29 January 2022 and 22 weeks period ended 2 July 2022 is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of sale and multiplying by 364/155 days.

The average turnover days of inventories of the Clark Group decreased from 296 days for the 52 weeks period ended 30 January 2021 to 230 days for the 52 weeks period ended 29 January 2022, primarily due to the decrease in the balance of the inventories as at the period end and the increase in sales during the period resulting from the gradual recovery from the pandemic.

The average turnover days of inventories of the Clark Group increased to 242 days for the 22 weeks period ended 2 July 2022 primarily due to the increase in inventories as mentioned previously.

Trade and other receivables

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

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	
Trade receivables	53.4	53.1	80.5
Less: Allowance for credit losses	(0.9)	(0.4)	(1.1)
	52.5	52.7	79.4
Amounts due from a joint venture	8.3	9.4	8.9
Less: Allowance for credit losses	(8.3)	(4.8)	(4.8)
	–	4.6	4.1
Prepayments	13.5	14.2	22.7
Other receivables	12.6	8.6	5.4
Subtotal of prepayments and other receivables	26.1	22.8	28.1
Total	78.6	80.1	111.6

Trade receivables

The trade receivables of the Clark Group primarily attributable to the wholesales of shoes. The net trade receivables of the Clark Group remained relatively stable at £52.5 million (HK$540.8 million) as at 30 January 2021 and £52.7 million (HK$542.8 million) as at 29 January 2022. The net trade receivables of the Clark Group increased to £79.4 million (HK$817.8 million) as at 2 July 2022 mainly as a result of increase in revenue during the 22 weeks period ended 2 July 2022 from the recovery of sale activities from the outbreak of the COVID-19.

The trading terms of the Clark Group with customers are mainly on credit, generally ranged from 45 days to 90 days. Each customer has a maximum credit limit. Overdue balances are reviewed regularly by senior management. The Clark Group does not hold any collateral or other credit enhancements over its trade debtors and bills receivable balances.

The following table sets forth the ageing analysis of the trade receivables (net of allowance for credit losses) of the Clark Group based on the invoice due date as at the date indicated:

	As at		
	30 January 2021	29 January 2022	2 July 2022
	£'m	£'m	
Not due	37.0	35.9	66.5
1 to 60 days past due	9.9	8.9	9.4
61 to 90 days past due	0.9	1.9	1.0
91 to 120 days past due	0.9	1.5	0.2
121 or more days past due	3.8	4.5	2.3
	52.5	52.7	79.4

The Clark Group applies the HKFRS 9 simplified approach to measuring expected credit losses for trade receivables. To measure lifetime expected credit losses on a collective basis, trade receivables are grouped based on ageing. The expected loss rates are based on the historical credit loss experience and relevant forward-looking factors of the Clark Group. As part of credit risk management practices, the Clark Group groups the trade receivables by region as this closely reflects how the Clark Group manages credit risk. There has been no change in the estimation techniques or significant assumptions made during the 52 weeks periods ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022 in assessing the loss allowance for trade receivables. For other receivables the 12 month expected credit loss approach is applied. The overall expected credit loss rates for trade receivable were 1.1%-3.4%, 0.0%-2.2% and 0.6%-4.9% for the balances as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively.

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

	As at		
	30 January 2021	29 January 2022	2 July 2022
	£'m	£'m	
At beginning of period	0.4	0.9	0.4
Amounts written off	(1.5)	(0.3)	–
Change in loss allowance due to new trade and other receivables originated net of those derecognised due to settlement	2.0	(0.2)	0.7
At end of period	0.9	0.4	1.1

The table below sets forth the average turnover days of trade receivables of the Clark Group for the periods indicated:

	52 weeks period ended 30 January 2021	**52 weeks period ended 29 January 2022**	**22 weeks period ended 2 July 2022**
Average turnover days of trade receivables[1]	65	53	60

(1) Average turnover days of trade debtors for the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 2 July 2022 is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by credit sales and multiplying by 364/155 days.

The average turnover days of trade receivables of the Clark Group decreased from 65 days for 52 weeks period ended 30 January 2021 to 53 days for 52 weeks period ended 29 January 2022, mainly due to the reinforcement of strict credit control in post COVID-19 period.

The average turnover days of trade receivables of the Clark Group increased to 60 days for 22 weeks period ended 2 July 2022, mainly due to the increase in recent sale for wholesale customers where the outstanding balances are not due.

Amounts due from a joint venture

Amounts due from a joint venture of the Clark Group represented amounts in relation to Clarks Reliance Footwear Private Limited. The gross amounts due from a joint venture remained relatively stable at £8.3 million (HK$85.5 million), £9.4 million (HK$96.8 million) and £8.9 million (HK$91.7 million) as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively. The expected credit loss rate for the amounts due from a joint venture were 100.0%, 50.7% and 53.9% during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively. Consequently, the expected credit losses for the amounts due from joint venture of £8.3 million (HK$85.5 million), £4.8 million (HK$49.4 million) and £4.8 million (HK$49.4 million) has been recognised during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, respectively, as a result of the reduced revenue and trading uncertainty of Clarks Reliance Footwear Private Limited, due to the COVID-19 pandemic.

The expected credit loss rate for the amounts due from a joint venture during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022 was consistent with the settlement history of the joint venture.

The expected credit loss rate for the amounts due from a joint venture was 100% during the 52 weeks period ended 30 January 2021 because the joint venture did not make any payment during the 52 weeks ended 30 January 2021. Thus, 100% of expected credit loss rate was assigned to the joint venture during the year. The expected credit loss rate then decreased to 50.7% during the 52 weeks period ended 29 January 2022 because the joint venture made settlement of £3.6 million (HK$37.1 million) during the 52 weeks ended 29 January 2022 and the joint venture maintained regular repayment of the outstanding amount onwards. Therefore, the expected credit loss rate remained relatively stable at 53.9% during the 22 weeks period ended 2 July 2022.

The expected credit losses decreased from £8.3 million (HK$85.5 million) in the 52 weeks period ended 30 January 2021 to £4.8 million (HK$49.4 million) in the 52 weeks period ended 29 January 2022, primarily due to the receipt of outstanding amount from the joint venture during the 52 weeks period ended 29 January 2022. In view of the regular settlements from the joint venture, the Clark Group considered that sufficient provision has been made during the relevant periods.

Prepayments and other receivables

The prepayments and other receivables of the Clark Group mainly consisted (i) prepayment for goods and services; (ii) rental deposits; and (iii) other receivables.

The prepayments and other receivables of the Clark Group decreased from £26.1 million (HK$268.8 million) as at 30 January 2021 to £22.8 million (HK$234.8 million) as at 29 January 2022, primarily due to the decrease in other receivables in relation to a share incentive programme which has been closed in the period ended 30 January 2021. The prepayments and other receivables increased to £28.1 million (HK$289.4 million) as at 2 July 2022, primarily due to the increase in prepayments of £8.5 million (HK$87.6 million) mainly for the purchase of goods and services. The increase was partially offset by the decrease in other receivables of £3.2 million (HK$33.0 million) mainly as a result of settlements received during the 22 weeks period ended 2 July 2022.

Derivative financial instruments at fair value through other comprehensive income

The derivative financial instruments at fair value through other comprehensive income of the Clark Group represented forward exchange contracts under hedge accounting.

The following table sets forth a breakdown of the derivative financial instruments at fair value through other comprehensive income of the Clark Group as at the dates indicated:

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	
Assets			
Forward exchange contracts – under hedge accounting	0.2	2.3	15.5
Liabilities			
Forward exchange contracts – under hedge accounting	10.2	0.5	0.4

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

The following table sets forth the material terms of the forward exchange contracts under cash flow hedge of the Clark Group as at the date indicated:

At 30 January 2021

Notional amounts in millions	**Maturity**	**Exchange rates**
Sell EUR 5M, buy GBP	24 February 2021	£1: EUR 1.1450
Sell EUR 5M, buy GBP	24 March 2021	£1: EUR 1.1504
Sell EUR 5M, buy GBP	26 May 2021	£1: EUR 1.1577
Sell EUR 5M, buy GBP	28 April 2021	£1: EUR 1.1689
Sell GBP 4M, buy USD	30 September 2021	£1: USD 1.2360

At 29 January 2022

Notional amounts in millions	Maturity	Exchange rates
Sell GBP 3.8M, buy USD	25 February 2022	£1: USD 1.3028
Sell GBP 3.8M, buy USD	4 March 2022	£1: USD 1.3029
Sell GBP 3.7M, buy USD	15 March 2023	£1: USD 1.3477
Sell GBP 3.7M, buy USD	24 May 2023	£1: USD 1.3478
Sell GBP 3.7M, buy USD	29 March 2023	£1: USD 1.3480

At 2 July 2022

Notional amounts in millions	Maturity	Exchange rates
Sell RMB 39M, buy GBP	16 November 2022	£1:RMB 8.1541
Sell GBP 4.0M, buy USD	9 August 2023	£1:USD 1.2348
Sell GBP 4.0M, buy USD	16 August 2023	£1:USD 1.2355
Sell GBP 4.0M, buy USD	23 August 2023	£1:USD 1.2362
Sell GBP 4.0M, buy USD	14 June 2023	£1:USD 1.2633

Current portion

The derivative financial instruments under cash flow hedge classified as current assets of the Clark Group increased from £0.2 million (HK$2.1 million) as at 30 January 2021 to £1.9 million (HK$19.6 million) as at 29 January 2022 and £14.9 million (HK$153.5 million) as at 2 July 2022, primarily due to the spot rate movement of foreign currency as at the period end date.

Non-current portion

The derivative financial instruments under cash flow hedge classified as non-current assets of the Clark Group were nil as at 30 January 2021 and £0.4 million (HK$4.1 million) as at 29 January 2022, because there was no foreign exchange contract with maturity date over 12 months as at 30 January 2021. The derivative financial instruments under non-current assets of the Clark Group then remained relatively stable at £0.6 million (HK$6.2 million) as at 2 July 2022.

Trade and other payables

The following table sets forth a breakdown on trade and other payables of the Clark Group as at the dates indicated:

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	
Trade payables	113.1	134.9	121.9
Amount due to C&J Clark Limited	24.7	0.1	–
Other payables	9.1	111.0	126.5
Accruals	105.1	90.4	128.4
	252.0	336.4	376.8

Trade payables

The trade payables of the Clark Group are primarily derived from payables relating to payment to the suppliers for trading purposes. The normal credit period for trade payables of the Clark Group is generally 90 days.

Trade payables of the Clark Group increased from £113.1 million (HK$1,164.9 million) as at 30 January 2021 to £134.9 million (HK$1,389.5 million) mainly due to increase in purchase for the increase in demand during the period, leading to the increase in the balance of trade payables as at 29 January 2022. The trade payables then decreased to £121.9 million (HK$1,255.6 million) as at 2 July 2022, mainly due to the settlement of trade payables in late June 2022.

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

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	
Not due	108.0	91.2	114.0
1 to 60 days past due	2.8	7.7	3.7
61 to 90 days past due	0.3	1.3	0.3
91 to 120 days past due	0.2	0.6	0.4
121 or more days past due	1.8	34.1	3.5
	113.1	134.9	121.9

The following table sets out the average trade payables turnover days of the Clark Group for the period indicated:

	52 weeks period ended 30 January 2021	52 weeks period ended 29 January 2022	22 weeks period ended 2 July 2022
Average turnover days of trade payables[(1)]	93	97	98

(1) Average turnover days of trade payables for the 52 weeks period ended 30 January 2021 and 29 January 2022 and 22 weeks period ended 2 July 2022 is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales and multiplying by 364/155 days.

The average turnover days of trade payables of the Clark Group increased from 93 days for the 52 weeks period ended 30 January 2021 to 97 days for the 52 weeks period ended 29 January 2022 mainly due to the increase in trade payables balances and request for the temporary extension of credit period during the outbreak of COVID-19.

The average turnover days of trade payables of the Clark Group then slightly increased to 98 days for the 22 weeks period ended 2 July 2022 due to the increase in trade payables for the purchase of inventories.

Other payables

The other payables of the Clark Group mainly consisted of other taxes payables and preference shares. The other payables of the Clark Group increased from £9.1 million (HK$93.7 million) as at 30 January 2021 to £111.0 million (HK$1,143.3 million) as at 29 January 2022, primarily due to the issuance of preference shares of £100.0 million (HK$1,030.0 million) during the period.

On 19 February 2021, Clark issued 100 million preference shares with a par value of £1.00 (HK$10.3) per share. The shares are redeemable at any time during the 12-month period beginning on the fifth anniversary of the adoption date (i.e., from 19 February 2026) with written consent of the investor and preference shareholder. The redemption election can be used to redeem in cash either some or all the preference shares issued. On redemption, the holders of the preference shares will be paid the sum of (a) the subscription price of the preference share; (b) the coupon arrears on the preference share being redeemed up to the redemption date; plus (c) such additional amount (if any) as would result in the aggregate amount paid to the holders of the preference shares being at least equal to two times the subscription price on the shares redeemed. The preference shares have a coupon rate of 10% per annum and £9.4 million (HK$96.8 million) of coupon was incurred during the 52 weeks period ended 29 January 2022.

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

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

The preference shares contain no embedded derivatives in which they are in fixed coupon payment where the cash flows are not linked with variables.

The other payables of the Clark Group increased to £126.5 million (HK$1,303.0 million) as at 2 July 2022, primarily due to the payables of coupon interest of preference shares during the 22 weeks ended 2 July 2022.

Accruals

The accruals of the Clark Group mainly consisted general business accruals including airfreight, rent and rates, purchase of goods which the Clark Group has yet to receive the respective invoices, duty and employee related costs. The accruals of the Clark Group decreased from £105.1 million (HK$1,082.5 million) as at 30 January 2021 to £90.4 million (HK$931.1 million) as at 29 January 2022, mainly due to the drop in employee salaries and benefits and other miscellaneous items. The accruals of the Clark Group increased to £128.4 million (HK$1,322.5 million) as at 2 July 2022 mainly due to the increase in purchase of goods yet to receive the respective invoices.

Contract liabilities

The contract liabilities of the Clark Group generally represented the unsatisfied performance obligations as at 30 January 2021 and 29 January 2022. The contract liabilities of the Clark Group represented the gift card purchased by the customers which had not been redeemed. Furthermore, for online sales, when the customer initially purchases the goods online, the transaction price received by Clark Group is recognised as a contract liability until the goods have been delivered to the customer. The contract liabilities were expected to be recognised within one year. The contract liabilities of the Clark Group remained relatively stable at £3.2 million (HK$33.0 million) and £3.8 million (HK$39.1 million) as at 30 January 2021 and 29 January 2022, respectively. The contract liabilities of the Clark Group decreased to £2.5 million (HK$25.8 million) mainly due to the redemption of gift card amount during the period.

Provisions

The following table sets forth a breakdown on provisions of the Clark Group as at the dates indicated:

	As at		
	30 January 2021	**29 January 2022**	**2 July 2022**
	£'m	*£'m*	
Dilapidation provision	0.6	–	5.5
Onerous lease provision	–	–	–
Restructuring provision	5.9	4.5	11.5
Others	8.2	6.4	9.8
	14.7	10.9	26.8

Dilapidation provision

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

Restructuring provision

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

Onerous lease provision

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

Others

Other provisions in all financial periods comprise primarily of sales returns given contractual terms agreed with wholesale partners and anticipated returns rates from retail and e-commerce customers. In addition, other provisions include estimated liabilities arising from any litigation underway. The long-term incentive plan value of the scheme in the year was nil due to there being no share price to base the valuation, this led to a release of the provision.

The provisions of the Clark Group decreased from £14.7 million (HK$151.4 million) as at 30 January 2021 to £10.9 million (HK$112.3 million) as at 29 January 2022, mainly due to the utilisation of restructuring provision, and the release of dilapidation and other provision. The provisions of the Clark Group increased to £26.8 million (HK$276.0 million) as at 2 July 2022, mainly due to the restructuring provision provided for the change in business plan in certain market.

LIQUIDITY AND CAPITAL RESOURCES

The Clark Group's use of cash primarily related to operating activities and capital expenditure. The Clark Group has historically financed the operations primarily through a combination of cash flow generated from operation, proceeds from bank borrowings and issuance of preference shares.

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

Cash Flow

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

	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
	£'m	*£'m*	*£'m*	*£'m*
Operating cash flow before working capital changes	(52.6)	100.1	31.7	38.0
Changes in working capital	40.3	51.9	(34.7)	(58.4)
Net cash generated from (used in) operations	(12.3)	152.0	(3.0)	(20.4)
Interest received	2.3	0.2	0.1	1.3
Interest paid	(12.0)	(8.9)	(3.5)	(5.2)
Taxation (paid) refunded	0.8	(4.7)	(0.4)	(1.8)
Net cash flows generated from/(used in) operating activities	(21.2)	138.6	(6.8)	(26.1)
Net cash flows used in investing activities	(6.8)	(5.5)	(1.7)	(5.0)
Net cash flows (used in)/generated from financing activities	96.5	(72.9)	(12.1)	(23.7)
Net increase/(decrease) in cash and cash equivalents	68.5	60.2	(20.6)	(54.8)
Cash and cash equivalents at beginning of year	23.1	90.5	90.5	154.7
Effect of foreign exchange rate changes, net	(1.1)	4.0	(1.0)	2.6
Cash and cash equivalents at end of year	90.5	154.7	68.9	102.5

Operating activities

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the cash inflow from operating activities of the Clark Group was principally from the receipt of proceeds for trading of shoes. The cash outflow used in operating activities was principally was principally for purchase of inventories, employee benefit expenses and other operating expenses.

For the 52 weeks period ended 30 January 2021 and the 22 weeks period ended 2 July 2022, we had net cash used in operating activities primarily due to the operating loss incurred for the 52 weeks period ended 30 January 2021 because of COVID-19 pandemic, and the increase in inventories purchased and trade receivables for the 22 weeks period ended 2 July 2022 which is consistent with the increase in sales.

For the 52 weeks period ended 30 January 2021, the Clark Group had net cash used in operating activities of £21.2 million (HK$218.4 million), mainly as a result of the loss before taxation of £138.9 million (HK$1,430.7 million), interest paid of £12.0 million (HK$123.6 million) and cash inflows from changes in working capital of £40.3 million (HK$415.1 million). The change in working capital primarily reflected (i) the decrease in trade and other receivables of £28.5 million (HK$293.6 million); and (ii) decrease in inventories of £24.2 million (HK$249.3 million).

For the 52 weeks period ended 29 January 2022, the Clark Group had net cash generated from the operating activities of £138.6 million (HK$1,427.6 million), mainly as a result of the profit before taxation of £38.0 million (HK$391.4 million), interest paid of £8.9 million (HK$91.7 million), income tax paid of £4.7 million (HK$48.4 million) and cash inflows from changes in working capital of £51.9 million (HK$534.6 million). The change in working capital primarily reflected (i) decrease in inventories of £43.2 million (HK$445.0 million); and (ii) increase in trade and other payables of £8.5 million (HK$87.6 million).

For the 22 weeks period ended 2 July 2022, the Clark Group had net cash used in the operating activities of £26.1 million (HK$268.8 million), mainly as a result of the profit before taxation of £48.9 million (HK$503.7 million), interest paid of £5.2 million (HK$53.6 million), income tax paid of £1.8 million (HK$18.5 million) and cash outflows from changes in working capital of £58.4 million (HK$601.5 million). The change in working capital primarily reflected (i) increase in inventories of £68.3 million (HK$703.5 million); (ii) increase in trade and other receivables of £26.1 million (HK$268.8 million); and (iii) increase in trade and other payables of £21.2 million (HK$218.4 million). The net operating cash outflow of the Clark Group for the 22 weeks period ended 2 July 2022 was mainly affected by the seasonal factor. For the Clark Group, July and August are generally the peak sales season due to the "Back-to-School" program in the UK. Thus, there is stock-up of inventories in May and June to prepare for the "Back-to-School" program which resulted in the increase in inventory level by £68.3 million (HK$703.5 million) and in turns led to the net operating cash outflow for the 22 weeks period ended 2 July 2022. We believe that the net operating cash outflow will be improved to cash inflow after the inventories are sold to wholesale customers and end customers in subsequent months.

Further, the Clark Group has implemented the following strategies to improve its profitability and operating cash flow:

- focus to increase the digital online channel penetration in the UK and target investing in highly profitability store estate to enhance brand visuals, driving new customers and increase conversion through marketing campaigns and product evolution;

- deepen market strength in the US by shifting to a more premium product mix and market expansion through different channels;

- reinvigorate the "Clarks" brand and product by focusing on priorities for simplification of production line and margin improvement, and deliver clear consumer identity and key categories focus;

- secure the China market by leveraging the expertise, distribution channels, supply chain and online infrastructure of our Group;

- place enhanced control on inventory management which requires business units to tighter their sales forecast and purchase plan so as to make the best use of the purchases and minimise stock pile-up; and

- closely monitor the settlement progress of the wholesale customers to ensure that the balance is settled on time and within credit limit.

Investing activities

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the cash inflow from investing activities of the Clark Group was principally net proceeds on disposal of property, plant and equipment. The cash outflow used in investing activities of the Clark Group was principally for purchase of items of property, plant and equipment and intangible assets.

For the 52 weeks period ended 30 January 2021, the Clark Group had net cash used in investing activities of £6.8 million (HK$70.0 million) primarily attributable to (i) purchase of software of £2.8 million (HK$28.8 million); and (ii) purchase of property, plant and equipment of £4.0 million (HK$41.2 million).

For the 52 weeks period ended 29 January 2022, the Clark Group had net cash used in investing activities of £5.5 million (HK$56.7 million) primarily attributable to (i) purchase of software of £3.0 million (HK$30.9 million); and (ii) purchase of property, plant and equipment of £2.5 million (HK$25.8 million).

For the 22 weeks period ended 2 July 2022, the Clark Group had net cash used in investing activities of £5.0 million (HK$51.5 million) primarily attributable to (i) purchase of software of £2.2 million (HK$22.7 million); and (ii) purchase of property, plant and equipment of £2.8 million (HK$28.8 million).

Financing activities

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the cash inflow from financing activities of the Clark Group was principally proceeds from loans and borrowings and issuance of preference shares. The cash outflow used in financing activities of the Clark Group was principally for repayment of loans and borrowings and repayment of lease liabilities.

For the 52 weeks period ended 30 January 2021, the Clark Group had net cash generated from financing activities of £96.5 million (HK$994.0 million) primarily attributable to the drawdown of loans and borrowings of £139.2 million (HK$1,433.8 million). The cash inflows was partially offset by the repayment of lease liabilities of £42.7 million (HK$439.8 million).

For the 52 weeks period ended 29 January 2022, the Clark Group had net cash used in financing activities of £72.9 million (HK$750.9 million) primarily attributable to the (i) net repayment of loans and borrowings of £129.0 million (HK$1,328.7 million); and (ii) repayment of lease liabilities of £39.1 million (HK$402.7 million). The cash outflows was partially offset by the issuance of preference shares of £100.0 million (HK$1,030.0 million).

For the 22 weeks period ended 2 July 2022, the Clark Group had net cash used in financing activities of £23.7 million (HK$244.1 million) primarily attributable to the net repayment of loans and borrowings of £3.9 million (HK$40.2 million) and the repayment of lease liabilities of £17.2 million (HK$177.2 million).

TRANSACTIONS WITH RELATED PARTIES

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

CAPITAL EXPENDITURES

The capital expenditures of the Clark Group have principally consisted of expenditures on additions of property, plant and equipment and intangible assets. During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the Clark Group incurred capital expenditures of £6.8 million (HK$70.0 million), £5.5 million (HK$56.7 million) and £5.0 million (HK$51.5 million), respectively.

CONTRACTUAL AND CAPITAL COMMITMENTS

The Clark Group had the following capital commitments at the dates indicated:

	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	0.1	0.8	3.1
Capital expenditure in respect of the acquisition of intangible assets contracted for but not provided in the consolidated financial statements	–	–	2.8
	0.1	0.8	5.9

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

INDEBTEDNESS

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

	As at		
	30 January 2021	29 January 2022	2 July 2022
	£'m	*£'m*	*£'m*
Term facilities and private placement	195.0	61.3	60.9
Lease liabilities	147.2	128.9	137.8
Total	342.2	190.2	198.7

Term facilities and private placement

The term facilities and private placement of the Clark Group amounted to £195.0 million (HK$2,008.5 million), £61.3 million (HK$631.4 million) and £60.9 million (HK$627.3 million) as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively. The following table sets forth a breakdown of the term facilities and private placement of as at the date indicated.

		As at	
	30 January	**29 January**	**2 July**
	2021	2022	2022
	£'m	£'m	£'m
Current portion	13.5	6.3	5.6
Non-current portion	55.7	55.0	55.3
	69.2	61.3	60.9

The following table sets forth a weighted average interest rates paid for the periods indicated:

	52 weeks to 30 January 2021	**52 weeks to 29 January 2022**	**22 weeks to 2 July 2022**
	%	%	%
Term facilities and private placement	4.4	5.8	5.8

During the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the Clark Group did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us.

Lease liabilities

The Clark Group has adopted HKFRS 16 consistently throughout the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in the Clark Group's consolidated statements of financial position.

The lease liabilities of the Clark Group decreased from £147.2 million (HK$1,516.2 million) as at 30 January 2021 to £128.9 million (HK$1,327.7 million) as at 29 January 2022 primarily attributable to the net decrease in number of stores and repayment during the period. The lease liabilities of the Clark Group increased to £137.8 million (HK$1,419.3 million) as at 2 July 2022 primarily attributable to the increase in lease liabilities for certain retail stores and office.

Contingent liabilities

As at 2 July 2022, the Clark Group had contingent liabilities of £32.6 million (HK$335.8 million), representing (i) one billion-Rupee (equivalent to £10.5 million) (HK$108.2 million) bank guarantee held against the Clark Group's joint venture working capital facility; (ii) a USD25.0 million (equivalent to £20.7 million) (HK$213.2 million) vendor financing facility; and (iii) £1.4 million (HK$14.4 million) of guarantee facility.

As at 2 July 2022, the Clark Group did not have any material contingent liabilities or guarantees except for the items disclosed above.

Apart from the contingent liabilities mentioned in the paragraph above and intra-group liabilities, the Clark 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.

KEY FINANCIAL RATIOS

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

	52 weeks to/as at 30 January 2021	52 weeks to/as at 29 January 2022	22 weeks to/as at 2 July 2022
Gross Profit Margin *(%)*[(1)]	47.2	50.0	49.2
Net Profit Margin *(%)*[(2)]	(19.3)	5.7	10.1
Return on equity *(%)*[(3)]	N/A	18.5	N/A
Return on total assets *(%)*[(4)]	N/A	6.3	N/A
Current ratio *(times)*[(5)]	1.6	1.9	1.9
Gearing ratio[(6)]	0.4	Net cash	Net cash

Notes:

(1) Gross profit margin during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022 was calculated on gross profit divided by revenue for the respective period. See the paragraph headed "Review of Historical Results of Operation" in this section for more details on the Clark Group's gross profit margins.

(2) Net profit margin during the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022 was calculated on profit for the period divided by revenue for the respective period. See the paragraph headed "Review of Historical Results of Operation" in this section for more details on the Clark Group's net profit margins.

(3) Return on equity during the 52 weeks period ended 30 January 2021 and 29 January 2022 was calculated based on the profit for the respective periods divided by the total equity as at the respective period end and multiplied by 100%. The return on equity for the 22 weeks period ended 2 July 2022 is not included for the purpose of comparison as we believe it is not meaningful to compare the ratio the 22 weeks period ended 2 July 2022 with the ratio for the 52 weeks period ended 29 January 2022.

(4) Return on total assets during the 52 weeks period ended 30 January 2021 and 29 January 2022 was calculated based on the net profit for the respective period divided by the total assets as at the respective period end and multiplied by 100%. The return on total assets for the 22 weeks period ended 2 July 2022 is not included for the purpose of comparison as we believe it is not meaningful to compare the ratio the 22 weeks period ended 2 July 2022 with the ratio for the 52 weeks period ended 29 January 2022.

(5) Current ratios as at 30 January 2021, 29 January 2022 and 2 July 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 30 January 2021, 29 January 2022 and 2 July 2022 represented ratio of net debt over equity plus net debt in which net debt represents total loans and borrowings (being the balance of term facilities and private placement) less bank balances and cash.

Return on equity

We had a loss for the 52 weeks period ended 30 January 2021, mainly due to the decrease in revenue generated due to the outbreak of COVID-19 during the 52 weeks period ended 30 January 2021 as abovementioned. With the increase in revenue generated due to the recovery from the outbreak of COVID-19 during the 52 weeks period ended 29 January 2022, the return on equity of the Clark Group was 18.5% for the period.

Return on total assets

We had a loss for the 52 weeks period ended 30 January 2021, mainly due to the decrease in revenue generated due to the outbreak of COVID-19 during the 52 weeks period ended 30 January 2021 as abovementioned. With the increase in revenue generated due to the recovery from the outbreak of COVID-19 during the 52 weeks period ended 29 January 2022, the return on total assets of the Clark Group was 6.3% for the period.

Current ratio

The current ratio of the Clark Group remained relatively stable at 1.6 times, 1.9 times and 1.9 times as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively.

Gearing ratio

The gearing ratio of the Clark Group was 0.4 as at 30 January 2021. The Clark Group reached a net cash position as at 29 January 2022 and 2 July 2022.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Clark Group is exposed to a variety of financial risks, such as credit risk, currency risk, interest rate risk and liquidity risk.

Details of the risks to which the Clark Group is exposed are set out in note 28 to the Accountant's Report of the Clark Group, the text of which is set out in Appendix IIB to this document.

Hedging

For the 52 weeks period ended 30 January 2021 and 29 January 2022 and the 22 weeks period ended 2 July 2022, the Clark Group purchased goods for resale predominated in the US dollars, and generated a considerable portion of revenue from sales to the US and Europe which was primarily denominated in the US dollars and Euros, respectively, while its domestic currency and reporting currency was denominated in GBP. In order to reduce the foreign exchange risk exposure of the Clark Group, in particular the fluctuation in the currency exchange rate between the US dollars, other currencies and GBP, the Clark Group entered into certain foreign exchange hedge transactions during the relevant period. The foreign exchange hedge activities conducted by the Clark Group during such period were for hedge purpose only but not for speculation.

The Clark Group reviews its foreign exchange position and risk exposures on a monthly basis to place of hedges within an agreed parameters after the approval from authorised personnel in accordance with the internal group policy. Factors considered by the Clark Group's treasury includes, amongst others, any surplus or shortfall carried over from a prior period, the foreign exchange rate movement, the estimated amount of sales in foreign currencies, the prevailing foreign exchange market conditions, and the terms and conditions of the hedging instruments.

For details, please refer to note 28 to the Accountant's Report of the Clark Group, the text of which is set out in Appendix IIB to this document.

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

[Letterhead of PricewaterhouseCoopers] **[DRAFT]**

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF VIVA CHINA HOLDINGS LIMITED AND NOMURA INTERNATIONAL (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Viva China Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages [I-4] to [I-150], which comprises the consolidated statements of financial position as at 31 December 2020, 2021 and 2022, the company statements of financial position as at 31 December 2020, 2021 and 2022 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages [I-4] to [I-[150] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [*date*] (the "**Document**") in connection with the proposed **[REDACTED]** of the shares of the Company from GEM to the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2020, 2021 and 2022 and the consolidated financial position of the 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 to the Historical Financial Information.

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

Adjustments

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

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The Historical Financial Information in this report was prepared by the directors of the Company based on the previously issued financial statements of the Company and its subsidiaries now comprising the Group for the Track Record Period ("**Historical Financial Statements**"). The previously issued financial statements were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong Dollar ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December		
		2020	2021	2022
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	5	819,036	1,381,637	6,900,390
Cost of sales	7	(488,248)	(809,255)	(3,739,801)
Gross profit		330,788	572,382	3,160,589
Other income and other gains – net	5	1,359,084	4,548,086	1,023,644
Selling and distribution expenses		(224,412)	(572,425)	(2,713,306)
Administrative and other operating expenses		(453,077)	(502,742)	(1,080,679)
(Impairment loss)/reversal of impairment loss on financial assets-net	44	(274)	9,166	(4,617)
Finance costs, net	6	(65,140)	(37,049)	(57,802)
Share of profits less losses of associates and joint ventures	15	266,393	492,571	543,322
Profit before income tax	7	1,213,362	4,509,989	871,151
Income tax (expense)/credit	10	(13,767)	(35,735)	1,860
Profit for the year		1,199,595	4,474,254	873,011
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss, net of income tax:				
– Share of other comprehensive loss of an associate		(1,906)	(2,346)	(773)
– Reclassification adjustment upon partial disposal of an associate		56,562	(7,443)	–
– Release of exchange reserve upon disposal of a subsidiary		–	3,212	–
– Exchange differences on translation of foreign operations		335,956	159,360	(536,156)
– Reclassification adjustment for subsidiaries, deregistered during the year		–	(625)	66
– Change in fair value of financial assets at fair value through other comprehensive income		–	–	110
– Cash flow hedges		–	–	(20,281)
		390,612	152,158	(557,034)
Items that may not be reclassified subsequently to profit or loss, net of income tax:				
– Actuarial loss on pension schemes		–	–	(440,531)
Other comprehensive income/(loss) for the year, net of income tax		390,612	152,158	(997,565)
Total comprehensive income/(loss) for the year		1,590,207	4,626,412	(124,554)

		For the year ended 31 December		
		2020	2021	2022
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) attributable to:				
– Equity holders of the Company		1,192,392	4,562,639	850,416
– Non-controlling interests		7,203	(88,385)	22,595
		1,199,595	4,474,254	873,011
Total comprehensive income/(loss) attributable to:				
– Equity holders of the Company		1,573,387	4,712,733	253,088
– Non-controlling interests		16,820	(86,321)	(377,642)
		1,590,207	4,626,412	(124,554)
Profit per share attributable to equity holders of the Company:				
Basic *(HK cents)*	*11*	10.59	40.39	7.48
Diluted *(HK cents)*	*11*	10.57	40.15	7.39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December		
		2020	2021	2022
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*12(A)*	92,622	120,766	1,382,750
Investment properties	*13*	203,700	93,800	104,400
Right-of-use assets	*12(B)*	277,077	321,502	1,249,135
Intangible assets	*14*	288,584	266,866	594,398
Interests in associates and joint ventures	*15*	3,031,604	4,124,391	4,151,810
Prepayments, deposits and other receivables	*22*	55,245	301,883	341,776
Restricted bank balances	*24*	–	3,672	16,980
Financial assets at fair value through other comprehensive income	*44*	–	–	7,959
Derivative financial instruments	*18*	–	–	2,785
Defined benefit surplus	*19*	–	–	821,348
Deferred tax assets	*29*	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	*20*	183,863	281,279	4,061,130
Trade debtors and bills receivable	*21*	82,887	97,996	859,478
Prepayments, deposits and other receivables	*22*	167,551	160,028	681,272
Financial assets at fair value through profit or loss	*16*	273,338	587,129	–
Derivative financial instruments	*18*	–	–	89,202
Tax recoverable		–	–	2,832
Restricted bank balances	*24*	3,627	3,183	2,635
Bank deposits with maturity period over three months		–	4,284	3,962
Cash and cash equivalents	*23*	1,857,441	2,529,663	2,974,803
		2,568,707	3,663,562	8,675,314
Assets classified as held-for-sale	*40*	306,051	184,730	–
Total current assets		2,874,758	3,848,292	8,675,314

		As at 31 December		
		2020	**2021**	**2022**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
CURRENT LIABILITIES				
Trade, bills and other payables	*25*	313,627	518,084	2,796,593
Accruals	*26*	122,612	136,069	642,695
Contract liabilities	*5*	107,108	103,962	129,117
Deferred income	*27*	2,100	1,199	453
Income tax payables		13,610	13,320	67,642
Lease liabilities	*12(B)*	135,312	123,689	519,199
Financial liabilities at fair value through profit or loss	*16*	456	–	–
Bank borrowings	*28*	–	–	55,934
Derivative financial instruments	*18*	–	–	28,445
Provision	*30*	–	–	94,293
Other current liabilities		–	–	93,821
		694,825	896,323	4,428,192
Liabilities classified as held-for-sale	*40*	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	*27*	7,710	6,560	5,726
Other payables		5,899	2,469	5,314
Lease liabilities	*12(B)*	273,476	362,630	1,438,100
Provision	*30*	–	–	108,068
Bank borrowings	*28*	1,256,000	–	288,196
Derivative financial instruments	*18*	–	–	11,469
Deferred tax liabilities	*29*	80,669	87,738	96,664
Defined benefit obligation	*19*	–	–	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	*31*	474,817	481,062	484,021
Perpetual convertible bonds	*33*	933,646	810,621	810,621
Reserves	*34*	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

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
		2020	**2021**	**2022**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment		2,066	1,106	227
Right-of-use asset		2,133	–	–
Investments in subsidiaries	*43*	1,376,837	1,376,837	1,376,837
Total non-current assets		1,381,036	1,377,943	1,377,064
CURRENT ASSETS				
Due from subsidiaries	*42*	1,587,620	3,376,610	3,444,710
Prepayments, deposits and other receivables		49,474	47,903	50,014
Cash and cash equivalents	*23*	1,220,396	1,908,291	1,728,281
Total current assets		2,857,490	5,332,804	5,223,005
CURRENT LIABILITIES				
Due to subsidiaries	*42*	140,695	39,477	5,026,790
Lease liability		2,412	–	–
Other payables and accruals		6,157	5,148	8,253
Total current liabilities		149,264	44,625	5,035,043
NET CURRENT ASSETS		2,708,226	5,288,179	187,962
TOTAL ASSETS LESS CURRENT LIABILITIES		4,089,262	6,666,122	1,565,026
NON-CURRENT LIABILITIES				
Due to a subsidiary	*42*	2,361,217	4,990,000	–
Total non-current liabilities		2,361,217	4,990,000	–
NET ASSETS		1,728,045	1,676,122	1,565,026
EQUITY				
Issued capital	*31*	474,817	481,062	484,021
Perpetual convertible bonds	*33*	933,646	810,621	810,621
Reserves	*34*	319,582	384,439	270,384
TOTAL EQUITY		1,728,045	1,676,122	1,565,026

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Perpetual convertible bonds HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Investment revaluation reserve HK$'000	Reserve funds HK$'000	Convertible notes equity reserve HK$'000	(Accumulated losses)/ retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
1 January 2020		443,217	2,543,460*	1,139,046	139,815*	(353,834)*	–*	11,799*	–*	(902,206)*	3,021,297	38,298	3,059,595
Profit for the year		–	–	–	–	–	–	–	–	1,192,392	1,192,392	7,203	1,199,595
Other comprehensive income/(loss) for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	326,339	–	–	–	–	326,339	9,617	335,956
Reclassification adjustment upon partial disposal of an associate		–	–	–	–	56,562	–	–	–	–	56,562	–	56,562
Share of other comprehensive loss of an associate		–	–	–	–	(1,906)	–	–	–	–	(1,906)	–	(1,906)
Total comprehensive income for the year		–	–	–	–	380,995	–	–	–	1,192,392	1,573,387	16,820	1,590,207
Acquisition of subsidiaries	39	–	–	–	–	–	–	–	–	–	–	146,813	146,813
Equity-settled share option arrangements	32	–	–	–	5,862	–	–	–	–	–	5,862	–	5,862
Transfer of share option reserve upon the lapse of share options		–	–	–	(17,834)	–	–	–	–	17,834	–	–	–
Share of associates's reserve		–	–	–	27,330	–	–	–	–	–	27,330	–	27,330
Conversion of perpetual convertible bonds to ordinary shares	33	31,600	173,800	(205,400)	–	–	–	–	–	–	–	–	–
Dividend paid	47	–	(298,505)	–	–	–	–	–	–	–	(298,505)	–	(298,505)
Transfer to statutory reserve		–	–	–	–	–	–	13,612	–	(13,612)	–	–	–
As at 31 December 2020 and 1 January 2021		474,817	2,418,755*	933,646	155,173*	27,161*	–*	25,411*	–*	294,408*	4,329,371	201,931	4,531,302
Profit for the year		–	–	–	–	–	–	–	–	4,562,639	4,562,639	(88,385)	4,474,254
Other comprehensive income/(loss) for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	157,296	–	–	–	–	157,296	2,064	159,360
Reclassification adjustment upon partial disposal of an associate		–	–	–	–	(7,443)	–	–	–	–	(7,443)	–	(7,443)
Share of other comprehensive loss of an associate		–	–	–	–	(2,346)	–	–	–	–	(2,346)	–	(2,346)
Release of exchange reserve upon disposal of a subsidiary		–	–	–	–	3,212	–	–	–	–	3,212	–	3,212
Reclassification adjustment for a foreign operation, deregistered during the year		–	–	–	–	(625)	–	–	–	–	(625)	–	(625)
Total comprehensive income/(loss) for the year		–	–	–	–	150,094	–	–	–	4,562,639	4,712,733	(86,321)	4,626,412
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	(22,813)	(22,813)	(1,845)	(24,658)
Share issued upon exercise of share options	32	3,245	46,207	–	(17,002)	–	–	–	–	–	32,450	–	32,450
Equity-settled share option arrangements	32	–	–	–	42,285	–	–	–	–	–	42,285	–	42,285
Transfer of share option reserve upon the lapse of share options		–	–	–	(31,448)	–	–	–	–	31,448	–	–	–
Share of associates' reserve		–	–	–	26,370	–	–	–	–	–	26,370	–	26,370
Conversion of perpetual convertible bonds to ordinary shares	33	3,000	120,025	(123,025)	–	–	–	–	–	–	–	–	–
Capital contributions received from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	69,580	69,580
Dividend paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(45,180)	(45,180)
Dividend paid	47	–	(1,504,119)	–	–	–	–	–	–	–	(1,504,119)	–	(1,504,119)

		Attributable to equity holders of the Company												
	Notes	Issued capital *HK$'000*	Share premium account *HK$'000*	Perpetual convertible bonds *HK$'000*	Share option reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Cash flow hedge reserve *HK$'000*	Pension reserve *HK$'000*	Reserve funds *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
As at 31 December 2021 and 1 January 2022		481,062	1,080,868*	810,621	175,378*	177,255*	–*	–*	–*	25,411*	4,865,682*	7,616,277	138,165	7,754,442
Profit for the year		–	–	–	–	–	–	–	–	–	850,416	850,416	22,595	873,011
Other comprehensive income/(loss) for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	(476,874)	–	–	–	–	–	(476,874)	(59,282)	(536,156)
Share of other comprehensive loss of an associate		–	–	–	–	(773)	–	–	–	–	–	(773)	–	(733)
Reclassification adjustment for subsidiaries deregistered during the year		–	–	–	–	66	–	–	–	–	–	66	–	66
Change in fair value of financial assets at fair value through other comprehensive income		–	–	–	–	–	110	–	–	–	–	110	–	110
Effective portion of changes in fair value of cash flow hedges		–	–	–	–	–	–	(5,275)	–	–	–	(5,275)	(15,006)	(20,281)
Actuarial loss on pension schemes		–	–	–	–	–	–	–	(114,582)	–	–	(114,582)	(325,949)	(440,531)
Total comprehensive income/(loss) for the year		–	–	–	–	(477,581)	110	(5,275)	(114,582)	–	850,416	253,088	(377,642)	(124,554)
Acquisition of subsidiaries	*39*	–	–	–	–	–	–	–	–	–	–	–	3,226,751	3,226,751
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	1,209	1,209	(1,209)	–
Share issued upon exercise of share options	*32*	2,959	47,227	–	(11,142)	–	–	–	–	–	–	39,044	2,703	41,747
Equity-settled share option arrangements	*32*	–	–	–	24,443	–	–	–	–	–	–	24,443	–	24,443
Transfer of share option reserve upon the lapse of share options		–	–	–	(1,505)	–	–	–	–	–	1,505	–	–	–
Share of associates' reserve		–	–	–	59,114	–	–	–	–	–	–	59,114	–	59,114
Capital contributions received from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	63,642	63,642
Dividend paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(47,357)	(47,357)
As at 31 December 2022		484,021	1,128,095*	810,621	246,288*	(300,326)*	110*	(5,275)*	(144,582)*	25,411*	5,718,812*	7,993,175	3,005,053	10,998,228

* *These reserve accounts comprise the consolidated reserves of HK$2,920,908,000, HK$6,324,594,000 and HK$6,698,533,000 in the consolidated statement of financial position as at 31 December 2020, 2021 and 2022 respectively.*

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended 31 December		
		2020	2021	2022
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		1,213,362	4,509,989	871,151
Adjustments for:				
Finance costs	*6*	65,140	37,049	57,802
Share of profits less losses of associates and joint ventures		(266,393)	(492,571)	(543,322)
Net gain on disposal of partial interest in an associate	*5*	(1,022,999)	(3,338,753)	–
Deemed dilution gain on decrease of interest in an associate	*5*	–	(977,982)	(7,016)
Interest income	*5*	(18,250)	(13,176)	(24,528)
Fair value loss/(gain) on investment properties	*13*	1,400	(74,830)	(10,600)
Fair value loss/(gain) on financial assets/liabilities at fair value through profit or loss	*5*	(3,623)	(20,110)	46,103
Fair value gain on derivative financial instruments	*5*	–	–	(23,039)
(Reversal of provision)/provision for inventories	*7*	(5,798)	822	47,037
Gain on bargain purchase	*5*	(245,300)	–	(956,346)
Net loss on disposal of property, plant and equipment	*5*	2,680	4,780	8,553
Depreciation	*12*	95,046	160,340	400,295
Amortisation of intangible assets	*14*	34,140	32,352	99,417
Gain on disposal of a subsidiary	*5*	–	(52,867)	–
Loss on disposal of intangible assets	*14*	7,390	–	6,142
Impairment on intangible assets	*14*	130,107	–	64,837
Write-off of other payables	*5*	–	–	(16,745)
Net gain from early termination of leases	*5*	–	(5,915)	(4,152)
Impairment loss/(reversal of impairment loss) on financial assets – net	*7*	274	(9,166)	4,617
Impairment on property, plant and equipment	*12(A)*	5,054	16,048	64,285
Impairment on right-of-use assets	*12(B)*	23,363	71,111	276,756
Equity-settled share option expenses	*32*	5,862	42,285	24,443
		21,455	(110,594)	385,690
Decrease/(increase) in inventories		43,824	(92,826)	(292,838)
Decrease/(increase) in trade debtors and bills receivable		178,071	(2,776)	30,468
Decrease/(increase) in prepayments, deposits and other receivables		(1,440)	18,092	181,379
Increase in other non-current assets		(1,358)	(590)	–
Increase/(decrease) in trade, bills and other payables		46,055	180,153	(84,175)
Increase/(decrease) in contract liabilities		36,336	(6,175)	(19,073)
Increase/(decrease) in accruals		(4,980)	9,848	(6,200)
Decrease in deferred income		(1,750)	(2,546)	(1,087)
Increase in provision		–	–	4,390
Increase in other current liabilities		–	–	36,741
Change in defined benefit schemes		–	–	(39,551)
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

		For the year ended 31 December		
		2020	**2021**	**2022**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment		2,750	11,724	6,819
Net proceeds from disposal of a subsidiary, net of cash	*39*	–	364,186	–
Dividends received from associates	*15*	68,058	82,247	167,929
Net proceeds from disposal of partial interest in an associate	*15*	1,493,480	3,786,880	–
Interest received		15,450	13,176	21,348
Increase in deposit with banks with maturity period over three months		–	(4,284)	–
Increase in restricted bank balances		–	(3,121)	(12,630)
Purchases of items of property, plant and equipment	*12(A)*	(23,079)	(90,439)	(183,409)
Purchases of intangible assets	*14*	(7,322)	(3,222)	(93,987)
Prepayment for the acquisition of property		–	(253,177)	(48,360)
Payment for financial asset at fair value through profit or loss	*16*	(271,874)	(298,485)	–
Acquisition of subsidiaries, net of cash acquired	*39*	124,095	–	928,631
Net proceeds from disposal of held-for-sale assets		–	–	183,122
Others		–	(11,427)	–
Net cash flows generated from investing activities		1,401,558	3,594,058	969,463
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		(47,942)	(16,078)	(7,070)
Proceeds from new bank borrowings	*28*	–	–	900,605
Repayment of bank borrowings	*28*	(54,829)	(1,256,000)	(1,109,294)
Proceeds from issue of ordinary shares upon exercise of share options	*32*	–	32,450	41,747
Dividend paid to non-controlling shareholders		–	(45,180)	(47,357)
Special dividend paid to shareholders		(298,505)	(1,504,080)	–
Payment of lease liabilities		(103,685)	(169,114)	(374,389)
Capital contribution received from non-controlling shareholders		–	69,580	5,776
Others		3,745	–	–
Net cash flows used in from financing activities		(501,216)	(2,888,422)	(589,982)

		For the year ended 31 December		
		2020	**2021**	**2022**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
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
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances other than time deposits	*23*	982,537	742,481	1,561,063
Non-pledged time deposits with original maturity of less than three months	*23*	874,904	1,787,182	1,413,740
Cash and cash equivalents as stated in the consolidated statement of financial position		1,857,441	2,529,663	2,974,803
Less: Bank overdraft	*28*	–	–	(44,614)
Cash and cash equivalents as stated in the consolidated statement of cash flows		1,857,441	2,529,663	2,930,189

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and the ordinary shares of which are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Principal activities

During the year, the Company and its subsidiaries ("**Group**") were involved in the following principal activities:

- design and development, branding and sales of multi-brand sports and lifestyle apparel and footwear; and

- management and operation of sports parks, sports centres and ice-skating rinks and management and operation of e-sports clubs, coordination of sports events and sports-related marketing services.

Li Ning Company Limited ("**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 the Group, whose principal activities include brand development, design, manufacture, sale and distribution of sport-related footwear, apparel, equipment and accessories in the People's Republic of China (the "**PRC**").

CITIC Land Co., Ltd ("**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 the 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 and property development consultancy.

Shanghai Double Happiness Co., Ltd. ("**Double Happiness**"), a company incorporated in the PRC with limited liability, is an associated company of the 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.

These financial statements are presented in HK$, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations ("**HKFRSs**"). The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) and investment property – measured at fair value; and
- assets classified as held-for-sale – measured at lower of the carrying amount and fair value less cost to sell; and
- defined benefit pension plans – plan assets measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Revised Conceptual Framework for Financial Reporting	

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to HKAS 37	Onerous Contracts- Cost of Fulfilling a Contract
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

The Group also elected to adopt the following amendment early for their annual reporting period commencing 1 January 2020:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions

Amendment to HKFRS 16 on COVID-19-Related Rent Concessions is mandatory for annual reporting periods beginning on or after 1 June 2020. The Group has elected to early adopt amendment to HKFRS 16 on COVID-19-Related Rent Concessions as permitted by this amendment.

The Group also elected to adopt the following amendment early for their annual reporting period commencing 1 January 2021:

Amendment to HKFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021

No amended standard was early adopted by the Group for the annual reporting period commencing 1 January 2022.

The adoption of the new and revised HKFRSs for the years ended 31 December 2020, 2021 and 2022 has had no material impact on the amounts reported in these consolidated results and/or disclosures set out in the consolidated financial statements.

(b) New standard issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods.

		Effective for accounting year beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

2.3 Summary of significant accounting policies

Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date of acquisition, being the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset and liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Separate Financial Statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Associates

An associate is an entity over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

When the most recently available financial statements of an associate is different from the Group's reporting date, the Group may take advantage of 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. Adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in an associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associate is not individually tested for impairment. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profits less losses of associates and joint ventures' in the profit or loss.

Gain or losses on dilution of equity interest in associates are recognised in the profit or loss.

Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the management that makes strategic decisions.

Property, plant and equipment and depreciation

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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The principal annual rates used for this purpose are as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

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 interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. Such 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.

Property under construction or development for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed.

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 the 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. When determining the useful lives of such intangible assets, the Group generally takes into consideration (i) the estimated period during which such asset can bring economic benefits to the Group, (ii) the estimated useful lives of similar assets disclosed by comparable companies in the market, and (iii) legal factors which impact the period over which the entity controls access to these economic benefits. 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.

Trademarks and licensing right and membership

Separately acquired trademark and licensing right and membership are shown at historical cost. Trademarks and licensing right and membership acquired in business combination are recognised at fair value at the acquisition date. Trademarks and licensing right and membership that have finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licensing right and membership over their estimated useful lives.

Operating rights

Acquired operating rights are shown at historical cost. Operating rights acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of operating rights over their estimated useful lives of 15 to 20 years.

League qualification and home and away co-operation agreement

League qualification and home and away co-operation agreement have definite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses, if any. They are initially measured at fair value of the consideration given to acquire at the time of the acquisition. Amortisation is calculated using the straight-line method to allocate the cost of league qualification and home and away co-operation agreement over their estimated useful lives of 9 years and 1.6 years, respectively.

Players' registration rights

The costs associated with the acquisition of players registrations are capitalised as intangible assets at the fair value of the consideration payable, including an estimate of the fair value of any contingent consideration. Subsequent reassessments of the amount of contingent consideration payable are also included in the cost of the individual's registration. This assessment is carried out on an individual basis. The costs are amortised over the period covered by the individual's contract of 1 to 3 years.

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 the 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.

The Group amortises intangible assets with a limited useful life 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

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 the Group.

Contracts may contain both lease and non-lease components. The Group allocates 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 the Group under residual value guarantees

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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 the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the 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.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Impairment of non-financial assets

Goodwill, intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Financial assets

Classification

The Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value through profit or loss, at fair value through other comprehensive income, and those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Fair value through profit & loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit & loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit & loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For further details on the Group's accounting policies for management of financial assets, see Note 44 credit risk.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Derivative financial instruments

The 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

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

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

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

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

The 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 the 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.

Perpetual Convertible Bonds

Perpetual Convertible Bonds issued by the Group gives holders the right to convert these Perpetual Convertible Bonds into a fixed number of the Company's ordinary shares at any time at a fixed exercise price per share, subject to adjustments as provided in the terms and conditions of the bonds. The Perpetual Convertible Bonds have no maturity date and are not redeemable. They are treated as equity instruments and are not remeasured in subsequent years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade debtors and bills receivable and other receivables

Trade debtors and bills receivable are amounts due from customers for goods sold and services rendered in the ordinary course of business. If collection of trade debtors and bills receivable and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade debtors and bills receivable are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade debtors and bills receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 21 for further information about the Group's accounting for trade debtors and bills receivable and Note 44 for a description of the Group's impairment policies.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, demand deposits and other short term highly liquid investments with maturity of three months or less, less bank overdrafts, which are repayable on demand and form an integral part of the Group's cash management. Bank overdrafts are shown within bank borrowings in current liabilities in the consolidated statement of financial position.

Trade, bills and other payables

Trade and bills payables are obligation to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade, bills and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade, bills and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligation, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

Income tax

Income tax comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

(b) Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Held for sale

Subsidiaries and investment properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Subsidiaries are measured at the lower of their carrying amount and fair value less cost to sell and investment properties are carried at fair value.

Revenue and other income

Revenues are recognised when, or as, the control of the goods or services is transferred to the customer. Depending on the business model, terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

The progress towards complete satisfaction of performance obligation, depending on the nature of the good and service to be transferred, is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- direct measurements of the value of individual services transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

If contracts involve the sale of multiple goods, goods followed by related services, or multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contact has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer. Contract assets and assets arising from costs to obtain or fulfil a contract that are recognised in accordance with HKFRS 15. The Group uses practical expedients to recognise the incremental costs of obtaining a contract as an expense when incurred as the amortisation period of the asset that the Group otherwise would have recognised is one year or less.

If a customer pays consideration before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

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

(a) from the sale of goods, when control of the goods has been transferred to the buyer, which is upon the acceptance of the goods in an amount equal to the contract sales prices less estimated sales allowances for sales returns.

(b) from providing services including integrated sports content production and distribution, sports talent management, community development consultancy service and sports park facilities and ice-skating rinks hiring, in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously;

When another party is involved in providing goods or services to a customer, the 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, the 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 are not always clear and judgement are need in analysis of whether the Group is a principal or an agent.

If the Group is a principal, revenue will be recognised at the 'gross' amount paid by the customer for the specified good or service and record a corresponding expense for the commission or fee that it has to pay to any agent, in addition to the direct costs of satisfying the contract. If as an agent, will record revenue the commission or fee earned for facilitating the transfer of the specified goods or services (the 'net' amount retained).

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, the Group recognises all of the following:

(a) revenue for the transferred products in the amount of consideration to which the 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

The Group operates a loyalty programme wherein customers earn points based upon the amount spent on purchases of products, which can be redeemed for gift vouchers once a specified number of points is attained. Points issued represent a separate performance obligation providing a material right. The portion of the total transaction price allocated to the points is determined based on the value of the points to the customer when redeemed, adjusted for expected redemption rates 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 the 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.

Employee benefit

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options or shares is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options or shares granted on grant day:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective the date of the forfeiture. Where the options are expired after the vesting period, any share option reserves previous recognised in relation to such shares would be transferred to accumulated losses or retained earnings.

Pension plans

For defined contribution plans, the 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.

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

– The employees of the Group's 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.

– The Group operates pension schemes in the UK and US including defined benefit and defined contribution sections. Details are referred to Note 19.

– The 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. The Group's 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 the Group's employer contributions vesting fully, the ongoing contributions payable by the 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 the Group in independently administered funds.

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

Foreign currency translation

(a) Functional and presentation currency

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**").

(b) Transactions and balances

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the foreign exchange rates ruling at the translation dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the translations. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(i) 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 the Group's results of operations or financial position.

The Group has 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 valuation technique such as 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. The key assumptions used in the value in use calculations or fair value less costs of disposal calculation are set out in Note 14. The carrying amounts of the Group's goodwill was HK$79,360,000, HK$81,516,000 and HK$44,732,000 as at 31 December 2020, 2021 and 2022 respectively.

(ii) Impairment of property, plant and equipment, and right-of-use assets

The Group assesses 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 stated in Note 2.3. 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 the 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. The carrying amounts of the Group's property, plant and equipment and right-of-use assets were HK$92,622,000, HK$120,766,000, HK$1,382,750,000 and HK$277,077,000, HK$321,502,000, HK$1,249,135,000 as at 31 December 2020, 2021 and 2022 respectively. For details, please refer to Note 12(A) and Note 12(B).

(iii) Provision for inventories

Management reviews the ageing analysis of inventories of the Group 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/writeback 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. The carrying amount of the Group's inventories was HK$183,863,000, HK$281,279,000 and HK$4,061,130,000 as at 31 December 2020, 2021 and 2022 respectively. For details, please refer to Note 20.

(iv) Fair value of identifiable assets and liabilities acquired through business combinations

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

(v) Income taxes and deferred taxation

The Group is subject to income taxes in United Kingdom ("UK"), United States of America ("USA"), Hong Kong, mainland China, and elsewhere in which the Group operates. 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. The Group recognises 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.

(vi) 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. For details, please refer to Note 19.

4. OPERATING SEGMENT INFORMATION

The management is the Group's chief operating decision-maker. The management reviews the Group's internal reports periodically in order to assess performance and allocate resources.

The management considers the business from a product/service perspective. The management separately considers the different products and services offered, and for the years ended 31 December 2020, 2021 and 2022, the Group is organised into two reportable operating segments as follows:

(a) the multi-brand apparel and footwear segment engages in design and development, branding and sales of sports and lifestyle consumables; and

(b) the sports experience segment engages in management and operation of sports parks, sports centres and ice-skating rinks and management and operation of e-sports clubs, coordination of sports events and sports-related marketing services.

During the year ended 31 December 2021, the Group redefined its business segments to align with its latest strategic planning and organisational structure for the purpose of managing its strategic direction. Therefore, "Sports and lifestyle consumables" segment information was presented in "Multi-brand apparel and footwear" segment, and "Sports destinations development" and "Sports-team and event management" were combined and represented in "Sports experience" segment. The segment information for the year ended 31 December 2020 has been reclassified to conform to the presentation of segment information for the year ended 31 December 2021.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before income tax. The adjusted profit or loss before income tax is measured consistently with the Group's profit or loss before income tax, with interest income, fair value changes in investment property, financial assets and liabilities at fair value through profit or loss, gain on bargain purchase, gain/loss on disposal of a subsidiary, net gain on disposal of partial interest in an associate, deemed dilution gain on decrease of interest in an associate, equity-settled share option expenses, impairment or reversal of impairment loss on financial assets and intangible assets – net, share of profits less losses of associates and joint ventures, finance costs, impairment on investment in a joint venture, fair value gain on redemption of convertible notes, as well as corporate and other unallocated expenses are excluded from such measurement.

Year ended 31 December 2020	**Multi-brand apparel and footwear**	**Sports experience**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
External	438,994	380,042	819,036
Segment results	(93,454)	(18,306)	(111,760)
Reconciliation:			
Interest income			18,250
Fair value loss on investment property			(1,400)
Fair value gain on financial assets/liabilities at fair value through profit or loss			3,623
Net gain on disposal of partial interest in an associate			1,022,999
Gain on bargain purchase			245,300
Equity-settled share option expense			(5,862)
Impairment on intangible assets			(130,107)
Impairment loss on financial assets – net			(274)
Corporate and other unallocated expenses			(28,660)
Share of profits less losses of associates and joint ventures			266,393
Finance costs			(65,140)
Profit before income tax			1,213,362
Other segment information:			
Depreciation	57,224	28,868	86,092
Add: depreciation related to corporate			8,954
			95,046
Capital expenditure on property, plant and equipment	4,215	18,853	23,068
Add: capital expenditure on property, plant and equipment related to corporate			11
			23,079

Year ended 31 December 2021	Multi-brand apparel and footwear *HK$'000*	Sports experience *HK$'000*	Total *HK$'000*
Segment revenue:			
External	851,222	530,415	1,381,637
Segment results	(312,587)	23,583	(289,004)
Reconciliation:			
Interest income			13,176
Fair value gain on investment property			74,830
Fair value gain on financial assets/liabilities at fair value through profit or loss			20,110
Gain on disposal of a subsidiary			52,867
Net gain on disposal of partial interest in an associate			3,338,753
Deemed dilution gain on decrease of interest in an associate			977,982
Equity-settled share option expense			(42,285)
Reversal of impairment loss on financial assets – net			9,166
Corporate and other unallocated expenses			(101,128)
Share of profits less losses of associates and joint ventures			492,571
Finance costs			(37,049)
Profit before income tax			4,509,989
Other segment information:			
Depreciation	122,966	33,002	155,968
Add: depreciation related to corporate			4,372
			160,340
Capital expenditure on property, plant and equipment	78,912	11,480	90,392
Add: capital expenditure on property, plant and equipment related to corporate			47
			90,439

Year ended 31 December 2022	Multi-brand apparel and footwear	Sports experience	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
External	6,399,546	500,844	6,900,390
Segment results	(309,861)	(17,800)	(327,661)
Reconciliation:			
Interest income			24,528
Fair value gain on investment property			10,600
Fair value loss on financial assets/liabilities at fair value through profit or loss			(46,103)
Gain on bargain purchase			956,346
Deemed dilution gain on decrease of interest in an associate			7,016
Equity-settled share option expense			(24,443)
Impairment on intangible assets			(64,837)
Impairment loss on financial assets – net			(4,617)
Corporate and other unallocated expenses			(145,198)
Share of profits less losses of associates and joint ventures			543,322
Finance costs			(57,802)
Profit before income tax			871,151
Other segment information:			
Depreciation	367,072	30,416	397,488
Add: depreciation related to corporate			2,807
			400,295
Capital expenditure on property, plant and equipment	171,038	13,113	184,151
Add: capital expenditure on property, plant and equipment related to corporate			101
			184,252

Information about major customers

Revenue of approximately HK$201,180,000 and HK$295,956,000 was derived from an individual customer, which is a related party as disclosed in Note 38, for the years ended 31 December 2020 and 2021 respectively. There is no other customer contributing more than 10% of total revenue for the years ended 31 December 2020 and 2021. For the year ended 31 December 2022, no customer contributing more than 10% of total revenue.

Geographic information

The Group's revenue from external customers and non-current assets other than interests in associates and joint ventures and deferred tax assets, by geographical location, are detailed below:

		For the year ended 31 December		
		2020	**2021**	**2022**
		HK$'000	*HK$'000*	*HK$'000*
i)	**Revenue from external customers**			
	UK and Republic of Ireland ("ROI")	–	–	2,327,041
	America	–	–	2,415,651
	The PRC (including Hong Kong and Macau)	778,371	1,309,752	1,667,244
	Asia (Other than the PRC)	40,665	71,885	294,344
	EMEA	–	–	196,110
Total		819,036	1,381,637	6,900,390

		As at 31 December		
		2020	**2021**	**2022**
		HK$'000	*HK$'000*	*HK$'000*
ii)	**Non-Current Assets**			
	UK and ROI	–	–	2,000,530
	America	–	–	1,308,544
	The PRC (including Hong Kong and Macau)	900,654	1,071,748	1,039,488
	Asia (Other than the PRC)	18,520	39,334	100,047
	EMEA	–	–	73,286
Total		919,174	1,111,082	4,521,895

5. REVENUE, OTHER INCOME AND OTHER GAINS – NET

An analysis of the Group's revenue, other income and other gains – net are as follows:

		For the year ended 31 December		
		2020	**2021**	**2022**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Sales of goods		447,978	874,666	6,362,315
Sports content production and distribution income		193,054	226,925	238,116
Sports park facilities and ice-skating rinks hiring income and other service income		150,856	226,262	203,855
Royalty income		–	–	57,050
Sports talent management income		17,836	34,125	28,579
Community development consultancy service income		1,223	5,987	2,591
Gross rental income		8,089	13,672	7,884
		819,036	1,381,637	6,900,390
At a point of time		447,978	874,666	6,362,315
Overtime		371,058	506,971	538,075
		819,036	1,381,637	6,900,390
Other income				
Government grants	*(a)*	33,187	34,092	52,895
Interest income	*(b)*	18,250	13,176	24,528
Others		11,950	34,197	20,598
		63,387	81,465	98,021

		For the year ended 31 December		
		2020	2021	2022
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
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 of derivative financial instruments	*18*	–	–	23,039
Fair value gain/(loss) on investment properties	*13*	(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)
Write-off of other payables		–	–	16,745
Gain on disposal of a subsidiary	*39*	–	52,867	–
Gain on bargain purchase	*39*	245,300	–	956,346
Net gain from early termination and modification of leases	*12(B)*	–	5,915	4,152
Net gain on disposal of partial interest in an associate	*15*	1,022,999	3,338,753	–
Deemed dilution gain on decrease of interest in an associate	*15*	–	977,982	7,016
Others		–	2,302	(5,956)
		1,295,697	4,466,621	925,623
		1,359,084	4,548,086	1,023,644

Notes:

(a) Government grants were mainly from operation of sports parks, sports centres and an e-sports club for the years ended 31 December 2020, 2021 and 2022.

(b) Total interest income on financial assets that are measured at amortised cost for the years ended 31 December 2020, 2021 and 2022 was HK$18,250,000, HK$13,176,000 and HK$24,528,000 respectively.

Revenue recognised in relation to contract liabilities

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Contract liabilities – receipts in advance	107,108	103,351	109,232
Contract liabilities – customer loyalty programme	–	611	19,885
	107,108	103,962	129,117

Revenue recognised during the year that was included in the contract liabilities balance at the beginning of the years ended 31 December 2020, 2021 and 2022 was HK$52,657,000, HK$99,692,023 and HK$97,027,000 respectively.

As at 31 December 2020, 2021 and 2022, included in contract liabilities was an amount of HK$24,589,000, HK$9,682,000 and HK$2,887,000 received from associates respectively, which is based on normal commercial terms offered by the Group to major customers.

6. FINANCE COSTS

		For the year ended 31 December		
		2020	**2021**	**2022**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Interest on bank borrowings		47,942	16,078	20,864
Interest on lease liabilities	*12(B)*	17,198	20,971	50,229
Net interest income on the defined benefit schemes	*19*	–	–	(13,291)
		65,140	37,049	57,802

7. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting):

		For the year ended 31 December		
		2020	**2021**	**2022**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Cost of sales				
– Cost of inventories sold		221,135	448,414	3,326,493
– (Reversal of provision)/provision for inventories		(5,798)	822	47,037
– Cost of services provided		272,911	360,019	366,271
Depreciation of property, plant equipment	*12(A)*	22,386	34,762	125,314
Depreciation of right of use assets	*12(B)*	72,660	125,578	274,981
Amortisation of intangible assets	*14*	34,140	32,352	99,147
Auditor's remuneration				
– audit and audit-related services		3,910	5,575	27,036
– non-audit services		4,041	3,349	3,156
Employee benefit expense (including directors' remuneration *(Note 8)*):				
– Wages and salaries		184,851	313,349	1,272,307
– Equity-settled share option expenses	*32*	5,862	42,285	24,443
– Defined contribution retirement plans#		9,056	33,435	156,465
– Defined benefit scheme	*19*	–	–	5,367
Impairment on intangible assets	*14*	130,107	–	64,837
Impairment loss/(reversal of impairment loss) on financial assets-net	*44*	274	(9,166)	4,617
Impairment on property, plant and equipment	*12(A)*	5,054	16,048	64,285
Impairment on right-of-use assets	*12(B)*	23,363	71,111	276,756
Net fair value loss/(gain) on investment properties	*13*	1,400	(74,830)	(10,600)
Foreign exchange (gain)/loss	*5*	(27,855)	1,358	31,663
Net loss on disposal of property, plant and equipment	*5*	2,680	4,780	8,553
Net loss on disposal of intangible assets	*14*	7,390	–	6,142
Fair value (gain)/loss on financial assets/liabilities at fair value through profit or loss	*5*	(3,623)	(20,110)	46,103
Fair value gain on derivative financial instruments	*5*	–	–	(23,039)
Gain on disposal of a subsidiary	*5*	–	(52,867)	–
Gain on bargain purchase	*39*	(245,300)	–	(956,346)
Net gain on disposal of partial interest in an associate	*5*	(1,022,999)	(3,338,753)	–
Deemed dilution gain on decrease of interest in an associate	*5*	–	(977,982)	(7,016)

For the Group's contributions under defined contribution retirement plan, the amount of forfeited contributions used by the Group to reduce existing level of contributions for the years ended 31 December 2020, 2021 and 2022 under the Occupational Retirement Scheme in Hong Kong was nil, HK$53,000 and nil respectively, and the balances of such forfeited contributions as at 31 December 2020, 2021 and 2022 were HK$53,000, nil and nil respectively.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the years disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Fees	1,595	1,743	1,774
Other emoluments:			
Salaries, allowances and benefits in kind (including discretionary bonus)	15,609	14,133	15,716
Equity-settled share option expenses	–	15,535	8,243
Pension scheme contributions	91	126	199
	15,700	29,794	23,618
	17,295	31,537	25,392

During the Track Record Period, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company, further details of which are set out in Note 32 to the financial statements. The fair values of such options, which have been recognised in profit or loss over the relevant vesting period, were determined as at the respective dates of grant and the amount included in the financial statements for the respective years are included in the above directors' remuneration disclosures.

An analysis of the directors' remuneration, is as follows:

	Notes	Fees	Salaries, allowances and benefits in kind	Discretionary Bonus	Equity-settled share option expenses	Retirement scheme contributions	Total remuneration
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2020							
Executive directors:							
Mr. Li Ning		200	11,733	–	–	18	11,951
Mr. Chan Ling	(c)	45	663	–	–	4	712
Mr. Li Chunyang		200	537	–	–	51	788
Mr. Li Qilin		200	2,316	360	–	18	2,894
		645	15,249	360	–	91	16,345
Non-executive director:							
Mr. Ma Wing Man		200	–	–	–	–	200
Independent non-executive directors:							
Mr. Wang Yan		250	–	–	–	–	250
Mr. Pak Wai Keung, Martin	(a)	250	–	–	–	–	250
Mr. Li Qing	(b)	250	–	–	–	–	250
		750	–	–	–	–	750
		1,595	15,249	360	–	91	17,295

	Notes	Fees	Salaries, allowances and benefits in kind	Discretionary Bonus	Equity-settled share option expenses	Retirement scheme contributions	Total remuneration
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2021							
Executive directors:							
Mr. Li Ning		200	11,759	–	786	18	12,763
Mr. Li Chunyang		200	537	–	4,490	90	5,317
Mr. Li Qilin		200	1,837	–	2,245	18	4,300
		600	14,133	–	7,521	126	22,380
Non-executive director:							
Mr. Victor Herrero	(d)	193	–	–	6,735	–	6,928
Mr. Ma Wing Man		200	–	–	673	–	873
		393	–	–	7,408	–	7,801
Independent non-executive directors:							
Mr. Wang Yan		250	–	–	202	–	452
Mr. Pak Wai Keung, Martin	(a)	250	–	–	202	–	452
Mr. Li Qing	(b)	250	–	–	202	–	452
		750	–	–	606	–	1,356
		1,743	14,133	–	15,535	126	31,537

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary Bonus HK$'000	Equity-settled share option expenses HK$'000	Retirement scheme contributions HK$'000	Total remuneration HK$'000
For the year ended 31 December 2022							
Executive directors:							
Mr. Li Ning		200	11,866	–	417	18	12,501
Mr. Li Chunyang		200	830	–	2,383	163	3,576
Mr. Li Qilin		200	2,015	465	1,191	18	3,889
		600	14,711	465	3,991	199	19,966
Non-executive directors:							
Mr. Victor Herrero	*(d)*	200	–	–	3,574	–	3,774
Mr. Ma Wing Man		200	–	–	357	–	557
Ms. Lyu Hong	*(e)*	24	–	–	–	–	24
		424	–	–	3,931	–	4,355
Independent non-executive directors:							
Mr. Wang Yan		250	–	–	107	–	357
Mr. Pak Wai Keung, Martin	*(a)*	250	–	–	107	–	357
Mr. Li Qing	*(b)*	250	–	–	107	–	357
		750	–	–	321	–	1,071
		1,774	14,711	465	8,243	199	25,392

Notes:

(a) Mr. Pak Wai Keung, Martin, appointed on 13 February 2019.

(b) Mr. Li Qing, appointed on 20 December 2019.

(c) Mr. Chan Ling, resigned with effect from 23 March 2020.

(d) Mr. Victor Herrero, appointed on 14 January 2021.

(e) Ms. Lyu Hong, appointed on 18 November 2022.

During the Track Record Period, there was

i) no emolument was paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office;

ii) no arrangement under which a director waived or agreed to waive any remuneration;

iii) the Group did not pay consideration to any third parties for making available directors' services; and

iv) there were no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors.

Moreover, there was no other transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the Track Record Period.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included two, four and one directors during the years ended 31 December 2020, 2021 and 2022 respectively. Details of whose remuneration are set out in Note 8 above. Details of the remuneration for the Track Record Period of the remaining three, one and four highest paid individuals respectively, who are not a director of the Company are as follows:

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and benefits in kind	9,328	15,544	47,926
Equity-settled share option expenses	5,862	12,427	8,956
Retirement scheme contributions	44	36	371
	15,234	28,007	57,253

The number of the non-director highest paid individuals whose remuneration fell within the following bands is as follows:

	For the year ended 31 December Number of employees		
	2020	**2021**	**2022**
HK$1,500,001 to HK$2,000,000	1	–	–
HK$2,500,001 to HK$3,000,000	–	–	–
HK$3,000,001 to HK$3,500,000	1	–	–
HK$6,000,001 to HK$6,500,000	–	–	1
HK$8,500,001 to HK$9,000,000	–	–	1
HK$9,000,001 to HK$9,500,000	–	–	1
HK$10,000,001 to HK$10,500,000	1	–	–
HK$12,500,001 to HK$13,000,000	–	–	–
HK$18,500,001 to HK$19,000,000	–	–	–
HK$26,000,001 to HK$26,500,000	–	–	–
HK$28,000,001 to HK$28,500,000	–	1	–
HK$32,500,001 to HK$33,000,000	–	–	1
	3	1	4

During the Track Record Period, share options were granted to the non-director and non-chief executive highest paid individuals in respect of their services to the Group, further details of which are set out in Note 32 to the financial statements. The fair value of such share options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the Track Record Period is included in the above non-director and non-chief executive highest paid individuals remuneration disclosures.

10. INCOME TAX

		For the year ended 31 December		
		2020	**2021**	**2022**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Current tax – Hong Kong				
Charge for the year		1,134	704	1,051
Over-provision in prior years		–	(1,020)	(399)
Current tax – other jurisdictions				
Charge for the year		13,285	31,199	89,043
Under-provision in prior years		3,880	331	6,465
Deferred tax				
Origination and reversal of temporary differences	29	(4,532)	4,521	(98,020)
Income tax expenses/(credit)		13,767	35,735	(1,860)

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 Track Record Period based on existing legislation, interpretations and practices in respect thereof. UK corporate tax has been provided at the rate of 19% on the estimated assessable profits arising in 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. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

A reconciliation of the income tax expense applicable to profit before income tax for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge/(credit) is as follows:

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	1,213,362	4,509,989	871,151
At the statutory/applicable income tax rates of different jurisdictions	185,056	724,172	85,901
Adjustments of deferred tax arising from change of tax rates	–	–	(21,475)
Tax effect of profits less losses attributable to associates and joint ventures	(45,534)	(83,247)	(91,079)
Tax effect of income not subject to tax *(i)*	(238,879)	(748,540)	(236,329)
Tax effect of expenses not deductible for tax	54,978	42,671	81,187
Under/(over) provision in prior years/periods	3,880	(689)	6,066
Tax effect of tax losses not recognised	53,031	90,823	145,057
Tax effect of tax losses utilised	(1,837)	(4,726)	(7,449)
Tax effect of unrecognised temporary differences	3,072	2,384	36,426
Withholding tax on the disposal of a PRC subsidiary	–	12,474	–
Others	–	413	(165)
Income tax expense/(credit)	13,767	35,735	(1,860)

(i): Tax effect of income not subject to tax mainly comprises the gain on disposal of partial interest in an associate, deemed dilution of interest in an associate (Note 15) and gain on bargain purchase (Note 39) during the Track Record Period.

11. PROFIT PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts for the years ended 31 December 2020, 2021 and 2022 is based on the profit for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares in issue and participating equity instruments during the years.

The calculation of the diluted earnings per share amounts for the years ended 31 December 2020, 2021 and 2022 is based on the profit for the year attributable to equity holders of the Company after adjustment to the dilutive effect of share of profits in an associate arising from its potential ordinary shares; and the weighted average number of ordinary shares after adjustment for the effect of deemed exercise or conversion of all dilutive potential ordinary shares at no consideration at the beginning of the year.

For the years ended 31 December 2020, 2021 and 2022, the effect of the outstanding share options were included in the computation of diluted earnings per share as they were dilutive.

	For the year ended 31 December		
	2020	**2021**	**2022**
Profit attributable to equity holders of the Company, used in the basic earnings per share calculation *(HK$'000)*	1,192,392	4,562,639	850,416
Adjustment to the share of profits in an associate arising from its dilutive potential ordinary shares *(HK$'000)*	(1,218)	(4,523)	(3,675)
Profit attributable to equity holders of the Company, used in the diluted earnings per share calculation *(HK$'000)*	1,191,174	4,558,116	846,741
Number of ordinary shares			
Weighted average number of ordinary shares in issue and participating equity instruments used in the basic earnings per share calculation *('000)*	11,264,333	11,296,273	11,369,396
Equivalent dilutive shares arising from potential ordinary shares *('000)*	579	57,175	92,293
Weighted average number of ordinary shares and potential ordinary shares used in the diluted earnings per share calculation *('000)*	11,264,912	11,353,448	11,461,689
Basic earnings per share *(HK cents)*	10.59	40.39	7.48
Diluted earnings per share *(HK cents)*	10.57	40.15	7.39

12(A). PROPERTY, PLANT AND EQUIPMENT

	Land and buildings* HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Machinery and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2020					
At 1 January 2020:					
Cost	11,106	58,669	67,017	5,561	142,353
Accumulated depreciation and impairment	(61)	(28,669)	(35,838)	(3,629)	(68,197)
Net book amount	11,045	30,000	31,179	1,932	74,156
Opening net book amount	11,045	30,000	31,179	1,932	74,156
Acquisition of subsidiaries	–	12,994	11,546	53	24,593
Additions	–	8,939	14,057	83	23,079
Disposal	–	(6,378)	(248)	(3)	(6,629)
Depreciation charge	(246)	(10,730)	(592)	(503)	(22,386)
Impairment	–	(2,805)	(2,202)	(47)	(5,054)
Currency translation differences	729	1,819	2,204	111	4,863
Closing net book amount	11,528	33,839	45,629	1,626	92,622
At 31 December 2020:					
Cost	11,854	55,385	97,228	3,864	168,331
Accumulated depreciation and impairment	(326)	(21,546)	(51,599)	(2,238)	(75,709)
Net book amount	11,528	33,839	45,629	1,626	92,622
31 December 2021					
At 1 January 2021:					
Cost	11,854	55,385	97,228	3,864	168,331
Accumulated depreciation and impairment	(326)	(21,546)	(51,599)	(2,238)	(75,709)
Net book amount	11,528	33,839	45,629	1,626	92,622
Opening net book amount	11,528	33,839	45,629	1,626	92,622
Additions	–	60,474	27,275	2,690	90,439
Disposal	(11,489)	(2,795)	(1,918)	(302)	(16,504)
Depreciation charge	(176)	(19,232)	(14,787)	(567)	(34,762)
Impairment	–	(15,520)	(528)	–	(16,048)
Currency translation differences	137	3,237	1,572	62	5,019
Closing net book amount	–	60,014	57,243	3,509	120,766
At 31 December 2021:					
Cost	–	113,258	122,777	5,167	241,202
Accumulated depreciation and impairment	–	(53,244)	(65,534)	(1,658)	(120,436)
Net book amount	–	60,014	57,243	3,509	120,766

	Land and buildings*	Leasehold improvements, furniture and fixtures	Machinery and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2022					
At 1 January 2022					
Cost	–	113,258	122,777	5,167	241,202
Accumulated depreciation and impairment	–	(53,244)	(65,534)	(1,658)	(120,436)
Net book amount	–	60,014	57,243	3,509	120,766
Opening net book amount	–	60,014	57,243	3,509	120,766
Acquisition of subsidiaries	744,705	405,425	150,248	39	1,300,417
Additions	32,170	106,516	44,530	1,036	184,252
Disposal	(2,363)	(9,025)	(3,175)	(809)	(15,372)
Depreciation charge	(17,335)	(68,243)	(39,030)	(706)	(125,314)
Impairment	(15,111)	(47,841)	(1,333)	–	(64,285)
Currency translation differences	(11,053)	(807)	(5,608)	(246)	(17,714)
Closing net book amount	731,013	446,039	202,875	2,823	1,382,750
At 31 December 2022:					
Cost	761,691	531,415	291,642	5,259	1,590,007
Accumulated depreciation and impairment	(30,678)	(85,376)	(88,767)	(2,436)	(207,257)
Net book amount	731,013	446,039	202,875	2,823	1,382,750

As at 31 December 2022, machinery and office equipment with an estimated carrying amount of approximately HK$8,477,000 was pledged for bank loans. No property, plant and equipment was pledged as at 31 December 2020 and 2021.

For the years ended 31 December 2020 and 2021, the management of the Group considered that certain leasehold improvements of the Group were subjected to impairment because of the challenging retail market due to the spread of COVID-19 in the PRC (including Hong Kong).

Because of the slower pace of recovery from COVID-19 in the UK and USA for the year ended 31 December 2022 and challenging retail market in the PRC due to the spread of COVID-19 for the year ended 31 December 2022, particularly in the second half of 2022, the management of the Group considered that certain property, plan and equipment were subject to impairment.

* *As at 31 December 2022, land and buildings include freehold land amounted to HK$247.3 million. No freehold land is included in land and buildings as at 31 December 2020 and 2021.*

The management estimated the recoverable amounts of the CGUs as follows:

CGUs in relation to the property, plant and equipment and right-of-use assets

The recoverable amounts of the "bossini", "bossini.X", "LNG", "Ice-skating rinks" and "Clarks" CGUs comprising from each store have been determined based on a value in use calculation which was approved by the management using cash flow projections based on financial budgets covering the remaining useful lives of the respective items of property, plant and equipment. Key assumptions used for the value in use calculation as at 31 December 2020, 2021 and 2022 were as follows:

	31 December 2020	31 December 2021		31 December 2022				
	"bossini" cash-generating units	"bossini" cash-generating units	"bossini.X" cash-generating units	"bossini" CGUs	"bossini.X" CGUs	"LNG" CGUs	"Ice-skating rinks" CGUs	"Clarks" CGUs
Sales growth rate	0%	0%	Note 1	0%	Note 2	Note 3	Note 4	2.5%
Gross margin rate	42%-69%	44%-70%	31%-59%	27.8%-62.9%	17.9%-65.4%	57.2%-80.1%	27.1%-46.2%	39.8%-79.4%
Pre-tax discount rate	9%-12%	13%-14%	14%	13.0%-14.0%	14%	14.0%	15.9%	9.4%-16.0%

Note 1: Sales growth rates for "bossini.X" cash-generating units are based on the budgeted sales approved by the management for the year ending 31 December 2022, 100% sales growth for the year ending 31 December 2023, further 50% sales growth for the year ending 31 December 2024 and 0% thereafter.

Note 2: Sales growth rate for "bossini.X" CGUs was based on the budgeted sales approved by senior management for the year ending 31 December 2023, 33.0% for the year ending 31 December 2024 and 0% thereafter.

Note 3: Sales growth rates for "LNG" CGUs are from -7% to 132% for the year ending 31 December 2023, 35% for the year ending 31 December 2024 and 25% for the year ending 31 December 2025 respectively.

Note 4: Sales growth rates for "Ice-skating rinks" CGUs are from 3% to 10% for the year ending 31 December 2023, 8% for the year ending 31 December 2024, 6% for the year ending 31 December 2025, 5% for the years ending 31 December 2026 and 2027, 3% for the years ending 31 December 2028 and 2029 and 2% for years thereafter.

The management determined the above sales growth rate and gross margin rate based on historical operation data, the expectation of future market development and taken into consideration on the continuous impact from the COVID-19.

Impairment provision on property, plant and equipment of HK$5,054,000, HK$16,048,000 and HK$64,285,000 was recognised for certain stores in profit or loss during the years ended 31 December 2020, 2021 and 2022.

(a) Sensitivity analysis on the impairment assessment of "bossini" CGUs in relation to the property, plant and equipment and right-of-use assets

As at 31 December 2020, if the forecast sales for the year ending 31 December 2021 applied to the cash flow projection for "bossini" CGUs had been 10% higher/lower, a lower of impairment charge of HK$4,713,000 or a higher of impairment charge of HK$5,156,000, respectively would be resulted.

As at 31 December 2020, if the forecast sales for the year ending 31 December 2021 applied to the cash flow projection for "bossini" CGUs had been 20% higher/lower, a lower of impairment charge of HK$11,093,000 or a higher of impairment charge of HK$10,924,000, respectively would be resulted.

As at 31 December 2020, if the discount rate applied to the cash flow projection for "bossini" CGUs had been 1% higher/lower, a higher of impairment charge of HK$246,000 or a lower of impairment charge of HK$240,000, respectively would be resulted.

As at 31 December 2021, if the forecast sales for the year ending 31 December 2022 applied to the cash flow projection for "bossini" CGUs had been 10% higher/lower, a lower of impairment charge of HK$13,834,000 or a higher of impairment charge of HK$20,134,000, respectively would be resulted.

As at 31 December 2021, if the forecast sales for the year ending 31 December 2022 applied to the cash flow projection for "bossini" CGUs had been 20% higher/lower, a lower of impairment charge of HK$21,375,000 or a higher of impairment charge of HK$41,055,000, respectively would be resulted.

As at 31 December 2021, if the discount rate applied to the cash flow projection for "bossini" CGUs had been 1% higher/lower, a higher of impairment charge of HK$752,000 or a lower of impairment charge of HK$772,000, respectively would be resulted.

As at 31 December 2022, if the forecast sales for the year ending 31 December 2023 applied to the cash flow projection for "bossini" CGUs had been 10% higher/lower, a lower of impairment charge of HK$2,789,000 or a higher of impairment charge of HK$5,035,000, respectively would be resulted.

As at 31 December 2022, if the forecast sales for the year ending 31 December 2023 applied to the cash flow projection for "bossini" CGUs had been 20% higher/lower, a lower of impairment charge of HK$3,435,000 or a higher of impairment charge of HK$10,811,000, respectively would be resulted.

As at 31 December 2022, if the discount rate applied to the cash flow projection for "bossini" CGUs had been 1% higher/lower, a higher of impairment charge of HK$163,000 or a lower of impairment charge of HK$166,000, respectively would be resulted.

(b) Sensitivity analysis on the impairment assessment of "bossini.X" CGUs in relation to the property, plant and equipment and right-of-use assets

As at 31 December 2021, if the forecast sales for the year ending 31 December 2022 applied to the cash flow projection for "bossini.X" CGUs had been 10% higher/lower, a lower of impairment charge of HK$5,480,000 or a higher of impairment charge of HK$7,985,000, respectively would be resulted.

As at 31 December 2021, if the forecast sales for the year ending 31 December 2022 applied to the cash flow projection for "bossini.X" CGUs had been 20% higher/lower, a lower of impairment charge of HK$9,669,000 or a higher of impairment charge of HK$19,369,000, respectively would be resulted.

As at 31 December 2021, if the discount rate applied to the cash flow projection for "bossini.X" CGUs had been 1% higher/lower, a higher of impairment charge of HK$459,000 or a lower of impairment charge of HK$474,000, respectively would be resulted.

As at 31 December 2022, if the forecast sales for the year ending 31 December 2023 applied to the cash flow projection for "bossini.X" CGUs had been 10% higher/lower, a lower of impairment charge of HK$11,967,000 or a higher of impairment charge of HK$6,781,000, respectively would be resulted.

As at 31 December 2022, if the forecast sales for the year ending 31 December 2023 applied to the cash flow projection for "bossini.X" CGUs had been 20% higher/lower, a lower of impairment charge of HK$24,168,000 or a higher of impairment charge of HK$12,503,000, respectively would be resulted.

As at 31 December 2022, if the discount rate applied to the cash flow projection for "bossini.X" CGUs had been 1% higher/lower, a higher of impairment charge of HK$140,000 or a lower of impairment charge of HK$141,000, respectively would be resulted.

(c) Sensitivity analysis on the impairment assessment of "LNG" CGUs in relation to the property, plant and equipment and right-of-use assets

As at 31 December 2022, if the forecast sales for the year ending 31 December 2023 applied to the cash flow projection for "LNG" CGUs had been 10% higher/ lower, a lower of impairment charge of HK$3,286,000 or a higher of impairment charge of HK$3,985,000, respectively would be resulted.

As at 31 December 2022, if the forecast sales for the year ending 31 December 2023 applied to the cash flow projection for "LNG" CGUs had been 20% higher/ lower, a lower of impairment charge of HK$6,175,000 or a higher of impairment charge of HK$7,457,000, respectively would be resulted.

As at 31 December 2022, if the discount rate applied to the cash flow projection for "LNG" CGUs had been 1% higher/lower, a higher of impairment charge of HK$74,000 or a lower of impairment charge of HK$77,000, respectively would be resulted.

(d) Sensitivity analysis on the impairment assessment of "Ice-skating rinks" CGUs in relation to the property, plant and equipment and right-of-use assets

The respective assets that are subject to impairment under "Ice-skating rinks" CGUs are fully impaired as at 31 December 2022.

(e) Sensitivity analysis on the impairment assessment of "Clarks" CGUs in relation to the property, plant and equipment and right-of-use assets

As at 31 December 2022, if 0% sales growth rate applied to the cash flow projection for "Clarks" CGUs, a higher of impairment charge of HK$63,649,000 would be resulted.

As at 31 December 2022, if the discount rate applied to the cash flow projection for "Clarks" CGUs had been 1% higher, a higher of impairment charge of HK$8,085,000 would be resulted.

12(B). LEASES

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases when the Group is a leasee:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Right-of-use assets			
Buildings	277,077	321,502	1,249,135
			1,249,135
Lease liabilities			
Current	135,312	123,689	519,199
Non-current	273,476	362,630	1,438,100
	408,788	486,319	1,957,299

Increase in right-of-use assets through addition and acquisition of subsidiaries for the years ended 31 December 2020, 2021 and 2022 were HK$192,043,000, HK$262,880,000 and HK$1,506,608,000 respectively.

As at 31 December 2020, 2021 and 2022, the Group's management identified certain retail shops which continued to underperform. The recoverable amounts of the "bossini", "bossini.X", "LNG", "Ice-skating rinks" and "Clarks" CGUs have been determined based on value in use calculation which was approved by the management using cash flow projections based on financial budgets covering the remaining lease terms. Details on the key assumptions used for the value in use calculation of the above CGUs are disclosed in Note 12(A).

An impairment provision on right-of-use assets of HK$23,363,000, HK$71,111,000 and HK$276,756,000 was recognised for certain stores in profit or loss during the years ended 31 December 2020, 2021 and 2022.

(ii) Amounts recognised in the statement of profit or loss

The following amounts relating to leases were charged/(credited) to profit or loss:

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Depreciation charge of right-of-use assets	72,660	125,578	274,981
Impairment on right-of-use assets	23,363	71,111	276,756
Net gain from early termination and modification of leases	–	5,915	4,152
Interest expense (included in finance cost)	17,198	20,971	50,229
Expense relating to short-term leases and variable lease payments (included in cost of sales, selling expenses and distribution expenses and administrative and other operating expenses)	39,896	67,904	250,587

The total cash outflows for leases for the years ended 31 December 2020, 2021 and 2022 were HK$143,581,000, HK$237,018,000 and HK$624,976,000 respectively.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, sports parks, ice-skating rinks, retail stores and staff quarters. Rental contracts are typically made for fixed periods of 1 to 20 years. 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 but leased assets may not be used as security for borrowing purposes.

(iv) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For certain stores included fixed and variable payment terms, the variable payment terms are with percentages ranging from 1% to 37% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(v) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

13. INVESTMENT PROPERTIES

	Notes	Completed	Land use rights held for future development of industrial buildings	Total
		HK$'000	HK$'000	HK$'000
Carrying amount at 1 January 2020		–	–	–

	Notes	Completed	Land use rights held for future development of industrial buildings	Total
		HK$'000	HK$'000	HK$'000
Acquisition of subsidiaries		205,100	–	205,100
Fair value loss		(1,400)	–	(1,400)
Carrying amount at 31 December 2020 and 1 January 2021		203,700	–	203,700
Fair value gain		74,830	–	74,830
Transfer to assets classified as held-for-sale	40	(184,730)	–	(184,730)
Carrying amount at 31 December 2021, 1 January 2022		93,800	–	93,800
Fair value gain		10,600	–	10,600
Carrying amount at 31 December 2022		104,400	–	104,400

Amounts recognised in profit or loss for investment properties	**For the year ended 31 December**		
	2020	**2021**	**2022**
	HK$'000	HK$'000	HK$'000
Rental income	3,838	6,648	2,154

As at 31 December 2020, 2021 and 2022, the Group had no unprovided contractual obligations for future repairs and maintenance.

The Group's investment property was valued as at 31 December 2020, 2021 and 2022 by an independent professionally qualified valuer, at HK$203,700,000, HK$93,800,000 and HK$104,400,000 respectively. Each year, the Group's management decide to appoint which external valuer to be responsible for the external valuation of the Group's property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management have discussions with the valuer on the valuation assumptions and valuation result when the valuation is performed for annual financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment property:

31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Industrial property	–	–	203,700	203,700

31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Industrial property	–	–	93,800	93,800

31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Industrial property	–	–	104,400	104,400

During the years ended 31 December 2020, 2021 and 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The fair value is estimated using a direct comparison approach. Under the direct comparison approach, fair value is estimated by using the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristics of the investment property, which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the unit market price. The fair value measurement is based on the above property's highest and best use, which does not differ from the actual use.

The key input is the unit market price of approximately HK$3,300 per sq. ft, HK$4,500 per sq. ft and HK$5,000 per sq. ft for industrial building and HK$2,400,000, HK$2,000,000 and HK$2,400,000 for car park as at 31 December 2020, 2021 and 2022 respectively. A significant increase/decrease in the market price will result in a significant increase/decrease in the fair value of the investment property.

14. INTANGIBLE ASSETS

	Goodwill	Trademark and Licensing Right	Operating Rights	League Qualification and Home and Away Co-operation Agreement	Players' Registration Rights	Membership	Software	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020:								
Opening net book amount	206,742	65,258	14,771	93,500	17,574	25,845	–	423,690
Acquisition of subsidiaries	–	14,000	–	–	–	–	–	14,000
Additions	–	144	–	–	7,178	–	–	7,322
Amortisation charge	–	(6,854)	(956)	(11,740)	(9,398)	(5,192)	–	(34,140)
Disposal	–	–	–	–	(7,390)	–	–	(7,390)
Impairment charge (note iii)	(130,107)	–	–	–	–	–	–	(130,107)
Currency translation differences	2,725	3,992	934	5,560	583	1,415	–	15,209
							–	
Closing net book amount	79,360	76,540	14,749	87,320	8,547	22,068	–	288,584
							–	
At 31 December 2020:								
Cost	235,843	96,978	16,527	114,739	15,047	27,585	–	506,719
Accumulated amortisation and impairment	(156,483)	(20,438)	(1,778)	(27,419)	(6,500)	(5,517)	–	(218,135)
							–	
Net book amount	79,360	76,540	14,749	87,320	8,547	22,068	–	288,584
At 1 January 2021:								
Opening net book amount	79,360	76,540	14,749	87,320	8,547	22,068	–	288,584
Additions	–	816	–	–	2,406	–	–	3,222
Amortisation charge	–	(8,205)	(1,029)	(12,621)	(4,914)	(5,583)	–	(32,352)
Currency translation differences	2,156	1,729	417	2,350	208	552	–	7,412
							–	
Closing net book amount	81,516	70,880	14,137	77,049	6,247	17,037	–	266,866
							–	
At 31 December 2021:								
Cost	242,605	100,252	17,014	118,116	17,938	28,397	–	524,322
Accumulated amortisation and impairment	(161,089)	(29,372)	(2,877)	(41,067)	(11,691)	(11,360)	–	(257,456)
							–	
Net book amount	81,516	70,880	14,137	77,049	6,247	17,037	–	266,866
At 1 January 2022:								
Opening net book amount	81,516	70,880	14,137	77,049	6,247	17,037	–	266,866
Acquisition of subsidiaries	–	47,600	–	–	–	–	334,390	381,990
Additions	–	1,326	–	–	17,645	–	118,001	136,972
Disposal	–	–	–	–	–	–	(6,142)	(6,142)
Amortisation charge	–	(9,793)	(999)	(12,264)	(4,762)	(5,424)	(66,175)	(99,417)
Impairment charge	(32,134)	–	–	(24,854)	(7,849)	–	–	(64,837)
Currency translation differences	(4,650)	(4,576)	(1,030)	(4,617)	(629)	(1,109)	(4,423)	(21,034)
Closing net book amount	44,732	105,437	12,108	35,314	10,652	10,504	375,651	594,398
At 31 December 2022:								
Cost	224,831	142,252	15,735	109,238	33,676	26,262	445,629	997,623
Accumulated amortisation and impairment	(180,099)	(36,815)	(3,627)	(73,924)	(23,024)	(15,758)	(69,978)	(403,225)
Net book amount	44,732	105,437	12,108	35,314	10,652	10,504	375,651	594,398

Impairment testing of goodwill

Goodwill acquired through business combinations are mainly allocated to the following cash-generating units ("**CGUs**"), which are separate business operations, for annual impairment testing:

- Sports parks CGU
- Esports CGU
- Ice-skating rinks CGU
- Other CGUs

The carrying amount of goodwill allocated to each CGU with significant amount of goodwill:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Sports parks CGU	5,410	5,410	5,410
Esports 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 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 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. The pre-tax discounts rate applied to the cash flow projections for the years 2020, 2021 and 2022 are 28.7%, 24.4% and 23.1%, respectively. The growth rates used to extrapolate the cash flows of the sports parks CGU beyond the ten-year period for the years ended 31 December 2020, 2021 and 2022 are 2.5%, 2.0% and 2.0%, 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:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
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 the years ended 31 December 2020, 2021 and 2022, 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) Esports CGU

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

The recoverable amount of Esports 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 Esports 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 Esports.

The recoverable amount of the Esports 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 Esports CGU as at 31 December 2021 and 2022 in connection with the impairment testing of goodwill:

(a) the enterprise value/sales multiples ("**EV/Sales Multiple**") 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 Esports CGU (2021:20.6%; 2022: 20.6%); and

(c) appropriate amount of cost of disposal.

For the years ended 31 December 2020 and 2021, management believes that a reasonably possible change in any of the above key assumptions would not cause the carrying amount of the Esports CGU to materially exceed its recoverable amount.

As at 31 December 2020, the headroom of Esports CGU was approximately HK$21,499,000. If the revenue growth rate increases or decreases 5%, headroom of Esports 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 Esports CGU will be approximately HK$12,985,000 and approximately HK$31,185,000, respectively.

As at 31 December 2021, the headroom of Esports CGU was approximately HK$27,305,000. If the EV/Sales Multiple increases or decreases 5%, headroom of Esports CGU will be approximately HK$34,729,000 and approximately HK$19,882,000, respectively. If the discounts for lack of marketability ("**DLOM**") increases or decreases 1%, headroom of Esports CGU will be approximately HK$25,435,000 and approximately HK$29,175,000, respectively.

For the year ended 31 December 2022, impairment loss of HK$32,134,000 and HK$32,703,000 was 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.

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

The recoverable amount of the ice-skating rinks CGU as at 31 December 2020, 2021 and 2022 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% and 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 for the years ended 31 December 2020, 2021 and 2022 are 2.5%, 2.0% and 2.0%, respectively.

Assumptions were used in the value in use calculation of the ice-skating rinks 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:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
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 the years ended 31 December 2021 and 2022, 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 the year ended 31 December 2020, impairment loss of approximately HK$130,107,000 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%, impairment charge would decrease by HK$6,955,000 or increase HK$6,818,000, respectively. If the pre-tax discounted rate increases or decreases 1%, impairment charge would increase HK$10,158,000 or decrease HK$11,282,000, respectively.

(iv) Other CGUs

During the years ended 31 December 2020, 2021 and 2022, no impairment loss was recognised respectively on goodwill and other intangible assets of other CGUs in profit or loss.

15. INTERESTS IN ASSOCIATES AND JOINT VENTURES

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

Interests in associates

The following is a movement of interests in associates during the Track Record Period:

		For the year ended 31 December		
		2020	**2021**	**2022**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
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	*(a),(b),(c)*	(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

(a) The Group entered into a placing agreement ("**the Placing**") with The Hong Kong and Shanghai Banking Corporation Limited ("**HSBC**") on 31 March 2020 to sell 70,000,000 Li Ning Co Shares respectively. The Group's investments in Li Ning Co is considered as investments in associate and accounted for using the equity method before and after the Placing. Upon the completion of the Placing on 3 April 2020, the Group derecognised the carrying value of the associate proportionate to the percentage reduced, reclassified a proportionate amount of exchange fluctuation reserve previously recognised to the consolidated financial statements, resulting in net gain with net proceeds of HK$1,493.5 million and gain of HK$1,023.0 million respectively. For details, please refer to the announcements of the Company dated 1 April 2020 and the circular of the Company dated 13 May 2020.

(b) The Group entered into a placing agreement ("**the 2021 Placing**") with J.P. Morgan Securities (Asia Pacific) Limited on 18 May 2021 to sell 60,000,000 Li Ning Co Shares. The Group's investments in Li Ning Co is considered as investments in associate and accounted for using the equity method before and after the 2021 Placing. Upon the completion of the 2021 Placing on 21 May 2021, the Group derecognised the carrying value of the associate proportionate to the percentage reduced, reclassified a proportionate amount of exchange fluctuation reserve previously recognised to the consolidated financial statements, resulted in net gain with net proceeds of HK$3,786.9 million and gain of HK$3,338.8 million. For details, please refer to the announcements of the Company dated 18 May 2021.

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

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

On 27 October 2021, the Group held 271,201,543 Li Ning Co's shares, representing approximately 10.9% of the issued shares of Li Ning Co. The Group's shareholding in Li Ning Co was decreased from approximately 10.9% to 6.1% upon completion of the Top-up Placing and was restored to approximately 10.4% upon completion of the Top-up Subscription.

The deemed dilution gain arising from the Top-up Placing and Subscription with a decrease of 0.5% shareholding in Li Ning Co was HK$978.0 million.

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

Particulars of the Group's principal associates are as follows:

Name	Notes	Place of incorporation/ registration	Percentage of ownership interest directly attributable to the Group As at 31 December 2020	2021	2022	Principal activities
Li Ning Co	*(d)*	Cayman Islands	13.3%	10.4%	10.3%	Brand development, design, manufacture, sales and distribution of sport-related footwear, apparel, equipment and accessories in the PRC
CITIC Land		The PRC	29%	29%	29%	Property development and operation; property management; hotel investment and management; construction project and facilities contracting and equipment installations; decoration unit; landscaping; property development consultancy
Double Happiness	*(d)*	The PRC	10%	10%	10%	Manufacture, research and development, marketing and sales of principally table tennis and badminton equipment under its own "紅雙喜 (Double Happiness)" brand and other sports accessories

(d) Li Ning Co and Double Happiness are regarded as the Group's associates due to the existence of significant influence by the representation on the Li Ning Co and Double Happiness's board of directors.

As at 31 December 2020, 2021 and 2022, the market value of Li Ning Co's listed shares was HK$53.25 per share, HK$85.35 per share and HK$67.75 per share respectively. The number of Li Ning Co ordinary shares held by the Group as at 31 December 2020, 2021 and 2022 was approximately 331,202,000 Shares, 271,202,000 Shares and 271,202,000 Shares respectively.

The following table illustrates the summarised financial information of the Group's principal associate extracted from its financial information after adjusting for the impacts of adjustments made at the time of acquisition and adjustments for differences in accounting policies, if any (the one extracted from Li Ning Co is after adjusting for the impacts of adjustments made at the time of acquisition and adjustments for differences in accounting policies, if any, and for non-coterminous periods between the Group and Li Ning Co):

	Financial information of Li Ning Co for the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Gross amounts of the associate			
Current assets	11,923,332	21,919,778	15,249,178
Non-current assets	7,996,079	16,951,086	26,113,719
Current liabilities	6,625,226	9,423,166	9,929,185
Non-current liabilities	876,369	1,781,625	2,298,162
Net assets	12,417,816	27,666,073	29,135,550
Revenue for the year	15,790,515	24,161,773	30,994,547
Profit for the year	1,771,367	4,119,487	5,090,525
Other comprehensive loss	(14,134)	(55,269)	(7,479)
Total comprehensive income	1,757,233	4,064,218	5,083,046
Reconciliation to the Group's interests in the associate			
Gross amounts of net assets attributable to the equity holders of the associates	12,414,778	27,662,946	29,132,796
Group's effective interest	13.3%	10.4%	10.3%
Group's share of net assets of the associates	1,651,165	2,868,648	3,000,678
Goodwill	751,426	599,527	550,722
Carrying amount in the consolidated financial statements	2,402,591	3,468,175	3,551,400

The Group's Historical Financial Information include the Group's share of the results and reserves of Li Ning Co for the twelve months ended 30 September 2020, 2021 and 2022 and adjusted for any significant events or transactions for the period from 1 October 2020 to 31 December 2020, 1 October 2021 to 31 December 2021 and 1 October 2022 to 31 December 2022 respectively. The Group has adopted the provision contained in HKAS 28 whereby it is permitted to include the attributable share of associates' results based on accounts drawn up to a non-coterminous period end where the difference must be no greater than three months. There is no non-coterminous period end for other associates and joint ventures.

Interests in joint ventures

During the years ended 31 December 2020, 2021 and 2022, no impairment loss of investment in a joint venture was recognised in profit or loss.

Commitments in respect of associates and joint ventures

The Group has no commitment to provide funding for associates' and joint ventures' capital commitment as at 31 December 2020, 2021 and 2022.

16. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

		As at 31 December					
		2020		2021		2022	
	Notes	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Forward currency contracts	*(a)*	1,464	456	–	–	–	–
Loan and interest receivables	*(b)*	271,874	–	587,129	–	–	–
		273,338	456	587,129	–	–	–

(a) The carrying amounts of the forward currency contracts as at 31 December 2020 were the same as their fair values. The above transactions involving financial assets/liabilities at fair value through profit or loss are conducted with creditworthy financial institutions with credit ratings from A-1 to A-1+.

During the years ended 31 December 2020 and 2021, the Group entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The net gains in the fair value of these non-hedging foreign currency contracts amounting to HK$458,000 and HK$1,008,000 were credited to profit or loss during the years ended 31 December 2020 and 2021, respectively.

(b) Amount represented a loan with principal amount of HK$269,484,000 (equivalent to GBP25,500,000), HK$563,774,000 (equivalent to GBP53,550,000) and nil as at 31 December 2020, 2021 and 2022, respectively, at an interest rate of 4% per annum due from LionRock Capital GP Limited ("**Lionrock**"). Pursuant to a loan agreement (the "**Loan Agreement**") entered into between Viva China Consumables and LionRock Capital GP Limited acting in its capacity as the general partner of LionRock L.P. on 28 September 2020, 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 owner subsidiary of the Company, in order to subscribe for equity in LionRock Capital Partners QiLe Limited (the "**SPV**"), a company wholly owned by LionRock, 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 business model.

The acquisition of the SPV was completed on 2 July 2022. The loan and interest receivables were setting off against the subscription amount payable, and the loan was deemed fully paid and satisfied in full and was terminated upon the completion of the acquisition.

For details of the Loan Agreement, please refer to the announcements of the Company dated 28 September 2020.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Government bonds	–	–	7,959

The above debt investments were irrevocably designated at fair value through other comprehensive income as the objective of the Group in holding these debt investments is to collect contractual cash flows and to sell the financial assets.

18. DERIVATIVE FINANCIAL INSTRUMENTS

(i) Derivative financial instruments

The Group has the following derivative financial instruments:

	As at 31 December		
	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

	As at 31 December		
	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 abilities	–	–	–

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

(ii) Cash flow hedge

The Group's hedging reserves relate to the following hedging instruments:

	Cash flow hedge reserve
	HK$'000
As at 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021 and 1 January 2022	–
Fair value loss of hedging instrument recognised in other comprehensive income	25,663
Reclassified from other comprehensive income to profit or loss	1,378
Deferred tax	(6,760)
Non-controlling interest	(15,006)
As at 31 December 2022	5,275

Amounts recognised in profit or loss

In addition to the amounts disclosed in the reconciliation of hedging reserves above, the following amounts were recognised in profit or loss in relation to derivatives:

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Net gain on foreign currency forwards not qualifying as hedges included in profit or loss	–	–	22,521
Hedge ineffectiveness of foreign currency forwards – amount recognised in other gains	–	–	518

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

19. DEFINED BENEFITS SCHEMES

	As at 31 December								
	2020			2021			2022		
	UK	USA	Total	UK	USA	Total	UK	USA	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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 Group, through Clark Group, operates pension schemes in the UK and USA including defined benefit and defined contribution sections. The defined benefit plans under the schemes in the UK and USA are administered by separate funds that are legally separated from the entities. 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. Both UK and USA schemes were closed to new participates in 2018.

Full actuarial valuations were carried out by qualified independent actuaries for the UK and USA defined benefit schemes.

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

Investment risk

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

Interest risk

A decrease in the bond interest rate will increase the plan obligation but this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's obligation.

Salary risk

The present value of the defined benefit plan obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's obligation.

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation and net plan assets over the year are as follows:

	Present value of obligation	Fair value of plan assets	Total
	HK$'000	*HK$'000*	*HK$'000*
1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021 1 January 2022	–	–	–
Current service cost	2,594	–	2,594
Administration costs	7,191	3,900	11,091
Interest expense/(income)	122,593	(135,884)	(13,291)
Past service costs	2,773	–	2,773
Total amount recognised in profit or loss for the year ended 31 December 2022	135,151	(131,984)	3,167
Remeasurements			
Return on plan assets, excluding amounts included in interest (income)	–	1,480,567	1,480,567
Actuarial gain from change in demographic assumptions	(35,221)	–	(35,221)
Actuarial gain from change in financial assumptions	(867,858)	–	(867,858)
Total amount recognised in other comprehensive income for the year ended 31 December 2022	(903,079)	1,480,567	577,488
Acquired in business combination *(Note 39)*	9,072,310	(10,371,951)	(1,299,641)
Exchange differences	(97,887)	119,964	22,077
Contributions:			
Employers	–	(32,465)	(32,465)
Benefits paid	(258,815)	258,815	–
As at 31 December 2022	7,947,680	(8,677,054)	(729,374)

The net assets disclosed above relates to funded and unfunded plans as follows:

	As at 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
Present value of funded obligations	–	–	7,940,622
Fair value of plan assets	–	–	(8,677,054)
Surplus of funded plans	–	–	(736,432)
Present value of unfunded obligations	–	–	7,058
Total surplus of defined benefit pension plans (before asset ceiling)	–	–	(729,374)

Plan assets

The major categories of the fair value of the total plan assets are as follows:

	As at 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
Equities	–	–	240,664
Bonds	–	–	4,277,266
Real assets/infrastructure	–	–	745,094
Insurance contract	–	–	1,778,496
Alternative credit/diversifying strategies	–	–	1,231,225
Cash	–	–	404,309
Total plan assets	–	–	8,677,054

Included in the above, there are debt securities of HK$3,847.0 million where the fair value of these debt instruments is determined based on quoted market prices as at 31 December 2022.

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

	UK plan assets as at 31 December			USA plan assets as at 31 December		
	2020	**2021**	**2022**	**2020**	**2021**	**2022**
Asset category						
Equities	N/A	N/A	0%	N/A	N/A	27%
Bonds	N/A	N/A	52%	N/A	N/A	22%
Real assets/infrastructure	N/A	N/A	7%	N/A	N/A	22%
Insurance contract	N/A	N/A	23%	N/A	N/A	0%
Alternative credit/ diversifying strategies	N/A	N/A	13%	N/A	N/A	27%
Cash	N/A	N/A	5%	N/A	N/A	2%
	N/A	N/A	100%	N/A	N/A	100%

The weighted average duration of the defined benefit obligation is 11.4 years as at 31 December 2022.

The significant actuarial assumptions were as follows:

	As at 31 December					
	2020		**2021**		**2022**	
	UK	**USA**	**UK**	**USA**	**UK**	**USA**
Discount rate	N/A	N/A	N/A	N/A	4.75%	5.40%
Rate of increase in pensions in payment	N/A	N/A	N/A	N/A	2.45%-3.05%	N/A
Rate of increase in pensions in deferment	N/A	N/A	N/A	N/A	2.45%	N/A
Inflation assumption	N/A	N/A	N/A	N/A	3.15%	N/A

		UK as at 31 December			USA as at 31 December		
		2020	2021	2022	2020	2021	2022
Weighted average mortality rate assumptions used to determine net pension cost for the period end							
Member age 65 (current life expectancy)	Male	N/A	N/A	22.2	N/A	N/A	20.7
	Female	N/A	N/A	24.1	N/A	N/A	22.6
Member age 45 (life expectancy at age 65)	Male	N/A	N/A	23.4	N/A	N/A	22.2
	Female	N/A	N/A	25.9	N/A	N/A	24.1

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

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

	UK as at 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
Base case	N/A	N/A	6,991,588
0.5% decrease in discount rate	N/A	N/A	7,153,632
1 year increase in member life expectation	N/A	N/A	7,035,632
+0.5% change in inflation	N/A	N/A	7,032,800

	USA as at 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
Base case	N/A	N/A	956,092
0.5% decrease in discount rate	N/A	N/A	1,011,047
1 year increase in member life expectation	N/A	N/A	981,046

20. INVENTORIES

	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)
	183,863	281,279	4,061,130

Reversal of provision for inventories amounted to HK$5,798,000 and provision for inventories amounted to HK$822,000 and HK$47,037,000 have been included in "cost of sales" in the consolidated statement of profit or loss for the years ended 31 December 2020, 2021 and 2022 respectively.

As at 31 December 2022, certain inventories of the Group's subsidiaries were charged as security for bank borrowings. As at 31 December 2020 and 2021, no inventory has been charged as security. Details are set out in Note 28.

21. TRADE DEBTORS AND BILLS RECEIVABLE

	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)
	82,887	97,996	859,478

The Group's trading terms with its customers are mainly on credit, generally 30 to 90 days, extending up to six months for major customers. Each customer has a maximum credit limit. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade debtors and bills receivable balances. Trade debtors and bills receivable are non-interest-bearing.

As at 31 December 2022, certain trade receivables of the Group's subsidiaries were charged as security for bank borrowings. As at 31 December 2020 and 2021, no trade debtors receivables has been charged as security. Details are set out in Note 28.

An ageing analysis of the trade debtors and bills receivable based on the payment due date is as follows:

	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

Information about the impairment of trade debtors and the Group's exposure to credit risk, foreign currency risk and interest risk can be found in Note 44.

As at 31 December 2020, 2021 and 2022, included in the Group's trade debtors and bills receivable are amounts of HK$3,861,000, HK$26,701,000 and HK$40,930,000 due from associates respectively. As at 31 December 2020, 2021 and 2022, included in the Group's trade debtors and bills receivable are amounts of nil, nil and HK$42,665,000 due from a joint venture respectively.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		As at 31 December		
		2020	**2021**	**2022**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments		85,413	334,252	789,146
Deposits and other receivables	*(a)*	232,219	223,672	329,223
Less: loss allowance for deposits and other receivables	44	(94,836)	(96,013)	(95,321)
		222,796	461,911	1,023,048
Less: current portion		(167,551)	(160,028)	(681,272)
Non-current prepayment, deposits and other receivables	*(b)*	55,245	301,883	341,776

Notes:

(a) Deposits and other receivables are measured at amortised costs. The detail information about the credit risk and impairment analysis of deposits and other receivables can be found in Note 44.

(b) As at 31 December 2021 and 2022, the Group's non-current prepayment, deposits and other receivables mainly included amounts of HK$253,177,000 and HK$280,976,000 respectively down payment for the acquisition of properties located in Shanghai, PRC.

23. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents other than time deposits	982,537	742,481	1,561,063
Time deposits – less than three months	874,904	1,787,182	1,413,740
Cash and cash equivalents	1,857,441	2,529,663	2,974,803

As at 31 December 2020, 2021 and 2022, the cash and cash equivalents of the Group denominated in RMB amounted to approximately HK$459,196,000, HK$472,345,000 and HK$316,591,000, approximately HK$385,718,000, HK$368,152,000 and HK$285,581,000 of which was domiciled in mainland China. The RMB is not freely convertible into other currencies in mainland China, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

(b) Net debt

This section sets out an analysis of net debt and the movements in net debt for the Track Record Period.

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Net debt			
Cash and cash equivalents (included bank overdraft)	1,857,441	2,529,663	2,930,189
Deposits with banks with maturity period over three months	–	4,284	3,962
Restricted bank balances	3,627	6,855	19,615
Bank borrowings (excluded bank overdraft)	(1,256,000)	–	(299,516)
Lease liabilities	(408,788)	(486,319)	(1,957,299)
Net debt	196,280	2,054,483	696,951

	Liabilities from financing activities			Other assets			
	Bank loans	Lease liabilities	Sub-total	Cash and cash equivalents	Deposits with banks with maturity period over three months	Restricted bank balances	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net debt as at 1 January 2020	(1,256,000)	(184,638)	(1,440,638)	649,262	–	3,342	(788,034)
Cash flows	102,771	103,685	206,456	1,023,968	–	–	1,230,424
Interest expenses	(47,942)	(17,198)	(65,140)	–	–	–	(65,140)
Acquisition of subsidiaries	(54,829)	(273,064)	(327,893)	170,753	–	57	(157,083)
Addition – leases	–	(38,954)	(38,954)	–	–	–	(38,954)
Modification – leases	–	12,623	12,623	–	–	–	12,623
Foreign exchange adjustments	–	(11,242)	(11,242)	13,458	–	228	2,444
Net debt as at 31 December 2020 and 1 January 2021	(1,256,000)	(408,788)	(1,664,788)	1,857,441	–	3,627	196,280
Cash flows	1,272,078	169,114	1,441,192	667,896	4,284	3,121	2,116,493
Interest expenses	(16,078)	(20,971)	(37,049)	–	–	–	(37,049)
Addition – leases	–	(262,880)	(262,880)	–	–	–	(262,880)
Modification – leases	–	49,239	49,239	–	–	–	49,239
Foreign exchange adjustments	–	(12,033)	(12,033)	4,326	–	107	(7,600)
Net debt as at 31 December 2021 and 1 January 2022	–	(486,319)	(486,319)	2,529,663	4,284	6,855	2,054,483
Cash flows	215,759	374,389	590,148	(536,573)	–	12,630	66,205
Interest expenses	(20,864)	(50,229)	(71,093)	–	–	–	(71,093)
Acquisition of subsidiaries	(526,841)	(1,428,065)	(1,954,906)	990,962	–	1,007	(962,937)
Addition – leases	–	(416,404)	(416,404)	–	–	–	(416,404)
Modification – leases	–	(16,856)	(16,856)	–	–	–	(16,856)
Foreign exchange adjustments	32,430	66,185	98,615	(53,863)	(322)	(877)	43,553
Net debt as at 31 December 2022	(299,516)	(1,957,299)	(2,256,815)	2,930,189	3,962	19,615	696,951

(c) Company

	As at 31 December		
	2020	**2021**	**2022**
	HK\$'000	*HK\$'000*	*HK\$'000*
Cash and cash equivalents other than time deposits	394,341	150,191	373,911
Time deposits – less than three months	826,055	1,758,100	1,354,370
Cash and cash equivalents	1,220,396	1,908,291	1,728,281

As at 31 December 2020, 2021 and 2022, the cash and cash equivalents of the Company denominated in HKD amounted to approximately HK\$950,820,000, HK\$1,842,897,000 and HK\$913,196,000 respectively.

24. RESTRICTED BANK BALANCES

	As at 31 December		
	2020	**2021**	**2022**
	HK\$'000	*HK\$'000*	*HK\$'000*
Restricted bank balances			
Current	3,627	3,183	2,635
Non-current	–	3,672	16,980
	3,627	6,855	19,615

The restricted bank balances were pledged as security for the operation of sports parks and as security for bank guarantee for subsidiaries of the Group.

25. TRADE, BILLS AND OTHER PAYABLES

	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
Other payables	201,134	272,913	691,061
	313,627	518,084	2,796,593

As at 31 December 2022, included in trade payables is HK$351.6 million relating to a vendor financing facility arrangement with a bank, allowing certain suppliers to be paid earlier (by the bank) than the Group's standard payments terms. If this option is taken by the supplier, the Group will no longer be able to make earlier direct payments to the supplier and will pay to the partner bank under the Group's standard payments terms when the payable becomes due. The Group has determined that the terms of the trade payable under this arrangement are substantially unchanged and that it is continued presenting the relevant amounts within trade and other payables. No vendor financing facility arrangement is included in trade payables as at 31 December 2020 and 2021.

The normal credit period for trade payables generally ranges from 30 to 60 days. These terms may be extended by certain suppliers. Ageing analysis of trade payables based on due date at the respective balance sheet date is as follows:

	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
3-6 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

As at 31 December 2020, 2021 and 2022, included in the Group's trade, bills and other payables are amounts of HK$2,570,000, HK$1,221,000 and HK$7,807,000 due to associates respectively.

26. ACCRUALS

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Accruals	122,612	136,069	642,695

As at 31 December 2020, 2021 and 2022, included in the Group's accruals are amounts of HK$70,106,000, HK$75,845,000 and HK$236,616,000 for accrued staff cost respectively. Other accruals mainly represent accrued rent, professional fee and other operating costs.

27. DEFERRED INCOME

The movements in deferred income as stated under current and non-current liabilities are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount at the beginning of the year	10,831	9,810	7,759
Government grants received during the year	32,372	–	–
Credited to profit or loss	(33,187)	(2,300)	(1,028)
Currency translation differences	(206)	249	(552)
Carrying amount at the end of the year	9,810	7,759	6,179
Less: current portion	(2,100)	(1,199)	(453)
	7,710	6,560	5,726

Deferred income mainly represents government grants obtained for the purpose of subsidising subsidiaries' operation. Government grants received are initially recognised in the consolidated statement of financial position as deferred income and are amortised through profit or loss on a systematic basis over the periods in which the grants are intended to compensate.

28. BANK BORROWINGS

	As at 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
Bank overdraft, unsecured	–	–	41,652
Bank overdraft, secured	–	–	2,962
Bank loans, secured	1,256,000	–	299,516
	1,256,000	–	344,130
Less: Current portion	–	–	(55,934)
	1,256,000	–	288,196

As at 31 December 2020, bank loans bear floating rate of HIBOR plus basis. As at 31 December 2022, bank loans bear 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, loan represented collateralised bank loan which is secured by interest in an associate with a carrying amount of approximately HK$1,315,718,000, and the loan is subject to certain covenants requirement relating to the quoted price of the associate.

As at 31 December 2021, no assets have been charged as security.

As at 31 December 2022, property, plant and equipment of HK$8,477,000, financial assets at fair value through other comprehensive income of HK$7,959,000, inventories and trade receivables of HK$863,883,000 had been charged as security for bank borrowings of subsidiaries of the Group.

The Group has not breached any covenants for the years ended 31 December 2020, 2021 and 2022.

29. DEFERRED TAX ASSETS AND LIABILITIES

Net deferred tax assets recognised in the consolidated statement of financial position are as follows:

	As at 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets	24,384	26,397	120,127
Deferred tax liabilities	(80,669)	(87,738)	(96,664)
	(56,285)	(61,341)	23,463

The movement in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets movement	Impairment and other temporary differences	Lease liabilities	Depreciation allowance in excess of related depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 1 January 2020	21,654	2,046	–	–	23,700
Acquisition of subsidiaries	389	–	–	–	389
(Charged)/credited to profit or loss	(2,502)	1,440	–	–	(1,062)
Currency translation difference	1,357	–	–	–	1,357
At 31 December 2020 and 1 January 2021	20,898	3,486	–	–	24,384
(Charged)/credited to profit or loss	(2,320)	3,615	–	–	1,295
Currency translation difference	483	235	–	–	718
At 31 December 2021 and 1 January 2022	19,061	7,336	–	–	26,397
Acquisition of subsidiaries	70,575	–	58,263	229,212	358,050
Credited/(charged) to profit or loss	88,974	4,361	(27,199)	12,934	79,070
Credited to other comprehensive income	6,760	–	–	–	6,760
Currency translation difference	(372)	–	(1,073)	(1,650)	(3,095)
At 31 December 2022	184,998	11,697	29,991	240,496	467,182
Set-off of deferred tax liabilities					(347,055)
					120,127

Deferred tax liabilities movement	Revaluation of investment properties HK$'000	Intangible assets HK$'000	Pension Obligations HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Other temporary differences HK$'000	Total HK$'000
At January 2020	–	(49,488)	–	(50)	–	–	(49,538)
Acquisition of subsidiaries	(31,652)	(2,118)	–	–	–	–	(33,770)
(Charged)/credited to profit or loss	(481)	6,075	–	–	–	–	5,594
Currency translation difference	–	(2,952)	–	(3)	–	–	(2,955)
At 31 December 2020 and 1 January 2021	(32,133)	(48,483)	–	(53)	–	–	(80,669)
(Charged)/credit to profit or loss	(12,347)	6,531	–	–	–	–	(5,816)
Currency translation difference	–	(1,251)	–	(2)	–	–	(1,253)
At 31 December 2021 and 1January 2022	(44,480)	(43,203)	–	(55)	–	–	(87,738)
Acquisition of subsidiaries	–	–	(340,862)	(26,030)	(92,890)	(62,666)	(522,448)
Credited/(charged) to profit or loss	31,460	6,346	(8,319)	–	(6,258)	(4,279)	18,950
Credited to other comprehensive income	–	–	136,957	–	–	–	136,957
Currency translation difference	–	2,889	6,385	222	623	441	10,560
At 31 December 2022	(13,020)	(33,968)	(205,839)	(25,863)	(98,525)	(66,504)	(443,719)
Set-off of deferred tax assets							347,055
							(96,664)

As at 31 December 2020, 2021 and 2022, the Group had tax losses arising in Hong Kong of approximately HK$1,150,637,000, HK$1,365,534,000 and HK$1,771,126,000 respectively, subject to the confirmation of tax losses from the Hong Kong Inland Revenue Department. These tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

As at 31 December 2020, 2021 and 2022, the Group also has tax losses arising in mainland China of HK$398,275,000, HK$474,623,000 and HK$783,049,000 that will expire within five years to offsetting against future taxable profits respectively.

As at 31 December 2022, the Group had estimated tax losses arising in the USA of HK$1,703,397,000 that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. There was no such estimated tax losses arising in the USA as at 31 December 2020 and 2021.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liability has not been recognised for withholding taxes that would be payable on certain portions of the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in the PRC as all of those profits will not be distributed in the foreseeable future.

During the year ended 31 December 2022, the reversal of deferred tax liabilities of HK$30,616,000 was arising from the disposal of investment properties in March 2022.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. PROVISION

	Dilapidation provision#	Onerous lease provision	Guarantee to joint venture*	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020, 31 December 2020, 1 January 2021, 31 December 2021 and 1 January 2022	–	–	–	–	–
Acquisition of subsidiaries	51,909	7,667	99,680	38,176	197,432
Charged to profit or loss	9,135	3,968	–	11,229	24,332
Amounts utilised	(521)	(2,132)	–	–	(2,653)
Amount released	(4,325)	(2,660)	–	(4,376)	(11,361)
Currency translation difference	516	(292)	(5,387)	(226)	(5,389)
Balance at 31 December 2022	56,714	6,551	94,293	44,803	202,361
Less: current portion	–	–	(94,293)	–	(94,293)
Non-current portion	56,714	6,551	–	44,803	108,068

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

* A provision is recognised in relation to a guarantee provided by Clark Group to its joint venture.

31. SHARE CAPITAL

Shares

	As at 31 December					
	2020		2021		2022	
		Nominal value		Nominal value		Nominal value
	No. of shares	*HK\$'000*	*No. of shares*	*HK\$'000*	*No. of shares*	*HK\$'000*
Authorised:						
Ordinary shares of HK\$0.05 each ("**Ordinary Shares**")	20,000,000,000	1,000,000	20,000,000,000	1,000,000	20,000,000,000	1,000,000
Redeemable convertible preferred shares of HK\$0.01 each ("**Preferred Shares**")	6,000,000,000	60,000	6,000,000,000	60,000	6,000,000,000	60,000
Total	26,000,000,000	1,060,000	26,000,000,000	1,060,000	26,000,000,000	1,060,000
Issued and fully paid:						
Ordinary Shares	9,496,332,726	474,817	9,621,242,726	481,062	9,680,413,727	484,021

A summary of the movements in the Company's issued capital during the Track Record Period is as follows:

Issued Capital

	Notes	Number of Ordinary Shares in issue	Issued capital *HK\$'000*	Share premium account *HK\$'000*	Total *HK\$'000*
At 1 January 2020		8,864,332,726	443,217	2,543,460	2,986,677
Issue of ordinary shares	*(a)*	632,000,000	31,600	173,800	205,400
Dividend paid		–	–	(298,505)	(298,505)
At 31 December 2020 and 1 January 2021		9,496,332,726	474,817	2,418,755	2,893,572
Issue of ordinary shares	*(b)*	124,910,000	6,245	166,232	172,477
Dividend paid		–	–	(1,504,119)	(1,504,119)
At 31 December 2021 and 1 January 2022		9,621,242,726	481,062	1,080,868	1,561,930
Issue of ordinary shares	*(c)*	59,171,001	2,959	47,227	50,186
At 31 December 2022		9,680,413,727	484,021	1,128,095	1,612,116

Notes:

(a) 632,000,000 Ordinary Shares were issued upon conversion of part of the perpetual convertible bonds during the year of 2020.

(b) 64,910,000 Ordinary Shares were issued upon exercise of certain share options for proceeds totalling HK$32,450,000 and 60,000,000 Ordinary Shares were issued upon conversion of part of the perpetual convertible bonds during the year of 2021. The proceeds of issues upon exercise of certain share options had been applied towards general working capital of the Group.

(c) 59,171,001 Ordinary Shares were issued upon exercise of certain share options during the year ended 31 December 2022 for proceeds totalling HK$39,645,000. The proceeds of such issues had been applied towards general working capital of the Group.

32. SHARE OPTION SCHEME

(I) Share option scheme of the Company

(A) 2010 share option scheme

On 29 June 2010, the Company passed an ordinary resolution to adopt a share option scheme (the "**2010 Scheme**") for the purpose of providing incentives to participants to contribute to the Group and/or to enable the Group to recruit high-calibre employees and/or attract human resources that are valuable to the Group. Participants of the 2010 Scheme include employee, officer, agent, consultant, business associate or representative of the Company or any subsidiary or otherwise contributes to the success of the Group, including any executive, non-executive or independent non-executive director of the Company or any subsidiary, who, as the board of directors or a committee comprising directors and members of the senior management of the Company (as the case may be) may determine in its absolute discretion, is regarded as valuable human resources of the Group based on his working experience, knowledge in the industry and other relevant factors, and subject to such conditions as the board of directors or such committee (as the case may be) may think fit.

The overall limit on the number of Ordinary Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2010 Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the number of Ordinary Shares in issue from time to time. In addition, the total number of Ordinary Shares which may be issued upon exercise of all options granted together with all options to be granted under the 2010 Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the nominal amount of all the Ordinary Shares in issue as at the date of adoption of the 2010 Scheme (the "**2010 Scheme Mandate Limit**"). The Company may, from time to time, refresh the 2010 Scheme Mandate Limit by obtaining the approval of the shareholders in general meeting. Once refreshed, the total number of Ordinary Shares which may be issued upon exercise of all options to be granted under the 2010 Scheme and all other share option schemes of the Company under the limit, as refreshed, must not exceed 10% of the number of Ordinary Shares in issue as at the date of approval of the refreshment by the Shareholders.

The 2010 Scheme Mandate Limit amounted to 878,060,472 Ordinary Shares following the approval of refreshment by the Shareholders on 16 June 2017.

The maximum number of Ordinary Shares issuable under share options to each eligible participant in the 2010 Scheme within any 12-month period is limited to 1% of the Ordinary Shares of the Company in issue as at the proposed date of grant. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

The offer of a grant of share options under the 2010 Scheme may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors or such committee, save that such period shall not be more than 10 years from the date of grant. Unless the Board may otherwise determine, there is no minimum period required under the 2010 Scheme for the holding of an option before it can be exercised.

The exercise price of share options is determinable by the Board or such committee, but shall be at least the highest of (i) the Stock Exchange closing price of the Ordinary Shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Ordinary Shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Ordinary Shares.

The 2010 Scheme was valid and effective for a period of 10 years commencing on 29 June 2010 and expired on 29 June 2020. Upon expiry of the 2010 Scheme, no further share options should be granted thereunder. The share options granted under the 2010 Scheme which remained outstanding immediately prior to the expiry of the 2010 Scheme shall continue to be valid and exercisable in accordance with the terms of grant and the 2010 Scheme.

(B) 2021 share option scheme

On 18 January 2021, the Company passed an ordinary resolution to adopt a new share option scheme (the "**2021 Scheme**") for the purpose to recognise and acknowledge the contributions that participants have made or may make to the Group, to provide incentives and/or reward to participants for their contributions to the Group and/or to enable the Group to recruit high-calibre employees and/or attract human resources that are valuable to the Group. Participants of the 2021 Scheme include employee, officer, agent, consultant, business associate or representative of the Company or any subsidiary or otherwise contributes to the success of the Group, including any executive, non-executive or independent non-executive director of the Company or any subsidiary who, as the Board or a committee comprising Directors and members of senior management of the Company (as the case may be) may determine in its absolute discretion, is regarded as valuable human resources of the Group who has made important contributions to the development of the Group based on his work experience, knowledge in the industry and other relevant factors, and subject to such conditions as the Board or such committee (as the case may be) may think fit. The 2021 Scheme will remain in force for period of 10 years commencing on 18 January 2021.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2021 Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the number of Shares in issue from time to time. In addition, the total number of Shares which may be issued upon exercise of all options to be granted under the 2021 Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the nominal amount of all the Shares in issue as at the date of adoption of the 2021 Scheme (the "**2021 Scheme Mandate Limit**"). The Company may, from time to time, refresh the 2021 Scheme Mandate Limit by obtaining the approval of the shareholders in general meeting. Once refreshed, the total number of Shares which may be issued upon exercise of all options to be granted under the 2021 Scheme and all other share option schemes of the Company under the limit, as refreshed, must not exceed 10% of the number of Shares in issue as at the date of approval of the refreshment by the Shareholders. On the basis of 9,496,332,726 Shares in issue on the date of adoption of the 2021 Scheme, the maximum number of shares that may be issued upon exercise of share options that may be granted under it is 949,633,272 Shares.

The maximum number of shares issuable under share options to each eligible participant in the 2021 Scheme within any 12-month period is limited to 1% of the shares of the Company in issue as at the proposed date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options under the 2021 Scheme may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board or such committee, save that such period shall not be more than 10 years from the date of grant. Unless the Board may otherwise determine, there is no minimum period required under the 2021 Scheme for the holding of an option before it can be exercised.

The exercise price of share options is determinable by the Board or such committee, but shall be at least the highest of (i) the Stock Exchange closing price of the Shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding during the year:

	Notes	**Weighted average exercise price** *(HK$ per share)*	**Number of options** *'000*
At 1 January 2020	*(d), (e)*	0.71	221,154
Lapsed during the year	*(b)*	0.79	(94,729)
At 31 December 2020 and 1 January 2021	*(d), (e)*	0.65	126,425
Granted during the year	*(a)*	0.67	288,600
Lapsed during the year	*(b)*	0.79	(66,425)
Exercised during the year	*(c)*	0.50	(64,910)
At 31 December 2021 and 1 January 2022	*(d), (e)*	0.67	283,690
Granted during the year	*(a)*	1.30	15,304
Lapsed during the period	*(b)*	0.75	(7,621)
Exercised during the period	*(c)*	0.67	(59,171)
At 31 December 2022	*(d), (e)*	0.71	232,202

Equity-settled share option expenses of HK$5,862,000, HK$33,922,000 and HK$17,743,000 were recognised in profit or loss in respect of the share options granted under the 2010 Scheme and 2021 Scheme during the years ended 31 December 2020, 2021 and 2022 respectively.

Notes:

(a) The fair values of the share options granted under the 2010 Scheme during the year ended 31 December 2020 were HK$868,000 in aggregate while the fair values of the share options granted under the 2021 Scheme during the year ended 31 December 2021 and 2022 were approximately HK$55,938,000 and 5,540,000 in aggregate. The fair values were estimated as at the respective dates of grant using a binominal model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	For the year ended 31 December		
	2020	**2021**	**2022**
Dividend yield *(%)*	N/A	3.6	5.1
Expected volatility *(%)*	N/A	44.3-46.5	43.2-52.3
Expected life of options *(years)*	N/A	2-8	0.08-8
Risk-free interest rate *(%)*	N/A	0.1-0.6	0.1-2.8

(b) 94,729,000 and 66,425,000 share options granted under the 2010 Scheme were lapsed during the years ended 31 December 2020 and 2021. 7,621,000 shares options granted under the 2021 Scheme were lapsed during the year ended 31 December 2022.

(c) Total nil, 64,910,000 and 59,171,000 share options granted under the 2010 Scheme and 2021 Scheme were exercised during the years ended 31 December 2020, 2021 and 2022 respectively.

(d) As at 31 December 2020, the Company had 126,425,000 share options outstanding under 2010 Scheme, which represented approximately 1.3% of the Ordinary Shares in issue as at 31 December 2020. As at 31 December 2021 and 2022, the Company had 283,690,000 and 232,202,000 share options outstanding under 2021 Scheme, which represented 2.9% and 2.4% of the Ordinary Shares in issue as at 31 December 2021 and 2022 respectively.

(e) The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 December 2020

Number of options *('000)*	Exercise price* *(HK$ per share)*	Exercise period
64,425	0.8	20 Jan 2019 to 19 Jan 2021
20,000	0.478	5 Sep 2019 to 4 Sep 2021
2,000	0.478	15 Aug 2020 to 14 Aug 2022
20,000	0.49	5 Sep 2020 to 4 Sep 2022
20,000	0.49	5 Sep 2021 to 4 Sep 2023
126,425		

31 December 2021

Number of options *('000)*	Exercise price* *(HK$ per share)*	Exercise period
890	0.67	18 Jan 2021 to 17 Jan 2023
94,267	0.67	18 Jan 2022 to 17 Jan 2027
94,267	0.67	18 Jan 2023 to 17 Jan 2028
94,266	0.67	18 Jan 2024 to 17 Jan 2029
283,690		

31 December 2022

Number of options *('000)*	Exercise price* *(HK$ per share)*	Exercise period
562	0.67	18 Jan 2021 to 17 Jan 2023
34,002	0.67	18 Jan 2022 to 17 Jan 2027
91,667	0.67	18 Jan 2023 to 17 Jan 2028
4,768	1.30	8 Jul 2023 to 7 Jul 2028
91,667	0.67	18 Jan 2024 to 17 Jan 2029
4,768	1.30	8 Jul 2024 to 7 Jul 2029
4,768	1.30	8 Jul 2025 to 7 Jul 2030
232,202		

* *The exercise prices of the share options are subject to adjustment in the event of any capitalisation issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than issuance of Ordinary Shares as consideration in respect of a transaction)*

As at 31 December 2020, the exercise in full of the outstanding share options under the 2010 Scheme would, under the present capital structure of the Company, result in the issue of 126,425,000 additional Ordinary Shares and additional share capital of HK$6,321,000 and share premium of HK$75,335,000 respectively, before taking into account any transfer of share option reserve to the share premium account.

As at 31 December 2021, the exercise in full of the outstanding share options under the 2021 Scheme would, under the present capital structure of the Company, result in the issue of 283,690,000 additional Ordinary Shares and additional share capital of HK$14,184,000 and share premium of HK$175,888,000, before taking into account any transfer of share option reserve to the share premium account.

As at 31 December 2022, the exercise in full of the outstanding share options under the 2021 Scheme would, under the present capital structure of the Company, result in the issue of 232,202,000 additional Ordinary Shares and additional share capital of HK$11,610,000 and share premium of HK$152,977,000, before taking into account any transfer of share option reserve to the share premium account.

(II) Share option scheme of a subsidiary

Bossini, a non-wholly owned subsidiary of the Company and shares of which are listed on the Main Board of the Stock Exchange (stock code: 592), operates a share option scheme (the "**Bossini Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Bossini Group.

Eligible participants of the Bossini Share Option Scheme include executive directors, non-executive directors (including independent non-executive directors), and other full-time or part-time employees of Bossini, and its subsidiaries. The Bossini Share Option Scheme became effective on 12 November 2013 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of ordinary shares in the share capital of Bossini (the "**Bossini Shares**") which may be issued upon exercise of all share options to be granted under the Bossini Share Option Scheme and any other future share option schemes of Bossini (excluding share options forfeited in accordance with the terms of the Bossini Share Option Scheme or any other future share option schemes of Bossini) shall not exceed 10% of the total number of shares in issue on 12 November 2013, the date of the annual general meeting that Bossini sought the approval of the shareholders of Bossini for the adoption of the Bossini Share Option Scheme. The number of shares issuable under the Bossini Share Option Scheme was 162,077,939, which represented 10% of Bossini's shares in issue at 12 November 2013.

The maximum number of shares issuable under share options to each participant in the Bossini Share Option Scheme within any 12-month period is limited to 1% of the total number of shares of Bossini in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting with such participant and his associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of Bossini, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is a grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of Bossini, or to any of their respective associates, in excess of 0.1% of the shares of Bossini in issue at any time or with an aggregate value (based on the closing price of Bossini's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of grant of the share options. Share options granted during the term of the Bossini Share Option Scheme and remain unexercised immediately prior to the end of the 10-year period of the Bossini Share Option Scheme shall continue to be exercisable in accordance with their terms of grant within the exercise period for which such options are granted, notwithstanding the expiry of the Bossini Share Option Scheme.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of Bossini's shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of Bossini's shares for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of Bossini's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding during the years ended 31 December 2020, 2021 and 2022:

	Notes	Weighted average exercise price (HK$ per share)	Number of options '000
At 1 January 2020, 31 December 2020 and 1 January 2021		–	–
Granted/adjusted during the year	*(a)*	0.57	124,818
Lapsed during the year	*(b)*	0.46	(15,925)
At 31 December 2021 and 1 January 2022	*(c)*	0.58	108,893
Granted during the period	*(a)*	0.59	29,000
Lapsed during the period	*(b)*	0.54	(37,091)
Exercised during the period	*(d)*	0.46	(4,608)
At 31 December 2022	*(c)*	0.61	96,194

Equity-settled share option expenses of HK$8,363,000 and HK$6,700,000 was recognised in profit or loss respectively in respect of the share options granted during the years ended 31 December 2021 and 2022.

Notes:

(a) The fair values of the share options granted during the year ended 31 December 2021 and 2022 were HK$22,300,000 and HK$6,694,000 in aggregate respectively, which were estimated as at the respective dates of grant using a binominal model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	For the year ended 31 December 2020	2021	2022
Dividend yield *(%)*	N/A	4.84-6.48	4.09-4.84
Expected volatility *(%)*	N/A	59.81-67.59	69.17-71.34
Expected life of options *(years)*	N/A	5.6-6.0	6.0
Risk-free interest rate *(%)*	N/A	0.37-1.11	2.03-3.67

(b) 15,925,000 and 37,091,000 share options granted were lapsed during the year ended 31 December 2021 and 2022 respectively upon the resignation of certain grantees during the year.

(c) The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 December 2021

Number of options *('000)*	**Exercise price*** *(HK$ per share)*	**Exercise period**
25,610	0.456	1 Jan 2022 to 31 Dec 2026
25,616	0.456	1 Jan 2023 to 31 Dec 2026
25,667	0.456	1 Jan 2024 to 31 Dec 2026
666	0.510	1 Jan 2022 to 31 Dec 2026
666	0.510	1 Jan 2023 to 31 Dec 2026
668	0.510	1 Jan 2024 to 31 Dec 2026
3,332	0.620	8 Aug 2022 to 7 Aug 2027
3,334	0.620	8 Aug 2023 to 7 Aug 2027
3,334	0.620	8 Aug 2024 to 7 Aug 2027
6,660	1.060	16 Nov 2022 to 15 Nov 2027
6,670	1.060	16 Nov 2023 to 15 Nov 2027
6,670	1.060	16 Nov 2024 to 15 Nov 2027
108,893		

31 December 2022

Number of options *('000)*	**Exercise price*** *(HK$ per share)*	**Exercise period**
15,276	0.456	1 Jan 2022 to 31 Dec 2026
16,942	0.456	1 Jan 2023 to 31 Dec 2026
16,976	0.456	1 Jan 2024 to 31 Dec 2026
5,996	1.060	16 Nov 2022 to 15 Nov 2027
6,002	1.060	16 Nov 2023 to 15 Nov 2027
6,002	1.060	16 Nov 2024 to 15 Nov 2027
6,997	0.660	23 Mar 2023 to 22 Mar 2028
6,997	0.660	23 Mar 2024 to 22 Mar 2028
7,006	0.660	23 Mar 2025 to 22 Mar 2028
2,666	0.390	17 Nov 2023 to 16 Nov 2028
2,666	0.390	17 Nov 2024 to 16 Nov 2028
2,668	0.390	17 Nov 2025 to 16 Nov 2028
96,194		

* *The exercise prices of the share options are subject to adjustment in the event of any capitalisation issue, rights issue, consolidation, sub-division or reduction of the share capital of Bossini (other than issuance of Ordinary Shares as consideration in respect of a transaction)*

(d) Total nil and 4,608,000 share options granted were exercised during the year ended 31 December 2021 and 2022.

33. PERPETUAL CONVERTIBLE BONDS

The perpetual convertible bonds issued are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Perpetual convertible bonds	933,646	810,621	810,621

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 the Group had no contractual obligation to deliver a variable number of its own equity instruments.

Perpetual convertible bonds with principal amount of HK$205,400,000 and HK$19,500,000 were converted into 632,000,000 and 60,000,000 Ordinary Shares during the years ended 31 December 2020 and 2021 respectively. There was no conversion of perpetual convertible bonds during the year ended 31 December 2022.

34. RESERVES

(i) The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

(ii) The share option reserve represents the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in Note 2.3. The amount will either be transferred to the share premium account when the related share options are exercised, or transferred to retained profits/accumulated losses should the related share options lapse or be forfeited.

(iii) Pursuant to the relevant laws and regulations for wholly-owned enterprise, a portion of the profits of the Group's wholly-owned-subsidiary which is established in mainland China has been transferred to reserve funds which are restricted as to use.

(iv) The hedging reserve includes the cash flow hedge reserve, see Note 18 for details. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently either transferred to the initial cost of inventory or reclassified to profit or loss as appropriate.

(v) Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(vi) Reserve movement of the Company

	Share premium account	**Share option reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2020	2,543,460	56,824	(2,444,136)	156,148
Profit for the year and total comprehensive income for the year	–	–	282,277	282,277
Shares issued upon conversion of perpetual convertible bonds	173,800	–	–	173,800
Equity-settled share option arrangements	–	5,862	–	5,862
Transfer of share option reserve upon the lapse of share options	–	(17,834)	17,834	–
Dividend paid	(298,505)	–	–	(298,505)
As at 31 December 2020 and 1 January 2021	2,418,755	44,852	(2,144,025)	319,582
Profit for the year and total comprehensive income for the year	–	–	1,385,824	1,385,824
Share issued upon exercise of share option	46,207	(17,002)	–	29,205
Shares issued upon conversion of perpetual convertible bonds	120,025	–	–	120,025
Equity-settled share option arrangements	–	33,922	–	33,922
Transfer of share option reserve upon the lapse of share options	–	(30,387)	30,387	–
Dividend paid	(1,504,119)	–	–	(1,504,119)
As at 31 December 2021 and 1 January 2022	1,080,868	31,385	(727,814)	384,439
Loss and total comprehensive loss for the period	–	–	(168,484)	(168,484)
Share issued upon exercise of share option	47,227	(10,541)	–	36,686
Equity-settled share option arrangements	–	17,743	–	17,743
Transfer of share option reserve upon the lapse of share options	–	(651)	651	–
As at 31 December 2022	**1,128,095**	**37,936**	**(895,647)**	**270,384**

35. NON-WHOLLY OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

LionRock Capital Partners QiLe Limited, a non-wholly owned subsidiary (51%), holds 51% equity interest of C&J Clark (No1) Limited ("Clark", together with its subsidiaries, the "Clark Group"). The details of non-controlling interest of Clark Group are set out below:

	2020	**2021**	**2022**
Percentage of equity interest held by non-controlling interests	N/A	N/A	74%

	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Profit allocated to non-controlling interest	N/A	N/A	91,756
Dividend paid to non-controlling interest	N/A	N/A	46,795
Accumulated balances of non-controlling interests at the reporting date	N/A	N/A	2,396,105

The following tables illustrate the summarised financial information of Clark Group. The amount disclosed are before any inter-company eliminations:

	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	N/A	N/A	5,390,187
Total costs and expenses	N/A	N/A	(5,057,481)
Profit after tax	N/A	N/A	124,009
Total comprehensive loss	N/A	N/A	(397,452)
Current assets	N/A	N/A	5,920,202
Non-current assets	N/A	N/A	3,584,576
Current liabilities	N/A	N/A	(3,604,069)
Non-current liabilities	N/A	N/A	(2,662,288)
Net cash flows from operating activities	N/A	N/A	490,614
Net cash flows used in investing activities	N/A	N/A	(164,591)
Net cash flow used in financing activities	N/A	N/A	(502,238)
Net decrease in cash and cash equivalents (including bank overdraft)	N/A	N/A	(176,215)

36. OPERATING LEASE ARRANGEMENT

As lessor

As at 31 December 2020, 2021 and 2022, the Group leased sports park facilities and investment property to independent third parties under operating lease arrangements, with each lease negotiated for a term of 1 to 10 years.

As at 31 December 2020, 2021 and 2022, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	11,394	7,821	6,494
In the second to fifth years, inclusive	6,389	11,305	12,544
Over five years	2,726	5,770	5,044
	20,509	24,896	24,082

37. COMMITMENTS FOR CAPITAL EXPENDITURE

As at 31 December 2020, 2021 and 2022, the Group had the following commitments for capital expenditure:

	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
	27,375	121,791	99,337

38. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions detailed in revenue, other income and other gains – net, trade debtors and bills receivable and trade, bills and other payables disclosed in Notes 5, 21 and 25, the Group had the following material transactions with related parties in the ordinary course of business during the Track Record Period:

		For the year ended 31 December		
		2020	**2021**	**2022**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Marketing service income from associates	*(i)*	199,695	229,106	237,752
Purchases from an associate	*(ii)*	7,543	9,542	14,834
Sales of goods to an associate	*(iii)*	3,974	67,637	239,679
Office and car-park rental expense to associates	*(iv)*	1,947	2,889	9,978
Dividend received from associates	*(v)*	68,058	82,247	167,929
Consultancy and other service income from an associate	*(vi)*	586	2,618	1,013
Sales of goods to a non-controlling shareholder	*(vii)*	–	2,191	–
Consultancy fee paid to a non-controlling shareholder	*(viii)*	–	–	6,972
Purchase from a non-controlling shareholders	*(ix)*	–	–	42,360
Sales of goods to a joint venture	*(x)*	–	–	31,354

(i) Marketing service income from LN Group* and Double Happiness* in relation to some sports events and competitions and the endorsement of brand products of LN Group* and Double Happiness* managed by the Group received and receivable from LN Group* and Double Happiness*, was charged in accordance with the terms negotiated between the related parties.

(ii) Cost of purchases in relation to brand products of LN Group* paid and payable to LN Group*, was charged in accordance with the terms negotiated between the Group and LN Group*.

(iii) Sales of goods in relation to brand products of the Group received and receivable from LN Group*, was charged in accordance with the terms negotiated between the Group and LN Group*.

(iv) During the years ended 31 December 2020, 2021 and 2022, the Group leased certain offices and car-parking spaces from LN Group* and Double Happiness*. The lease rates were determined after negotiations between the related parties with reference to current prevailing market rate.

(v) The dividend received were made pursuant to the dividend rates proposed and declared by Li Ning Co* and Double Happiness*.

(vi) The consultancy and other service income was charged in accordance with the terms of an agreement entered into between the Group and an associate.

(vii) Sales of goods to a non-controlling shareholder of a subsidiary was charged in accordance with the terms negotiated between the Group and the non-controlling shareholder.

(viii) The consultancy fee was charged in accordance with the terms of an agreement entered into between the Group and the non-controlling shareholder.

(ix) Cost of purchase paid and payable were charged in accordance with the terms negotiated between the Group and the non-controlling shareholder.

(x) Sales of goods to a joint venture was charged in accordance with the terms negotiated between the Group and the joint venture.

* *Mr. Li Ning and Mr. Li Qilin, the nephew of Mr. Li Ning, are common directors of the Company, LN Group and Double Happiness.*

(a) Outstanding balances with related parties

Details of the Group's material balances with related parties as included in revenue, other income and other gains-net, trade debtors and bills receivable and trade, bills and other payables are disclosed in Notes 5, 21 and 25.

(b) Compensation of key management personnel of the Group

Details of directors' emoluments and highest paid individuals are included in Notes 8 and 9, respectively.

All related party transactions set out in this note did not fall within the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

39. BUSINESS COMBINATION AND DISPOSAL OF SUBSIDIARIES

(a) In July 2020, the Group acquired 1,093,091,098 shares of Bossini, representing approximately 66.6% of the entire issued share capital of Bossini as at 21 July 2020, for consideration of HK$46,620,000. Following completion, the 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. The Group holds approximately 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 garments.

Details of the purchase consideration, the net assets acquired and gain on bargain purchase are as follows:

	HK$'000
Purchase consideration	
Cash paid	46,658

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
	HK$'000
Cash and cash equivalents	170,753
Restricted bank balances	57
Investment properties	205,100
Property, plant and equipment	24,593
Right-of-use assets	153,089
Trademark	14,000
Inventories	219,960
Prepayment, deposits, trade and other receivables	184,975
Financial assets at fair value through profit or loss	546
Deferred tax assets	389
Trade payables, other payables and accruals	(173,021)
Borrowing	(54,829)
Lease liabilities	(273,064)
Financial liabilities at fair value through profit or loss	(7)
Deferred tax liabilities	(33,770)
Net identifiable assets acquired	438,771
Less: gain on bargain purchase	(245,300)
non-controlling interest	(146,813)
	46,658

The fair value of the acquired intangible assets, investment properties and inventories of HK$14,000,000, HK$205,100,000 and HK$219,960,000 respectively and deferred tax of HK$32,997,000 has been provided in relation to these fair value adjustments.

Gain on bargain purchase was mainly due to the fact that the sellers had the intention to exit from part of their investment in Bossini due to operational reasons.

(i) Acquisition-related costs

Acquisition-related costs of HK$6,548,000 are included in administrative expenses in profit or loss.

(ii) Acquired receivables

The fair value of trade and other receivables is HK$63,022,000 and includes trade receivables with a fair value of HK$42,129,000. The gross contractual amount for trade receivables due is HK$15,563,000 of which nil is expected to be uncollected.

(iii) Non-controlling interest

The Group has chosen to recognise the non-controlling interest at the proportion of net assets acquired shared by the non-controlling interest.

(iv) Revenue and profit contribution

The acquired business contributed revenues of HK$421,026,000 and net loss of HK$72,724,000 to the Group for the period from the acquisition date to 31 December 2020. If the acquisition had occurred on 1 January 2020, consolidated revenue and consolidated profit after tax for the year ended 31 December 2020 would have been HK$1,262,282,000 and HK$912,789,000 respectively.

(b) There was no business combination in the year ended 31 December 2021.

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

In March 2021, the Seller has transferred 90% issued share capital of Target Company to the Buyer in 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. For details, please refer to the announcements of the Company dated 16 March 2021.

Total cash consideration for the disposal was HK$375,801,000 (equivalent to RMB313,690,000), net assets disposed of were HK$319,722,000, exchange fluctuation reserve previous recognised to the consolidated statement of profit or loss of HK$3,212,000 was reclassified to the consolidated statement of profit or loss resulting in a gain of disposal HK$52,867,000. Net cash inflow arising on disposal of such was HK$364,186,000, net-off bank balances and cash disposal of HK$11,615,000.

(d) On 3 January 2022, the Group acquired 100% equity interest Viva China Premium Brands Limited (formerly known as Sitoy AT Holdings Company Limited, "VC Premium") at the consideration of HK$1 and the post-closing payment of EUR2,253,000 (equivalent to HK$19,894,000 as at the acquisition date). In addition, pursuant to the share purchase agreement, the inter-company loans due to Sitoy Group Holdings Limited amounted to RMB40,643,000 (equivalent to HK$48,770,000 as at the acquisition date) would be repaid by the Group as part of the consideration by January 2023. As at 31 December 2022, the Group paid the consideration of HK$1, EUR2,253,000 and RMB32,661,000. The remaining consideration of RMB7,982,000 were fully settled in January 2023. VC Premium became a wholly owned subsidiary of the Company and the financial results were consolidated into the financial results of the Group since January 2022.

VC Premium and its subsidiaries own a century-old Italian luxury leader label brand, Amedeo Testoni (formerly known as "a. testoni") and its diffusion line"í29" and are principally engaged in wholesale and retail of leatherware, fashion garments and apparel.

Details of the purchase consideration and the net assets acquired are as follows:

	HK$'000
Purchase consideration	
Cash paid	59,085
Consideration payable	9,579
Total consideration	68,664

	Fair value
	HK$'000
Cash and cash equivalents	23,366
Restricted bank balances	1,007
Trade and other receivables	20,343
Inventories	63,591
Financial assets at fair value through other comprehensive income	8,280
Prepayments	5,723
Property, plant and equipment	16,266
Right-of-use assets	11,567
Deferred tax assets	2,146
Trade payables and other payables	(14,781)
Accrual	(25,406)
Contract liabilities	(3,991)
Bank borrowings	(7,513)
Lease liabilities	(23,973)
Deferred tax liabilities	(1,139)
Net identifiable assets acquired	75,486
Less: non-controlling interest	(6,670)
gain on bargain purchase	(152)
	68,664

(i) Acquisition-related costs

Acquisition-related costs of HK$2,420,000 are included in administrative expenses in profit or loss.

(ii) Acquired receivables

The fair value of trade and other receivables is HK$20,343,000 and includes trade receivables with a fair value of HK$12,892,000. The gross contractual amount for trade receivables due is HK$13,881,000 of which HK$989,000 is expected to be uncollected.

(iii) Non-controlling interest

The Group has chosen to recognise the non-controlling interest at the proportion of net assets acquired shared by the non-controlling interest.

(iv) Revenue and profit contribution

The acquired business contributed revenues of HK$76,769,000 and net loss of HK$76,062,000 to the Group for the period from the acquisition date to 31 December 2022.

(e) On 2 July 2022, the Group acquired 51% equity interest LionRock Capital Partners QiLe Limited, which holds a majority interest in Clark Group. Total consideration was GBP56,831,000 (equivalent to HK$541,027,000), which equal to the principal of purchase shareholder's loan of GBP53,550,000 (equivalent to HK$509,796,000) and its respective interest of GBP3,281,000 (equivalent to HK$31,231,000) 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 the Group since July 2022.

Clark is principally engaged in wholesaling and retailing of a shoes and trading in the brand name "Clarks". Clarks brand has a history of nearly two hundred years. Its main markets cover the UK, and the presence in the United States and the Greater China region.

Details of the purchase consideration, the net assets acquired and provisional gain on bargain purchase are as follows:

	HK$'000
Purchase consideration	
Non-cash payment – settled by purchase shareholder's loan	541,027

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
	HK$'000
Cash and cash equivalents	1,028,255
Trade and other receivables	856,197
Deposits	7,721
Inventories	3,432,662
Derivative financial assets	147,386
Prepayments	674,979
Property, plant and equipment	1,284,151
Intangible assets	381,990
Right-of-use assets	1,078,637
Defined benefit surplus	1,361,213
Deferred tax assets	2,612
Trade payables and other payables	(2,455,384)
Accruals	(490,324)
Contract liabilities	(48,815)
Other liabilities	(64,099)
Income tax payables	(74,880)
Bank borrowings	(579,987)
Lease liabilities	(1,404,092)
Derivative financial liabilities	(3,899)
Deferred tax liabilities	(168,017)
Defined benefit obligation	(61,572)
Provision	(197,432)
Net identifiable assets acquired	4,717,302
Less: non-controlling interest	(3,220,081)
provisional gain on bargain purchase	(956,194)
	541,027

(i) Acquisition-related costs

Acquisition-related costs of HK$21,228,000 are included in administrative expenses in profit or loss.

(ii) Acquired receivables

The fair value of trade and other receivables is HK$856,197,000 and includes trade receivables with a fair value of HK$799,043,000. The gross contractual amount for trade receivables due is HK$954,755,000 of which HK$155,712,000 is expected to be uncollected.

(iii) Non-controlling interest

The Group has chosen to recognise the non-controlling interest at the proportion of net assets acquired shared by the non-controlling interest.

(iv) Revenue and profit contribution

The acquired business contributed revenues of HK$5,390,187,000 and net profit of HK$170,579,000 to the 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$10,505,615,000 and HK$654,280,000 respectively.

40. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

(a) Assets of disposal group classified as held-for-sale

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

(b) Liabilities of disposal group classified as held-for-sale

		As at 31 December		
		2020	**2021**	**2022**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	*(a)*	39	–	–

Notes:

(a) As at 31 December 2020, the assets and liabilities classified as held for sale was related to Yangzhou Viva Property Development Limited (the "**Target Company**"), a non-wholly owned subsidiary of the Group.

In the fourth quarter of 2020, the management of the 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. The 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 the 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 RMB313.69 million.

In March 2021, the Seller has transferred 90% issued share capital of Target Company to the Buyer in 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.

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

Total cash consideration for the disposal was HK$375,801,000 (equivalent to RMB313,690,000), net assets disposed of were HK$319,722,000, exchange fluctuation reserve previous recognised to the consolidated statement of profit or loss of HK$3,212,000 was reclassified to the consolidated statement of profit or loss resulting in a gain of disposal HK$52,867,000. Net cash inflow arising on disposal of such was HK$364,186,000, net-off bank balances and cash disposal of HK$11,615,000.

(b) On 30 December 2021, Rapid City Limited ("**Rapid City**", a wholly owned subsidiary of Bossini), Shine Wealthy Limited ("**Shine Wealthy**", an independent purchaser) and Knight Frank Hong Kong Limited (the "**Agent**") entered into two provisional sale and purchase agreements (the "**Provisional Agreements**") for the sale and purchase of two properties held by Rapid City at the aggregate consideration of HK$184,729,500. Pursuant to the terms of the Provisional Agreements, Rapid City and Shine Wealthy entered into the formal agreements on 13 January 2022. The transaction was completed on 15 March 2022. Therefore, the associated assets were presented as held for sale in the financial statements as at 31 December 2021.

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

41. PARTICULARS OF SUBSIDIARIES

The following is a list of the principal subsidiaries:

	Place and date of incorporation/establishment and kind of legal entity	Principal activities and place of operation	Registered/issued capital	Percentage of attributable equity interest As at 31 December 2020	2021	2022	As at the date of this report	*Notes*
Directly held:								
Viva China Development Limited	BVI/8 September 2010 limited liability company	Investment holding/Hong Kong	US$1& HK$2,079,000,000/ US$1& HK$2,079,000,000	100.00%	100.00%	100.00%	100.00%	*(2)*
Winner Rich Investment Limited	Hong Kong/8 July 2010 limited liability company	Investment holding/ Hong Kong	HK$1/ HK$1	100.00%	100.00%	100.00%	100.00%	*(3)*
Viva China Sports Holding Limited	Hong Kong/30 October 2009 limited liability company	Investment holding/Hong Kong	HK$520,000/ HK$520,000	100.00%	100.00%	100.00%	100.00%	*(3)*
Viva China Community Development Holdings Limited	BVI/12 November 2010 limited liability company	Investment holding/Hong Kong	US$1/ US$1	100.00%	100.00%	100.00%	100.00%	*(2)*
Indirectly held:								
Viva China Premier Properties Limited	BVI/17 June 2021 limited liability company	Investment holding/Hong Kong	US$1/ US$1	NA	100.00%	100.00%	100.00%	*(2)*
Viva China Consumables Limited	BVI/26 May 2011 limited liability company	Investment holding/Hong Kong	US$1/ US$1	100.00%	100.00%	100.00%	100.00%	*(2)*
Dragon Leap Development Limited	BVI/21 Jun 2018 limited liability company	Investment holding/Hong Kong	US$1/ US$1	80.00%	80.00%	80.00%	100.00%	*(2)*
珠海橫琴昌運盛世貿易有限公司	PRC/19 August 2015 limited liability company	Investment holding/ PRC	RMB150,000,000/ RMB150,000,000	100.00%	100.00%	100.00%	100.00%	*(4)*
珠海橫琴滿譽貿易有限公司	PRC/16 February 2017 limited liability company	Investment holding/ PRC	RMB100,000,000/ RMB38,000,000	100.00%	100.00%	100.00%	100.00%	*(4)*
珠海橫琴非凡健源體育文化產業股權投資管理中心(有限合夥)	PRC/5 February 2016 limited liability company	Limited Partnership/ PRC	RMB125,000,000/ RMB125,000,000	100.00%	100.00%	100.00%	100.00%	*(4)*
深圳市非凡體育文化產業發展有限公司	PRC/29 September 2015 limited liability company	Retailing and distribution of garments/ PRC	RMB1,000,000/ RMB500,000	100.00%	100.00%	100.00%	100.00%	*(5)*
揚州非凡房地產開發有限公司	PRC/10 August 2015 limited liability company	Real estate development and sales/ PRC	RMB210,000,000/ RMB210,000,000	70.00%	NA	NA	NA	*(15)*
揚州非凡體育文化有限公司	PRC/17 March 2015 limited liability company	Sports park management and operation/PRC	RMB300,000/ RMB300,000	100.00%	100.00%	100.00%	100.00%	*(6)*
臨沂非凡體育管理有限公司	PRC/30 October 2017 limited liability company	Sports park management and operation/PRC	RMB1,000,000/ RMB1,000,000	100.00%	100.00%	100.00%	100.00%	*(7)*
天津市國達體育文化發展有限責任公司	PRC/9 November 2018 limited liability company	Sports park management and operation/PRC	RMB1,000,000/ RMB1,000,000	70.00%	100.00%	100.00%	100.00%	*(8)*
非凡領越體育發展(北京)有限公司	PRC/21 January 2010 limited liability company	Sports talent management,competition and event production and management,and sports-related marketing and consultancy service/PRC	RMB150,000,000/ RMB102,100,000	100.00%	100.00%	100.00%	100.00%	*(9)*
非凡城悅(上海)商業管理有限公司	PRC/2 August 2021 limited liability company	Property holding/PRC	2021: RMB207,000,000/ RMB207,000,000 2022: RMB258,100,000/ RMB258,100,000	NA	100%	100.00%	100%	*(2)*
上海內盛網絡科技有限公司	PRC/25 September 2013 limited liability company	Production and distribution of sports content, management and marketing of sports talents/PRC	RMB100,000/ RMB0	80.00%	99.00%	99.00%	99.00%	*(10)*
精英假日(北京)體育發展有限公司	PRC/27 February 2008 limited liability company	Operation of ice skating rinks/PRC	RMB14,312,160/ RMB14,312,160	100.00%	100.00%	100.00%	100.00%	*(2)*
精英假日(上海)滑冰俱樂部有限公司	PRC/18 November 2015 limited liability company	Operation of ice skating rinks/PRC	RMB5,000,000/ RMB5,000,000	100.00%	100.00%	100.00%	100.00%	*(2)*
天津市精英假日體育組織有限公司	PRC/9 March 2012 limited liability company	Operation of ice skating rinks/PRC	RMB5,000,000/ RMB5,000,000	100.00%	100.00%	100.00%	100.00%	*(2)*
來賓寧聚力鞋業有限公司	PRC/28 October 2020 limited liability company	Manufacturing of shoes/PRC	RMB45,000,000/ RMB35,000,000	70.00%	70.00%	70.00%	70.00%	*(11)*

	Place and date of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Registered/issued capital	Percentage of attributable equity interest				Notes
				As at 31 December			As at the date of this report	
				2020	2021	2022		
Active Link Limited	Hong Kong/27 March 2000 limited liability company	Retailing and distribution of garments/Hong Kong	HK$5,000,000/ HK$5,000,000	66.54%	70.65%	56.41%	56.41%	*(12)*
Bossini Clothing Limited	Hong Kong/29 May 1998 limited liability company	Retailing and distribution of garments/ Hong Kong	HK$2/ HK$2	66.54%	70.65%	56.41%	56.41%	*(12)*
Bossini Distribution Limited	Hong Kong/14 April 2005 limited liability company	Retailing and distribution of garments/Hong Kong	HK$1/ HK$1	66.54%	70.65%	56.41%	56.41%	*(12)*
Bossini Enterprises Limited	Hong Kong/5 November 1997 limited liability company	Retailing and distribution of garments/Hong Kong	HK$2/ HK$2	66.54%	70.65%	56.41%	56.41%	*(12)*
Bossini Onmay International Limited	Hong Kong/27 May 1998 limited liability company	Retailing and distribution of garments/Hong Kong	HK$2/ HK$2	66.54%	70.65%	56.41%	56.41%	*(12)*
Bossini Garment Limited	Hong Kong/29 May 1998 limited liability company	Distribution of garments/Hong Kong	HK$2/ HK$2	66.54%	70.65%	56.41%	56.41%	*(12)*
Bossini Investment Limited	BVI/31 August 1993 limited liability company	Investment holding/Hong Kong	US$11,928/US$11,928	66.54%	70.65%	56.41%	56.41%	*(2)*
Bossini International Holdings Limited	Bermuda/15 July 1993 limited liability company	Investment holding/Hong Kong	2020 & 2021: HK$164,383,000/ HK$164,383,000 2022: HK$247,035,809/ HK$247,035,809	66.54%	70.65%	56.41%	56.41%	*(2)*
Bossini Retail Limited	Hong Kong/15 December 1997 limited liability company	Retailing and distribution of garments/Hong Kong	HK$2/ HK$2	66.54%	70.65%	56.41%	56.41%	*(12)*
Bright Star Fashion Limited	Macau/18 January 2007 limited liability company	Retailing and distribution of garments/Macau	MOP$25,000/ MOP$25,000	66.54%	70.65%	56.41%	56.41%	*(2)*
Guangzhou Baoshilong Industry Co.,Ltd.(廣州市堡獅龍實業有限公司)	PRC/14 July 1993 limited liability company	Retailing and distribution of garments/PRC	RMB1,010,000/ RMB1,010,000	66.54%	70.65%	56.41%	56.41%	*(13)*
Guangzhou Fu Bao Long Trading Company Ltd.(廣州富葆龍貿易有限公司)	PRC/5 November 2010 limited liability company	Retailing and distribution of garments/PRC	RMB148,000,000/ RMB148,000,000	66.54%	70.65%	56.41%	56.41%	*(13)*
J & R Bossini Fashion Pte. Ltd.	Singapore/20 December 1986 limited liability company	Retailing and distribution of garments/Singapore	SG$2,000,000/ SG$2,000,000	66.54%	70.65%	56.41%	56.41%	*(14)*
Lead Commence Limited	Hong Kong/18 February 1998 limited liability company	Retailing and distribution of garments/Hong Kong	HK$2/ HK$2	66.54%	70.65%	56.41%	56.41%	*(12)*
Rapid City Limited	Hong Kong/27 May 1998 limited liability company	Property holding and letting/ Hong Kong	HK$2/ HK$2	66.54%	70.65%	56.41%	56.41%	*(12)*
Viva China Premium Brands Limited	Hong Kong/30 August 2018 limited liability company	Investment holding/Hong Kong	HK$1/HK$1	NA	NA	100.00%	100.00%	*(16)*
a. Testoni S.p.A.	Italy/21 February 1969 limited liability company	Sales of footwear and leather good/Italy	EUR5,018,542/ EUR5,018,542	NA	NA	100.00%	100.00%	*(16)*
a. Testoni Hong Kong Limited	Hong Kong/24 February 1984 limited liability company	Sales of footwear and leather good/Hong Kong	HK$1,000,000/ HK$1,000,000	NA	NA	100.00%	100.00%	*(16)*
A. Testoni Japan Co., Ltd.	Japan/14 February 1986 limited liability company	Sales of footwear and leather good/Japan	JPY50,000,000/ JPY50,000,000	NA	NA	100.00%	100.00%	*(2)*
a. Testoni Korea Co., Ltd.	Korea/25 August 1993 limited liability company	Sales of footwear and leather good/Korea	KWD142,860,000/ KWD142,860,000	NA	NA	100.00%	100.00%	*(2)*
LionRock Capital Partners QiLe Limited	BVI/14 September 2020 limited liability company	Investment holding/Hong Kong	GBP100,000,001/ GBP100,000,001	NA	NA	51.00%	100.00%	*(2)*
C&J Clark (No 1) Limited	UK/1 April 1997 limited liability company	Investment holding/UK	GBP100/ GBP100	NA	NA	26.01%	51.00%	*(17)*
C&J International Limited	UK/17 July 1915 limited liability company	Sales of footwear/UK	GBP18,028,202/ GBP18,028,202	NA	NA	26.01%	51.00%	*(17)*
C.&J. Clark Retail, Inc.	USA/7 December 1977 limited liability company	Sales of footwear/USA	US$3,000/ US$3,000	NA	NA	26.01%	51.00%	*(17)*

	Place and date of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Registered/ issued capital	Percentage of attributable equity interest				Notes
				As at 31 December			As at the date of this report	
				2020	2021	2022		
C. & J. Clark America, Inc.	USA/7 December 1997 limited liability company	Sales of footwear/USA	US$3,777/ US$3,777	NA	NA	26.01%	51.00%	
C & J Clark China Trading Company Limited	PRC/6 July 2004 limited liability company	Sales of footwear/PRC	US$200,000/ US$200,000	NA	NA	26.01%	51.00%	
C. & J. Clark Canada Limited	Canada/26 November 1979 limited liability company	Sales of footwear/Canada	CAD62,300/ CAD62,300	NA	NA	26.01%	51.00%	
Clarks Japan Company Limited	Japan/12 December 1983 limited liability company	Sales of footwear/Japan	JPY80,000,000/ JPY80,000,000	NA	NA	26.01%	51.00%	
Clarks Shoes Vertriebs GmbH	Germany/22 May 1978 limited liability company	Sales of footwear/Germany	EUR1,512,000/ EUR1,512,000	NA	NA	26.01%	51.00%	
C & J Clark Latin America, Inc	USA/15 January 2014 limited company	Sales of footwear/USA	US$1/ US$1	NA	NA	26.01%	51.00%	
C & J Clark (M) Sdn Bhd	Malaysia/19 December 2003 liability company	Sales of footwear/Malaysia	MYR500,000/ MYR500,000	NA	NA	26.01%	51.00%	
C & J Clark (S) Pte. Ltd	Singapore/19 December 2003 limited liability company	Sales of footwear/Singapore	SGD300,000/ SGD300,000	NA	NA	26.01%	51.00%	
Clarks Shoes Benelux BV	Netherlands/24 April 1980 limited liability company	Sales of footwear/Netherlands	EUR113,445/ EUR113,445	NA	NA	26.01%	51.00%	

Notes:

(1) All companies comprising the Group have adopted 31 December as their financial year end date.

(2) No statutory audited financial statements were issued for these companies as there is no statutory requirement in their respective places of incorporation.

(3) The statutory audited financial statements of these companies for the years ended 31 December 2020 and 2021 were audited by PricewaterhouseCoopers.

(4) The PRC statutory audited financial statements of these companies for the year ended 31 December 2020 were audited by RSM China(容誠會計師事務所(特殊普通合夥)). No statutory audited financial statements were issued for these companies for the year ended 31 December 2021 as there is no statutory requirement in their respective places of incorporation.

(5) The statutory audited financial statements of 深圳市非凡體育文化產業發展有限公司 for the years ended 31 December 2020 and 2021 were audited by Shenzhen Zhongrui Huazheng Certified Public Accountants (general Partnership) (深圳中瑞華正會計師事務所(普通合夥)).

(6) The statutory audited financial statements of these companies for the years ended 31 December 2020 and 2021 were audited by Yangzhou Depu Certified Public Accountants (General Partnership) (揚州德普會計師事務所(普通合夥)).

(7) The statutory audited financial statements of 臨沂非凡體育管理有限公司 for the years ended 31 December 2020 and 2021 were audited by Shandong Hongcheng Accounting Firm Co., Ltd. (山東鴻誠會計師事務所有限公司).

(8) The statutory audited financial statements of 天津市國達體育文化發展有限責任公司 for the years ended 31 December 2020 and 2021 were audited by Tianjin Lixin Accounting Co., Ltd. (天津立信會計師事務所有限公司).

(9) The statutory audited financial statements of 非凡領越體育發展(北京)有限公司 for the years ended 31 December 2020 and 2021 were audited by Jingzhou Accountant Affairs Office Co., Ltd. (京洲會計師事務所有限責任公司).

(10) The statutory audited financial statements of 上海內盛網絡科技有限公司 for the years ended 31 December 2020 and 2021 were audited by Shanghai Yongfan Certified Public Accountants (General Partnership)(上海永帆會計師事務所(普通合夥)).

(11) The statutory audited financial statements of 來賓寧聚力鞋業有限公司 for the year ended 31 December 2021 were audited by RSM China(容誠會計師事務所(特殊普通合夥)).

(12) The statutory audited financial statements of these companies for the years ended 30 June 2020 were audited by Ernst&Young. The statutory audited financial statements of these companies for the 18-month period ended 31 December 2021 were yet to be issued.

(13) The statutory audited financial statements of these companies for the years ended 31 December 2020 and 2021 were audited by BD14China Shu Lun Pan Certified Public Accountants LLP Guangdong Branch.

(14) The statutory audited financial statements of J & R Bossini Fashion Pte. Ltd. for the years ended 30 June 2020 and the 18-month period ended 31 December 2021 were audited by Ecovis International.

(15) The statutory audited financial statements of 揚州非凡房地產開發有限公司 for the years ended 31 December 2020 were audited by 北京中天泰會計師事務所有限責任公司.

(16) The statutory audited financial statements of these companies for the years ended 30 June 2020 and 2021 were audited by Ernst & Young.

The statutory audit report of financial statements of these companies for the year ended 31 December 2022 has not been issued.

Apart from 珠海橫琴非凡健源體育文化產業股權投資管理中心(有限合夥) being registered as limited partnership, all the other principal subsidiaries of the Company are registered as limited liability companies.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

42. AMOUNTS DUE FROM/TO SUBSIDIARIES – THE COMPANY

Except for the non-current portion of an amount due to a subsidiary which the Company does not expect to repay within one year, balances with subsidiaries are unsecured, interest-free and repayment on demand.

43. INVESTMENTS IN SUBSIDIARIES – THE COMPANY

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Investments at cost			
Unlisted shares	1,376,837	1,376,837	1,376,837

Particulars of the Company's subsidiaries are set out in Note 41.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The Group does not have written risk management policies and guidelines. However, the board of directors of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to market risk (including foreign currency risk, interest risk and other price risk), liquidity risk and credit risk. Generally, the Group employs a conservative strategy regarding its risk management. The Group enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the foreign currency risk arising from the Group's operations. The most significant financial risks to which the Group is exposed are discussed below.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest-bearing assets and liabilities in relation to cash and cash equivalents and bank loans, details of which are disclosed in Notes 23 and 28, respectively, to the financial statements. The Group has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates risk for the Group's cash and cash equivalents and bank loans are considered minimal.

As at 31 December 2022, the Group has bank borrowing with floating rate of HK$302,478,000 (2021: Nil). If interest rate increase/decrease by 1%, the pretax result of the Group would be decreased/increased by HK$3,025,000 (2021: Nil).

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument (excluding investment in associates) will fluctuate because of changes in foreign exchange rates. The Group operates in the UK, USA, mainland China, Hong Kong, European and Asian countries. Most of the Group's sales are in GBP, US$, EUR, RMB and HK$. The Group invested into various bank deposits mainly denominated in GBP, US$, EUR, RMB and HK$.

The Group's exposure to foreign currency risk arising from monetary assets and liabilities denominated in a currency that is not the functional currency of the relevant group entities at the end of the reporting period, expressed in HK$, was mainly as follows:

	As at 31 December											
	2020				2021				2022			
	RMB	GBP	EUR	US$	RMB	GBP	EUR	US$	RMB	GBP	EUR	US$
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash and cash equivalents	73,478	269,484	–	–	104,193	15,794	–	–	5,259	859,816	23,373	401,786
Trade receivables	–	–	–	–	–	–	–	–	–	–	62,103	–
Financial assets at fair value through profit or loss	–	271,874	–	–	–	587,129	–	–	–	–	–	–
Trade payables	–	–	–	–	–	–	–	–	(25,881)	–	–	(990,043)

It is the Group's policy to enter into forward currency contracts to mitigate foreign currency risk arising from material transactions.

The Group uses foreign currency forwards to hedge its exposure to foreign currency risk. Under the group's policy, the critical terms of the forwards must align with the hedged items.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to foreign currency risk at year end date.

If RMB appreciates/depreciates against HK$ by 5%, the pre-tax results of the Group would be increased/decreased by approximately HK$6,287,000 and HK$5,210,000 for the years ended 31 December 2020 and 2021 respectively.

If RMB appreciates/depreciates against HK$ by 5%, the pre-tax results of the Group would be decreased/increased by approximately 1,087,000 for the years ended 31 December 2022.

If GBP appreciates/depreciates against HK$ by 5%, the pre-tax results of the Group would be increased/decreased by approximately HK$22,663,000, HK$29,674,000 and HK$42,991,000 for the years ended 31 December 2020, 2021 and 2022 respectively.

If EUR appreciates/depreciates against GBP by 5%, the pre-tax results of the Group would be increased/decreased by approximately nil, nil and HK$4,187,000 for the years ended 31 December 2020, 2021 and 2022 respectively.

If US$ appreciates/depreciates against GBP by 5%, the pre-tax results of the Group would be decreased/increased by approximately nil, nil and HK$26,181,000 for the years ended 31 December 2020, 2021 and 2022 respectively.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligations under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The carrying amounts of trade debtors and bills receivable, deposits and other receivable carried at amortised cost and cash and cash equivalents included in the face of the statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group generally has established long-term and stable relationships with its customers. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group generally allows credit period of one month extending up to six months to its major trade customers. The credit risk of other receivables arises from that borrowers fail to repay loans on time. The Group has assessed the historical payment pattern and credit status of each borrower and the value of the collaterals has been taken into account when calculating the allowances of expected credit loss. The Group's historical experience in collection of trade and other receivables falls within the recorded allowance and the directors are of the opinion that adequate allowance for credit loss for uncollectible receivables has been made in the consolidated financial statements.

The Group maintains its cash and cash equivalents with reputable banks in mainland China and Hong Kong, therefore the directors consider that the credit risk for such is minimal. The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

Impairment of financial assets

The Group applies 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 equivalents.

Impairment on trade debtors and bills receivable is measured as the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, and deposit and other receivables 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, the 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 information.

Trade debtors and bills receivable, and deposit and other receivables 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 the Group.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

Trade debtors and bill receivables

To measure the expected credit losses, trade debtors and bills receivable have been grouped based on shared credit risk characteristics and the days past due.

	Current	Less than 3 months past due	3 to 6 months past due	More than 6 months past due	Total
31 December 2020					
Expected loss rate	0.2%	2.5%	33.3%	84.8%	16.5%
Gross carrying amount *(HK$'000)*	61,610	13,858	8,319	15,452	99,239
Loss allowance *(HK$'000)*	(132)	(340)	(2,770)	(13,110)	(16,352)
	61,478	13,518	5,549	2,342	82,887
31 December 2021					
Expected loss rate	0.2%	0.3%	15.4%	97.2%	6.5%
Gross carrying amount *(HK$'000)*	77,623	18,208	2,598	6,325	104,754
Loss allowance *(HK$'000)*	(158)	(53)	(400)	(6,147)	(6,758)
	77,465	18,155	2,198	178	97,996
31 December 2022					
Expected loss rate	0.1%	0.1%	2.5%	22.8%	1.2%
Gross carrying amount *(HK$'000)*	584,222	216,442	29,886	39,224	869,754
Loss allowance *(HK$'000)*	(449)	(134)	(759)	(8,934)	(10,276)
	583,773	216,288	29,127	30,290	859,478

The movement of loss allowances for trade debtors and bill receivables during the Track Record Period is as follows:

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

Deposits and other receivables

The management of the Group makes periodic collective assessments as well as individual assessment on the recoverability of deposits and other receivables based on historical settlement records and past experiences looking forward. The Group measures credit risk using probability of default ("**PD**"), which is similar to the approach used for the purposes of measuring expected credit loss ("**ECL**") under HKFRS 9.

- Deposits and other receivables that are not credit-impaired on initial recognition are classified in 'Stage 1' and have their credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.

- If a significant increase in credit risk (specifically, when the debtor is more than 1 day past due on its contractual payments) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.

- If the financial instrument is credit-impaired (specifically, when the debtor is more than 90 days past due on its contractual payments), the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis.

In view of the history of cooperation with the debtors and collection from them, deposits and other receivables of approximately HK$118,983,000, HK$129,937,000 and HK$236,673,000 are classified in Stage 1 as at 31 December 2020, 2021 and 2022 respectively and the credit risk inherent in these other receivables is not significant. The average loss rate of 2%, 2% and 1% respectively was applied as at 31 December 2020, 2021 and 2022.

For the remaining deposits and other receivables of approximately HK$113,236,000, HK$93,735,000 and HK$92,550,000 as at 31 December 2020, 2021 and 2022 respectively, it was classified in Stage 3 and the loss allowance associated with these deposits and other receivables was approximately HK$93,505,000, HK$93,735,000 and HK$92,550,000 as at 31 December 2020, 2021 and 2022 respectively.

The movement of loss allowances for deposits and other receivables during the Track Record Period is as follows:

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK\$'000	*HK\$'000*	*HK\$'000*
At the beginning of the year	88,166	94,836	96,013
Net credit loss allowance recognised	6,039	727	501
Currency translation difference	631	450	(1,193)
At the end of the year	94,836	96,013	95,321

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables, other payables and accruals and bank loans, also in respect of its cash flow management.

The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term. The Group manages its liquidity needs on a consolidated basis by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 3 months projection. Long-term liquidity needs for a 180-day and 365-day lookout period are identified monthly. Net cash requirements are compared to available funds in order to determine headroom or any shortfalls. This analysis shows if available funds are expected to be sufficient over the lookout period. The Group maintains cash and short-term bank deposits to meet its liquidity requirements for 90 days to 365 days at a minimum. Funding for longer term liquidity needs is additionally secured by an adequate amount of borrowings and the ability to sell longer term financial assets. The Group's liquidity is mainly dependent upon the cash received from its trade customers.

The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

Apart from the non-current bank loan disclosed in Notes 28 for the financial statements, the maturity profile of the Group's major financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is within one year or on demand and the contractual undiscounted payments approximate to their carrying amounts.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

As at 31 December 2020, 2021 and 2022, the Group has bank facilities of HK$1,256,000,000, HK$205,890,000 and HK$2,614,763,000 of which nil, HK$193,138,000 and HK$1,828,321,000 remained unutilised at 31 December 2020, 2021 and 2022 respectively.

The following table shows the remaining contractual maturities at the end of the year, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rate) and the earliest date the Group can be required to pay:

	As at 31 December 2020					
	Within 1 year *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	Over 5 years *HK$'000*	Total contractual cash flows *HK$'000*	Carrying amount *HK$'000*
Non-derivative financial liabilities						
Trade payables	112,493	–	–	–	112,493	112,493
Other payables and accruals	240,947	–	–	–	240,947	240,947
Bank borrowings	36,951	1,292,951	–	–	1,329,902	1,256,000
Lease liabilities	155,922	82,277	96,428	205,273	539,900	408,788
Derivative financial liabilities						
Forward currency contract	456	–	–	–	456	456

	As at 31 December 2021					
	Within 1 year *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	Over 5 years *HK$'000*	Total contractual cash flows *HK$'000*	Carrying amount *HK$'000*
Non-derivative financial liabilities						
Trade payables	233,478	–	–	–	233,478	233,478
Bills payables	11,693	–	–	–	11,693	11,693
Other payables and accruals	322,222	–	–	–	322,222	322,222
Lease liabilities	169,900	135,007	206,922	197,259	709,088	486,319

	2022					
	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Over 5 years	Total contractual cash flows	Carrying amount at 31 December
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade payables	2,090,720	–	–	–	2,090,720	2,090,720
Bills payables	14,812	–	–	–	14,812	14,812
Other payables and accruals	1,043,589	–	–	–	1,043,589	1,043,589
Bank borrowings	82,958	26,980	355,646	–	465,584	344,130
Lease liabilities	631,503	466,886	703,079	401,804	2,203,272	1,957,299
Financial guarantee contract to a joint venture	94,293	–	–	–	94,293	94,293
Derivative financial liabilities						
Derivative financial instruments – forward exchange contract cash flow hedges – Net settled (foreign currency forwards – cash flow hedges)	25,226	11,469	–	–	36,695	36,695
Derivative financial instruments – forward exchange contract not qualified for hedge accounting – Net settled (foreign currency forwards – not qualified for hedge accounting)	3,219	–	–	–	3,219	3,219

Fair value risk and disclosures

At 31 December 2020, 2021 and 2022, the Group held certain derivative financial instruments and loans and interest receivables which are carried in the financial statements at fair value, as further detailed in Notes 16, 17 and 18.

(I) Fair value hierarchy

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2020, 2021 and 2022:

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Financial assets at fair value through profit or loss				
As at 31 December 2020				
– Forward currency contracts	–	1,464	–	1,464
– Loan and interest receivable	–	–	271,874	271,874
Total	–	1,464	271,874	273,338
As at 31 December 2021				
– Loan and interest receivable	–	–	587,129	587,129
Total	–	–	587,129	587,129
As at 31 December 2022	–	–	–	–
Financial liabilities at fair value through profit or loss				
As at 31 December 2020				
– Forward currency contracts	–	456	–	456
Total	–	456	–	456
As at 31 December 2021 and 2022	–	–	–	–
Derivative financial assets				
As at 31 December 2020 and 2021	–	–	–	–
As at 31 December 2022				
– Forward currency contracts	–	91,987	–	91,987
Total	–	91,987	–	91,987
Derivative financial liabilities				
As at 31 December 2020 and 2021	–	–	–	–
As at 31 December 2022				
– Forward currency contracts	–	39,914	–	39,914
Total	–	39,914	–	39,914
Financial assets at fair value through other comprehensive income				
As at 31 December 2020 and 2021	–	–	–	–
As at 31 December 2022				
– Government bonds	7,959	–	–	7,959
Total	7,959	–	–	7,959

There were no transfers among different categories during the years ended 31 December 2020, 2021 and 2022.

Investments measured at fair value through other comprehensive income are mainly investments in government bonds, where the contractual cash flows are solely principal and interest. The fair values of such debt securities were determined based on market price. None of these investments are past due.

The Group analyses the financial instruments carried at fair value, by valuation method. Different levels are defined as follow:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(II) Fair value measurements using significant unobservable inputs (Level 3)

The fair value assessment methods and related key assumptions and judgements adopted by the Group's management are income approach (specifically, discounted cash flow method), which uses valuation techniques to convert future amount (specifically, cash flows based on the expected rate of return) to a present value.

Description	Fair value as at 31 December 2020	Fair value as at 31 December 2021	Fair value as at 31 December 2022	Valuation technique	Significant unobservable inputs	Range of inputs As at 31 December 2020	As at 31 December 2021	As at 31 December 2022	Relationship of unobservable inputs to fair value
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*					
Loan and interest receivable	271,874	587,129	–	Discounted cash flow	Discount rate	4.0%	4.0%	N/A	The higher the discount rate, the lower the fair value. A change in the discount rate by 10% does not have a significant impact on the fair value.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group actively and regularly reviews and manages its capital structure to ensure optimal structure and shareholder returns, taking into consideration the future capital requirements of the Group, prevailing and projected capital expenditure, projected strategic investment opportunities and economic conditions.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020, 2021 and 2022.

The Group regards total equity plus total debt (including bank borrowings and lease liabilities) of the company presented on the face of the consolidated statement of financial position as capital, for capital management purpose. The amount of capital as at 31 December 2020, 2021 and 2022 amounted to approximately HK$6,196,090,000, HK$8,240,761,000 and HK$13,299,657,000 respectively, which the management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities.

45. FINANCIAL INSTRUMENTS BY CATEGORY

Other than financial asset/liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income as disclosed in Notes 16, 17 and 18 to the financial statements, all financial assets and liabilities previously measured at amortised cost which meet the conditions for classification at amortised cost under HKFRS 9, respectively.

46. GUARANTEES AND CONTINGENT LIABILITIES

	As at 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Guarantee related to arrangement with land lords, HMRC and insurance cover	–	–	54,461
Bank guarantee given in lieu of utility and property rental deposits	5,359	1,047	8,855
Total	5,359	1,047	63,316

47. DIVIDEND

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Special dividend of HK$0.0265 and HK$0.133 per share during the years ended 31 December 2020 and 2021 respectively	298,505	1,504,119	–

The Directors do not recommend the payment of any final dividend in respect of the Track Record Period.

48. SUBSEQUENT EVENTS

(a) On 17 November 2022, Viva China Consumables Limited and the LionRock Capital GP Limited entered into a sale and purchase agreement in relation to the acquisition of the remaining 49% interest in the LionRock Capital Partners QiLe Limited (the "**Clark SPA**"). Pursuant to the Clark SPA, Viva China Consumables Limited agreed to acquire 490 shares of the LionRock Capital Partners QiLe Limited at the consideration of GBP110,000,000.

Following the shareholders' approval of the Clark SPA at the extraordinary general meeting of the Company on 18 January 2023, the acquisition was completed in late January 2023 and the SPV become a wholly owned subsidiary of the Company.

Further details of the above were set out in the Company's announcement dated 17 November 2022 and 30 January 2023 and the circular dated 30 December 2022.

(b) Proposed rights issue by a non-wholly owned subsidiary

On 24 February 2023, Bossini International Holdings Limited ("**Bossini**"), a non-wholly owned subsidiary of the Company with its shares listed on the Main Board of the Stock Exchange (stock code: 592), proposed to implement a rights issue on the basis of one (1) rights share for every two (2) existing shares held on the record date at the subscription price of HK$0.370 per rights share, to raise up to (i) approximately HK$465 million before expenses by way of issuing up to 1,257,784,545 rights shares (assuming no change in the number of shares in issue on or before the record date other than the full exercise of the vested share options); or (ii) approximately HK$457 million before expenses by way of issuing up to 1,235,179,045 rights shares (assuming no change in the number of shares in issue on or before the record date).

Details of the above were set out in Bossini's announcement dated 24 February 2023.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022.

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

CWK
中主環球

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF VIVA CHINA HOLDINGS LIMITED AND NOMURA INTERNATIONAL (HONG KONG) LIMITED

Introduction

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

Director's responsibility for the Historical Financial Information

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

Reporting accountant's responsibility

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

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

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

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

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

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

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

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

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

Review of stub period comparative financial information

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

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

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

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IIA-5 have been made.

CWK CPA Limited
Certified Public Accountants
Hong Kong
[•]

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET

Preparation of Historical Financial Information

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

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

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

STATEMENTS OF FINANCIAL POSITION

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

STATEMENTS OF CHANGES IN EQUITY

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

STATEMENTS OF CASH FLOWS

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

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

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

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

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

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

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

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

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

3.1 Basis of preparation of Historical Financial Information

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

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

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Other income

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

Investment in a subsidiary

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

Foreign currencies

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

Taxation

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

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

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Target manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

(i) Amortised cost and interest income

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

Impairment of financial assets subject to impairment assessment under HKFRS 9

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

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

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

(i) Significant increase in credit risk

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

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

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

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

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

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

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

Going concern basis

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

5. DIRECTOR'S REMUNERATION

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

6. INCOME TAX EXPENSE

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

7. INVESTMENT IN A SUBSIDIARY

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

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

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

On 19 February 2021, the Target subscribed for 100,000,000 preference shares in the capital of Clark at GBP100,000,000 (the "**Clark Shares Subscription Price**") in the aggregate. The Clark Shares Subscription Price payable by the Target was funded by the Shareholder's Loan advanced by LionRock L.P.. On 9 April 2021, LionRock L.P. transferred all ordinary shares of Clark, representing 51% of shareholding in Clark, held by it to the Target. Following which, the Target has obtained control over Clark in accordance with HKFRS10, Clark became a non-wholly owned subsidiary of the Target.

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

8. OTHER RECEIVABLE

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

On 15 October 2020 and 19 February 2021, the Target borrowed the first GBP50 million and the second GBP50 million (collectively referred as "**Shareholder's loan**"; and refer to Note 10 for the terms of the Shareholder's loan), respectively from LionRock L.P., the immediate holding company, and such funds were directly advanced by LionRock L.P. to an escrowed account kept by Goodwin Procter (UK) LLP, a third-party lawyer. Details of the settlement and other details of this other receivable and the Shareholder's loan are set out in Notes 10 and 12b, respectively.

9. SHARE CAPITAL

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

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

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

Balances with related parties:

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

Transaction with related party was as follows:

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

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

The Shareholder's loan was advanced by LionRock L.P., representing the first GBP50 million as set out in Note 8 as at 31 December 2020 and an additional GBP 50 million was advanced during the year ended 31 December 2021 and remained outstanding as at 31 December 2021 and 30 June 2022. The loans were denominated in GBP, unsecured, interest free and repayable on demand. It is expected that upon the completion of acquisition of the Target by a subsidiary of Viva China Holdings Limited, the Shareholder's loan would be deemed to have been irrevocably and unconditionally settled in full in accordance with the relevant transaction agreement.

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

11. CAPITAL RISK MANAGEMENT

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

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

12. FINANCIAL INSTRUMENTS

12a. Categories of Financial Instruments

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

12b. Financial Risk Management Objectives and Policies

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

Credit risk and impairment assessment

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

Other receivable

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

Amount due from a subsidiary

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

Liquidity risk

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

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

13. MAJOR NON-CASH TRANSACTIONS

On 19 February 2021, the Clark Shares Subscription Price was funded by another GBP50 million of the Shareholder's loan advanced by LionRock L.P. and such funds of GBP100 million in aggregate were directly advanced by LionRock L.P. to an escrowed account kept in Goodwin Procter (UK) LLP, a third party to the Target, as set out in Note 8. On the same date, Goodwin Procter (UK) LLP settled the Clark Shares Subscription Price directly with Clark on behalf of the Target.

14. RELATED PARTY TRANSACTIONS

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

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

(a) Balances with related parties were as follows:

	As at 31 December 2020 *GBP*	**As at 31 December 2021** *GBP*	**As at 30 June 2022** *GBP*
Asset			
Clark			
Non-trade			
Preference share coupon receivable	–	8,657,534	13,616,438

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

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

(b) Transaction with related party was as follows:

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

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

15. SUBSEQUENT FINANCIAL STATEMENTS

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

16. EVENTS AFTER REPORTING PERIOD

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

On 30 January 2023, the very substantial acquisition in relation to the purchase the remaining 49% issued share capital of the Target for a consideration of GBP110,000,000 was completed. Following the completion, the Target became an indirect wholly owned subsidiary of Viva China Holdings Limited.

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

CWK
中主環球

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF VIVA CHINA HOLDINGS LIMITED AND NOMURA INTERNATIONAL (HONG KONG) LIMITED

Introduction

We report on the historical financial information of C&J Clark (No 1) Limited ("**Clark**") and its subsidiaries (together, the "**Clark Group**") set out on pages IIB-4 to IIB-96, which comprises the consolidated statements of financial position of the Clark Group as at 1 February 2020, 30 January 2021, 29 January 2022 and 2 July 2022, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the 52 weeks periods ended 30 January 2021, 29 January 2022 and the 22 weeks period ended 2 July 2022 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIB-4 to IIB-96 forms an integral part of this report, which has been prepared for inclusion in the document of Viva China Holdings Limited (the "**Company**") dated [•] in connection with the **[REDACTED]** of the Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

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

Reporting accountant's responsibility

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

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

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

Opinion

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

Review of stub period comparative financial information

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

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

Adjustments

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

CWK CPA Limited
Certified Public Accountants
Hong Kong
[•]

HISTORICAL FINANCIAL INFORMATION

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

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	52 weeks to 30 January 2021 £m	52 weeks to 29 January 2022 £m	22 weeks to 3 July 2021 £m (unaudited)	22 weeks to 2 July 2022 £m
Revenue	5	778.9	926.2	346.5	398.8
Cost of sales		(411.4)	(463.3)	(181.9)	(202.6)
Gross profit		367.5	462.9	164.6	196.2
Distribution expenses		(279.3)	(231.7)	(81.1)	(106.8)
Administrative expenses		(257.3)	(173.2)	(78.5)	(64.8)
Other income	6	52.3	17.5	12.8	4.3
Finance costs	9	(21.0)	(26.6)	(11.3)	(11.2)
Impairment losses (recognised) reversed	7	(1.1)	(10.9)	(0.7)	31.2
(Loss) profit before taxation	7	(138.9)	38.0	5.8	48.9
Income tax (expense) credit	10	(11.7)	15.0	12.9	(8.5)
(Loss) profit for the period	7	(150.6)	53.0	18.7	40.4
(Loss) profit for the period		(150.6)	53.0	18.7	40.4
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		0.7	(5.1)	(10.3)	10.1
Effective portion of changes in fair value of cash flow hedges, net of income tax	27	(11.8)	9.4	2.2	10.0
Items that will not be reclassified subsequently to profit or loss:					
Actuarial (loss) gain on pension schemes, net of income tax	23	(105.6)	64.7	58.5	16.0
Other comprehensive (loss) income for the period, net of income tax		(116.7)	69.0	50.4	36.1
Total comprehensive (loss) income for the period		(267.3)	122.0	69.1	76.5

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	30 January 2021 £m	29 January 2022 £m	2 July 2022 £m
Non-current assets				
Intangible assets	*12*	48.9	37.8	35.3
Property, plant and equipment	*13*	145.6	127.1	127.9
Right-of-use assets	*14*	71.0	48.5	92.8
Investment in a joint venture	*15*	–	–	–
Deferred tax assets	*21*	0.3	0.3	0.3
Derivative financial instruments	*22*	–	0.4	0.6
Retirement benefit surplus	*23*	9.9	111.7	136.5
Total non-current assets		275.7	325.8	393.4
Current assets				
Inventories	*16*	316.0	268.4	363.1
Trade and other receivables	*17*	78.6	80.1	111.6
Derivative financial instruments	*22*	0.2	1.9	14.9
Tax recoverable		0.6	0.7	–
Bank balances and cash	*18*	98.2	161.0	108.1
Total current assets		493.6	512.1	597.7
Total assets		769.3	837.9	991.1
Current liabilities				
Trade and other payables	*19*	251.8	229.9	265.8
Provisions	*20*	–	–	1.4
Loans and borrowings	*25*	7.7	6.3	5.6
Lease liabilities	*26*	31.9	31.4	36.6
Derivative financial instruments	*22*	9.8	0.5	0.4
Contract liabilities		3.2	3.8	2.5
Tax payable		3.1	4.1	7.9
Total current liabilities		307.5	276.0	320.2
Net current assets		186.1	236.1	277.5

	Notes	30 January 2021 £m	29 January 2022 £m	2 July 2022 £m
Non-current liabilities				
Trade and other payables	*19*	0.2	106.5	111.0
Provisions	*20*	14.7	10.9	25.4
Deferred tax liabilities	*21*	3.1	5.4	14.9
Derivative financial instruments	*22*	0.4	–	–
Loans and borrowings	*25*	187.3	55.0	55.3
Lease liabilities	*26*	115.3	97.5	101.2
Total non-current liabilities		321.0	275.3	307.8
Total liabilities		628.5	551.3	628.0
Net assets		140.8	286.6	363.1
Equity				
Share capital	*24*	–*	–*	–*
Share premium		–	23.8	23.8
Other reserves		15.1	15.1	15.1
Cash flow hedge reserve		(7.9)	1.5	11.5
Retained earnings		133.6	246.2	312.7
Total equity		140.8	286.6	363.1

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Share capital	Cash flow hedge reserve *(Note a)*	Other reserves *(Note b)*	Retained earnings	Total equity
		£m	*£m*	*£m*	*£m*	*£m*
At 1 February 2020		–	3.9	15.1	389.1	408.1
Total comprehensive income for the period						
Loss for the period		–	–	–	(150.6)	(150.6)
Actuarial loss on pension schemes	*23*	–	–	–	(105.6)	(105.6)
Exchange differences on translation of foreign operations		–	–	–	0.7	0.7
Effective portion of changes in fair value of cash flow hedges	*27*	–	(11.8)	–	–	(11.8)
Total comprehensive loss for the period		–	(11.8)	–	(255.5)	(267.3)
At 30 January 2021		–	(7.9)	15.1	133.6	140.8

		Share capital	Share premium	Cash flow hedge reserve *(Note a)*	Other reserves *(Note b)*	Retained earnings	Total equity
		£m	*£m*	*£m*	*£m*	*£m*	*£m*
At 30 January 2021		–	–	(7.9)	15.1	133.6	140.8
Total comprehensive income for the period							
Profit for the period		–	–	–	–	53.0	53.0
Actuarial gain on pension schemes	*23*	–	–	–	–	64.7	64.7
Exchange differences on translation of foreign operations		–	–	–	–	(5.1)	(5.1)
Effective portion of changes in fair value of cash flow hedges	*27*	–	–	9.4	–	–	9.4
Total comprehensive income for the period		–	–	9.4	–	112.6	122.0
Transactions with owners, recorded directly in equity							
Share issuance		–	23.8	–	–	–	23.8
At 29 January 2022		–	23.8	1.5	15.1	246.2	286.6
At 29 January 2022		–	23.8	1.5	15.1	246.2	286.6
Total comprehensive income for the period							
Profit for the period		–	–	–	–	40.4	40.4
Actuarial gain on pension schemes	*23*	–	–	–	–	16.0	16.0
Exchange differences on translation of foreign operations		–	–	–	–	10.1	10.1
Effective portion of changes in fair value of cash flow hedges	*27*	–	–	10.0	–	–	10.0
Total comprehensive income for the period		–	–	10.0	–	66.5	76.5
At 2 July 2022		–	23.8	11.5	15.1	312.7	363.1

		Share capital	Share premium	Cash flow hedge reserve *(Note a)*	Other reserves *(Note b)*	Retained earnings	Total equity
		£m (unaudited)	*£m* (unaudited)	*£m* (unaudited)	*£m* (unaudited)	*£m* (unaudited)	*£m* (unaudited)
At 30 January 2021		–	–	(7.9)	15.1	133.6	140.8
Total comprehensive income for the period							
Profit for the period		–	–	–	–	18.7	18.7
Actuarial gain on pension schemes	*23*	–	–	–	–	58.5	58.5
Exchange differences on translation of foreign operations		–	–	–	–	(17.4)	(17.4)
Effective portion of changes in fair value of cash flow hedges	*27*	–	–	2.2	–	–	2.2
Total comprehensive income for the period		–	–	2.2	–	59.8	62.0
Transactions with owners, recorded directly in equity							
Share issuance		–	23.8	–	–	–	23.8
At 3 July 2021		–	23.8	(5.7)	15.1	193.4	226.6

Notes

(a) Cash flow hedge reserve

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

(b) Other reserves

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	52 weeks to 30 January 2021 £m	52 weeks to 29 January 2022 £m	22 weeks to 3 July 2021 £m (unaudited)	22 weeks to 2 July 2022 £m
Net cash flows generated from (used in) operating activities	29	(12.3)	152.0	(3.0)	(20.4)
Interest received		2.3	0.2	0.1	1.3
Interest paid		(12.0)	(8.9)	(3.5)	(5.2)
Taxation refunded (paid)		0.8	(4.7)	(0.4)	(1.8)
Net cash flows generated (used in) from operating activities		(21.2)	138.6	(6.8)	(26.1)
Cash flows used in investing activities					
Purchase of property, plant and equipment		(4.0)	(2.5)	(1.4)	(2.8)
Purchase of intangible assets		(2.8)	(3.0)	(0.3)	(2.2)
Cash used in investing activities		(6.8)	(5.5)	(1.7)	(5.0)
Cash flows generated from (used in) financing activities					
Drawdown of loans and borrowings		139.2	3.4	53.7	112.1
Repayment of loans and borrowings		–	(132.4)	(144.6)	(116.0)
Repayment of lease liabilities		(42.7)	(39.1)	(16.4)	(17.2)
Transaction cost of new financing agreement		–	(1.7)	(1.7)	(2.6)
Transaction cost of preference share issued		–	(3.1)	(3.1)	–
Preference share issued		–	100.0	100.0	–
Net cash generated (used in) from financing activities		96.5	(72.9)	(12.1)	(23.7)
Net increase (decrease) in cash and cash equivalents represented by cash at bank and in hand		68.5	60.2	(20.6)	(54.8)
Opening cash and cash equivalents		23.1	90.5	90.5	154.7
Effect of exchange rate fluctuations on cash held		(1.1)	4.0	(1.0)	2.6
Closing cash and cash equivalents represented by cash at bank and in hand		90.5	154.7	68.9	102.5
Analysis of balance of cash and cash equivalents					
Bank balances and cash	18	98.2	161.0	75.7	108.1
Less: Bank overdrafts included in loans and borrowings under current liabilities	25	(7.7)	(6.3)	(6.8)	(5.6)
Cash and cash equivalents as stated in the consolidated statements of cash flows		90.5	154.7	68.9	102.5

1. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.1 Basis of preparation of Historical Financial Information

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

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

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

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

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

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

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

3.2 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

- the size of the Clark Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Clark Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Clark Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

Revenue

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

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

Revenue is recognised as follows:

Sales

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

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

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

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

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

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

Sale of goods – wholesale

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

Sale of goods – retail

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

Sale of goods – online

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

Sale of gift vouchers

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

Sale with a right of return/exchange

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

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

(b) a refund liability; and

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

Loyalty scheme

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

Royalty income

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

Other income

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

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

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

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

Government grants

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

Investment in a joint venture

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

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

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

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

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

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

Employee benefits

Short term employee benefits

Clark Group accounts for employee benefits under HKAS 19.

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

Defined contribution plans and other long-term employee benefits

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

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

Defined benefit plans

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

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

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

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

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

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

Share based payments

Equity-settled share based payments

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

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

Cash-settled share based payments

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

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

Restructuring costs

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

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

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

(ii) the principal locations affected;

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

(iv) the expenditures that will be undertaken; and

(v) when the plan will be implemented;

and

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

Taxation

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

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

Current tax and deferred tax for the periods

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

Property, plant and equipment

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

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

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

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

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

Intangible assets

Software

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

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

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

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

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

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

Trademarks

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

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

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

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

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

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

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

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

Inventories

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

Leases

Definition of a lease

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

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

The Clark Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lease modifications

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

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

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

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

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

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

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

Clark Group as a lessor

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

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

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

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

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

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

Financial instruments

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

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

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

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

The Clark Group's financial instruments comprise:

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

Impairment of financial assets subject to impairment assessment under HKFRS 9

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

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

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

(i) Significant increase in credit risk

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

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

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

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

Cash and cash equivalents

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

Loans and borrowings

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

Derivative financial instruments

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

Hedge accounting

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

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

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

Assessment of hedging relationship and effectiveness

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

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;

and

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

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

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

Cash flow hedges

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

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

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

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

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

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

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

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

Foreign currencies

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

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

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

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

Provisions

A provision is recognised when the Clark Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date and are discounted to present value where the effect is material. Note 20 contains details of the period end provision.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

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

b) Incremental borrowing rate determined for leases

The determination of the incremental borrowing rate used to measure lease liabilities involves a degree of estimation uncertainty. Management has concluded that the interest rate implicit in the leases cannot always be readily determined therefore the leases held have been discounted by the incremental borrowing rate ("**IBR**"), being the rate of interest that Clark Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain assets of a similar value to the right-of-use assets in a similar economic environment. This involves assumptions and estimates, which would affect the carrying value of the lease liabilities and corresponding right-of-use assets. To determine the IBR, Clark Group uses entity-specific synthetic credit ratings for each operating territory in order to determine the appropriate set of market data to use as a starting point, and adjusts this for conditions specific to each lease such as its term and security. For details on the carrying value of leases, please refer to Note 14.

c) Valuation for post-retirement benefits

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

Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. A sensitivity analysis is included within Note 23.

5. REVENUE

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

a. Disaggregation of revenue from contracts with customers

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

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

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

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

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

b. Information about major customers

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

6. OTHER INCOME

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

Note a:

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

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

Note b:

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

7. PROFIT (LOSS) BEFORE TAXATION

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

	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
	£m	*£m*	*£m* (unaudited)	*£m*
Depreciation of property, plant and equipment	25.4	22.6	8.5	4.9
Depreciation of right-of-use assets	37.9	20.1	7.3	6.2
Amortisation of intangible assets	13.1	15.3	6.9	6.0
Total depreciation and amortisation	76.4	58.0	22.7	17.1
Cost of inventories recognised as expense	346.6	391.7	155.8	163.8
Write down of inventories recognised as an expense	2.8	1.8	0.2	0.7
Provisions recognised (reversed) on inventories	3.7	(3.1)	(0.3)	1.7
Impairment loss recognised (reversed) on property, plant and equipment *(Note 13)*	9.0	(0.7)	–	(6.5)
Impairment loss (reversed) recognised on right-of-use assets *(Note 14)*	(16.7)	15.6	–	(25.4)
Impairment loss recognised (reversed) on trade receivables *(Note 17)*	8.8	(4.0)	0.7	0.7
Gain on disposal of property, plant and equipment	1.3	1.9	0.8	9.2
Loss on disposal of intangible assets	0.3	0.6	–	–
Auditor's remuneration				
Fees payable to the Clark's Group auditor for the audit of their annual audit	1.1	1.3	0.3	0.3

b. Employment benefit expense:

	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
	£m	*£m*	*£m* (unaudited)	*£m*
Wages and salaries	180.3	142.7	61.2	63.3
Social security costs	23.1	20.9	13.1	6.9
Pension current service cost – defined benefit scheme (see Note 23)	0.5	0.2	0.1	0.2
Pension contributions – defined contribution scheme (see Note 23)	13.4	9.6	5.4	4.7
	217.3	173.4	79.8	75.1

8. RESTRUCTURING COSTS

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

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

9. FINANCE COSTS

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

10. INCOME TAX EXPENSE (CREDIT)

	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
	£m	*£m*	*£m* (unaudited)	*£m*
Current tax:				
UK	0.2	1.1	–	0.1
Other jurisdictions	0.6	5.7	1.2	5.1
	0.8	6.8	1.2	5.2
Under (over) provision in prior periods:				
UK	–	–	–	(0.9)
Other jurisdictions	0.6	(1.0)	–	2.0
	0.6	(1.0)	–	1.1
Total current taxation	1.4	5.8	1.2	6.3
Deferred tax charge (credit):				
Current period	11.0	(19.2)	(14.1)	2.2
Attributable to changes in tax rate	(1.1)	(1.6)	–	–
Others	0.4	–	–	–
Total deferred taxation *(Note 21)*	10.3	(20.8)	(14.1)	2.2
Total income tax charge (credit)	11.7	(15.0)	(12.9)	8.5

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

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

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

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

11. DIVIDENDS

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

12. INTANGIBLE ASSETS

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

The trademark relates to the "Clarks" brand name.

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

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

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

13. Property, plant and equipment

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

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

* *Represent amount less than £100,000*

Impairment loss and subsequent reversal

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

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

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

14. RIGHT-OF-USE ASSETS

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

	Retail stores *£m*	Leased office properties *£m*	Total *£m*
At 30 January 2021			
Carrying amount	45.7	25.3	71.0
At 29 January 2022			
Carrying amount	25.9	22.6	48.5
At 2 July 2022			
Carrying amount	73.6	19.2	92.8
For the 52 weeks period ended 30 January 2021			
Depreciation charge	34.0	3.9	37.9

	Retail stores *£m*	Leased office properties *£m*	Total *£m*
Impairment loss reversed	(16.7)	–	(16.7)
For the 52 weeks period ended 29 January 2022			
Depreciation charge	16.5	3.6	20.1
Impairment loss recognised	15.6	–	15.6
For the 22 weeks period ended 3 July 2021			
Depreciation charge (unaudited)	5.8	1.5	7.3
For the 22 weeks period ended 2 July 2022			
Depreciation charge	5.1	1.1	6.2
Impairment loss reversed	(25.4)	–	(25.4)

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

Variable lease payments

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

Nature of lease activities

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

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

Rent concessions

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

15. INVESTMENT IN A JOINT VENTURE

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

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

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

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

Clarks Reliance Footwear Private Limited

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

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

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

Clarks Reliance Footwear Private Limited

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

16. INVENTORIES

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

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

17. TRADE AND OTHER RECEIVABLES

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

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

Exposure to credit risk

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

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

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

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

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

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

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

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

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

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

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

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

- A debt is outstanding for an unacceptable period of time (120 days beyond payment terms) without any communication or reason for non-payment being received.
- Legal action or instruction of a debt recovery firm is made to support with the collection process of an outstanding balance.
- There are discussions with a customer where they clearly state financial hardship and an inability to pay that increases the possibility of business failure or further action to recover the balance.
- The customers intention to enter or has entered liquidation or administration becomes known, therefore placing the debt at risk of non-payment.
- A period of contractual disagreement commences that may result in non-payment, legal action or agreed legal settlement of part of the balance.

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

18. BANK BALANCES AND CASH

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

Details of impairment assessment of bank balances are set out in Note 27.

19. TRADE AND OTHER PAYABLES

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

Note a:

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

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

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

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

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

Note b:

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

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

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

20. PROVISIONS

At 30 January 2021

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

At 29 January 2022

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

At 2 July 2022

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

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

Dilapidation provision

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

Onerous lease provision

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

Restructuring provision

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

Others

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

21. DEFERRED TAX

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

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

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

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

Unrecognised deferred tax

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

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

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

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

	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*
Losses expected to expire in 2034	7.3	6.2	6.2
Losses expected to expire in 2035	53.8	54.9	54.9
Losses expected to expire in 2036	39.0	39.9	39.9
	100.1	101.0	101.0

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

22. DERIVATIVE FINANCIAL INSTRUMENTS

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

Forward Exchange Contracts

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

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

At 30 January 2021

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

At 29 January 2022

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

At 2 July 2022

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

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

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

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

23. RETIREMENT BENEFITS

Defined contribution plans

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

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

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

Defined benefit plans

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

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

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

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a high proportion of its investments in debt instruments with smaller amounts in equity securities and real estate. Due to the level of risk associated with each type of asset, the trustees of the pension fund consider it appropriate that a reasonable portion of the plan assets should be invested in debt instruments, while the long-term nature of the plan liabilities means that is considered appropriate that a portion of the investment portfolio is in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability but this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

	At 30 January 2021 £m	At 29 January 2022 £m	At 2 July 2022 £m
Change in benefit obligation for defined benefit sections			
Benefit obligation at the beginning of the period	1,232.5	1,302.6	1,176.4
Current service cost	0.5	0.2	0.2
Administration costs	3.9	1.9	0.8
Interest cost	21.7	19.5	11.3
Past service costs	0.3	0.7	–
Actuarial loss (gain)	112.9	(92.1)	(226.6)
Liabilities extinguished on settlement	(0.3)	–	–
Benefits paid	(64.2)	(59.2)	(22.8)
Exchange rate adjustment on US scheme	(4.7)	2.8	12.8
Benefit obligation at the end of the period	1,302.6	1,176.4	952.1
Analysis of benefit obligation for defined benefit sections			
Plans that are wholly or partly funded	1,302.5	1,176.3	952.0
Plans that are wholly unfunded	0.1	0.1	0.1
Total	1,302.6	1,176.4	952.1
Change in plan assets for defined benefit sections			
Fair value of plan assets at the beginning of the financial period	1,360.9	1,313.4	1,288.9
Expected return on plan assets	23.7	19.5	12.3
Actuarial loss	(15.0)	(6.5)	(206.5)
Employer contribution	12.5	19.6	5.8
Assets distributed on settlements	(0.3)	–	–
Benefits paid	(64.2)	(59.2)	(22.8)
Administration costs	(0.5)	(0.2)	(0.2)
Exchange rate adjustment on US scheme	(3.7)	2.3	12.0
Fair value of plan assets at the end of the period	1,313.4	1,288.9	1,089.5
Funded status	10.8	112.5	137.4
Unrecognised past service cost	–	–	–
Net amount recognised	10.8	112.5	137.4

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

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

Plan assets

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

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

	At 30 January 2021 *£m*	At 29 January 2022 *£m*	At 2 July 2022 *£m*
Actual return on plan assets	8.7	13.0	194.2

	UK At 30 January 2021	UK At 29 January 2022	UK At 2 July 2022	North America At 30 January 2021	North America At 29 January 2022	North America At 2 July 2022
Weighted average assumptions used to determine benefit obligations						
Discount rate	1.40%	2.20%	3.65%	2.75%	3.18%	4.76%
Rate of increase in pensions in payment	2.95%	3.45%	3.05%	N/A	N/A	N/A
Rate of increase in pensions in deferment	2.25%	2.90%	2.45%	N/A	N/A	N/A
Inflation assumption	3.00%	3.60%	3.15%	N/A	N/A	N/A

	UK At 30 January 2021	UK At 29 January 2022	UK At 2 July 2022	North America At 30 January 2021	North America At 29 January 2022	North America At 2 July 2022
Weighted average assumptions used to determine net pension cost for the period end						
Discount rate	1.40%	2.20%	3.65%	3.00%	2.75%	4.76%
Expected long-term return on plan assets	1.40%	2.20%	3.65%	N/A	N/A	N/A
Rate of increase in pensions in payment	2.95%	3.45%	3.05%	N/A	N/A	N/A
Rate of increase in pensions in deferment	2.25%	2.90%	2.45%	N/A	N/A	N/A
Inflation assumption	3.00%	3.60%	3.15%	N/A	N/A	N/A

		UK At 30 January 2021	UK At 29 January 2022	UK At 2 July 2022	North America At 30 January 2021	North America At 29 January 2022	North America At 2 July 2022
Weighted average life expectancy for mortality tables used to determine benefit obligations							
Member age 65	Male	22.3	22.3	22.3	20.5	20.6	20.6
(current life expectancy)	Female	24.0	24.2	24.2	22.4	22.6	22.6
Member age 45	Male	23.5	23.5	23.6	22.0	22.1	22.1
(life expectancy at age 65)	Female	25.9	26.0	26.0	23.8	24.0	24.0

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Sensitivity analysis: Impact of change in key assumptions on actuarial value of liabilities

	UK At 30 January 2021 £m	UK At 29 January 2022 £m	UK At 2 July 2022 £m
Base case	1,177.0	1,056.1	843.6
0.5% decrease in discount rate	1,271.0	1,135.1	901.8
1 year increase in member life expectation	1,224.1	1,098.4	877.4
+0.5% change in inflation	1,254.2	1,122.5	888.1

	US At 30 January 2021 £m	US At 29 January 2022 £m	US At 2 July 2022 £m
Base case	171.9	161.1	131.2
0.5% decrease in discount rate	185.1	172.7	139.4
1 year increase in member life expectation	177.3	166.3	135.3

24. SHARE CAPITAL

	Issued and fully paid At 30 January 2021	Issued and fully paid At 29 January 2022	Issued and fully paid At 2 July 2022
	£	£	£
100,000 Ordinary Shares of £0.001 each	100.00	–	–
51,051 A Ordinary shares of £0.001 each	–	51.05	51.05
49,049 B Ordinary shares of £0.001 each	–	49.05	49.05
	100.00	100.10	100.10

On 19 February 2021 an additional 100 Ordinary shares were issued, bringing the total number of ordinary shares to 100,100, with an aggregate nominal value of £100.10 (30 January 2021: £100.00). On the same date, Ordinary Shares in Clark were designated as A Ordinary Shares and B Ordinary Shares with varied rights.

A Ordinary Shares confer one vote per share unless a Material Default is occurring in which case holders of A Ordinary Shares shall together be entitled to exercise 75% of the total voting rights attaching to all shares in Clark in respect of any resolution relating to a Rescue Issue. A Ordinary Shares rank second, behind Preference Shares, and *pari passu* with B Ordinary Shares on return of capital. The Board may determine to pay a dividend to the holder of A Ordinary Share (and B Ordinary Shares) after payment of the Preferred Dividend to the holders of the Preference Shares. The A Ordinary shares are not redeemable.

B Ordinary Shares confer one vote per share. B Ordinary Shares rank second, behind Preference Shares, and *pari passu* with A Ordinary Shares on return of capital. The Board may determine to pay a dividend to the holder of B Ordinary Shares (and A Ordinary Shares) after payment of the Preferred Dividend to the holders of the Preference Shares. The B Ordinary Shares are not redeemable.

25. LOANS AND BORROWINGS

Borrowings at amortised cost:

	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*
Term Facilities and Private Placement	195.0	61.3	60.9
Current	7.7	6.3	5.6
Non-current	187.3	55.0	55.3
	195.0	61.3	60.9

Deducted from long-term loans are £0.2m, £1.4m and £2.6m for the 52 weeks period ended 30 January 2021, 29 January 2022 and 22 weeks period ended 2 July 2022, respectively of pre-paid transactions costs relating to financing.

	Currency	Nominal interest rate	Maturity	At 30 January 2021 *£m*	At 29 January 2022 *£m*	At 2 July 2022 *£m*
$231.9m Revolving Credit Facility	USD	London Interbank Offered Rate ("**LIBOR**") plus 3.4%	April 2022	132.4	–	–
$75.5m Private Placement (PRICOA)	USD	7.0% (2021: 5.8% Cash plus 1% Payment-in-kind ("**PIK**"))	May 2024 *(note)*	55.1	56.4	–
$250m Asset-Based Lending Facilities	USD	Secured Overnight Financing Rate ("**SOFR**") plus 1.75%	June 2027 *(note)*	–	–	57.9
Japanese Yen ("**JPY**") 700m Debt Facility	JPY	1.08%	August 2022	4.9	4.5	4.3
JPY279m Debt Facility	JPY	1.08%	August 2022	2.8	1.8	1.3
				195.2	62.7	63.5

Note: Clark Group has signed a facility agreement with Bank of America, N.A on 21 June 2022, to obtain a new $250m Asset-Based Lending Facilities for refinancing purpose. As a result, the Private Placement is released earlier than maturity date.

The weighted average interest rates excluding the coupon on preference shares paid during the period were as follows:

	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
Term Facilities and Private Placement	4.5%	5.8%	8.0%	5.8%

Terms shown above are for Clark Group's debt facilities.

The facilities are also subject to cross company guarantees within Clark Group. All are included within the above financial liabilities.

Further guarantees are provided in relation to £2m, USD5m and EUR1m overdraft facilities in the UK. Clark Group also provides an Indian Rupee ("**INR**") 1 billion corporate guarantee to support 50% of an INR2 billion loan facility for Clarks Reliance Footwear Private Limited, a 50% owned joint venture as at 29 January 2022 and 2 July 2022.

As at 2 July 2022, certain trade receivables and inventories with an estimated total carrying amount of £195.0m was pledged for Asset-Based Lending Facilities (30 January 2021 and 29 January 2022: nil).

26. LEASE LIABILITIES

	At 30 January 2021 £m	At 29 January 2022 £m	At 2 July 2022 £m
Maturity analysis			
Undiscounted lease liabilities			
Within one year	38.0	36.7	42.1
Within a period of more than one year but not exceeding two years	32.5	31.2	34.8
Within a period of more than two years but not exceeding five years	62.9	52.6	53.5
Within a period of more than five years	36.5	26.9	24.9
	169.9	147.4	155.3
Less: discounting using incremental borrowing rate	(22.7)	(18.5)	(17.5)
Total discounted lease liabilities	147.2	128.9	137.8
Less: Amount due for settlement with 12 months shown under current liabilities	(31.9)	(31.4)	(36.6)
Amount due for settlement after 12 months shown under non-current liabilities	115.3	97.5	101.2

27. CAPITAL COMMITMENTS

	At 30 January 2021 £m	At 29 January 2022 £m	At 2 July 2022 £m
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	0.1	0.8	3.1
Capital expenditure in respect of the acquisition of intangible assets contracted for but not provided in the consolidated financial statements	–	–	2.8
	0.1	0.8	5.9

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. Carrying amount of financial instruments

	At 30 January 2021 *£m*	At 29 January 2022 *£m*	At 2 July 2022 *£m*	Fair value hierarchy level
Derivative financial instruments (under non-current and current assets)				
Forward exchange contracts	0.2	2.3	15.5	2
Financial assets measured at amortised cost				
Trade and other receivables	65.1	65.9	88.9	N/A
Bank balances and cash	98.2	161.0	108.1	N/A
Derivative financial instruments (under non-current and current liabilities)				
Forward exchange contracts	10.2	0.5	0.4	2
Financial liabilities measured at amortised cost				
Loans and borrowings	195.0	61.3	60.9	N/A
Trade and other payables	146.9	246.0	248.4	N/A

During the 52 weeks period ended 30 January 2021, 29 January 2022 and 22 weeks period ended 3 July 2021 and 2 July 2022, £2.0m, £1.0m, £3.4m (unaudited) and £0.2m gains respectively were reclassified from the cash flow hedge reserve to profit or loss.

Interest payable on loans and borrowings measured at amortised cost totalled £7.3m, £1.1m and £3.0m as at 30 January 2021, 29 January 2022 and 2 July 2022, respectively.

The change in the fair value of financial instruments recognised through the cash flow hedge reserve during 52 weeks period ended 30 January 2021 and 29 January 2022 were losses of £16.7m and gains of £10.6m, recognised in OCI, respectively. For the 22 weeks period ended 3 July 2021 and 2 July 2022, there were losses of £0.8m (unaudited) and gains of £13.0m, recognised in OCI, respectively.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows:

Fair value hierarchy

Level 1: fair values derived from quoted prices in active markets for identical assets/liabilities.

Level 2: fair values derived from observable inputs other than quoted prices.

Level 3: fair values derived from valuation techniques that include inputs that are not based on observable data.

There were no transfers between levels during the Track Record Period. Refer to b) below for the determination of fair values of financial assets and liabilities and Note 3.2 for financial assets and liabilities.

b. Financial instruments measured at fair value

Forward Exchange Contracts

The fair value of forward exchange contracts are categorised as level 2 fair value hierarchy and are estimated using discounted cash flow.

Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at each reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Financial Risk Management

The financial risks of the Clark Group primarily relate to fluctuations in currency risk, interest rate risk and credit risk.

Capital Risk Management

The Clark Group manages its capital to ensure that entities in the Clark Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance and sustaining the future development of the Clark Group.

The capital structure of the Clark Group consists of net debt (loans and borrowings after deducting bank balances and cash and lease liabilities disclosed in Notes 25 and 26 respectively) and equity of the Clark Group (comprising share capital, share premium, other reserves, cash flow hedge reserve and retained earnings).

The Clark Group reviews the capital structure on a periodic basis as part of the overall risk management strategy. As part of this review, the group considers the cost of capital and the risks associated with each class of capital.

Credit risk

Credit risk is the risk of financial loss to Clark Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Clark Group is exposed to credit risk on trade and other receivables and bank balances. Clark Group ensures that the banks used for financing hold an acceptable risk rating by independent parties. Trade receivables and other receivables consist of a large number of customers. Clark Group does not have any significant credit risk exposure to any single counterparty. Under the general approach for expected credit losses there is to be assessment of whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12-month expected credit losses. This determination is made at the end of each financial period. Thus, the basis of the loss allowance for a specific financial asset could change year on year. For trade receivables which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For financial assets measured at amortised cost other than trade receivables the general approach under HKFRS 9 is followed.

Customer credit risk is managed centrally according to established policies, procedures and controls. Management typically monitor credit risk from a regional perspective but credit risk is also monitored on a customer basis as needed. Customer credit quality is assessed in line with strict credit rating criteria and credit limits are established where appropriate. Outstanding customer balances are regularly monitored and a review is carried out at each reporting date for indicators of impairment, for example: evidence of financial difficulty of the customer, payment default, breach of contract etc.

Management has assessed all of the Clark Group's financial assets to be in Stage 1, where credit risk has not increased since initial recognition, based on consideration of the credit quality of the respective counterparties. Banking relationships are generally limited to those banks that are members of the Clark Group's core relationship group. These banks are selected for their credit status, global reach and their ability to meet the businesses' day-to-day banking requirements. The credit ratings of these institutions are monitored on a continuing basis. Clark Group has not historically recorded a provision or incurred writes-offs on the bank balances. As such Management consider the risk of impairment occurring low.

The Clark Group's maximum exposure to credit risk, being the carrying amount of financial assets, is summarised as follows:

	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*
Trade and other receivables *(Note 17)*	65.1	65.9	88.9
Bank balances	98.2	161.0	108.1
	163.3	226.9	197.0

The tables below detail the credit risk exposures of the Clark Group's financial assets and contract assets, which are subject to ECL assessment:

Financial assets measured at amortised cost	Notes	External credit rating	Internal credit rating	12-month ("12m") or lifetime ECL	At 30 January 2021 ECL rate	At 30 January 2021 Gross carrying amount	At 29 January 2022 ECL rate	At 29 January 2022 Gross carrying amount	At 2 July 2022 ECL rate	At 2 July 2022 Gross carrying amount
						£m		*£m*		*£m*
Trade receivables	*18*	N/A	Low risk	Lifetime ECL	1.1% – 3.4%	53.4	0.0% – 2.2%	53.1	0.6% – 4.9%	80.5
Amounts due from a joint venture	*18*	N/A	30 January 2021: Doubtful 29 January 2022: High risk 2 July 2022: High risk	12m ECL	100.0%	8.3	50.7%	9.4	54.0%	8.9
Bank balances and cash	*19*	30 January 2021: AA to BBB+ 29 January 2022: AA+ to BBB+ 2 July 2022: AA+ to BBB+	N/A	12m ECL	0.0%	98.2	0.0%	161.0	N/A	108.1

Currency risk

The Clark Group is exposed to currency risk as a result of the Clark Group's international nature and business activities due to mismatch between currencies in which sales, purchases, receivables and borrowings are denominated.

The carrying amounts of the Clark Group's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are as follows:

	Assets			Liabilities		
	At 30 January 2021	At 29 January 2022	At 2 July 2022	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
USD	88.8	125.6	74.5	(191.2)	(127.4)	(161.6)
EUR	23.2	29.8	21.6	(8.4)	(13.0)	(11.9)
RMB	9.5	9.4	9.6	(1.6)	(0.3)	(0.8)
Canadian Dollar ("**CAD**")	4.3	6.2	17.3	(0.3)	(1.9)	(0.8)
JPY	9.3	15.8	5.9	(8.1)	(5.5)	(5.8)
Others	8.4	6.9	6.2	(0.1)	(0.4)	(1.2)

The Treasury function manages currency exposure on cash flows relating to the Clark Group's trading operations by entering forward dated forward exchange contracts and structured instruments maturing at key points based on detailed forecasts of future transaction flows. Clark Group considers that the hedged items are the forecast sales and purchases to the point of the settlement of the resulting receivable or payable.

The main currencies in order of transactional value are USD, EUR, RMB, CAD and JPY. Income and expenditure flows in the same currency are offset as far as possible through natural hedging, and the Clark Group hedges the net exposure.

The following tables indicate the periods in which the cash flows associated with cash flow hedging instruments are expected to occur:

	At 30 January 2021		
	1 year or less	1 to < 2years	Expected cash flows
	£m	*£m*	*£m*
Derivative – net settlement			
Forward exchange contracts			
Assets – notional value	14.0	1.1	15.1
Liabilities – notional value	(229.0)	(7.7)	(236.7)
	(215.0)	(6.6)	(221.6)

	At 29 January 2022		
	1 year or less	1 to < 2 years	Expected cash flows
	£m	*£m*	*£m*
Derivative – net settlement			
Forward exchange contracts			
Assets – notional value	75.5	55.6	131.1
Liabilities – notional value	(18.3)	–	(18.3)
	57.2	55.6	112.8

	At 2 July 2022		
	1 year or less	1 to < 2 years	Expected cash flows
	£m	*£m*	*£m*
Derivative – net settlement			
Forward exchange contracts			
Assets – notional value	140.8	24.0	164.8
Liabilities – notional value	(28.0)	–	(28.0)
	112.8	24.0	136.8

The following table represents an analysis of effects of changes in fair value of forward exchange contracts under hedge accounting on OCI and profit or loss:

	52 weeks to 30 January 2021				
	Total fair value gains or losses recognised in OCI	**Hedge ineffectiveness recognised in profit or loss**	**Line item where hedge ineffectiveness is recognised**	**Amount reclassified from OCI to profit or loss**	**Line item in the statement of profit or loss**
	£m	*£m*		*£m*	
Forward currency risk					
Forward exchange contracts	(16.7)	1.2	Finance costs	2.0	Administrative expenses

	52 weeks to 29 January 2022				
	Total fair value gains or losses recognised in OCI	**Hedge ineffectiveness recognised in profit or loss**	**Line item where hedge ineffectiveness is recognised**	**Amount reclassified from OCI to profit or loss**	**Line item in the statement of profit or loss**
	£m	*£m*		*£m*	
Forward currency risk					
Forward exchange contracts	10.6	0.9	Finance costs	1.0	Administrative expenses

	22 weeks to 3 July 2021				
	Total fair value gains or losses recognised in OCI	**Hedge ineffectiveness recognised in profit or loss**	**Line item where hedge ineffectiveness is recognised**	**Amount reclassified from OCI to profit or loss**	**Line item in the statement of profit or loss**
	£m	*£m*		*£m*	
	(unaudited)	(unaudited)		(unaudited)	
Forward currency risk					
Forward exchange contracts	(0.8)	–	Finance costs	3.4	Administrative expenses

	22 weeks to 2 July 2022				
	Total fair value gains or losses recognised in OCI *£m*	**Hedge ineffectiveness recognised in profit or loss** *£m*	**Line item where hedge ineffectiveness is recognised**	**Amount reclassified from OCI to profit or loss** *£m*	**Line item in the statement of profit or loss**
Forward currency risk					
Forward exchange contracts	13.0	–	Finance costs	0.2	Administrative expenses

For the 52 weeks period ended 30 January 2021, the total fair value losses recognised in OCI of £16.7m above is shown gross of deferred taxation of £2.9m and reclassifications to profit or loss of £2.0m. The net amount included within OCI is a loss of £11.8m.

For the 52 weeks period ended 29 January 2022, the total fair value gains recognised in OCI of £10.6m above is shown gross of deferred taxation of £2.2m and reclassifications to profit or loss of £1.0m. The net amount included within OCI is a gain of £9.4m.

For the 22 weeks period ended 3 July 2021, the total fair value losses recognised in OCI of £0.8m (unaudited) above are shown gross of deferred taxation of £0.4m (unaudited) and reclassifications to profit or loss of £3.4m (unaudited), respectively. The net amount included within OCI is a gain of £2.2m (unaudited).

For the 22 weeks period ended 2 July 2022, the total fair value gains recognised in OCI of £13.0m, above are shown gross of deferred taxation of £3.2m and reclassifications to profit or loss of £0.2m, respectively. The net amount included within OCI is a gain of £10.0m.

In all periods, hedge ineffectiveness resulted from amounts of currency for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur.

Foreign currency sensitivity analysis

The Group is mainly exposed to USD and EUR fluctuations.

The following table details the Clark Group's sensitivity to a 10 per cent increase and decrease in currency units against the relevant foreign currencies. 10 per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period-end for a 10 per cent change in foreign currency rates. A positive number below indicates an increase in profit and other equity where currency units strengthens 10 per cent against the relevant currency. For a 10 per cent weakening of currency units against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	USD			EUR		
Impact on	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 2 July 2022	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 2 July 2022
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Profit and loss	10.2	0.2	8.7	(1.5)	(1.7)	(1.0)

Interest rate risk

The Clark Group is exposed to interest rate risk principally in relation to borrowings, lease liabilities and bank deposits denominated in GBP, USD, JPY and EUR. The Clark Group manages this risk by maintaining an appropriate mix between fixed and floating rate borrowings.

All bank balances carry interest at floating market rates.

Under the Revolving Credit Facility, interest rates are based upon LIBOR appropriate to the tenor of the loan. Under the Asset-Based Lending Facilities, interest rates are based upon SOFR or Sterling Overnight Index Average ("**SONIA**") appropriate to the tenor of the loan. The interest rates on facilities in the UK are based on the UK base rate for GBP borrowings and the relevant LIBOR or SONIA rate for currency borrowings. The interest rates on the short-term facilities in the USA are based on LIBOR or SOFR and those in Japan are based on local rates.

The maturity of the Clark Group's loan and borrowings at each reporting period end was as follows:

	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*
In one year or less or on demand	7.7	6.3	5.6
In more than one year but not more than two years	187.3	–	–
In more than two years but not more than five years	–	55.0	55.3
	195.0	61.3	60.9

At respective period end date the Clark Group had the following undrawn net committed borrowings facilities available:

	At 30 January 2021	At 29 January 2022	At 2 July 2022
	£m	*£m*	*£m*
Expiring in one year	–	–	–
Expiring in more than one year but not more than two years	–	–	–
Expiring in more than two years but not more than five years	–	133.5	142.0
	–	133.5	142.0

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 10 per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 per cent higher and all other variables were held constant, the Clark Group's profit for the 52 weeks period ended 30 January 2021, 29 January 2022 and 22 weeks period ended 2 July 2022 would decrease by £0.3m, £0.1m and £0.2m, respectively. This is mainly attributable to the Clark Group's exposure to interest rates on its variable rate borrowings.

Liquidity risk

The cash at bank which equals cash and cash equivalents represents amounts held in bank accounts. In the management of the liquidity risk, the Clark Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Clark Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Clark Group monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Clark Group relies on bank borrowings as a significant source of liquidity. The undrawn net committed borrowings facilities available during the Track Record Period is shown in the table above.

Contractual maturity analyses for trade payables and lease liabilities are shown in Notes 19 and 26 respectively. Maturity analyses for forward exchange contracts and gross borrowings are shown in the tables laid out above.

c. Fair value of the Clark Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of Clark Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at 30 January 2021	29 January 2022	2 July 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship and sensitivity of unobservable inputs to fair value
	£m	*£m*	*£m*				
Forward exchange contracts	Assets: 0.2; Liabilities: 10.2	Assets: 2.3; Liabilities: 0.5	Assets: 15.5; Liabilities: 0.4	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

29. RECONCILIATION OF OPERATING PROFIT ITEMS TO OPERATING CASH FLOWS

	52 weeks to 30 January 2021	52 weeks to 29 January 2022	22 weeks to 3 July 2021	22 weeks to 2 July 2022
	£m	*£m*	*£m* (unaudited)	*£m*
(Loss) profit before taxation	**(138.9)**	**38.0**	**5.8**	**48.9**
Finance costs	21.0	26.6	11.3	11.2
Interest income	(2.3)	(0.2)	(0.1)	(1.0)
Depreciation of property, plant and equipment	25.4	22.6	8.5	4.9
Depreciation of right-of-use assets	37.9	20.1	7.3	6.2
Gain on lease modification and early termination of lease arrangements	(26.8)	(0.2)	(0.1)	(2.3)
Impairments losses recognised (reversed)	1.1	10.9	0.7	(31.2)
Amortisation of intangible assets	13.1	15.3	6.9	6.0
Write down of inventories	2.8	1.8	0.2	0.7
Provisions recognised (reversed) on inventories	3.7	(3.1)	(0.3)	1.7
Loss on disposal of intangible assets and property, plant and equipment	1.6	2.5	0.8	9.2
Difference between pension charge and cash contributions	(7.3)	(16.6)	(11.1)	(4.6)
Decrease (increase) in inventories	24.2	43.2	6.5	(68.3)
Decrease (increase) in trade and other receivables	28.5	5.3	(3.4)	(26.1)
(Decrease) increase in trade and other payables	(14.2)	8.5	(41.4)	21.2
Increase (decrease) in provisions	1.3	(4.1)	4.4	16.1
Increase (decrease) in contract liabilities	0.5	(1.0)	(0.8)	(1.3)
Unrealised exchange loss (gain)	16.1	(17.6)	1.8	(11.7)
Net cash flow generated (used in)/from operating activities	(12.3)	152.0	(3.0)	(20.4)

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

30 January 2021

	At 1 February 2020 £m	Financing and operating cash flows £m	Lease remeasurements £m	Exchange movements £m	Interest expense £m	New leases £m	Disposals/ expirations £m	At 30 January 2021 £m
Loans and borrowing (exclude bank overdrafts)	55.7	139.2	–	(7.6)	–	–	–	187.3
Lease liabilities	324.6	(42.7)	(116.9)	(1.2)	11.6	4.3	(32.5)	147.2
Total liabilities from financing activities	380.3	96.5	(116.9)	(8.8)	11.6	4.3	(32.5)	334.5

29 January 2022

	At 30 January 2021 £m	Financing and operating cash flows £m	Lease remeasurements £m	Exchange movements £m	Interest expense £m	New leases £m	Disposals/ Expirations £m	At 29 January 2022 £m
Loans and borrowing (exclude bank overdrafts)	187.3	(130.7)	–	(1.6)	–	–	–	55.0
Lease liabilities	147.2	(39.1)	7.2	0.8	6.4	8.1	(1.7)	128.9
Total liabilities from financing activities	334.5	(169.8)	7.2	(0.8)	6.4	8.1	(1.7)	183.9

2 July 2022

	At 29 January 2022 £m	Financing and operating cash flows £m	Lease remeasurements £m	Exchange movements £m	Interest expense £m	New leases £m	Disposals/ expirations £m	At 2 July 2022 £m
Loans and borrowing (exclude bank overdrafts)	55.0	(6.5)	–	6.8	–	–	–	55.3
Lease liabilities	128.9	(17.2)	5.3	8.6	2.4	35.3	(25.5)	137.8
Total liabilities from financing activities	183.9	(23.7)	5.3	15.4	2.4	35.3	(25.5)	193.1

3 July 2021

	At 30 January 2021 £m	Financing and operating cash flows £m (Unaudited)	Lease remeasurements £m (Unaudited)	Exchange movements £m (Unaudited)	Interest expense £m (Unaudited)	New leases £m (Unaudited)	Disposals/ expirations £m (Unaudited)	At 3 July 2021 £m (Unaudited)
Loans and borrowing (exclude bank overdrafts)	187.3	(92.6)	–	0.6	–	–	–	95.3
Lease liabilities	147.2	(16.4)	6.0	(1.4)	2.7	2.2	(1.1)	139.2
Total liabilities from financing activities	334.5	(109.0)	6.0	(0.8)	2.7	2.2	(1.1)	234.5

31. RELATED PARTY TRANSACTIONS

Relationships	Nature of balances/transactions	52 weeks to 30 January 2021 £m	52 weeks to 29 January 2022 £m	22 weeks to 3 July 2021 £m (unaudited)	22 weeks to 2 July 2022 £m
Immediate holding company (prior to 19 February 2021)	Interest expense *(note 9)*	0.9	–	–	–
	Amounts due to holding company	24.7	0.1	–	–
	Equity settled share-based payments	–	–	–	–
Immediate holding company (on or after 19 February 2021)	Preference share coupon *(note 9)*	–	9.4	3.7	4.2
	Other payables *(note 19)*	–	109.4	103.7	113.6
Intermediate holding company (on or after 19 February 2021)	Other receivables *(note 17)*	–	–	–	0.5
Joint venture *(Note)*	Trade sales	0.3	4.6	1.0	1.9
	Amounts due from a joint venture *(note 17)*	–	4.6	–	4.1

Note: As at 2 July 2022, the Clark Group had contingent liabilities of £32.6 million, representing (i) one billion-Rupee (equivalent to £10.5 million) bank guarantee held against the Clark Group's joint venture working capital facility; (ii) a USD25.0 million (equivalent to £20.7 million) vendor financing facility; and (iii) £1.4 million of guarantee facility.

32. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the directors of Clark and the directors of Topco, who collectively were the key management personnel of the Clark Group during the Track Record Period is set out below in aggregate for each of the categories specified in HKAS 24.

	52 weeks to 30 January 2021 £m	52 weeks to 29 January 2022 £m	22 weeks to 3 July 2021 £m (unaudited)	22 weeks to 2 July 2022 £m
Fees	–	–	–	–
Other emoluments	1.3	1.0	0.7	0.5
Salaries, allowances and benefit in period	0.3	–	0.1	0.1
Retirement benefits	0.2	–	–	–
	1.8	1.0	0.8	0.6

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF CLARK

During the Track Record Period and as at the date of this report, Clark has direct shareholders' interests in the following principal subsidiaries:

			Proportion ownership interest held by Clark					
			Directly			Indirectly		
Subsidiaries	Principal activities	Country of incorporation	At 30 January 2021 %	At 29 January 2022 %	At 2 July 2022 %	At 30 January 2021 %	At 29 January 2022 %	At 2 July 2022 %
C. & J. Clark (Holdings) Limited	Investment holding	England	100	100	100	–	–	–
C & J Clark International Limited	Shoe trading	England	–	–	–	100	100	100
C. & J. Clark (Services) Limited	Shoe trading	England	–	–	–	100	100	100
Clarks Shoes Vertriebs GmbH	Shoe trading	Germany	–	–	–	100	100	100
C & J Clark Latin America, Inc	Shoe trading	USA	–	–	–	100	100	100
C. & J. Clark America, Inc.	Shoe trading	USA	–	–	–	100	100	100
C. & J. Clark Canada Limited	Shoe trading	Canada	–	–	–	100	100	100
Clarks Shoes Benelux BV	Shoe trading	Holland	–	–	–	100	100	100
C & J Clark China Trading Company Limited	Shoe trading	China	–	–	–	100	100	100
C & J Clark (S) Pte. Limited	Shoe trading	Singapore	–	–	–	100	100	100
C&J Clark (M) Sdn Bhd	Shoe trading	Malaysia	–	–	–	100	100	100
Clarks Shoes Iberia S.A	Shoe trading	Spain	–	–	–	100	100	100
Clarks Japan Company Limited	Shoe trading	Japan	–	–	–	100	100	100

34. MOVEMENTS IN CLARK'S RESERVES

	Share premium *£m*	**Retained earnings** *£m*	**Total** *£m*
At 1 February 2020	–	153.8	153.8
Loss for the period	–	(23.8)	(23.8)
Other comprehensive income for the period	–	–	–
Total comprehensive loss for the period	–	(23.8)	(23.8)
At 30 January 2021	–	130.0	130.0
Loss for the period	–	(1.3)	(1.3)
Other comprehensive income for the period	–	–	–
Total comprehensive loss for the period	–	(1.3)	(1.3)
Share issuance	23.8	–	23.8
At 29 January 2022	23.8	128.7	152.5
Loss for the period	–	(0.2)	(0.2)
Other comprehensive income for the period	–	–	–
Total comprehensive loss for the period	–	(0.2)	(0.2)
At 2 July 2022	23.8	128.5	152.3

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Clark Group, Clark or any of its subsidiaries have been prepared in respect of any period subsequent to the end of the Track Record Period.

36. EVENTS AFTER REPORTING PERIOD

In November 2022, subsequent to the 22 weeks period ended 2 July 2022, Clark Group has voluntarily recalled several styles of shoes to maintain the high standard of products' quality. Clark Group considered this to be an adjusting event and provision of £1.9 million related to the product recall event has been made by Clark Group for the 22 weeks period ended 2 July 2022 accordingly. The management is continuously assessing the impact of the recall event.

The information sets out in this Appendix III does not form part of the Accountant's Report of the Group from the reporting accountant of the Company, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information for our Group" in this document and the Accountant's Report of our Group set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted net tangible assets of the Viva Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the **[REDACTED]** of the shares of the Company from GEM to the Main Board of The Stock Exchange of Hong Kong Limited ("**[REDACTED]**") on the consolidated net tangible assets of the Company as of 31 December 2022 as if the proposed **[REDACTED]** had taken place on 31 December 2022.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets per Share of the Company had the proposed **[REDACTED]** been completed as at 31 December 2022 or at any future dates following the proposed **[REDACTED]**.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2022	Estimated [REDACTED] expenses to be incurred after 31 December 2022	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2022	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company per Share as at 31 December 2022
	(Note 1)	*(Note 2)*	*(Note 3)*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on **[REDACTED]** ordinary shares	7,714,610	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The audited consolidated net tangible assets attributable to equity owners of the Company as at 31 December 2022 is extracted from the accountant's report of the Viva Group set out in Appendix I to this document. It is based on the audited consolidated net assets of the Viva Group attributable to equity holders of the Company as at 31 December 2022 of approximately HK$7,993,175,000, with adjustment for the intangible assets and goodwill attributable to equity holders of the Company as at 31 December 2022 of approximately HK$278,565,000 after excluding the portion of the intangible assets and goodwill attributable to the non-controlling interests of the Group of approximately HK$315,833,000.

(2) The estimated **[REDACTED]** expenses in relation to the proposed **[REDACTED]** to be incurred after 31 December 2022 represent the total estimated professional fees and other related expenses/payable by the Company of approximately HK$**[REDACTED]** minus **[REDACTED]** expenses of approximately HK$**[REDACTED]** which had been accounted for in the consolidated statements of profit or loss and other comprehensive income up to 31 December 2022.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that **[REDACTED]** shares of the Company were in issue as at the Latest Practicable Date as disclosed in the section headed "Share Capital" in this document, assuming that the proposed **[REDACTED]** have been completed on 31 December 2022 and does not take into account of any new shares which may be issued under the share option schemes subsequent to the Latest Practicable Date.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2022. In particular, the above unaudited pro forma adjusted net tangible assets have not taken into account the Second Clark Acquisition subsequent to 31 December 2022. Had the Second Clark Acquisition been taken place on 31 December 2022, the proforma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2022 would be approximately HK$**[REDACTED]**; while the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company per Share as at 31 December 2022 would be HK$**[REDACTED]**.

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the memorandum and articles of association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 January 2000 under the Companies Act (As Revised) of the Cayman Islands (the "**Companies Act**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

The Memorandum provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the Memorandum which is available for inspection in the manner as set out in the paragraph headed "Documents on Display" specified in Appendix VI to this document. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were adopted by the Company on 10 October 2022. The following is a summary of certain provisions of the Articles.

(a) Class of shares

The authorised share capital of the Company is HK$1,060,000,000 divided into 6,000,000,000 preferred shares of HK$0.01 each (the "**Preferred Shares**") and 20,000,000,000 ordinary shares of HK$0.05 each (the "**Ordinary Shares**"). All references to "share" in this Appendix shall mean share in the capital of the Company (including an Ordinary Share and a Preferred Share). The Preferred Shares shall have attached thereto any preferential, deferred, qualified or special rights, privileges or conditions the rights, privileges and restrictions as approved by way of ordinary resolutions as the shareholders may think fit and as the resolutions may prescribe. There are no Preferred Shares in issue.

(b) Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants or convertible securities or securities of similar nature to subscribe for any class of shares or securities of the Company, which warrants or convertible securities or securities of similar nature may be issued on such terms as the Directors may from time to time determine.

All unissued shares and other securities of the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and the giving of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(v) Financial assistance to purchase shares of the Company or its holdings company

There are no provisions in the Articles prohibiting the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine, and such extra remuneration shall be in addition to any remuneration provided for, by or pursuant to any other provisions in the Articles. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the Companies Act and the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his close associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his close associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his close associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his close associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director shall not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement or any other proposal in which he or any of his close associates is to his knowledge materially interested, but this prohibition will not apply to any of the following matters, namely:

(i) the giving of any security or indemnity either:–

(a) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iii) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(iv) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

The Company may by ordinary resolution suspend or relax the above provision to any extent or ratify any transaction not duly authorised by reason of a contravention of the above.

(vii) Remuneration

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation. A retiring Director shall be eligible for re-election, provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Company at the general meeting at which a Director retires may fill the vacated office. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are not required to hold any qualification shares but are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed any maximum number that may have been determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

The Directors may from time to time entrust to and confer upon the chairman of the Board, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Act, by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(x) Qualification shares

Directors of the Company are not required under the Articles to hold any qualification shares.

(xi) Indemnity to Directors

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(c) Alterations to constitutive documents

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any amendment to the Articles or to change the name of the Company.

(d) Alterations of capital

The Company may from time to time by ordinary resolution:

(i) increase its share capital;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

(v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Act, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;

(vi) change the currency of denomination of its share capital; and

(vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its share capital or undistributable reserve in any manner authorised, and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

(e) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of at least three-fourths of the voting rights of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(t) below.

(f) Special resolutions - majority required

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice has been duly given in accordance with the Articles. However, at all times while any part of the issued capital of the Company remains listed on the Stock Exchange, a general meeting of the Company is deemed to have been duly called if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, or, in the case of an annual general meeting, by all members.

(g) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of a meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

All shareholders have the right to speak and vote at a general meeting except where a shareholder is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where a member is a clearing house (or its nominee), it may authorise such persons as it thinks fit to act as its representatives or proxies at any meeting of the Company or at any meeting of any class of members provided that the authorisation or proxy form shall specify the number and class of shares in respect of which each such representative or proxy is so authorised. Each person so authorised shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee) in respect of the number and class of shares specified in the relevant authorisation or proxy form including, where a show of hands is allowed, the right to vote individually on a show of hands.

(h) Requirements for annual general meetings

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, the Company shall for each financial year hold a general meeting as its annual general meeting in addition to any other meeting in that financial year and shall specify the meeting as such in the notice calling it; and such annual general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the rules of the Stock Exchange.

(i) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are listed on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the

Directors' report and a copy of the auditors' report, shall be sent at the same time as the notice of the meeting to every shareholder of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the provisions of the Articles with the notice of the annual general meeting. Subject to due compliance with the Companies Act and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Act and instead of such copies, a summary financial statement derived from the Company's annual accounts and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by the Company by ordinary resolution in general meeting or in such manner as the members may determine, including, without limitation, delegating the fixing of such remuneration to the Directors and the remuneration of any auditors appointed to fill any casual vacancy may be fixed by the Directors.

(j) Notices of meetings and business to be conducted thereat

For so long as any part of the issued capital of the Company remains listed on the Stock Exchange, an annual general meeting shall be called by notice of not less than twenty-one (21) days and all other general meetings (including an extraordinary general meeting) shall be called by notice of not less than fourteen (14) days. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify (a) the time and date of the meeting, (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting location as determined by the Board pursuant to the Articles, the principal place of the meeting (the "**Principal Meeting Place**"), (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting or where such details will be made available by the Company prior to the meeting, and (d) particulars of resolutions to be considered at the meeting.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(k) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or (for so long as any part of the issue capital of the Company remains listed on the Stock Exchange) in such standard form prescribed by the Stock Exchange or in such other form as the Directors may accept and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee provided that the Directors may dispense with the execution of the instrument of transfer by the transferor or the transferee or accept mechanically executed transfers in any case in which they in their absolute discretion think fit to do so. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof.

The Directors may, in their absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by announcement or by electronic communication or by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended in respect of any year if approved by the members by ordinary resolution.

(l) Power for the Company to purchase its own shares

The Articles provide that the power of the Company to purchase or otherwise acquire its shares (including its redeemable shares) and warrants or other securities for the subscription or purchase of its own shares (including redeemable shares) is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Act.

(m) Power of any subsidiary to own securities in the Company

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. No dividend may be declared or paid otherwise than in accordance with the Companies Act.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(p) Corporate representatives

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and the representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise as if it were an individual member of the Company.

(q) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen clear days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the forfeited shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(r) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong during business hours without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 622) of the laws of Hong Kong. The register of members may be closed for inspection on terms equivalent to section 632 of the Companies Ordinance (Cap. 622) of the laws of Hong Kong.

(s) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company; however the Registrar of Companies in the Cayman islands maintains a list of the names of the current directors and such list is available for inspection by any person on payment of a fee (see paragraph 4(k) below).

(t) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present (including attendance by electronic means) in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorised representative or proxy, and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy at least one-third of the voting right of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(u) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(v) Procedures on liquidation

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively.

If such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(w) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered or where such cheque or warrant has been left uncashed on two consecutive occasions. The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is listed of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(x) Stock

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words "share" and "shareholder" and "member" therein shall include "stock" and "stockholder".

(y) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Act, if any rights attaching to any warrants which the Company may issue after the date of this document shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of the Company set out in paragraph 2(d) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles. Except in the case of an annual general meeting, a general meeting may be called by shorter notice than that specified in the Articles if it is so agreed by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together representing not less than 95 per cent. of the total voting rights at the meeting of all the members.

4. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

(i) in paying distributions or dividends to members;

(ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(iii) in redeeming or purchasing its shares as provided in the Companies Act; or

(iv) in writing off
 (aa) the preliminary expenses of the company; or
 (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Act does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Act, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Act, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Act of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Cayman Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands. The register of members shall contain particulars as required by Section 40 of the Companies Act. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times. A copy of the register of Directors must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(m) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

(n) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(p) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents on Display" in Appendix VI to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on 13 January 2000. Our registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. We have established a principal place of business in Hong Kong at 2/F, PopOffice, 9 Tong Yin Street, Tseung Kwan O, New Territories, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 21 February 2000. Mr. Li Ning has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As a company incorporated in the Cayman Islands, our operations are subject to the Memorandum of Association and the Articles of Association and the Cayman Islands company law. A summary of certain provisions of the Memorandum of Association and the Articles of Association and certain aspects of the Cayman Islands company law is set out in Appendix IV to this document.

2. Changes in the share capital of our Company

As at the Latest Practicable Date, our Company had an authorised share capital of HK$1,060,000,000 consisting of HK$1,000,000,000 divided into 20,000,000,000 Shares of par value of HK$0.05 each and HK$60,000,000 divided into 6,000,000,000 preference shares of par value of HK$0.01 each. There has been no alteration in the authorised share capital of our Company within the two years immediately preceding the date of this document.

In the two years immediately preceding the date of this document, the Company issued the following fully paid new Shares in cash pursuant to the exercise of the share options granted under the Share Option Scheme and the 2010 Share Option Scheme on the respective date and exercise price set out as follows:

Date of issue	**Number of new Shares allotted and issued**	**Price** *(HK$)*
9 June 2021	24,000	0.67
17 June 2021	400,000	0.67
18 June 2021	423,000	0.67
	504,000	0.49
21 June 2021	2,543,000	0.67
	19,496,000	0.49

Date of issue	Number of new Shares allotted and issued	Price *(HK$)*
22 June 2021	416,000	0.67
23 June 2021	136,000	0.67
24 June 2021	200,000	0.67
30 June 2021	128,000	0.67
2 July 2021	80,000	0.67
15 November 2021	1,000,000	0.49
16 November 2021	3,048,000	0.49
17 November 2021	6,352,000	0.49
18 November 2021	200,000	0.49
19 November 2021	4,456,000	0.49
22 November 2021	1,944,000	0.49
24 November 2021	1,224,000	0.49
26 November 2021	784,000	0.49
30 November 2021	592,000	0.49
3 December 2021	400,000	0.49
	80,000	0.67
20 January 2022	4,000,000	0.67
28 January 2022	280,000	0.67
17 March 2022	30,000,000	0.67
22 March 2022	6,000,000	0.67
24 March 2022	8,000	0.67
6 April 2022	144,000	0.67
8 April 2022	140,000	0.67
11 April 2022	296,000	0.67
12 April 2022	575,000	0.67
28 April 2022	1,666,667	0.67
4 July 2022	5,000,000	0.67
5 July 2022	16,000	0.67
6 July 2022	650,667	0.67
11 July 2022	560,000	0.67
22 August 2022	176,000	0.67
14 September 2022	328,000	0.67
28 September 2022	9,000,000	0.67
14 October 2022	40,000	0.67
21 October 2022	40,000	0.67

Date of issue	**Number of new Shares allotted and issued**	**Price** *(HK$)*
23 November 2022	2,667	0.67
15 December 2022	48,000	0.67
19 December 2022	160,000	0.67
28 December 2022	40,000	0.67
3 January 2023	56,000	0.67
4 January 2023	80,000	0.67
5 January 2023	464,000	0.67
9 January 2023	8,000	0.67
10 January 2023	32,000	0.67
11 January 2023	80,000	0.67
16 January 2023	104,000	0.67
19 January 2023	496,000	0.67
7 March 2023	528,000	0.67

On 9 September 2021, 60,000,000 new Shares were allotted and issued as fully paid-up upon conversion of the Earn-out Convertible Bonds in the principal amount of HK$19,500,000 at the conversion price of HK$0.325 per Share.

Save as disclosed above, there has been no alteration in the issued share capital of our Company within the two years immediately preceding the date of this document.

3. Resolutions of our Board in respect of the [REDACTED]

Pursuant to the resolutions passed by our Directors on [•], *inter alia*:

(a) subject to the Listing Committee granting approval for the **[REDACTED]**, our Shares shall be transferred to be **[REDACTED]** on the Main Board; and

(b) the Share Option Scheme shall remain valid and effective, and conditional upon the Listing Committee granting approval for the **[REDACTED]**, the Share Option Scheme shall be subject to changes in relation to the **[REDACTED]** including but not limited to all references to the GEM Listing Rules therein shall mean the Main Board Listing Rules and the specific reference to any rule of the GEM Listing Rules shall be deemed to refer to the corresponding rule in the Main Board Listing Rules with the equivalent content.

4. Repurchase of our own securities

This paragraph contains information required by the Stock Exchange to be included in this document concerning the repurchase of Shares by our Company.

(a) Provisions of the Main Board Listing Rules

The Main Board Listing Rules permit a company with a primary listing on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution by shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Repurchases must be funded out of funds legally available for such purpose. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time. Subject to the foregoing, any repurchase by our Company may be made out of the profits or share premium of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Cayman Companies Act, a repurchase may also be made out of capital.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Main Board Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities shall disclose to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased securities

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchases

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Main Board Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Main Board Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Main Board Listing Rules, or quarterly or any other interim period (whether or not required under the Main Board Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Main Board Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid, and the reasons for making the repurchases.

(vii) Connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Main Board Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Exercise of the Repurchase Mandate

Our Directors have been granted a general unconditional mandate (the "**Repurchase Mandate**") to exercise all powers of our Company to repurchase our Shares pursuant to the ordinary resolutions passed at the annual general meeting of our Company held on 15 June 2022.

Exercise in full of the Repurchase Mandate, on the basis of 9,664,352,393 Shares in issue on the date when the said ordinary resolutions were passed, could accordingly result in up to 966,435,239 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

As at the Latest Practicable Date, the Repurchase Mandate had not been utilised and will lapse at the conclusion of the next annual general meeting of our Company.

(c) Reasons for repurchase

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchase may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining. Repurchase of Shares will only be made when our Directors believe that such Repurchase will benefit our Company and our Shareholders.

(d) Funding of Repurchase

In repurchasing Shares, our Company may only apply funds lawfully available for such purpose in accordance with our Memorandum of Association and Articles of Association, the Main Board Listing Rules and the applicable laws of Cayman Islands. There could be a material and adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this document) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the mandate to such extent as would, in the circumstances, have a material and adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Main Board Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Main Board Listing Rules and the applicable laws in Cayman Islands.

No core connected person (as defined in the Main Board Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any Repurchase pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Main Board Listing Rules. However, our Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Main Board Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by any members of our Group within the two years preceding the date of this document and are or may be material:

(a) the placing and subscription agreement dated 27 October 2021 entered into among Li Ning Co, Viva China Development Limited, J.P. Morgan Securities PLC and Nomura International (Hong Kong) Limited in relation to the placing and subscription of 120,000,000 shares in the share capital of Li Ning Co;

(b) a share purchase agreement dated 3 November 2021 entered into among Ample Fame, Sitoy International Limited, our Company and Sitoy Group Holdings Limited in relation to the acquisition of the entire issued share capital of Viva China Premium Brands;

(c) the provisional sale and purchase agreements dated 30 December 2021 entered into among Rapid City Limited, Shine Wealthy Limited and Knight Frank Hong Kong Limited in respect of the sale and purchase of two properties held by Rapid City Limited (the "**Disposal**") at the aggregate consideration of HK$184,729,500. Formal agreement in relation to the Disposal dated 13 January 2022 was entered by Rapid City Limited and Shine Wealthy Limited; and

(d) the agreement dated 17 November 2022 entered into between Viva China Consumables and LionRock Capital acting in its capacity as the general partner of LionRock L.P. in relation to the acquisition of 49% issued share capital of LionRock for the consideration of GBP110.0 million.

2. Material intellectual property rights

As at the Latest Practicable Date, our Group have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As at the Latest Practicable Date, our Group have registered the following trademarks which are material to our business:

No.	Trademarks	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1.	非凡体育社区	36	Company	PRC	9898091	28 September 2015	27 September 2025
2.		36	Company	PRC	9898075	7 July 2013	6 July 2023
3.		16	Company	PRC	8637578	14 August 2014	13 August 2024
4.		41	Company	PRC	8637704	21 September 2011	20 September 2031
5.		28	Company	PRC	8637681	21 September 2011	20 September 2031
6.		36	Company	PRC	8637635	28 November 2011	27 November 2031
7.		16, 28, 32, 35, 36, 37, 41, 42	Company	Hong Kong	301715580	15 September 2010	14 September 2030
8.	非凡中国	18, 25	Company	Hong Kong	301781523AA	6 December 2010	5 December 2030
9.	非凡中国	16, 28, 32, 35, 36, 37, 41, 42	Company	Hong Kong	301781523AB	6 December 2010	5 December 2030
10.	VIVA CHINA	28, 35, 36, 37, 42	Company	Hong Kong	301781532AA	6 December 2010	5 December 2030
11.	VIVA CHINA	16, 18, 25, 32, 41	Company	Hong Kong	301781532AB	6 December 2010	5 December 2030
12.	堡狮龙	25	Burling Limited	PRC	594559	10 May 1992	9 May 2032
13.	堡獅龍	25	Burling Limited	PRC	594560	10 May 1992	9 May 2032
14.	bossini	25	Burling Limited	PRC	596878	30 May 1992	29 May 2032
15.	堡獅龍	18, 25, 35	Burling Limited	Hong Kong	300755983	7 November 2006	6 November 2026
16.	bossini	25	Central Merit Developments Limited	Hong Kong	301108241	2 May 2008	1 May 2028
17.	bossini	25	Burling Limited	Macau	N/25786	20 April 2007	20 April 2028
18.	bossini	25	Burling Limited	Macau	P/10065	9 September 1997	9 September 2028
19.	bossini	25	Burling Limited	Singapore	T0628006I	18 December 2006	18 December 2026
20.	bossini	25	Burling Limited	Singapore	T9003675F	22 May 1990	22 May 2027
21.	AMEDEO TESTONI	18	A. TESTONI S.p.A.	PRC	15769253	14 January 2016	13 January 2026
22.	AMEDEO TESTONI	25	A. TESTONI S.p.A.	PRC	15769252	14 January 2016	13 January 2026
23.	AMEDEO TESTONI	18, 25	A. TESTONI S.p.A.	European Union	003863222	14 September 2005	31 May 2024
24.	AMEDEO TESTONI BOLOGNA 1929	18,25,26	Viva China Premium Brands	European Union	018517591	4 February 2022	20 July 2031
25.	AMEDEO TESTONI BOLOGNA 1929 AMEDEO TESTONI BOLOGNA 1929 AMEDEO TESTONI BOLOGNA 1929	18,25	Viva China Premium Brands	Hong Kong	305571874	23 March 2021	22 March 2031
26.	AMEDEO TESTONI	18,25	Viva China Premium Brands	Hong Kong	305571883	23 March 2021	22 March 2031
27.	a.testoni	25, 28	A. TESTONI S.p.A.	Japan	1620509	29 September 1983	29 September 2023
28.	a.testoni	22, 24, 25	A. TESTONI S.p.A.	Japan	2237850	28 June 1990	28 June 2030

No.	Trademarks	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
29.	a.testoni	3, 14, 18, 25	A. TESTONI S.p.A.	Japan	1868416	27 June 1986	27 June 2026
30.		18, 25	A. TESTONI S.p.A.	Japan	1929378	28 January 1987	28 January 2027
31.	a.testoni テストニー	14, 21, 25, 26	A. TESTONI S.p.A.	Japan	1697157	21 June 1984	21 June 2024
32.		16	Viva Leading Sports Development	PRC	53090381	28 August 2021	27 August 2031
33.		14	Viva Leading Sports Development	PRC	53090365	21 August 2021	20 August 2031
34.		10	Viva Leading Sports Development	PRC	53090348	21 August 2021	20 August 2031
35.		28	Viva Leading Sports Development	PRC	53084971	28 August 2021	27 August 2031
36.		25	Viva Leading Sports Development	PRC	53084960	21 August 2021	20 August 2031
37.		9	Viva Leading Sports Development	PRC	53084939	28 August 2021	27 August 2031
38.		41	Viva Leading Sports Development	PRC	53082611	28 August 2021	27 August 2031
39.		21	Viva Leading Sports Development	PRC	53077768	28 August 2021	27 August 2031
40.		35	Viva Leading Sports Development	PRC	53075214	28 August 2021	27 August 2031
41.		18	Viva Leading Sports Development	PRC	53059550	28 August 2021	27 August 2031
42.		41	Elite Holiday (Beijing) Sports Development Co., Ltd* (精英假日(北京)體育發展有限公司)	PRC	18209604	7 December 2016	6 December 2026
43.	冰雪全明星	35, 41	Elite Holiday (Beijing) Sports Development Co., Ltd* (精英假日(北京)體育發展有限公司)	PRC	14572038	7 July 2025	6 July 2025
44.	全明星冠军	41	Shenzhen Elite Holiday Sports Development Co., Ltd* (深圳市精英假日體育發展有限公司)	PRC	5911676	14 July 2010	6 July 2025
45.	Clarks	25	C&J Clark International	UK	UK0000504405A	11 July 1929	11 July 2029
46.	Clarks	25	C&J Clark International	UK	UK00001502867	14 October 1994	10 June 2029
47.	WALLABEE™	25	C&J Clark International	UK	UK00900223958	06 October 1998	1 April 2026
48.	DESERT BOOT™	25	C&J Clark International	UK	UK00002115170	06 June 1997	7 November 2026
49.	DESERT BOOT™	25	C&J Clark International	UK	UK00002252143	19 April 2002	9 November 2030
50.	Clarks	25	C&J Clark International	UK	UK00002309427	31 January 2003	31 August 2023
51.	CLARKS ORIGINALS™	25	C&J Clark International	UK	UK00905222179	14 May 2007	26 July 2026
52.	Clarks CLOUDSTEPPERS™	25	C&J Clark International	UK	UK00801354031	18 November 2019	28 April 2027
53.	Clarks	25	C&J Clark International	US	0691307	12 January 1960	12 January 2030

No.	Trademarks	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
54.	WALLABEE™	25	C&J Clark International	US	0869035	06 May 1969	6 May 2029
55.	Clarks	25	C&J Clark International	US	3537691	25 November 2008	25 November 2028
56.	CLARKS ORIGINALS™	25	C&J Clark International	US	3256483	26 June 2007	26 June 2027
57.	Clarks CLOUDSTEPPERS	25	C&J Clark International	US	5830513	13 August 2019	13 August 2025

(b) Domain Names

As at the Latest Practicable Date, our Group have registered the following domain names which are material to our business:

No.	Domain name	Registered owner	Registration date	Expiry date
1.	testoni.com	A. TESTONI S.p.A.	7 January 1997	6 January 2024
2.	clarks.com	C&J Clark International	30 October 1995	29 October 2024
3.	clarksusa.com	C&J Clark International	25 August 2000	25 August 2023
4.	liningsport.com.cn	Beijing Viva Leading Sports Arena Management Limited* (北京非凡領越體育場館運營管理有限公司)	26 October 2010	26 October 2027
5.	vivachina.com.cn	Viva Leading Sports Development	23 November 2008	23 November 2023
6.	vivachinasports.com	Viva Leading Sports Development	17 October 2009	14 October 2024
7.	vivachina.hk	Company	6 May 2010	6 May 2024
8.	askating.com	Elite Holiday (Beijing) Sports Development Co. Ltd.* (精英假日(北京)體育發展有限公司)	21 May 2012	18 May 2026
9.	lyliningsport.com	Linyi Viva Sports Management Limited* (臨沂非凡體育管理有限公司)	15 May 2018	15 May 2023
10.	vivalng.com	Shenzhen Viva Sports Culture Development Limited* (深圳市非凡體育文化產業發展有限公司)	12 June 2020	12 June 2023
11.	yzliningsport.com	Yangzhou Viva Sports Culture Limited* (揚州非凡體育文化有限公司)	27 November 2015	27 November 2023

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and it associated corporations

So far as our Directors are aware, and assuming that the total number of Shares in issue remains unchanged from the Latest Practicable Date to the date of this document and without taking into account any Shares which may be allotted and issued pursuant to the Share Option Scheme, immediately upon the **[REDACTED]**, the interests and/or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Main Board Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

(i) Interests in the Shares, underlying Shares and debentures of our Company

		Number of Shares/ underlying Shares held				
Name of Director/ chief executive	**Capacity/ Nature of interest**	**Personal interest**	**Corporate interest**	**Number of share options held**	**Total interests**	**Approximate percentage of shareholding as at the Latest Practicable Date**
Mr. LI Ning	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]** *(Note 3)*		
	Interest of controlled Corporation	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]** *(Note 1)*	**[REDACTED]**
Mr. LI Chunyang	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]** *(Note 3)*	**[REDACTED]**	**[REDACTED]**
Mr. LI Qilin	Beneficiary of trusts	**[REDACTED]** *(Note 2)*	**[REDACTED]**	**[REDACTED]**		
	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]** *(Note 3)*	**[REDACTED]**	**[REDACTED]**
Mr. Victor HERRERO	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]** *(Note 3)*	**[REDACTED]**	**[REDACTED]**
Mr. MA Wing Man	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]** *(Note 3)*	**[REDACTED]**	**[REDACTED]**
Mr. LI Qing	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]** *(Note 3)*	**[REDACTED]**	**[REDACTED]**
Mr. PAK Wai Keung, Martin	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]** *(Note 3)*	**[REDACTED]**	**[REDACTED]**
Mr. WANG Yan	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]** *(Note 3)*	**[REDACTED]**	**[REDACTED]**

Notes:

1. Mr. Li Ning is interested in **[REDACTED]** Shares, which comprise **[REDACTED]** Shares, share options which are exercisable into **[REDACTED]** Shares and Earn-out Convertible Bonds in the principal amount of HK$278,850,000 which are convertible into **[REDACTED]** Shares are held as personal interest, and is deemed to be interested in the long positions of **[REDACTED]** Shares in aggregate through his interests in Lead Ahead, Victory Mind and Dragon City, respectively as follows:

   (a) the long position of **[REDACTED]** Shares is held by Lead Ahead, which is owned as to 60% by Mr. Li Ning and 40% by Mr. Li Chun. Mr. Li Ning is also a director of Lead Ahead;

   (b) the long position of **[REDACTED]** Shares is held by Victory Mind which is owned as to 57% by Ace Leader and 38% by Jumbo Top. All shares of Ace Leader are held by TMF in its capacity as trustee of a discretionary trust. Mr. Li Ning is the settlor of the trust and is therefore deemed to be interested in such **[REDACTED]** Shares. Mr. Li Ning is a director of each of Victory Mind and Ace Leader; and

   (c) the long position of **[REDACTED]** Shares is held by Dragon City in its capacity as trustee of a unit trust, the units of which are owned as to 60% by TMF and as to 40% by TMF, each as the trustee of separate discretionary trust. Mr. Li Ning is the 60% shareholder of Dragon City and a founder of the unit trust and is therefore deemed to be interested in such **[REDACTED]** Shares. Mr. Li Ning is a director of Dragon City.

2. Mr. Li Qilin, as beneficiary of a trust, is deemed to be interested in the long positions of **[REDACTED]** Shares in aggregate as follows:

   (a) **[REDACTED]** Shares are held by Victory Mind which is owned as to 57% by Ace Leader and 38% by Jumbo Top. All shares of Jumbo Top are held by TMF in its capacity as trustee of a discretionary trust. Mr. Li Qilin is a beneficiary of the trust and is therefore deemed to be interested in such **[REDACTED]** Shares; and

   (b) **[REDACTED]** Shares are held by Dragon City in its capacity as trustee of a unit trust, the units of which are owned as to 60% by TMF and as to 40% by TMF, each as the trustee of a separate discretionary trust. Mr. Li Qilin is a beneficiary of one of the said separate trusts and is therefore deemed to be interested in such **[REDACTED]** Shares.

3. The share options were granted on 18 January 2021 pursuant to the Share Option Scheme, and are exercisable at HK$0.670 per Share with the vesting schedule in tranches of one-third each on 18 January 2022, 18 January 2023 and 18 January 2024 within a period of 5 years after vested according to the respective vesting schedule.

4. All interests are long positions.

(ii) Interests in the shares of our associated corporations

Bossini International Holdings Limited

Name of Director/ chief executive	Capacity/ Nature of interest	Number of Shares/ underlying Shares held Personal interest	Corporate interest	Number of share options held	Total interests	Approximate percentage of shareholding as at the Latest Practicable Date
Mr. LI Ning	Interest of controlled corporation	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]** *(Note 1)*	**[REDACTED]**
Mr. Victor HERRERO	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]** *(Note 2)*	**[REDACTED]**	**[REDACTED]**

Notes:

1. As at the Latest Practicable Date, the total number of shares of Bossini in issue was **[REDACTED]** and Dragon Leap Consumables was interested in **[REDACTED]** shares in Bossini. Dragon Leap Consumables was a wholly-owned subsidiary of our Company. As such, Mr. Li Ning was deemed to be interested in the same **[REDACTED]** shares in Bossini by virtue of his interests in the Shares.

2. The share options were granted on 5 January 2021 by Bossini and are exercisable at HK$0.456 per share of Bossini in tranches of one-third each during the following periods respectively: (i) from 1 January 2022 to 31 December 2026; (ii) from 1 January 2023 to 31 December 2026; and (iii) from 1 January 2024 to 31 December 2026.

Save as disclosed above, none of the Directors or chief executive of our Company will, immediately following the completion of the **[REDACTED]**, have any interests or short positions in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Main Board Listing Rules, to be notified to our Company and the Stock Exchange.

(b) Interests of the substantial shareholders of our Group

Please refer to the section headed "Substantial Shareholders" in this document for information on the persons/entities who will, assuming that the total number of Shares in issue remains unchanged from the Latest Practicable Date to the date of this document, have interests or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, immediately following the **[REDACTED]**.

The following sets out information on the persons/entities who are interested in 10% or more of the issued voting shares of any members of our Group (other than our Company) and the amount of each of such person's/entities' interest in such securities as at the Latest Practicable Date:

Name of substantial shareholder	Member of our Group in which such substantial shareholder has 10% or more interest	Interest in the company
C&J Clark Limited	Clark	**[REDACTED]**
Caimeng Shares Company Limited* (采盟股份有限公司)	Teslion Corporation Ltd. (鐵獅東尼股份有限公司)	**[REDACTED]**
Mr. Chiu Wai Man	Crystal Sight Company Limited (超視角有限公司)	**[REDACTED]**
Hubei Fleet Footwear Company Limited* (湖北福力德鞋業有限責任公司)	Laibin Ningjuli Footwear Company Limited* (來賓寧聚力鞋業有限公司)	**[REDACTED]**
Ningbo Haifu Travel Development Company Limited* (寧波海賦旅遊發展有限公司)	Ningbo Leading Sports Culture Company Limited* (寧波領越體育文化有限公司)	**[REDACTED]**
Desheng Tikang (Beijing) Sports Technology Development Company Limited* (德勝體康(北京)體育科技發展有限公司)	Viva Desheng (Zhuhai) Sports Technology Development Company Limited* (非凡德勝(珠海)體育科技發展有限公司)	**[REDACTED]**

Except as disclosed above and in the section headed "Substantial Shareholders" in this document, our Directors are not aware of any other person/entity who will, immediately following completion of the **[REDACTED]**, have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are interested in 10% or more of the issued voting shares of any other members of our Group.

2. Directors' service contracts

As at the Latest Practicable Date, none of our Directors has entered into, or has proposed to enter into, a service contract with any member of our Group which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

3. Directors' remuneration

The aggregate remuneration (including fees, salaries, allowances and benefits in kind, equity-settled share option expenses and pensions scheme contributions) paid to the Directors for FY2020, FY2021 and FY2022 were HK$17.3 million, HK$31.5 million and HK$25.4 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of FY2020, FY2021 and FY2022, by any of member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration (including fees, salaries, allowances and benefits in kind, equity-settled share option expenses and pension scheme contributions) of the Directors for FY2023 to be HK$20.4 million.

4. Directors' Interests in Assets of our Group

Following completion of the First Clark Acquisition in July 2022 and before completion of the Second Clark Acquisition in January 2023, LionRock (being the acquisition target of the Clark Acquisitions) was owned as to 49% by LionRock L.P. To the best knowledge, information and belief of our Directors after making all reasonable enquiries, (i) Li Ning Sports (Hong Kong) Company Limited, an indirect wholly-owned subsidiary of Li Ning Co, is a limited partner of LionRock L.P. with a total contribution of 20.09% and Mr. Li Ning held 3,991,813 shares of Li Ning Co (each a "**Li Ning Share**") as personal interest and he is deemed to be interested in 1,447,800 Li Ning Shares under the restricted share award scheme of Li Ning Co; and (ii) Mr. Victor Herrero (a non-executive Director) is a limited partner of LionRock L.P. with a total contribution of less than 5%. After completion of the Second Clark Acquisition, LionRock became our indirect wholly-owned subsidiary and our Directors ceased to have any interest in LionRock (other than through his/her interests in our Company).

Save as disclosed above, none of our Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

5. Disclaimers

(a) None of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole.

(b) Save as disclosed in this document, none of our Directors and their close associates, and so far as is known to the Directors, none of the Shareholders who are interested in more than 5% of the number of issued shares of our Company, has any interest in our Company's five largest customers or five largest suppliers.

D. SHARE OPTION SCHEME

1. Share Option Scheme of our Company

The following is a summary of the principal terms of the Share Option Scheme which shall remain valid and effective following the **[REDACTED]** and will be implemented in full compliance with Chapter 17 of the Main Board Listing Rules (with references to the GEM Listing Rules be deemed to refer to the corresponding rule in the Main Board Listing Rules with the equivalent content).

(a) Summary of principal terms

The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that Participants (as defined below) have made or may make to our Group, to provide incentives and/or reward to Participants for their contributions to our Group and/or to enable our Group to recruit high-calibre employees and/or attract human resources that are valuable to our Group.

2. Participants

The participant as defined in the Share Option Scheme is any employee, officer, agent, consultant, business associate or representative of our Company or any subsidiary or otherwise contributes to the success of our Group, including any executive, non-executive or independent non-executive director of our Company or any subsidiary who, as the Board or the committee (as the case may be) may determine in its absolute discretion, is regarded as valuable human resources of our Group who has made important contributions to the development of our Group based on his work experience, knowledge in the industry and other relevant factors, and subject to such Conditions as the Board or the committee (as the case may be) may think fit (the "**Participant(s)**").

3. *Maximum Number of Shares Available for Subscription*

(i) The limit on the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme, together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of our Company, must not exceed 30 per cent. (30%) of the number of issued Shares from time to time. No options may be granted if such grant will result in the said 30 per cent. limit being exceeded.

(ii) Subject always to the overall limit provided in sub-paragraph (i) above:

(a) subject to sub-paragraph (ii)(b) and (ii)(c) below, the total number of Shares which may be issued upon exercise of all options to be granted, together with all options to be granted under any other share option scheme(s) of our Company, must not represent more than 10 per cent. (10%) of all the issued Shares as at the adoption date of the Share Option Scheme (the "**Adoption Date**") (the "**Scheme Mandate Limit**") unless approved by the Shareholders pursuant to sub-paragraph (ii)(c) below. Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit. If our Company conducts a consolidation or subdivision of the Shares after the Adoption Date, the maximum number of Shares that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of our Company under the Scheme Mandate Limit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same;

(b) subject to sub-paragraph (ii)(c) below, the Scheme Mandate Limit may be refreshed if so approved by the Shareholders at general meeting from time to time provided always that the Scheme Mandate Limit so refreshed must not exceed 10 per cent. (10%) of the Shares in issue as at the date of approval of such renewal by Shareholders at general meeting (the "**Refreshed Limit**"). Upon such refresher, all options granted under the Share Option Scheme and any other share option scheme(s) of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme(s) of our Company and/or any Subsidiary) prior to the approval of such renewal shall not be counted for the purpose of calculating the Refreshed Limit. A circular must be sent to the Shareholders containing such relevant information from time to time as required by the GEM Listing Rules in connection with the general meeting at which their approval is sought; and

(c) our Company may seek separate approval by the Shareholders at general meeting to grant options beyond the Scheme Mandate Limit or the Refreshed Limit provided that the options in excess of the Scheme Mandate Limit or the Refreshed Limit are granted only to the Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to the Shareholders containing such relevant information from time to time as required by the GEM Listing Rules in relation to any such proposed grant to such Participants.

(iii) Subject to paragraph 5(ii) and subject as hereinafter provided, no Participant shall be granted an option which, if accepted and exercised in full, would result in the total number of Shares already issued and which may fall to be issued upon exercise of such option proposed to be granted and all other options already granted and to be granted to him under the Share Option Scheme and any other share option scheme(s) of our Company, within the 12-month period up to and including the proposed grant date grant date of the option ("**Grant Date**") (including exercised, cancelled and outstanding options), would represent in aggregate over one per cent. (1%) of the number of Shares in issue as at the proposed Grant Date. If the prior approval of the Shareholders in general meeting is obtained, in accordance with the relevant procedural requirements of the GEM Listing Rules, at which meeting such Participant and his close associates (or his associates if the Participant is a connected person) shall abstain from voting on the relevant resolution, the Board may grant options to such Participant in respect of such number of Shares and on such terms as may be specified in the said shareholders' approval, notwithstanding that such grant of options will result in the said one-per cent. limit being exceeded. Our Company must issue a circular to the Shareholders containing such relevant information from time to time as required by the GEM Listing Rules in relation to any such proposed grant to such Participants.

4. Maximum Entitlement to Each Participant

Subject to the grant of options mentioned in paragraph 5(ii) below and subject as hereinafter provided in this paragraph, no Participant shall be granted an option which, if accepted and exercised in full, would result in the total number of Shares already issued and which may fall to be issued upon exercise of such option proposed to be granted and all other options already granted and to be granted to him under the Share Option Scheme and any other share option scheme(s) of our Company and/or any subsidiary, within the 12-month period up to and including the proposed Grant Date (including exercised, cancelled and outstanding options), would represent in aggregate over one per cent (1%) of the number of Shares in issue as at the proposed Grant Date. If the prior approval of the Shareholders in general meeting is obtained in accordance with the relevant procedural requirements of the GEM Listing Rules, at which meeting such Participant and his associates shall abstain from voting on the relevant resolution, the Board may grant options to such Participant in respect of such number of Shares and on such terms as may be specified in the said Shareholders' approval, notwithstanding that such grant of options will result in the said one-per cent limit being exceeded.

5. *Grant of Options to Connected Persons*

(i) Where any grant of option is proposed to be made to a Participant who is a Director, chief executive or substantial Shareholder of our Company, or any of their respective associates, such grant must first be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of such option) ("**Grantee**").

(ii) Without prejudice to the generality of sub-paragraph (i) above, where any grant of option is proposed to be made to a Participant who is a substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and may fall to be issued upon the exercise of such option proposed to be granted and all other options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option scheme(s) of our Company in the 12-month period up to and including the proposed Grant Date for such option:

(a) representing in aggregate over 0.1 per cent (0.1%) of the number of Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on each relevant date on which the grant of such option is made to (and subject to acceptance by) such person under the relevant scheme, in excess of HK$5 million,

then such further grant of options must first be approved by the Shareholders in general meeting at which meeting the Grantee(s), any of their respective associates and all the core connected persons of our Company shall abstain from voting in favour at the general meeting.

(iii) Any proposed change in the terms of options granted to a Participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, must first be approved by the Shareholders in general meeting at which meeting the Grantee(s), any of their respective associates and all the core connected persons of our Company shall abstain from voting in favour at the general meeting.

(iv) For the avoidance of doubt, the requirements of in paragraph 5(i) for granting of options to a Director or chief executive of our Company do not apply where the Participant is only a proposed Director or chief executive of our Company.

6. *Restriction on Grant of Option*

The Board or the committee (as the case may be) shall not offer to grant an option to any Participant:

(i) after inside information has come to its knowledge until an announcement of such inside information has been duly published pursuant to the relevant requirements of the GEM Listing Rules; or

(ii) during the period commencing one month immediately preceding the earlier of: (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (b) the deadline for our Company to publish an announcement of its results for any year, half-year or quarter-year period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of such results announcement. The period during which no option may be granted will cover any period of delay in publication of a results announcement.

7. *Time of Acceptance and Exercise of an Option*

(i) An offer of grant of an option shall remain open for acceptance by the Participant for a period of 28 days from the date of the letter containing the grant, *inter alia*, provided that no such grant shall be accepted by a Participant who ceases to be qualified as a Participant after offer of the grant has been made and no such grant shall be open for acceptance after the expiry of the scheme period or after the Share Option Scheme has been terminated (if applicable). A consideration of HK$1.00 (or such other nominal sum in any currency as the Board may determine) is payable by remittance in favour of our Company on acceptance of the offer of grant of an option.

(ii) An option may be exercised within the option period which shall not be more than 10 years from the Grant Date. An option may be exercised in whole or in part (but if in part only, in respect of a board lot or an integral multiple thereof) in the manner provided in this paragraph 7 and the letter to the Participant regarding the grant of options as mentioned in sub-paragraph (i) above by the Grantee (or, as the case may be, by his legal personal representative(s)) giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given.

(iii) Subject to the applicable laws and the provisions of the Share Option Scheme, the option may be exercised by the Grantee in accordance with the terms of the grant letter referred to in sub-paragraph (i) above and the provisions of the Share Option Scheme at any time during the option period provided that:

a. in the event of the Grantee ceasing to be an employee (including any executive Director), officer (including any non-executive Director and independent non-executive Director), agent, consultant, business associate or representative of our Company or any subsidiary for any reason, other than his death, ill health, disability or insanity or the termination of his employment, office, agency, consultancy, relationship as business associate, or representation on one or more of the grounds specified in paragraph 11(v) below, then, if the option period has not at the date of such cessation commenced, the option shall lapse; and if the option period has commenced, the Grantee may exercise the Option (to the extent not already exercised) until the earlier of (i) the date of expiry of the option period or (ii) the last day of the period of 3 months from the date of such cessation, which date shall be the last actual day of employment, office, agency, consultancy, relationship as business associate or representation with our Company or the relevant subsidiary (or such longer period as the Board may determine);

b. in the event of the Grantee ceasing to be an employee (including any executive Director), officer (including any non-executive Director and independent non-executive Director), agent, consultant, business associate or representative of our Company or any subsidiary by reason of death, ill health, disability or insanity and none of the events which would be a ground for termination of his employment, office, agency, consultancy, relationship as business associate or representation specified in paragraph 11(v) below has occurred, then, if the option period has not at the date of cessation commenced, the option shall lapse; and if the option period has commenced, the Grantee or the legal personal representative(s) of the Grantee shall be entitled to exercise the option (to the extent not already exercised) in full or to the extent specified in the notice to exercise such option until the last day of the period of 12 months from the date of cessation (or such longer period as the Board may determine);

c. if a general offer to acquire shares (whether by takeover offer, merger, privatisation proposal by scheme of arrangement between our Company and its members or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to Shareholders, the Grantee (or his legal personal representative(s)) shall be entitled to exercise the option in full or in part (to the extent exercisable and not already exercised) at any time up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be;

d. in the event a notice is given by our Company to its Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, our Company shall on the same our as or soon after it despatches such notice to each member of our Company give notice thereof to all Grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each Grantee (or his personal representatives) shall be entitled to exercise all or any of his options at any time not later than 4 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than one business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid;

e. in the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies and a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving such a compromise or arrangement, our Company shall forthwith after it despatches such notice to each member of our Company give notice thereof to all Grantees (such notice to specify the record date for ascertaining entitlements to attend and vote at the proposed general meeting, together with a notice of the existence of the provisions of this paragraph) and thereupon, each Grantee (or his legal personal representative(s)) shall, even if the option period has not yet commenced, be entitled to exercise all or any of his options at any time not later than 5 business days prior to the record date for ascertaining entitlements to attend and vote at the proposed general meeting of our Company (after which the option shall lapse) by giving notice in writing to the Company, accompanied by a remittance for the full amount of our aggregate exercise price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the record date for ascertaining entitlements to attend and vote at the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(iv) The right to exercise an option is not subject to the achievement of any performance target.

(v) A grant of an option shall be made to a Participant by letter (the date of which shall be deemed to be the date on which the grant of an option (subject to acceptance by the Grantee) is made) in such form as the Board or the committee (as the case may be) may from time to time determine specifying, *inter alia*, the option period in respect of the relevant option, the exercise price and the other relevant terms and conditions of the option, and shall require the Participant to undertake to hold the option on the terms on which it is granted and to be bound by the provisions of the Share Option Scheme.

8. Exercise Price for Shares

The exercise price shall be a price determined by the Board or the committee (as the case may be) and notified to a Participant at the time the grant of the option(s) (subject to any adjustments made for the reorganisation of the capital structure of our Company pursuant to the Share Option Scheme) is made to (and subject to acceptance by) the Participant and shall not be less than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the Grant Date, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Grant Date; and (c) if applicable, the nominal value of the Share on the Grant Date.

9. Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to the applicable laws and all the provisions of the articles of association of our Company and will rank *pari passu* with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment.

10. Period of the Share Option Scheme

The Share Option Scheme will remain in force for period of ten (10) years commencing on the date of which the Share Option Scheme is adopted.

11. Lapse of the Options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the option period;

(ii) the expiry of any of the other periods referred to in paragraphs 7(iii)(a) to (c) above:

(iii) subject to paragraph 7(iii)(d) above, the date of the commencement of the winding-up of our Company;

(iv) save as otherwise provided in paragraph 7(iii)(c) or 7(iii)(e) above or by the court in relation to the scheme in question, upon the sanctioning by the court of competent jurisdiction of a compromise or arrangement between our Company and its members or creditors for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies;

(v) the date on which the Grantee ceases to be an employee (including any executive Director), officer (including any non-executive Director and independent non-executive Directors), agent, consultant, business associate or representative of our Company or any subsidiary by reason of the termination of his employment, office, agency, consultancy, relationship as business associate or representation on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer or principal would be entitled to terminate his employment, office, agency, consultancy, relationship as business associate or representation at common law or pursuant to any applicable laws or under the Grantee's service contract, terms of office, or agency, consultancy, relationship as business associate or representation agreement or arrangement with our Company or the relevant subsidiary; or

(vi) where the Grantee commits a breach of paragraph 15 below, the date on which the Board shall exercise our Company's right to cancel the option.

12. Reorganisation of the Share Capital Structure

Subject to the provisions as described in paragraph 3 above, in the event of any capitalisation issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction) whilst an option remains outstanding in that it is granted and yet to be exercised (and has not lapsed or been cancelled), corresponding adjustments (if any) shall be made in:

(i) the number of Shares subject to the Share Option Scheme;

(ii) the number of Shares subject to outstanding options;

(iii) the exercise price in relation to each outstanding option; and/or

(iv) the method of exercise of the options,

Provided that any such adjustments shall be made such that the proportion of the issued share capital of our Company to which an option entitles the Grantee to subscribe after such adjustment must be the same as that to which the option entitled the Grantee to subscribe immediately before such adjustment, but so that no such adjustment shall be made to the extent that the effect of such adjustment would be to enable any Share to be issued at less than its nominal value.

13. Cancellation of Options

The Board may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant Grantee, as the Board may in its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation. Where our Company cancels any options granted but not exercised and grants new options to the same Grantee, such grant of new options may only be made under the Share Option Scheme if there is available unissued options (excluding the cancelled options) within each of the Scheme Mandate Limit or Refreshed Limit.

14. Termination of the Share Option Scheme

Our Company by resolution passed at a general meeting of its Shareholders or at a meeting of the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be granted or accepted but the provisions of the Share Option Scheme shall remain in force in all other respects. All options granted and accepted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

15. Transferability Of Options

An option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do any of the foregoing.

16. Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that certain provisions of the Share Option Scheme shall not be altered to the advantage of Participants unless with the prior sanction of a resolution of the shareholders of our Company in general meeting, subject to the following:

(i) no such alteration as referred to in the above paragraph shall operate to affect adversely the terms of issue of any option granted to any Participant for acceptance prior to such alteration, except in the circumstances provided in the Share Option Scheme;

(ii) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must first be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme;

(iii) the amended terms of the Share Option Scheme must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules; and

(iv) any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must first be approved by the Shareholders in general meeting.

(b) Outstanding options under the Share Option Scheme

As at the Latest Practicable Date, our Company had 229,330,333 outstanding options for subscription of an aggregate of 229,330,333 Shares (representing **[REDACTED]**% of the total number of Shares as at the Latest Practicable Date) granted to 41 grantees under the Share Option Scheme. The grantees comprise (i) eight Directors, and (ii) 33 employees who are not our Directors, chief executives or substantial shareholders of our Company, or their respective associates.

Set out below is detailed information on the grantees and the number of outstanding options granted under the Share Option Scheme:

Grantees	Date of grant	Balance as at the Latest Practicable Date	Exercise price *(HK$)*	Exercise period
Directors				
Mr. LI Ning	18.01.2021	2,333,333	0.67	18.01.2022 – 17.01.2027
		2,333,333		18.01.2023 – 17.01.2028
		2,333,334		18.01.2024 – 17.01.2029
		7,000,000		
Mr. LI Chunyang	18.01.2021	9,333,333	0.67	18.01.2022 – 17.01.2027
		13,333,333		18.01.2023 – 17.01.2028
		13,333,334		18.01.2024 – 17.01.2029
		36,000,000		
Mr. LI Qilin	18.01.2021	6,666,667	0.67	18.01.2022 – 17.01.2027
		6,666,667		18.01.2023 – 17.01.2028
		6,666,666		18.01.2024 – 17.01.2029
		20,000,000		
Mr. Victor HERRERO	18.01.2021	20,000,000	0.67	18.01.2023 – 17.01.2028
		20,000,000		18.01.2024 – 17.01.2029
		40,000,000		
Mr. MA Wing Man	18.01.2021	2,000,000	0.67	18.01.2022 – 17.01.2027
		2,000,000		18.01.2023 – 17.01.2028
		2,000,000		18.01.2024 – 17.01.2029
		6,000,000		
Mr. PAK Wai Keung Martin	18.01.2021	600,000	0.67	18.01.2022 – 17.01.2027
		600,000		18.01.2023 – 17.01.2028
		600,000		18.01.2024 – 17.01.2029
		1,800,000		

Grantees	Date of grant	Balance as at the Latest Practicable Date	Exercise price *(HK$)*	Exercise period
Mr. WANG Yan	18.01.2021	600,000	0.67	18.01.2022 – 17.01.2027
		600,000		18.01.2023 – 17.01.2028
		600,000		18.01.2024 – 17.01.2029
		1,800,000		
Mr. LI Qing	18.01.2021	600,000	0.67	18.01.2022 – 17.01.2027
		600,000		18.01.2023 – 17.01.2028
		600,000		18.01.2024 – 17.01.2029
		1,800,000		
		114,400,000		
Other employees				
In aggregate	18.01.2021	11,325,001	0.67	18.01.2022 – 17.01.2027
		44,776,002		18.01.2023 – 17.01.2028
		45,533,330		18.01.2024 – 17.01.2029
		101,634,333		
	08.07.2022	4,432,000	1.30	08.07.2023 – 07.07.2028
		4,432,000		08.07.2024 – 07.07.2029
		4,432,000		08.07.2025 – 07.07.2030
		13,296,000		
		114,930,333		

Assuming full vesting and exercise of the outstanding options, the shareholding percentage of our Shareholders will be diluted by 2.31% as calculated based on **[REDACTED]** Shares in issue as at the Latest Practicable Date (assuming there are no changes to the total issued share capital of our Company from the Latest Practicable Date to the last vesting date of the outstanding options) and the theoretical dilution effect on our earnings per Share would be 2.31%.

E. OPTIONS UNDER THE SHARE OPTION SCHEME OF BOSSINI

Bossini adopted a share option scheme for the purpose of motivating and providing incentives and rewards to eligible participants who contribute to the success of the Bossini Group's operations, and to enable it to recruit and retain high-calibre employees and attract human resources that are valuable to the Bossini Group. The scheme became effective on 12 November 2013 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. For further details of the share option scheme, please refer to the circular of Bossini dated 3 October 2013.

As at the Latest Practicable Date, Bossini had 91,497,417 outstanding options for subscription of an aggregate of 91,497,417 shares in Bossini (representing 3.70% of the total number of issued shares of Bossini as at the Latest Practicable Date) granted to 23 grantees under the share option scheme of Bossini. The grantees comprise (i) one Director, and (ii) 22 grantees employees who are not our Directors, chief executives or substantial shareholders of our Company, or their respective associates.

Set out below is detailed information on the grantees and the number of outstanding options granted under the share option scheme of Bossini:

Grantees	Date of grant	Balance as at the Latest Practicable Date	Exercise price *(HK$)*	Exercise period
Director of the Company				
Mr. Victor Herrero	05.01.2021	1,680,000	0.456	01.01.2022 – 31.12.2026
		1,682,000		01.01.2023 – 31.12.2026
		1,683,450		01.01.2024 – 31.12.2026
		5,045,450		
Directors and employees of Bossini				
In aggregate	05.01.2021	13,260,000	0.456	01.01.2022 – 31.12.2026
		15,260,000		01.01.2023 – 31.12.2026
		12,599,967		01.01.2024 – 31.12.2026
		41,119,967		
In aggregate	16.11.2021	5,996,000	1.06	16.11.2022 – 15.11.2027
		5,668,000		16.11.2023 – 15.11.2027
		5,668,000		16.11.2024 – 15.11.2027
		17,332,000		
In aggregate	23.03.2022	6,665,000	0.66	23.03.2023 – 22.03.2028
		6,663,000		23.03.2024 – 22.03.2028
		6,672,000		23.03.2025 – 22.03.2028
		20,000,000		
In aggregate	17.11.2022	2,666,000	0.39	17.11.2023 – 16.11.2028
		2,666,000		17.11.2024 – 16.11.2028
		2,668,000		17.11.2025 – 16.11.2028
		8,000,000		
		86,451,967		

F. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Sole Sponsor

The Sole Sponsor will receive a fee of **[REDACTED]** for acting as the sponsor for the **[REDACTED]**.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Main Board Listing Rules.

3. Qualification of experts

The qualifications of the experts (as defined under the Main Board Listing Rules) who have given opinions or advice which are contained in, or referred to in, this document (the "**Experts**") are set out below:

Name	**Qualifications**
Nomura International (Hong Kong) Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50 of Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588 of Laws of Hong Kong)
CWK CPA Limited	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50 of Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588 of Laws of Hong Kong)
Commerce & Finance Law Offices	PRC legal advisers to our Company
Hogan Lovells	Legal advisers as to International Sanctions laws

Name	Qualifications
Frost & Sullivan Limited	Industry consultant
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

4. Consents of experts

Each of the Experts has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

5. Interests of experts

None of the Experts has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

None of the Experts has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

6. Promoter

Our Company has no promoter for the purpose of the Main Board Listing Rules. No amount or benefit has been paid or given within the two years immediately preceding the date of this document or intended to be paid or given to any promoter.

7. Preliminary expenses

No material preliminary expenses has been incurred by our Company.

8. Bilingual document

The English language and Chinese language versions of this document are being published separately.

9. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital of any member of our Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash; and

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any members of our Group.

(b) Save as disclosed in this document, no share or loan capital of any member of our Group is under option, or agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.

(d) Save as disclosed in this document, our Company has no outstanding convertible debt securities or debentures.

DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.vivachina.hk** up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and the Articles;

(b) the accountant's report of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;

(c) the accountant's report of LionRock from CWK CPA Limited, the text of which is set out in Appendix IIA to this document;

(d) the accountant's report of the Clark Group from CWK CPA Limited, the text of which is set out in Appendix IIB to this document;

(e) the annual reports of our Company for the two years ended 31 December 2021 and 2022;

(f) the report from PricewaterhouseCoopers on the unaudited pro forma financial information, the text of which is set out in Appendix III to this document;

(g) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this document;

(h) the legal memorandum issued by Conyers Dill & Pearman in respect of the payment of dividend in view of the accumulated losses position;

(i) the international sanctions memorandum issued by Hogan Lovells, our International Sanctions Legal Advisers, in respect of our sales in Countries subject to International Sanctions during the Track Record Period;

(j) the legal opinion issued by Commerce & Finance Law Offices, our PRC legal advisers in respect of our business operations and property interests in the PRC;

(k) the Cayman Companies Act;

(l) the material contracts referred to in the paragraph headed "Statutory and General Information – B. Further information about our Business – 1. Material contracts" in Appendix V to this document;

(m) the written consents referred to in the paragraph headed "Statutory and General Information – F. Other Information – 4. Consents of experts" in Appendix V to this document; and

(n) the Frost & Sullivan Report.