



## SOMERLEY CAPITAL LIMITED

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3 January 2025

*To: The Bossini Independent Board Committee*

Dear Sirs,

**(1) PROPOSAL FOR THE PRIVATISATION OF  
BOSSINI INTERNATIONAL HOLDINGS LIMITED BY  
DRAGON LEAP CONSUMABLES LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 99 OF  
THE COMPANIES ACT; AND  
(2) PROPOSED WITHDRAWAL OF LISTING OF THE SHARES OF  
BOSSINI INTERNATIONAL HOLDINGS LIMITED**

### INTRODUCTION

We refer to our appointment to advise the Bossini Independent Board Committee in connection with the Proposal, the Scheme and the Option Offer, details of which are set out in the letter from the Bossini Board contained in the Scheme Document to the Bossini Shareholders and Bossini Optionholders dated 3 January 2025, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document.

On 14 October 2024, Viva Board and the Offeror Board requested the Bossini Board to put forward the Proposal to the Scheme Shareholders regarding the privatisation of Bossini by the Offeror by way of a scheme of arrangement under Section 99 of the Companies Act involving (i) the reduction of the issued share capital of Bossini by the cancellation of the Scheme Shares on the Scheme Effective Date, and in consideration therefor, 1 Viva Share will be allocated and issued to the Scheme Shareholders for every 5 Scheme Shares so cancelled; (ii) forthwith upon the issued share capital reduction referred in (i) above, the restoration of the issued share capital of Bossini to the amount immediately before the cancellation of the Scheme Shares by the means of the issuance of new Bossini Shares in the same number as the Scheme Shares (which were cancelled) to the Offeror credited as fully paid out of the credit arising in the Bossini's books of account as a result of the issued share capital reduction referred to in (i) above; and (iii) the withdrawal of the listing of the Bossini Shares on the Stock Exchange following the Scheme Effective Date pursuant to Rule 6.15 of Listing Rules. If the Scheme is approved by the Disinterested Scheme Shareholders and sanctioned by the Court, all relevant requirements of the Companies Act are complied with, and all other Scheme Conditions are fulfilled or



waived (as the case may be), the Scheme will be binding on each Scheme Shareholder, irrespective of whether or not he, she or it attends or votes at the Court Meeting or the Bossini SGM. Subject to the Scheme becoming effective, the entire issued share capital of Bossini will be owned by the Offeror upon the Scheme Effective Date. In addition, the Offeror will make an appropriate offer to all the Bossini Optionholders in accordance with Rule 13 of the Takeovers Code. The Option Offer will be conditional upon the Scheme becoming effective. As the exercise prices for all outstanding Bossini Share Options are higher than the ascribed value of HK\$0.108 per Bossini Share under the Scheme, the Bossini Share Options are “out of money”. As such, 1 Viva Share will be allocated and issued to the Bossini Optionholders for every 1,000 Bossini Share Options.

As the Bossini Board is of the view that none of the non-executive directors of Bossini is regarded as being interested in the Proposal for the purpose of Rule 2.8 of the Takeovers Code, the Bossini Independent Board Committee comprising all non-executive directors, namely Mr. Law Ching Kit Bosco, Mr. Lee Kwok Ming, Prof. Sin Yat Ming and Mr. Cheong Shin Keong, has been established to make recommendations to the Disinterested Scheme Shareholders and the Bossini Optionholders in connection with the Proposal, the Scheme and the Option Offer, and in particular as to (i) whether the Proposal is fair and reasonable; (ii) its view on the Option Offer; and (iii) voting in respect of the Scheme at the Court Meeting and the Bossini SGM. We, Somerley Capital Limited, have been appointed as the Bossini Independent Financial Adviser to advise the Bossini Independent Board Committee in the same regard. We are not associated with Bossini, Viva, the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly we are considered eligible to give independent advice in connection with the Proposal, the Scheme and the Option Offer. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from Bossini, Viva, the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. In addition, save for the aforesaid engagement, no other services were provided by Somerley to Bossini during the past two years.

In formulating our opinion and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Bossini Directors and management of Bossini (collectively, “**Management**”), which we have assumed are true, accurate and complete in all material aspects as at the Latest Practicable Date. Should there be any material changes to our opinion after the Latest Practicable Date, Bossini Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have reviewed the annual report of Bossini for the year ended 31 December 2023 (the “**Bossini Annual Report**”) and the interim report of Bossini for the six months ended 30 June 2024 (the “**Bossini Interim Report**”), the annual report of Viva for the year ended 31 December 2023 (the “**Viva Annual Report**”) and the interim report of Viva for the six months ended 30 June 2024 (the “**Viva Interim Report**”), and the information contained in the Scheme Document. We have sought and received confirmation from the Bossini Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth, accuracy or completeness of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information which we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business and affairs of the Bossini Group, the Viva Group, the Offeror and their respective subsidiaries or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied.



We have not considered the taxation implications or regulatory implications on the Scheme Shareholders of receipt of the Scheme Consideration or the Bossini Optionholders of acceptances of the Option Offer since these are particular to their individual circumstances. In particular, the Scheme Shareholders or the Bossini Optionholders who are subject to overseas taxation or regulatory requirements on securities dealings should consider their own tax position and observe applicable legal or regulatory requirements and, if in any doubt, should consult their own professional advisers.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation on the Proposal, the Scheme and the Option Offer, we have taken into account the following principal factors and reasons:

### 1. Information on the Bossini Group

#### 1.1. Background information of the Bossini Group

Bossini is a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange. The Bossini Group is principally engaged in the retailing and distribution of garments bearing the designated brand names including “bossini”, “bossini.X” and “bossini.X KIDS” mainly in the PRC, Hong Kong, Macau Special Administrative Region of the PRC (“Macau”) and Singapore.

#### 1.2. Financial performance

Set out below are the summarised consolidated income statements of the Bossini Group for the years ended 31 December 2022 and 2023 as extracted from the Bossini Annual Report and for the six months ended 30 June 2023 (“1H2023”) and 2024 (“1H2024”) as extracted from the Bossini Interim Report:

**TABLE 1: CONSOLIDATED INCOME STATEMENTS OF THE BOSSINI GROUP**

<i>(HK\$'000)</i>	1H2024 <i>(unaudited)</i>	1H2023 <i>(unaudited)</i>	2023 <i>(audited)</i>	2022 <i>(audited)</i>
Revenue	265,070	298,437	604,223	585,155
Gross profit	129,752	157,071	304,914	273,224
Loss attributable to the Bossini Shareholders	(51,983)	(82,366)	(223,368)	(132,254)
Dividend per Bossini Share	-	-	-	-



a. *Revenue and gross profit*

The Bossini Group’s revenue increased by 3.3%, rising from HK\$585.2 million for 2022 to HK\$604.2 million for 2023. The gross profit of the Bossini Group also rose by 11.6%, from HK\$273.2 million for 2022 to HK\$304.9 million for 2023. This improvement in both revenue and gross profit was mainly attributable to the recovery of the retail market with continued improvement in store foot traffic following the Hong Kong – PRC border reopening in the first quarter of 2023.

The Bossini Group recorded a revenue of HK\$265.1 million for 1H2024, representing a decrease of 11.2% as compared to HK\$298.4 million for 1H2023. The gross profit also declined by 17.4%, falling from HK\$157.1 million for 1H2023 to HK\$129.8 million for 1H2024. The decline in both revenue and gross profit was primarily due to the sluggish retail market amid overall lukewarm environment. Despite lower revenue and gross profit were recorded in 1H2024 as compared to a revenue of HK\$294.7 million and a gross profit of HK\$132.3 million for the corresponding period in 2022 (“1H2022”) when the Hong Kong – PRC border was yet to reopen, the gross profit margin of Bossini improved from 44.9% for 1H2022 to 52.6% for 1H2023 and 49.0% for 1H2024. The number of directly managed stores in the PRC decreased by 115 stores since 2023 after optimisation of sales channel and streamlining of inefficient stores.

Set out below is the segment revenue information of the Bossini Group by geographical market for 2022 and 2023 as extracted from the Bossini Annual Report and for 1H2023 and 1H2024 as extracted from the Bossini Interim Report:

**TABLE 2: SEGMENT REVENUE OF THE BOSSINI GROUP BY GEOGRAPHICAL MARKET**

(HK\$'000)	1H2024		1H2023		2023		2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
Hong Kong and Macau	187,898	70.9%	194,158	65.1%	392,120	64.9%	350,302	59.9%
The PRC	49,138	18.5%	74,402	24.9%	153,975	25.5%	165,745	28.3%
Singapore	28,034	10.6%	29,877	10.0%	58,128	9.6%	69,108	11.8%
<b>Total</b>	<b>265,070</b>	<b>100.0%</b>	<b>298,437</b>	<b>100.0%</b>	<b>604,223</b>	<b>100.0%</b>	<b>585,155</b>	<b>100.0%</b>

**Hong Kong and Macau**

The Hong Kong and Macau market has been the Bossini Group’s largest regional market during 2022-1H2024, contributing between 59.9% and 70.9% of its total revenue. For 2023, the Hong Kong and Macau market recorded a year-on-year revenue increase of 11.9%, primarily attributable to a series of countermeasures in response to fluctuations in tourist numbers and overall consumption sentiment including offering exclusive discounts to tourists and enhancing marketing efforts on social media.

The revenue of the Hong Kong and Macau market decreased by 3.2%, falling from HK\$194.2 million in 1H2023 to HK\$187.9 million in 1H2024. The decline was mainly due to market conditions failing to improve further caused by “revenge travel” by residents and the continued trend of northbound consumption.



## The PRC

The PRC market ranked second and its contribution was on a decreasing trend despite most of the epidemic prevention and border quarantine measures in the PRC got lifted. The revenue from the PRC market decreased from HK\$165.7 million (28.3% of total revenue) in 2022 to HK\$154.0 million (25.5% of total revenue) in 2023, and from HK\$74.4 million (24.9% of total revenue) in 1H2023 to HK\$49.1 million (18.5% of total revenue) in 1H2024. The decline for the period from 2022 to 1H2024 was mainly due to (i) cautious consumer spending and weak domestic consumption resulting from the overall lack of economic vitality; (ii) fierce competition in the retail market where brands launched discount promotions to attract customers; and (iii) as advised by the Management, the decrease in number of PRC stores as result of optimising sales channels and closing inefficient stores. The total number of PRC stores decreased from 171 at the end of 2022 to 122 at the end of 2023 and further decreased to 56 at the end of June 2024.

## Singapore

The contribution from the Singapore market to the Group's total revenue has been relatively stable, ranging from 9.6% to 11.8% of the Group's total revenue during 2022-1H2024. However, the revenue generated from the Singapore market decreased by 15.9%, falling from HK\$69.1 million in 2022 to HK\$58.1 million in 2023. The decline was principally due to less spending from visitors as they had a shorter average length of stay compared to previous years, coupled with local residents having become more prudent in spending amid growing concerns about global economic deterioration and recession.

For 1H2024, the Bossini Group recorded a revenue generated from the Singapore market of HK\$28.0 million, representing a decrease of 6.2% as compared to the corresponding period in 2023. The decline was mainly due to Singapore consumers becoming more cautious about their domestic spending as they face continued inflationary pressures.

### *b. Loss attributable to the Bossini Shareholders*

The loss attributable to the Bossini Shareholders widened by 68.9% in 2023 reaching HK\$223.4 million, as compared to 2022. The increase was mainly due to the absence of a gain on disposal of investment properties of HK\$173.7 million as recorded in 2022. Stripping off such one-off gain on disposal, the loss attributable to the Bossini Shareholders would have been reduced by 27.0% in 2023 as compared to 2022.

In 1H2024, the loss was reduced by 36.9%, totaling HK\$52.0 million as compared to 1H2023. Such reduction was mainly attributable to (i) effective cost control of expenses; and (ii) closure of loss-making stores in the PRC.



c. *Dividend per Bossini Share*

The Bossini Board did not recommend any payment of dividend in the last 2.5 years.

**1.3. Financial position**

Set out below are the summarised consolidated balance sheets of the Bossini Group as at 31 December 2022 and 2023 as extracted from the Bossini Annual Report and as at 30 June 2024 as extracted from the Bossini Interim Report:

**TABLE 3: SUMMARISED CONSOLIDATED BALANCE SHEETS OF THE BOSSINI GROUP**

(HK\$'000)	As at 30 June	As at 31 December	
	2024 ( <i>unaudited</i> )	2023 ( <i>audited</i> )	2022 ( <i>audited</i> )
Total assets	391,190	540,153	513,791
Inventories	94,684	144,912	171,866
Cash and cash equivalents	108,825	184,666	93,142
Total liabilities	233,987	333,511	393,488
NAV attributable to the Bossini Shareholders ("Bossini NAV")	157,203	206,642	120,303
NAV per Bossini Share (HK\$) <sup>(Note)</sup>	0.0473	0.0622	0.0487

*Note:* Calculated based on the Bossini NAV as at the respective year-end/period-end divided by the number of Bossini Shares in issue as at the end of the respective year/period.

a. *Assets*

The Bossini Group's total assets as at 31 December 2023 increased by 5.1% as compared to 31 December 2022, mainly due to an increase in cash and cash equivalents of HK\$91.5 million. This increase was partially offset by the reduction in inventories of HK\$27.0 million.

As at 30 June 2024, the Bossini Group's total assets recorded a decrease of 27.6% as compared to 31 December 2023, principally attributable to (i) a reduction in cash and cash equivalents of HK\$75.8 million; and (ii) a reduction in inventories of HK\$50.2 million.



#### Cash and cash equivalents

The Bossini Group had cash and cash equivalents of HK\$93.1 million, HK\$184.7 million and HK\$108.8 million as at 31 December 2022 and 2023 and 30 June 2024, respectively, representing an increase of 98.3% and a decrease of 41.1%. The increase as at 31 December 2023 was mainly due to proceeds raised from the rights issue in 2023 and the decrease as at 30 June 2024 was mainly due to cash payments for principal portion of lease payments. In addition, the Bossini Group's net cash flows used in operating activities for 2022, 2023 and 1H2024 were HK\$179.9 million, HK\$72.9 million and HK\$28.2 million, respectively.

#### b. *Liabilities*

The Bossini Group's total liabilities as at 31 December 2023 was HK\$333.5 million, representing a decrease of 15.2% as compared to 31 December 2022. The decrease was largely due to the reduction in lease liabilities of HK\$55.9 million.

The total liabilities further reduced by 29.8% to HK\$234.0 million as at 30 June 2024, and the decline was largely due to (i) a reduction in trade creditors, other payables and accruals of HK\$52.9 million; and (ii) a reduction in lease liabilities of HK\$39.9 million arising from the reduction in number of stores in the PRC.

As advised by the Management, given Bossini's financial performance and position, Bossini finds it challenging to obtain any borrowings or loan facilities from banks or financial institutions. Therefore, Bossini has been granted a loan facility of HK\$200 million by the Viva Group since November 2022. The Bossini Group did not carry any borrowings as at the year/period ends of 2022, 2023 and 1H2024.

#### c. *Bossini NAV*

As a result, the Bossini NAV increased by 71.8% from HK\$120.3 million as at 31 December 2022, to HK\$206.6 million as at 31 December 2023, before decreasing by 23.9% to HK\$157.2 million as at 30 June 2024. The increase in Bossini NAV as at 31 December 2023 as compared to the previous year end was due to net cash proceeds from the rights issue partially offset by the loss incurred for 2023 and the decrease in Bossini NAV as at 30 June 2024 as compared to the year end of 2023 was due to the loss incurred for 1H2024. The NAV per Bossini Share as at 31 December 2022, 31 December 2023 and 30 June 2024 were HK\$0.0487, HK\$0.0622 and HK\$0.0473, respectively.



### *Comments*

“Hong Kong and Macau” is the largest market segment of the Bossini Group accounting for 60%-70% of its revenue and the PRC came second accounting for 20%-30%. As discussed in section 3 below, shift in consumption patterns in Hong Kong and Macau and cautious optimism in consumer in the PRC after the end of pandemic are impacting the business landscape of the respective retail sector. The Bossini Group recorded a mild increase in revenue in 2023 following the border reopening in the first quarter of the same year but experienced a setback in 1H2024. The decline was mainly due to “revenge travel” and the continued trend of northbound consumption by Hong Kong or/and Macau residents and the PRC consumers having become more prudent in their spending in view of uncertain economic outlook. As discussed in section 1.2 b., losses narrowed starting from 2023 but remained significant. Reduction in losses in 1H2024 was mainly attributable to effective cost control.

As stated in the letter from the Bossini Board, Bossini has been facing a prolonged period of financial challenges. The Bossini Group reported net losses since 2018, urging it to call for funding or financing. Bossini conducted 1-for-2 rights issue twice, at HK\$0.36 per rights share in 2021 (the “**2021 Bossini Rights Issue**”) and at HK\$0.37 per rights share in the 2023 Bossini Rights Issue. The 2021 Bossini Rights Issue was undersubscribed by the public shareholders as to 36.8% and the controlling shareholder took up all unsubscribed shares, which in aggregate raised a gross cash proceeds of HK\$296 million. Upon completion of the 2021 Bossini Rights Issue, the public float decreased from 33.5% to 29.4%. The 2023 Bossini Rights Issue was undersubscribed by the public shareholders as to 57.3%. Together with the excess application and the subscription procured by the underwriter, Bossini still needed to reduce its rights issue size and raised a gross proceeds of HK\$315 million. Upon completion of the 2023 Bossini Rights Issue, the public float decreased from 29.4% to 26.6%. As the Bossini Group continued to incur loss in 1H2024, its cash and cash equivalents reduced from HK\$184.7 million as at 31 December 2023 to HK\$108.8 million as at 30 June 2024. If the situation continues, the Bossini Group’s cash resources will dry up soon. Given the undersubscription of the previous two rounds of rights issue back in 2021 and 2023, little headroom of the public float and the unfavourable valuation based on the Bossini Share price and its low liquidity in recent years, the Management considered that it would be difficult for Bossini to carry out further equity fund raising exercises. As discussed above, we are advised by the Management that save for the HK\$200 million loan facility granted by the Viva Group, Bossini has been unable to obtain any borrowings or loan facilities from banks or financial institutions. The Proposal, in our view, facilitates the Bossini Group not only to reduce administrative costs and management resources to maintain a listing platform but also to leverage on Viva’s financial resources for its operations going forward.





## 2. Information on the Viva Group

### 2.1 Background information of the Viva Group

Viva is a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange. The Viva Group is a multi-brand operator principally engaged in design and development, branding and sales of sports and lifestyle apparel and footwear mainly in the United States of America, the United Kingdom, Europe, the PRC, Hong Kong, Japan and the Republic of Korea.

### 2.2 Financial performance

Set out below are the summarised consolidated income statements of the Viva Group for 2022 and 2023 as extracted from the Viva Annual Report and unaudited consolidated income statements for 1H2023 and 1H2024 as extracted from the Viva Interim Report:

**TABLE 4: CONSOLIDATED INCOME STATEMENTS OF THE VIVA GROUP**

<i>(HK\$'000)</i>	<b>1H2024</b> <i>(unaudited)</i>	<b>1H2023</b> <i>(unaudited)</i>	<b>2023</b> <i>(audited)</i>	<b>2022</b> <i>(audited)</i>
Revenue	5,099,917	5,444,252	11,219,416	6,900,390
Gross profit	2,372,059	2,490,953	5,130,259	3,160,589
Profit/(Loss) attributable to the Viva Shareholders	112,807	131,888	(118,990)	850,416
Dividend per Viva Share	-	-	HK\$0.008	-

#### a. Revenue and gross profit

The Viva Group's revenue recorded a significant increase of 62.6%, rising from HK\$6,900.4 million for 2022 to HK\$11,219.4 million for 2023. The gross profit of the Viva Group also increased by 62.3%, from HK\$3,160.6 million for 2022 to HK\$5,130.3 million for 2023. The improvement in revenue was primarily due to the full-year contribution from C&J Clark (No 1) Limited ("Clarks") and its subsidiaries (collectively, the "Clarks Group") which was acquired in July 2022. The increase in gross profit was in line with the revenue growth.

The revenue of the Viva Group was HK\$5,099.9 million for 1H2024, representing a year-on-year decrease of 6.3% as compared HK\$5,444.3 million for 1H2023. The gross profit also decreased by 4.8%, falling from HK\$2,491.0 million for 1H2023 to HK\$2,372.1 million for 1H2024. The decrease in revenue was mainly due to the decrease in revenue of multi-brand apparel and footwear segment, especially Clarks and Bossini businesses. The drop in gross profit aligned the decrease in revenue.



Set out below is the segment revenue information of the Viva Group by business for 2022 and 2023 as extracted from the Viva Annual Report and for 1H2023 and 1H2024 as extracted from the Viva Interim Report:

**TABLE 5: SEGMENT REVENUE OF THE VIVA GROUP BY BUSINESS**

(HK\$'000)	1H2024		1H2023		2023		2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
Clarks	4,378,465	85.9%	4,670,020	85.8%	9,646,492	86.0%	5,386,883	78.1%
Bossini	267,241	5.2%	301,519	5.5%	609,502	5.4%	593,509	8.6%
Other consumable businesses	196,588	3.8%	207,664	3.8%	425,969	3.8%	419,154	6.0%
Multi-brand apparel and footwear	4,842,294	94.9%	5,179,203	95.1%	10,681,963	95.2%	6,399,546	92.7%
Sports experience	257,623	5.1%	265,049	4.9%	537,453	4.8%	500,844	7.3%
<b>Total</b>	<b>5,099,917</b>	<b>100.0%</b>	<b>5,444,252</b>	<b>100.0%</b>	<b>11,219,416</b>	<b>100.0%</b>	<b>6,900,390</b>	<b>100.0%</b>

#### Multi-brand apparel and footwear

The Viva Group strived to develop a diversified product portfolio to meet the needs of the prime consumers in different areas such as sports outerwear, affordable luxury and high-end luxury through multi-brand apparel and footwear segment. In July 2022, the Viva Group completed the acquisition of a well-known international brand, Clarks, and further increased their effective equity in the Clarks Group to 51% in January 2023. Since 2022, the multi-brand apparel and footwear segment contributed over 90% of the Viva Group's total revenue. The revenue from multi-brand apparel and footwear segment recorded an increase of 66.9% to HK\$10,682.0 million for 2023 as compared to 2022 and such increase was primarily attributable to the full-year contribution from Clarks which was acquired in July 2022.

This segment revenue decreased by 6.5% to HK\$4,842.3 million for 1H2024 as compared to HK\$5,179.2 million for 1H2023 which was attributable to weak consumer spending due to high inflation and interest rates and rising cost of living in European and American regions.

#### Sports experience

Sports experience segment comprises operation, service provision and investment of sports destinations (including sports parks, sports centres and ice-skating rinks), sports competitions and events as well as e-sports clubs in the PRC. The sports experience segment grew by 7.3% to HK\$537.5 million for 2023 as compared to 2022. The revenue growth was mainly attributable to the gradual re-opening of the Viva Group's sports parks, sports centres and ice-skating rinks after the lift of the national pandemic prevention measures.



Compared to 1H2023, the revenue generated from sports experience segment slightly decreased by 2.8% to HK\$257.6 million for 1H2024, while the operating profit of sports experience segment increased by HK\$18.8 million, or 109.9%, to HK\$35.9 million for 1H2024 from HK\$17.1 million for the corresponding period of the previous year, due to improvement in sport parks and e-sports businesses performance.

**TABLE 6: SEGMENT REVENUE OF THE VIVA GROUP BY GEOGRAPHICAL MARKET**

(HK\$'000)	1H2024		1H2023		2023		2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
The United States of America	2,214,910	43.4%	2,275,821	41.8%	4,537,550	40.4%	2,415,651	35.0%
The United Kingdom and Republic of Ireland	1,596,901	31.3%	1,737,713	31.9%	3,846,069	34.3%	2,327,041	33.7%
The PRC (including Hong Kong and Macau)	877,375	17.2%	993,404	18.2%	1,976,881	17.6%	1,667,244	24.2%
Asia (Other than the PRC and Middle East)	221,161	4.3%	229,369	4.2%	479,355	4.3%	294,344	4.3%
Europe, the Middle East and Africa	189,570	3.7%	207,945	3.8%	379,561	3.4%	196,110	2.8%
<b>Total</b>	<b>5,099,917</b>	<b>100.0%</b>	<b>5,444,252</b>	<b>100.0%</b>	<b>11,219,416</b>	<b>100.0%</b>	<b>6,900,390</b>	<b>100.0%</b>

The United States of America market was the largest regional market for the Viva Group during 2022-1H2024, contributing between 35.0% and 43.4% of its total revenue. The United Kingdom and Republic of Ireland market held the second position, with their contribution to the total revenue ranging from 31.3% to 34.3% during the same period. The PRC (including Hong Kong and Macau) market occupied the third position, with its contribution to the total revenue decreasing from 24.2% for 2022 to 17.6% for 2023, and from 18.2% for 1H2023 to 17.2% for 1H2024. The contribution from the Asian market (other than the PRC and Middle East) remained stable from 4.2% to 4.3% throughout 2022 to 1H2024. The European, the Middle East and African market contributed the least, with a range of 2.8% to 3.8% during the same period.

*b. Profit/(Loss) attributable to the Viva Shareholders*

During 2023, the Viva Group recorded a loss attributable to the Viva Shareholders of HK\$119.0 million, as compared to a profit of HK\$850.4 million for 2022. Turning profit into loss was mainly attributable to (i) the absence of a non-recurring gain of HK\$956.3 million on bargain purchase resulting from acquisition of Clarks recognised in 2022; (ii) an one-off restructuring expense incurred for the Clarks Group of HK\$44.6 million in 2023; and (iii) higher impairment on right-of-use assets and property, plant and equipment and inventory provision incurred in 2023, due to the worse-than-expected performance of directly operated stores as a result of the challenging retail market (especially in the United Kingdom and the United States of America markets) since the second half of 2023. Stripping off the bargain gain from acquisition of Clarks, the Viva Group would have recorded a net loss of HK\$105.9 million for 2022.



For 1H2024, the Viva Group recorded a profit attributable to Viva Shareholders of HK\$112.8 million, as compared to HK\$131.9 million for 1H2023, representing a year-on-year decrease of 14.5%. The decrease was mainly attributed to (i) a reduction in gross profit of HK\$118.9 million, consistent with the decrease in revenue mentioned above; (ii) a decrease in share of profits less losses of associates and joint ventures of HK\$129.0 million; and (iii) an impairment on property, plant and equipment and right-of-use assets of HK\$101.5 million. Such decrease was partially offset by lower operating expenses as a result of continued business restructuring and enhanced cost control measures in 1H2024.

*c. Dividend per Viva Share*

No dividends were declared in the past two and a half years except for 2023. The Viva Board has declared a final dividend for 2023 of HK\$0.008 per Viva Share and an equivalent amount of dividend to the holder of the issued and outstanding convertible bonds of Viva as-converted basis.

**2.3 Financial position**

Set out below are the summarised consolidated balance sheets of the Viva Group as at 31 December 2022 and 2023 as extracted from the Viva Annual Report and as at 30 June 2024 as extracted from the Viva Interim Report:

**TABLE 7: SUMMARISED CONSOLIDATED BALANCE SHEETS OF THE VIVA GROUP**

<i>(HK\$'000)</i>	As at 30 June		As at 31 December	
	2024	2023	2023	2022
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	14,751,634	14,717,657	17,471,931	
Interests in associates and joint ventures	4,284,127	4,127,679	4,151,810	
Cash and cash equivalents	1,421,102	1,281,312	2,974,803	
<b>Total liabilities</b>	<b>5,872,806</b>	<b>5,661,227</b>	<b>6,473,703</b>	
NAV attributable to the Viva Shareholders (including perpetual convertible bonds)	7,649,095	7,719,127	7,993,175	
NAV attributable to the Viva Shareholders (excluding perpetual convertible bonds) ("Viva NAV")	6,838,474	6,908,506	7,182,554	
NAV per Viva Share (HK\$) <sup>(Note)</sup>	0.7033	0.7106	0.7420	

*Note:* Calculated based on the Viva NAV as at the respective year-end/period-end divided by the number of Viva Shares in issue at the end of the respective year/period.



a. *Assets*

The Viva Group's total assets as at 31 December 2023 decreased by 15.8% as compared to 31 December 2022. The decline was mainly due to the decrease in cash and cash equivalents of HK\$1,693.5 million, resulting from the payment of cash consideration to acquire indirect interest in the Clarks Group in January 2023. Upon completion, Viva's effective interest in the Clarks Group increased from 26% to 51%. Total assets as at 30 June 2024 remained largely the same as that as at 31 December 2023.

(1) *Interests in associates and joint ventures*

Interests in associates and joint ventures was the major components of the total assets of the Viva Group. The principal associates of the Viva Group include Li Ning Co Limited ("**Li Ning Co**", stock code: 2331.HK), CITIC Land Co., Ltd and Shanghai Double Happiness Co., Ltd.

The Viva Group held approximately 271,202,000 and 272,121,000 ordinary shares of Li Ning Co as at 31 December 2022 and 2023, respectively, each representing 10.3% equity interests in Li Ning Co. As of 30 June 2024, this increased to 10.5%. The investment in Li Ning Co accounted for 20.3% of the Viva Group's total assets as at 31 December 2022, and 23.8% as at 31 December 2023 and 24.8% as at 30 June 2024. Dividends received from Li Ning Co were HK\$145.0 million, HK\$244.6 million and HK\$55.4 million for 2022, 2023 and 1H2024, respectively, accounting for 86.3%, 89.4% and 100% of all dividends received from its associates.

(2) *Cash and cash equivalents*

The Viva Group had cash and cash equivalents of HK\$2,974.8 million, HK\$1,281.3 million and HK\$1,421.1 million as at 31 December 2022 and 2023 and 30 June 2024, respectively, representing a decrease of 56.9% and an increase of 10.9%. The decrease as at 31 December 2023 was mainly due to the aforementioned payment of cash consideration to acquire indirect interest in the Clarks Group and the increase as at 30 June 2024 was mainly due to the net increase in bank borrowings.

b. *Liabilities*

As at 31 December 2023, the Viva Group's total liabilities was HK\$5,661.2 million, representing a decrease of 12.6% as compared to 31 December 2022. The decrease was mainly attributable to the decrease of HK\$739.3 million in trade, bills and other payables.

Total liabilities rose by 3.7% to HK\$5,872.8 million as at 30 June 2024, primarily driven by a net increase of HK\$729.9 million in current and non-current bank borrowings.



c. *Viva NAV*

The Viva Group issued the perpetual convertible bonds in 2013. No conversion of these bonds into ordinary shares took place in the last 2.5 years and its outstanding balance remained the same at HK\$810.6 million. The Viva NAV decreased by 3.8% from HK\$7,182.6 million as at 31 December 2022 to HK\$6,908.5 million as at 31 December 2023 and further decreased by 1.0% to HK\$6,838.5 million as at 30 June 2024. The decrease as at 31 December 2023 was mainly attributable to exchange differences on translation of foreign operations, actuarial loss on pension schemes and net loss for 2023 and the decrease as at 30 June 2024 was mainly due to exchange differences on translation of foreign operations and final dividend for 2023 declared during 1H2024. The NAV per Viva Share as at 31 December 2022, 31 December 2023 and 30 June 2024 were HK\$0.7420, HK\$0.7106 and HK\$0.7033, respectively.

***Comments***

The Viva Group recorded a significant increase in revenue following the acquisition of the Clarks Group in July 2022. The Clarks business contributed 78.1% of the Viva Group's overall revenue in 2022, rising to over 85% from 2023 and onwards. However, due to the worse-than-expected performance of directly operated stores amid the challenging retail market since the second half of 2023, especially in the United Kingdom and the United States of America market, the Viva Group recorded a loss attributable to the Viva Shareholders of HK\$119.0 million for 2023. As compared to 1H2023, the profit attributable to the Viva Shareholders also decreased by 14.5% to HK\$112.8 million for 1H2024 as the markets where the Viva Group's brands mainly operate continued to be impacted by both inflation and interest rate hikes, leading to an increasing cost of living and suppressed consumer sentiment. As discussed in section 3 below, overseas retail markets are also facing challenges under high inflation and high interest rate environment. However, as evidenced by Viva's financial performance in 1H2024, it was able to turn profitable after the implementation of continued business restructuring and enhanced cost control measures. Viva paid final dividend to its shareholders for 2023.

**3. Industry overview**

***(a) Bossini***

The Bossini Group is principally engaged in the retailing and distribution of garments. For the year ended 31 December 2023, (i) Hong Kong and Macau and (ii) the PRC are two largest markets for the Bossini Group, which contributed around 65% and 26% of the Group's revenue respectively.



The table below sets out the year-on-year changes (“YoY Changes”) in the value of apparel retail sales in Hong Kong, Macau and the PRC, which are the major markets of the Bossini Group, in 2023-2024 as published by local statistics bureaus:

**TABLE 8: YOY CHANGES IN THE VALUE OF APPAREL RETAIL SALES IN HONG KONG, MACAU AND THE PRC**

	Hong Kong <sup>(1)</sup>	Macau <sup>(2)</sup>	The PRC <sup>(3)</sup>
<b>2023</b>			
January	15.5%	39.8%	n.a.
February	102.0%	0.2%	n.a.
March	136.0%	80.2%	24.5%
April	39.3%	114.4%	39.9%
May	38.6%	61.1%	21.2%
June	34.1%	100.8%	7.2%
July	34.3%	965.2%	2.6%
August	41.6%	113.8%	5.7%
September	41.6%	35.9%	12.0%
October	29.6%	43.7%	8.7%
November	53.5%	45.4%	25.9%
December	18.8%	53.5%	30.5%
<b>2024</b>			
January	5.2%	(36.8)%	n.a.
February	10.4%	8.4%	n.a.
March	(17.5)%	(19.0)%	3.6%
April	(23.6)%	(33.5)%	(3.0)%
May	(19.1)%	(26.8)%	3.2%
June	(13.2)%	(33.8)%	(2.2)%
July	(16.6)%	(26.9)%	(5.6)%
August	(13.7)%	(19.6)%	(1.9)%
September	(8.6)%	(17.1)%	(0.3)%
October	(9.8)%	(8.7)%	7.2%

*Sources:*

- (1) “Report on Monthly Survey of Retail Sales” published by Census and Statistics Department of Hong Kong for January 2023 – October 2024.
- (2) “Business Climate Survey” published by Statistics and Census Services of Macau on a monthly basis for January 2023 – October 2024.
- (3) Data retrieved from the website of National Bureau of Statistics of the PRC (<https://data.stats.gov.cn/easyquery.htm?cn=A01>) as at the Latest Practicable Date.



The rise in the number of visitors and strong pent-up demand following the re-opening of the Hong Kong-PRC border on 2 February 2023 and the end of pandemic related restrictions since February 2023 boosted apparel retail sales in Hong Kong and Macau in 2023, which recorded YoY Changes of 18.8% – 136.0% and YoY Changes of 0.2% – 965.2%, respectively. However, the buying spree prompted by the border opening and the end of pandemic related restriction measures lost steam soon. As shown in the table above, as compared to the corresponding month in 2023, the value of retail sales from apparel in both Hong Kong and Macau registered negative YoY Changes (Hong Kong: (23.6)% – (8.6)%; Macau: (36.8)% – (8.7)%) in most of the months of 2024. It is reported that the deterioration in Hong Kong retail market might be caused by continued impact from the change in post-covid consumption pattern, the relatively strong Hong Kong dollars and increased outbound travels by local residents, while the retail downturn in Macau was due to widespread softening of high-end spending driven by muted PRC economy as the PRC visitors account for a substantial portion of visitors to Macau. On a positive note, the Hong Kong government intends to promote the city as a major event capital with over 80 mega events slated in first half of 2024. It is believed that developing event economy can inject vibrancy to the local retail market.

The apparel retail sales in the PRC in 2023-2024 exhibited a similar trend but in a less dramatic way. It recorded YoY Changes of 2.6% – 39.9% in 2023 which might be due to cautious optimism in consumers after the end of pandemic. It, however, suffered YoY Changes of (0.3)% – (5.6)% in 2024 after having excluded March, May and October, which might be closely related to the weak PRC economy in 2024. In late September 2024, the PRC government announced stimulus package to boost ailing economy, which includes cut(s) in mortgage-debt servicing and provision of facilities for stock markets.

**(b) Viva**

In the event the Proposal proceeds, the Bossini Shares held by the Scheme Shareholders will be in exchange for Viva Shares. The Viva Group is a multi-brand operator principally engaged in design and development, branding and sales of sports and lifestyle apparel and footwear. For the year ended 31 December 2023, the United Kingdom and Republic of Ireland and the United States of America contributed around 34% and 40% of the Viva Group's revenue, making them the two largest markets.





The table below sets out the YoY Changes in the value of retail sales from (i) clothing and clothing accessories (including footwear) and (ii) footwear in the United Kingdom and the United States of America, which are the major markets of the Viva Group (other than the Bossini Group), as published by local statistics bureaus:

**TABLE 9: YOY CHANGES IN THE VALUE OF THE RETAIL SALES FROM CLOTHING AND CLOTHING ACCESSORIES (INCLUDING FOOTWEAR) AND FOOTWEAR IN THE UNITED KINGDOM AND THE UNITED STATES OF AMERICA**

	The United Kingdom <sup>(1)</sup>		The United States of America <sup>(2)</sup>	
	Clothing and clothing accessories (including footwear)	Footwear	Clothing and clothing accessories (including footwear)	Footwear
<b>2023</b>				
January	20.6%	32.6%	8.0%	2.6%
February	13.8%	24.7%	3.3%	9.4%
March	10.9%	28.8%	(2.3)%	4.4%
April	10.8%	17.4%	(3.9)%	(2.0)%
May	7.6%	21.1%	(0.2)%	(3.1)%
June	9.9%	33.4%	0.1%	(2.6)%
July	5.9%	18.9%	1.6%	(0.1)%
August	10.0%	21.1%	3.9%	2.2%
September	4.9%	17.5%	0.8%	1.1%
October	4.5%	13.8%	(1.3)%	(3.1)%
November	3.7%	14.5%	1.9%	(4.6)%
December	(1.2)%	5.0%	3.6%	(2.7)%
<b>2024</b>				
January	(1.2)%	2.8%	0.4%	1.6%
February	(2.3)%	(4.7)%	6.5%	(5.1)%
March	0.3%	(3.8)%	1.9%	2.8%
April	(8.2)%	0.3%	(1.0)%	(5.6)%
May	(0.7)%	15.6%	5.6%	(8.9)%
June	(4.8)%	(1.8)%	3.1%	(3.1)%
July	(1.5)%	0.9%	2.2%	(5.6)%
August	1.1%	2.2%	2.1%	(0.3)%
September	3.6%	3.0%	(0.8)%	(5.0)%
October	(2.2)%	(3.7)%	4.3%	(11.4)%

Sources:

- (1) Retail sales data published by Office for National Statistics of the United Kingdom on 22 November 2024
- (2) “Advance Monthly Retail Trade and Food Services Survey” published by the United States Census Bureau on a monthly basis for January 2023 – October 2024.



Although the continued high inflation in 2023 weighed on consumer spending, the retail sales from clothing and clothing accessories (including the footwear) in the United Kingdom were bolstered by consumers utilising the savings they have accumulated during the lockdown periods, with overall YoY Changes of (1.2)% – 20.6% and the YoY Changes in footwear of 5.0% – 33.4% in 2023. However, the YoY Changes declined and even turned negative in 2024 as the savings began to dwindle and high inflation and high interest rate continued to plague the retail sales. After the benchmark interest rate cut in August 2024, the Bank of England made another rate cut in November 2024, which is believed to further lower borrowing costs and improve market sentiment.

The overall retail sales from clothing and clothing accessories (including footwear) in the United States of America were relatively stable and resilient with most of the months in 2023-2024 recording positive YoY Changes. It is reported that despite the benchmark lending rates were lifted 11 consecutive times since early 2022, the retail sales have generally held up amid a resilient job market. Footwear retail sales underperformed overall retail sales from clothing and clothing accessories (including footwear) in terms of YoY Changes from May 2023 onwards except September 2023, January 2024 and March 2024, which as reported, might be due to an overall increase in footwear price alongside increasing overall living costs making consumers more cautious. For the first time in four years, the United States Federal Reserve cut the benchmark interest rate in September 2024 followed by two cuts in November and December 2024 and signals more benchmark interest rate cuts in the future. Lower cost of borrowing following the rate cuts may make consumers loosen purse strings regarding discretionary goods such as clothes and footwear.

### ***Comment***

After a short-term booming in apparel retail created by the release of pent-up demand in 2023, the Bossini Group's major markets all went through a year-on-year decline in apparel retail sales in 2024, especially the Hong Kong and Macau markets which exhibited a sharp reverse in 2024 as compared to 2023. The Bossini Group's revenue, which has seen a year-on-year increase in 2023 and a year-on-year decrease in the first half of 2024 as discussed in section 1.2 above, was generally in line with the overall market situation and market shift. The Hong Kong government and the PRC government have taken measures to lift their economies and stoke consumption, but it will take time to see how effective these measures are.

As compared to those of the Bossini Group, the Viva Group's major markets were relatively stable and resilient as evidenced by relatively smaller negative YoY Changes in retail sales in 2024, although the footwear retail faces challenges including high inflation and more price-sensitive consumers. If taking out the revenue contributed by the Bossini Group, the remaining Viva Group would record a 6.0% year-on-year decrease as opposed to the Bossini Group's 11.4% decrease, in the first half of 2024. This generally aligns our aforementioned market observations. Looking forward, it seems that the United Kingdom and the United States of America have kicked off rate-cutting cycle in order to deliver a soft landing of their economies, despite the coming United States of America Presidential transition may add some uncertainties in the interim.



#### 4. Principal terms of the Proposal

All Bossini Shares other than those held by the Offeror will be subject to the Scheme and regarded as Scheme Shares. Under the Proposal, upon the fulfilment of the Scheme Conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to receive from Viva new Viva Shares to be issued:

For every 5 Scheme Shares cancelled . . . . . 1 new Viva Share

If, after the Latest Practicable Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of Bossini Shares, the Offeror reserves the right to reduce the Scheme Consideration by all or any part of the amount or value of such dividend, distribution and/or as the case may be, return of capital after consultation with the Executive, in which case any reference in the Scheme Document or any other announcement or document to the Scheme Consideration will be deemed to be a reference to the Scheme Consideration as so reduced.

As at the Latest Practicable Date, (i) Bossini has not announced or declared any dividend, distribution or other return of capital which remains unpaid; and (ii) Bossini does not intend to announce, declare and, or pay any dividend, distribution or other return of capital before the Scheme Effective Date or the date on which the Scheme is not approved, or the Proposal otherwise lapses (as the case may be).

As the Latest Practicable Date, there are 168,118,814 outstanding Bossini Shares Options. Details of those Bossini Shares Option including the relevant exercise periods and exercise prices are set out in the letter from the Bossini Board. The Offeror will make an appropriate offer to all the Bossini Optionholders in accordance with Rule 13 of the Takeovers Code. The Option Offer will be conditional upon the Scheme becoming effective. As the exercise prices for all outstanding Bossini Share Options are higher than the ascribed value of HK\$0.108 per Bossini Share under the Scheme, the Bossini Share Options are “out of money”. As such, the Option Offer will be made on the following terms:

For every 1,000 Bossini Share Options cancelled . . . . . 1 new Viva Share

Following acceptance of the Option Offer, the relevant Bossini Share Options together with all rights attaching thereto will be entirely cancelled and removed.

If any Bossini Share Options are not exercised by the Latest Options Exercise Time, they shall lapse on the Scheme Effective Date.



### ***Major Scheme Conditions***

The implementation of the Proposal is, and the Scheme will become effective and binding on Bossini and all Scheme Shareholders, subject to the satisfaction or waiver (as applicable) of, among others, the following Scheme Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Scheme Shareholders that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Scheme Shares held by the Disinterested Scheme Shareholders; and
- (c) the passing by the Bossini Shareholders of a special resolution at the Bossini SGM to approve any reduction of the issued share capital of Bossini by the cancellation of the Scheme Shares, and an ordinary resolution to apply the reserve created by the cancellation of the Scheme Shares to simultaneously restore the issued share capital of Bossini by the allotment and issue of an equal number of Bossini Shares (credited as fully paid) to the Offeror.

Further details of the Scheme Conditions are contained in the letter from the Bossini Board of the Offer Document.

As of the Latest Practicable Date, none of the Scheme Conditions had been fulfilled or waived (as applicable).

The Scheme will become effective and binding on Bossini and all Scheme Shareholders, subject to fulfilment or waiver (as applicable) of all the Scheme Conditions on or before the Long Stop Date, failing which the Proposal will lapse. If the Scheme is withdrawn, not approved or lapses, the listing of Bossini Shares on the Stock Exchange will not be withdrawn.

**Bossini Shareholders, Bossini Optionholders and potential investors of Bossini should be aware that the Proposal is subject to the Scheme Conditions being fulfilled or waived, as applicable, and therefore the Proposal may or may not become effective. Bossini Shareholders, Bossini Optionholders and potential investors of Bossini should therefore exercise caution when dealing in securities of Bossini. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**



### ***Withdrawal of listing of the Bossini Shares and Offeror's intention to Bossini***

Upon the Scheme Effective Date, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. Bossini will be privatised by way of a scheme of arrangement under Section 99 of the Companies Act and it is the intention of the Offeror, Viva and Bossini not to retain the listing of Bossini on the Stock Exchange after the implementation of the Proposal.

The Offeror intends to continue with the existing business of the Bossini Group. The Offeror does not intend to introduce any major changes to the existing operations or business of the Bossini Group (including any redeployment of fixed assets of the Bossini Group and disposal of material assets of the Bossini Group). It is also the intention of the Offeror that there will not be significant changes to the management and employees of the Bossini Group as a result of the Proposal.

#### **5. Reasons for and benefits of the Proposal**

As disclosed in the Explanatory Statement of the Scheme Document, Bossini has faced a prolonged period of financial challenges with consistently recorded losses from its operation since 2018 that necessitated the need for external funding. The Offeror considers that due to the low liquidity and relative underperformance in the trading of the Bossini Shares, there will be difficulties to a certain extent for Bossini to raise funds from public equity markets, which the Offeror believes is unlikely to see any significant improvement in the near term. Furthermore, the Offeror believes that the administrative costs and management resources associated with maintaining Bossini's listing status are no longer justified. The Proposal will reduce such administrative costs and management resources invested by Bossini to maintain a listing platform that lacks financing capabilities, in which the management can focus on the business operations of the Bossini Group.

We have discussed with the Management and were advised that they have considered other measures to raise funds including bank borrowings and rights issues. However, as discussed in section 1.3 above, save for the loan facility of HK\$200 million granted by the Viva Group, Bossini finds it challenging to obtain bank borrowings given its financial performance and position. The 2021 Bossini Rights Issue and the 2023 Bossini Rights Issue, which squeezed the public float from 33.5% to 26.6%, left limited room for further similar equity fund raising exercises. According to Bossini Annual Report and Bossini Interim Report, it is shifting its focus to sports clothing targeting cyclists. The transition amid fierce competition from established brands places higher demands on operation management and resource abundance. The Proposal, on the other hand, could integrate the operations and resources of Bossini and Viva more efficiently and more effectively.

As disclosed in the Explanatory Statement of the Scheme Document, the Proposal offers an exit to the Scheme Shareholders at a premium over the prevailing price of the Bossini Shares. It is further advised by the Management that the Proposal essentially offers the Scheme Shareholders an opportunity to swap their Bossini Shares for Viva Shares which possesses a larger platform in terms of market capitalisation and NAV with financing capabilities.

Based on the above and our analysis on Scheme Consideration set out in section 6 below, we consider the Proposal is in the interests of Bossini and Scheme Shareholders as a whole.



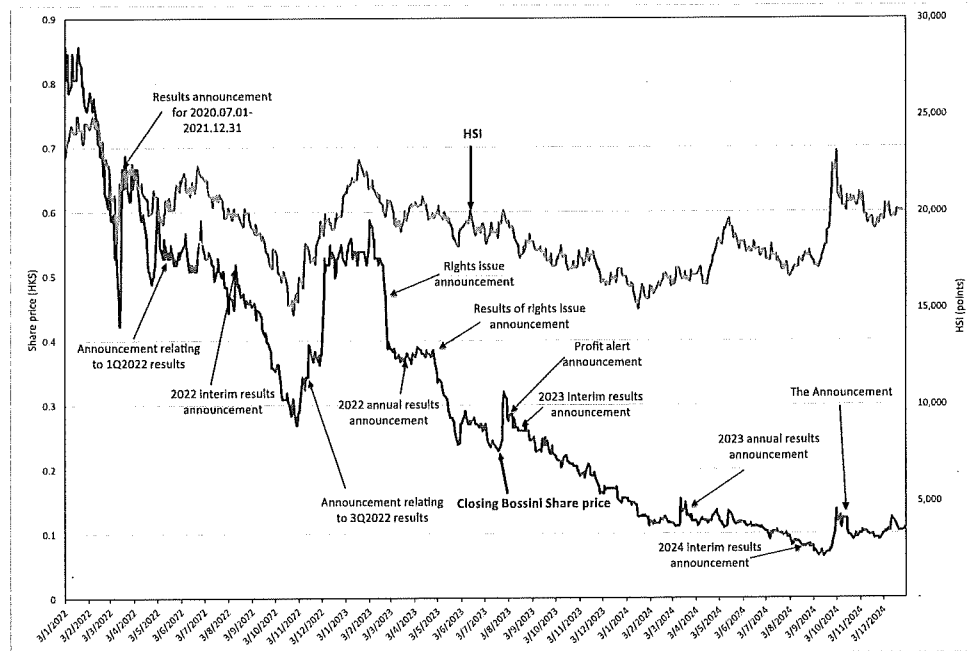
## 6. Evaluation of the Scheme Consideration

### 6.1. Historical market price performance

#### 6.1.1. Historical price performance of Bossini Share

Set out below is the movement of the closing prices of Bossini Share for the period from 1 January 2022 to the Latest Practicable Date (the “**Review Period**”) and major announcements published by Bossini during the Review Period. The Review Period, which covers the period since the beginning of 2022, represents, in our view, sufficient time to provide a fair overview of the recent market performance of Bossini Share for the purpose of this analysis. A comparison with the Hang Seng Index (the “**HSI**”) is also shown:

**FIGURE 1: BOSSINI SHARE PRICE PERFORMANCE COMPARED TO THE HSI**



Source: Bloomberg and the website of the Stock Exchange



During the Review Period, the Bossini Share price was on an overall decreasing trend and closed between HK\$0.065 and HK\$0.856 with an average closing price of HK\$0.314.

During Phase 1 of the Review Period (i.e. January 2022 – October 2022), the Bossini Share price moved in line with the HSI and trended downwards. Such decrease was possibly due to concerns over the impact on the Bossini Group's businesses brought by the tightening social distancing measures in Hong Kong and implementation of strict lock down or control measures in various PRC cities in response to the outbreak of variant COVID-19 infections. It is noted that subsequent to the announcement of interim results for 2022, the closing price of Bossini Share fell from HK\$0.518 on 12 August 2022 to HK\$0.269 on 31 October 2022 (i.e. the end of Phase 1), representing a decrease of 48%, which was greater than that of the HSI of 27% for the same period.

During Phase 2 of the Review Period (i.e. November 2022 – late-January 2024), the Bossini Share price somewhat, but not very closely, followed the movement of the HSI. From the beginning of November 2022 to late February 2023, the Bossini Share price followed the HSI and rebounded significantly, despite Bossini announced a year-on-year decrease of 25% in gross profit from continuing operations for third quarter of 2022. After having reached its peak in Phase 2 at HK\$0.587 on 3 February 2023, the Bossini Share price fell dramatically to around HK\$0.360-0.400 amid the proposed 1-for-2 rights issue as announced on 24 February 2023. Upon closing of the rights issue, the Bossini Share price exhibited a continuous downtrend to HK\$0.126 as at the end of Phase 2 despite Bossini was able to reduce its net loss by 46% for 1H2023 as compared to that (having excluded the one-off gain on disposal) for previous year.

During Phase 3 of the Review Period (i.e. February 2024 – the Latest Practicable Date), the Bossini Share price fell less quickly as compared to Phase 2. As discussed in section 1.2, Bossini managed to narrow its losses for 2023 and 1H2024, which, however, seemed to have limited impact on its share price performance. After the stimulus measures as announced by the PRC regulatory authorities on 24 September 2024, the Bossini Share price surged substantially by 64.0% from HK\$0.075 on 25 September 2024 to HK\$0.123 on the Last Trading Day (i.e. 14 October 2024), reaching the highest at HK\$0.137 on 2 October 2024. We noted that both Bossini Comparable Companies (as defined below) and the HSI also went up during such period by 1.9%-16.7% and 10.3%, respectively. We have discussed with the Management as regards the outperformance of Bossini Share price against its peers and the market, they are unaware of the reason therefor..

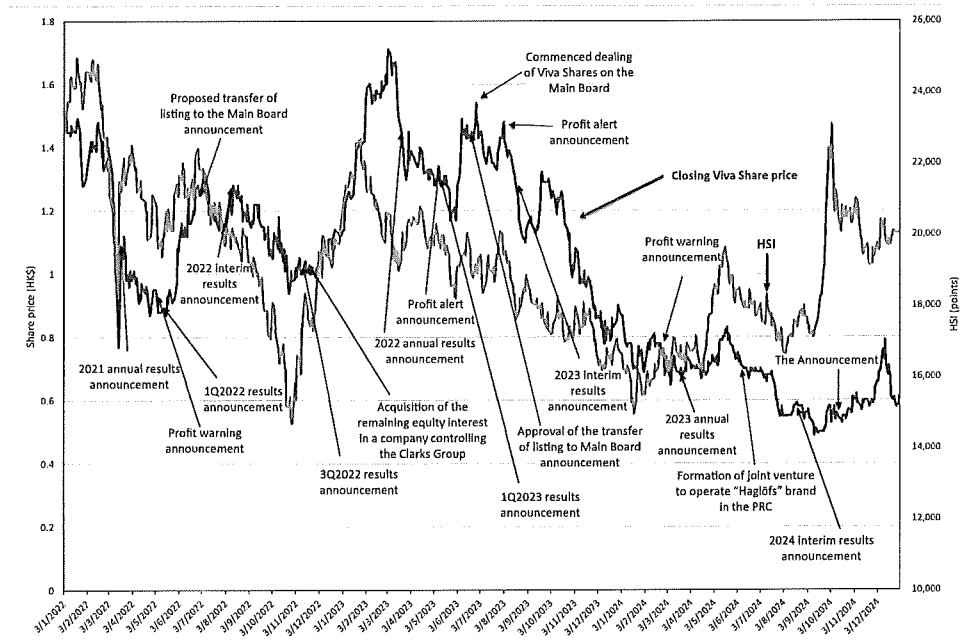
After the release of the Announcement, the Bossini Share price fell to close at HK\$0.103 on 17 October 2024. Subsequently and up to the Latest Practicable Date, the Bossini Share price closed between HK\$0.091 and HK\$0.125. The Bossini Share price closed at HK\$0.107 as at the Latest Practicable Date.



### 6.1.2. Historical price performance of Viva Share

Set out below is the movement of the closing prices of Viva Share and major announcements published by Viva during the Review Period. A comparison with the HSI is also shown:

**FIGURE 2: VIVA SHARE PRICE PERFORMANCE COMPARED TO THE HSI**



Source: Bloomberg and the website of the Stock Exchange

The Viva Share price moved largely in line with the HSI in Phase 1 and Phase 2 of the Review Period. During the Review Period, it closed between HK\$0.49 and HK\$1.71 with an average closing price of HK\$1.03.

During Phase 1 of the Review Period (i.e. January 2022 – October 2022), the Viva Share price moved in line with the HSI most of the time but failed to rebound as much as the HSI in March 2022. The HSI fell from 22,762 points on 1 March 2022 to 18,415 points on 15 March 2022 while the Viva Share price fell from HK\$1.33 to HK\$0.77 during the same period. Both HSI and Viva Share price showed a sharp rebound thereafter but the Viva Share price failed to catch up with, and continued to underperform, the HSI in March-June 2022. The Viva Share price met with the HSI at the end of June 2022 when Viva proposed to transfer its listing to the Main Board of the Stock Exchange. Both HSI and Viva Share price ran out of steam and trended downwards until the end of Phase 1.





During Phase 2 of the Review Period (i.e. November 2022 – late-January 2024), the Viva Share price followed the direction of, but outperformed, the HSI. Following the announcement of acquiring the remaining equity interest in a company controlling the Clarks Group on 17 November 2022, the Viva Share price surged from around HK\$1.00 in mid-November 2022 to its peak during the Review Period at HK\$1.71 on 3 March 2023. It then traded between HK\$1.10 and HK\$1.50 before commencement of dealing in Viva Shares on the Main Board of the Stock Exchange. Subsequently, the Viva Share price slid to HK\$0.70 at the end of Phase 2.

During Phase 3 of the Review Period (i.e. February 2024 – the Latest Practicable Date), the Viva Share price no longer followed the HSI movement and continued to exhibit its downtrend. On 11 June 2024, Viva announced to form joint venture to operate the “Haglöfs”, an esteemed global outdoor equipment and apparel brand, in the PRC, which seemed to have limited impact on the Viva Share price. The Viva Share price bottomed out at HK\$0.49 in mid-September 2024 and moved sideways until the Announcement. The Viva Share price closed at HK\$0.54 on the Last Trading Day (i.e. 14 October 2024).

After the release of the Announcement, the Viva Share price was relatively stable and closed at HK\$0.53 on 17 October 2024. Subsequently and up to the Latest Practicable Date, the Viva Share price closed between HK\$0.53 and HK\$0.79. The Viva Share price closed at HK\$0.61 as at the Latest Practicable Date.

### 6.1.3. Comparison of value

Set out below is the comparison of market value of Bossini Share and Viva Share during various trading periods:

**TABLE 10: COMPARISON OF MARKET VALUE OF BOSSINI SHARE AND VIVA SHARE**

	Trading periods up to and including the Last Trading Day					
	Last Trading Day	Last 10 trading days	Last 30 trading days	Last 90 trading days	Last 120 trading days	Last 180 trading days
(A): Average closing price per Viva Share (HK\$)	0.540	0.556	0.534	0.605	0.641	0.668
(B): Average closing price per Bossini Share (HK\$)	0.123	0.117	0.088	0.096	0.102	0.109
(C): Premium/(discount) = $\frac{(A)-B}{B} \times 100\%$ <sup>(1)</sup>	(12.2)%	(4.6)%	22.0%	26.5%	25.7%	22.4%

*Notes:*

- (1) The relevant percentages are calculated based on (A) and (B) above before rounding and the Exchange Ratio.
- (2) The figures and percentages are all subject to rounding.



It is noted that the implied premium/(discount) of the Scheme Consideration per Scheme Share based on (i) the closing price of Bossini Share and Viva Share on the Last Trading Day or the average closing price of Bossini Share and Viva Share for the last 10, 30, 90, 120 and 180 trading days (up to and including the Last Trading Day); and (ii) the Exchange Ratio are (12.2)%, (4.6)%, 22.0%, 26.5%, 25.7% and 22.4%, respectively.

As mentioned in previous section, it is noted that the Bossini Share price surged substantially by 64% from HK\$0.075 on 25 September 2024 to HK\$0.123 on the Last Trading Day, which outperformed its peers and the market. During such period, the Viva Share price only increased by 6%. Given the irregular price movements of Bossini Share as compared to that of Viva Share before the Announcement, we consider that (i) the closing prices/average closing prices of Bossini Share and Viva Share on the Last Trading Day and for the last 10 trading days up to and including the Last Trading Day are not appropriate for comparison purpose; and (ii) comparison of the closing prices/average closing prices of Bossini Share and Viva Share over a longer trading period (i.e. the last 30, 90, 120 and 180 trading days) would be appropriate to provide a fair assessment of the Scheme Consideration as well as the Proposal.

#### 6.1.4. Trading liquidity of Bossini Share and Viva Share

Set out below are the monthly total trading volume of Bossini Share and Viva Share and the percentages of the monthly total trading volume of Bossini Share/Viva Share to the total issued Bossini Shares/Viva Shares and the public float of Bossini and Viva during the Review Period:

**TABLE 11: TRADING LIQUIDITY OF BOSSINI SHARE AND VIVA SHARE**

	Bossini			Viva		
	Monthly total trading volume	Percentage of the monthly total trading volume to the total issued shares <sup>(1)</sup>	Percentage of the monthly total trading volume to the public float <sup>(2)</sup>	Monthly total trading volume	Percentage of the monthly total trading volume to the total issued shares <sup>(1)</sup>	Percentage of the monthly total trading volume to the public float <sup>(2)</sup>
<b>2022</b>						
January	71,959,680	2.92%	9.91%	87,759,849	0.91%	2.58%
February	39,499,538	1.60%	5.44%	51,526,313	0.54%	1.52%
March	88,030,456	3.57%	12.13%	153,668,808	1.59%	4.52%
April	53,483,934	2.17%	7.37%	47,421,513	0.49%	1.39%
May	86,958,867	3.52%	11.98%	98,057,798	1.01%	2.88%
June	68,211,229	2.76%	9.40%	166,146,633	1.72%	4.88%
July	19,301,062	0.78%	2.66%	109,694,465	1.13%	3.22%
August	27,375,405	1.11%	3.77%	87,165,858	0.90%	2.56%
September	20,379,384	0.83%	2.80%	62,696,963	0.65%	1.84%
October	22,266,251	0.90%	3.06%	61,270,384	0.63%	1.80%
November	20,575,365	0.83%	2.83%	87,444,318	0.90%	2.56%
December	74,970,169	3.03%	10.29%	110,964,747	1.15%	3.25%
<b>Range for 2022</b>		<b>0.78% – 3.57%</b>	<b>2.66% – 12.13%</b>		<b>0.49% – 1.72%</b>	<b>1.39% – 4.88%</b>



	Bossini			Viva		
	Monthly total trading volume	Percentage of the monthly total trading volume to the total issued shares <sup>(1)</sup>	Percentage of the monthly total trading volume to the public float <sup>(2)</sup>	Monthly total trading volume	Percentage of the monthly total trading volume to the total issued shares <sup>(1)</sup>	Percentage of the monthly total trading volume to the public float <sup>(2)</sup>
<b>2023</b>						
January	22,555,873	0.91%	3.10%	92,242,778	0.95%	2.70%
February	45,692,811	1.85%	6.27%	93,595,820	0.97%	2.74%
March	41,303,751	1.67%	5.67%	145,763,240	1.51%	4.26%
April	39,016,448	1.17%	4.42%	41,379,967	0.43%	1.22%
May	34,225,000	1.03%	3.88%	58,354,886	0.60%	1.72%
June	28,400,003	0.85%	3.22%	67,641,550	0.70%	2.00%
July	27,522,016	0.83%	3.12%	35,440,702	0.36%	1.05%
August	15,437,624	0.46%	1.75%	62,374,624	0.64%	1.84%
September	8,182,000	0.25%	0.93%	107,321,157	1.10%	3.17%
October	6,029,500	0.18%	0.68%	53,159,089	0.55%	1.57%
November	10,025,000	0.30%	1.14%	94,868,609	0.98%	2.80%
December	9,462,000	0.28%	1.07%	79,475,068	0.82%	2.35%
<b>Range for 2023</b>		<b>0.18% – 1.85%</b>	<b>0.68% – 6.27%</b>		<b>0.36% – 1.51%</b>	<b>1.05% – 4.26%</b>
<b>2024</b>						
January	10,354,748	0.31%	1.17%	61,776,267	0.64%	1.82%
February	7,901,124	0.24%	0.90%	67,364,825	0.69%	1.99%
March	23,479,263	0.71%	2.66%	58,060,447	0.60%	1.71%
April	12,961,750	0.39%	1.47%	71,009,757	0.73%	2.10%
May	51,090,500	1.54%	5.79%	84,084,284	0.86%	2.48%
June	11,873,000	0.36%	1.34%	30,581,682	0.31%	0.90%
July	22,524,000	0.68%	2.55%	50,441,281	0.52%	1.49%
August	18,764,500	0.56%	2.13%	43,365,846	0.45%	1.28%
September	24,658,536	0.74%	2.79%	63,078,827	0.65%	1.86%
October	70,712,371	2.13%	8.01%	102,884,303	1.06%	3.04%
November	11,028,710	0.33%	1.25%	79,112,803	0.81%	2.33%
December (up to and including the Latest Practicable Date)	26,293,000	0.79%	2.98%	101,998,963	1.05%	3.01%
<b>Range for 2024</b>		<b>0.24% – 2.13%</b>	<b>0.90% – 8.01%</b>		<b>0.31% – 1.06%</b>	<b>0.90% – 3.04%</b>

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. The calculation is based on the monthly total trading volumes of Bossini Share/Viva Share divided by the total number of Bossini Shares/Viva Shares in issue as at the end of each month or as at the Latest Practicable Date, as applicable.
2. The calculation is based on the monthly total trading volumes of Bossini Share/Viva Share divided by the total number of Bossini Shares/Viva Shares held by the public as at the end of each month or the Latest Practicable Date based on the information as disclosed by Bossini and Viva, as applicable.

Based on the above table, it is noted that the trading of Bossini Share in January, March to June and December 2022 as well as October 2024 were relatively more active than other months during the Review Period. We have discussed with the Management in this regard, and are advised that save for the Proposal announced in October 2024, they are unaware of the reasons for the increases in liquidity. Prior to July 2023, significantly higher liquidity is seen in Bossini Shares than Viva Shares. Since the beginning of 2024, the percentages of monthly total trading volume to the public float of Bossini Share and Viva Share both moved in a narrow range of approximately 1% – 3% in most of the months of 2024.



Given the Proposal, which is to exchange a small cap Bossini Shares into a much larger cap Viva Shares, set out below are the monthly trading turnover of Bossini Share and Viva Share and their comparison in 2024 to assess whether it would be easier or more difficult for Bossini Shareholders to dispose of their investment after the Proposal proceeds:

**TABLE 12: TRADING TURNOVER OF BOSSINI SHARE AND VIVA SHARE IN 2024**

	Monthly trading turnover <sup>(Note)</sup>		Monthly trading turnover of Viva to Bossini (Times) [B]/[A]
	Bossini (HK\$) [A]	Viva (HK\$) [B]	
<b>2024</b>			
January	1,424,813	46,592,407	32.7
February	940,791	50,621,343	53.8
March	3,309,490	40,900,196	12.4
April	1,635,170	50,472,886	30.9
May	6,330,428	63,816,110	10.1
June	1,345,009	21,487,985	16.0
July	2,255,060	32,495,409	14.4
August	1,567,823	24,309,524	15.5
September	1,966,474	33,583,851	17.1
October	8,109,892	57,590,765	7.1
November	1,069,592	47,580,113	44.5
December (up to and including the Latest Practicable Date)	2,977,675	72,574,338	24.4
<b>Range for 2024</b>			<b>7.1 – 53.8</b>

Source: Bloomberg and the website of the Stock Exchange

Note: The calculation is based on the monthly trading turnover of Bossini Share/Viva Share, which, in turn, is based on the daily total trading volume of Bossini Share/Viva Share multiplied by the relevant closing price of Bossini Share/Viva Share, respectively.

As shown in the above table, the monthly trading turnover of Viva Shares was 7.1 times to 53.8 times that of Bossini Shares. In other words, the much larger cap Viva provides a bigger platform where Bossini Shareholders are easier to buy or sell their investment, which is to be exchanged into Viva Shares, without substantially impacting the share price, if the Proposal proceeds.



In this connection, if the Proposal becomes effective, the Scheme Shares will be cancelled and the Scheme Shareholders will hold new Viva Shares. With insignificant differences in liquidity in terms of public float but the market capitalisation of Viva representing 17 times that of Bossini as at the Latest Practicable Date, the higher trading turnover of Viva Shares could potentially improve the liquidity of the investment in Bossini currently held by Scheme Shareholders (especially those with relatively sizeable shareholding), which is to be exchanged into Viva Shares, if the Proposal proceeds.

## 6.2. NAV comparison

Apart from the share price analysis above, we have also considered the underlying value of Bossini Shares that the Scheme Shareholders are giving up for the same of new Viva Shares in return, if the Proposal becomes effective. Set out below is the comparison of the NAV per Bossini Share against the NAV per Viva Share as at 30 June 2024:

**TABLE 13: COMPARISON OF BOSSINI AND VIVA'S NAV PER SHARE**

	Bossini Share	Pre-deal Viva Share	Post-deal
Latest NAV attributable to the shareholders (HK\$) (A)	157,203,000 <sup>(1)</sup>	6,838,474,000 <sup>(1)(2)</sup>	6,930,704,000 <sup>(3)</sup>
Number of issued shares <sup>(4)</sup> (B)	3,322,720,177	9,723,772,727	9,970,410,243 <sup>(5)</sup>
NAV per share (HK\$) (A)/(B)	HK\$0.047 (C)	HK\$0.703 (D)	HK\$0.695 (D)
Exchange Ratio (E)	1 new Viva Share for every 5 Bossini Share (equivalent to 0.2 new Viva Share for 1 Bossini Share)		
Implied NAV of 0.2 new Viva Share under the Exchange Ratio (the "Implied NAV") (F) = (D) x (E)	n.a.	HK\$0.141	HK\$0.139
Premium of the Implied NAV of 0.2 new Viva Share over 1 Bossini Share (G) = [(F)/(C)-1] x 100%	n.a.	200.0%	195.7%

*Notes:*

1. The figures are extracted from the Bossini Interim Report and the Viva Interim Report.
2. It refers to the Viva NAV as at 30 June 2024.
3. It refers to the Viva NAV as at 30 June 2024 having added back the minority interests pertaining to Bossini as provided by the Management upon completion of the Proposal.
4. The figures are extracted from the Scheme Document.
5. It refers to the total number of issued shares of Viva as enlarged by the issuance of new 246,469,398 Viva Shares to Scheme Shareholders and 168,118 Viva Shares to Bossini Optionholders under the Proposal.
6. The figures and percentages above are all subject to rounding.



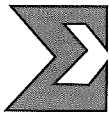
Upon completion of the Scheme, the Scheme Shareholders will give up 5 Bossini Shares in return for 1 new Viva Share which is equivalent to 1 Bossini Share for 0.2 new Viva Share. Based on the above table, the Implied NAV of 0.2 Viva Share of HK\$0.141 on a pre-deal basis or HK\$0.139 on a post-deal basis are both higher than the NAV per Bossini Share of HK\$0.047 as at 30 June 2024, representing a premium of 200.0% or 195.7% over the NAV per Bossini Share, respectively.

### **6.3. Comparable companies**

#### *6.3.1. Bossini comparable companies*

The Bossini Group is principally engaged in the retailing and distribution of garments with a market capitalisation of HK\$408.7 million on the Last Trading Day (the “**LTD Market Cap**”) and market capitalisation of HK\$290.8 million based on the average closing price of Bossini Shares over the last 30 trading days up to and including the Last Trading Day (the “**30D Market Cap**”). According to the Bossini Annual Report, the Bossini Group’s sales in (i) Hong Kong and Macau, (ii) the PRC and (iii) Singapore accounted for 64.9%, 25.5% and 9.6% of its total revenue for 2023, respectively.

We employed Bloomberg and AASTOCK’s equity screening tools to identify clothing retail companies listed on the Main Board of the Stock Exchange that (i) derived over 50% of their revenue from sales of garments; (ii) generated over 50% of their revenue from Hong Kong and/or Macau in their last financial year; and (iii) have a market capitalisation between HK\$100 million and HK\$500 million on the Last Trading Day after having taken into account the 30D Market Cap (instead of the LTD Market Cap due to the irregular price movements of Bossini Shares before the Announcement as discussed in section 6.1 above (the “**Bossini Comparable Companies**”). The Bossini Comparable Companies, so far as we are aware of, are exhaustive based on the aforementioned selection criteria, and are considered to be fair and representative samples.



In conducting our analysis, we have considered (i) the price-to-earnings ratio (“PER”) and (ii) price-to-book ratio (“PBR”), as they are widely accepted multiples that are in line with the market practices to evaluate a company. However, no PER could be appraised as Bossini has been loss making since 2018. Alternatively, the price-to-sale ratio (“PSR”) has been used as revenue generation capability is of utmost importance to retailers. Details of the Bossini Comparable Companies are set out in the table below:

**TABLE 14: BOSSINI COMPARABLE COMPANIES**

Company	Market capitalisation on the Last Trading Day <sup>(1)</sup> (HK\$ million)	PSR <sup>(2)</sup> (times)	PBR <sup>(3)</sup> (times)
ENM Holdings Limited (stock code: 128)	478.7	4.35	0.46
YGM Trading Limited (stock code: 375)	182.5	0.83	0.41
Forward Fashion (International) Holdings Company Limited (stock code: 2528)	106.0	0.11	0.60
Bauhaus International Holdings Limited (stock code: 483)	102.9	0.55	0.64
	<b>Highest</b>	<b>4.35</b>	<b>0.64</b>
	<b>Lowest</b>	<b>0.11</b>	<b>0.41</b>
	<b>Average</b>	<b>1.46</b>	<b>0.53</b>
	<b>Median</b>	<b>0.69</b>	<b>0.53</b>
<b>Bossini (stock code: 592)</b>	<b>290.8</b>	<b>0.63<sup>(4)</sup></b>	<b>2.28<sup>(4)</sup></b>

Source: Bloomberg, AASTOCKS and the website of the Stock Exchange

Notes:

- The market capitalisation of the Bossini Comparable Companies and Bossini are calculated based on the closing price of the respective companies on the Last Trading Day and the average closing price of Bossini Shares over the last 30 trading days up to and including the Last Trading Day, respectively, multiplied by the number of issued ordinary shares (excluding treasury shares) as set out in their respective monthly return for September 2024.
- The PSRs of the Bossini Comparable Companies are calculated based on their respective market capitalisation on the Last Trading Day divided by their respective revenue for the trailing or latest 12 months as referenced from their respective latest published financial report/interim report.
- The PBRs of the Bossini Comparable Companies are calculated based on their respective market capitalisation on the Last Trading Day divided by their respective net assets attributable to the shareholders as referenced from their respective latest published financial report/interim report.
- The PSR and PBR of Bossini are calculated based on the ascribed value of the Scheme Consideration of HK\$0.108 on the Last Trading Day.



The PSRs and PBRs of the Bossini Comparable Companies range from 0.11 times to 4.35 times with an average of 1.46 times and a median of 0.69 times and from 0.41 times to 0.64 times with an average and a median of 0.53 times, respectively. The PSR implied by the value of Scheme Consideration (i.e. the ascribed value per Scheme Share of HK\$0.108) of 0.63 times falls within the range of those of the Bossini Comparable Companies and is close to the median of but lower than the average of the Bossini Comparable Companies' PSRs. The PBR implied by the value of Scheme Consideration of 2.28 times is substantially higher than those of the Bossini Comparable Companies.

### *6.3.2. Viva comparable companies*

The PSR and PBR of Bossini as discussed in section 6.3.1 above are calculated based on the ascribed value of the Scheme Consideration of HK\$0.108 on the Last Trading Day, which, in turn, is calculated based on the closing price of Viva Shares of HK\$0.54 on the Last Trading Day. Therefore, to assess the fairness and reasonableness of the valuation multiples of Bossini as well as the Scheme Consideration, we have conducted comparable company analysis for Viva as well to see if the Viva Share was fairly valued by the market as reflected by the market price on the Last Trading Day.

The Viva Group is a multi-brand operator principally engaged in design and development, branding and sales of sports and lifestyle apparel and footwear with a market capitalisation of HK\$5.3 billion on the Last Trading Day. According to the Viva Annual Report, Clarks, a British footwear brand, contributed around 86% of the Viva Group's revenue in 2023. In addition, the Viva Group's sales in (i) the United States of America, and (ii) the United Kingdom and Republic of Ireland accounted for 40% and 34% of its total revenue in 2023, respectively.

We employed Bloomberg and AASTOCK's equity screening tools to identify companies listed on the Stock Exchange that derived over 50% of their revenue from footwear retail in their last financial year but in vain. We therefore expanded the scope to identify companies listed on the major stock exchanges of the United Kingdom and the United States of America (i.e. New York Stock Exchange, NASDAQ and London Stock Exchange) that (i) derived over 50% of their revenue from footwear retail in their last financial year; (ii) operate in multiple geographical markets; and (iii) have a market capitalisation between HK\$1 billion and HK\$10 billion on the Last Trading Day (the "**Viva Comparable Companies**"). The Viva Comparable Companies, so far as we are aware of, are exhaustive based on the aforementioned selection criteria, and are considered to be fair and representative samples.

PSR and PBR have been adopted for the comparison between Viva and the Viva Comparable Companies as PER is considered to be inappropriate as, similar to Bossini, Viva was loss making in its last financial year and trailing 12 months ended 30 June 2024.





**TABLE 15: VIVA COMPARABLE COMPANIES**

Company	Place of listing	Market capitalisation on the Last Trading Day <sup>(1)</sup> (HK\$ billion)	PSR <sup>(2)</sup> (times)	PBR <sup>(3)</sup> (times)
Caleres, Inc. (stock code: CAL)	The United States of America	8.9	0.41	1.91
Dr. Martens plc (stock code: DOCS)	The United Kingdom	5.4	0.66	1.60
Designer Brands Inc. (stock code: DBI)	The United States of America	2.5	0.10	1.01
Genesco Inc. (stock code: GCO)	The United States of America	2.5	0.14	0.61
		<b>Highest</b>	<b>0.66</b>	<b>1.91</b>
		<b>Lowest</b>	<b>0.10</b>	<b>0.61</b>
		<b>Average</b>	<b>0.33</b>	<b>1.28</b>
		<b>Median</b>	<b>0.27</b>	<b>1.30</b>
Viva (stock code: 933)	Hong Kong	5.3	0.48	0.77

Source: Bloomberg, AASTOCKS and the websites of the Stock Exchange and Viva Comparable Companies

Notes:

1. The market capitalisation of the Viva Comparable Companies and Viva are calculated based on the closing price of the respective companies on the Last Trading Day multiplied by the number of issued ordinary shares (excluding treasury shares) based on latest available public information.
2. The PSRs of the Viva Comparable Companies and Viva are calculated based on their respective market capitalisation on the Last Trading Day divided by their respective revenue for the trailing or latest 12 months as referenced from their respective latest published financial report/interim report/quarterly report.
3. The PBRs of the Viva Comparable Companies and Viva are calculated based on their respective market capitalisation on the Last Trading Day divided by their respective net assets attributable to the shareholders as referenced from their respective latest published financial report/interim report/quarterly report.

Despite the venues of listing of the Viva Comparable Companies are different from that of Viva, no correlation is seen in the valuation between each of the Viva Comparable Companies and Viva and their respective venues of listing, which makes it impracticable to adjust the valuation multiples of Viva Comparable Companies due to different valuation of their venues of listing as compared to Viva's. Instead, Viva Comparable Companies analysis, in our view, provides meaningful insights as they are considered comparable to Viva in terms of principal business and market capitalisation.



The PSRs and PBRs of the Viva Comparable Companies range from 0.10 times to 0.66 times with an average of 0.33 times and a median of 0.27 times and from 0.61 times to 1.91 times with an average of 1.28 times and a median of 1.30 times, respectively. It is noted that (i) Viva's PSR of 0.48 times falls within the range of and higher than the average and median of those of the Viva Comparable Companies; and (ii) PBR of 0.77 times also falls within the range of but lower than the average and median of those of the Viva Comparable Companies. Balancing the results in (i) and (ii), we are of the view that Viva Share was fairly valued by the market as reflected by the market price on the Last Trading Day.

***Comment***

The Bossini Group focuses on apparel retail in the Greater China region while the Viva Group mainly operates through Clarks in the United Kingdom and the United States of America. Accordingly, they have different peer companies.

Given (i) the PSR implied by the Scheme Consideration of HK\$0.108 falls within the range of, and is close to the median of, those of the Bossini Comparable Companies; and (ii) the PBR implied by the Scheme Consideration of HK\$0.108 is substantially higher than those of the Bossini Comparable Companies, we are of the view that the Scheme Consideration implied by the closing price of HK\$0.54 per Viva Share on the Last Trading Day is fair and reasonable and in the interests of the Scheme Shareholders should the Viva Share on the Last Trading Day be fairly valued.

Viva Share before the Proposal, in our view, was fairly valued by the market as reflected by its market price after having balanced the PSR and PBR comparison analysis results, of which Viva fall within the ranges of those of the Viva Comparable Companies with the former higher than the average and median of, and the latter lower than the average and median of, those of the Viva Comparable Companies. Given (i) Viva Share price exhibited a continuous downtrend over the last 2.5 years and bottomed out at HK\$0.49 about one month before the Proposal and the highest closing price of HK\$1.71 recorded on 3 March 2023 during the Review Period as opposed to HK\$0.54 closed on the Last Trading Day; and (ii) unlike the Bossini Share price, no irregular movement in Viva Share price is noted shortly before the Announcement, we are of the view that using Viva Share price on the Last Trading Day to arrive at the ascribed value per Bossini Share under the Scheme (i.e. HK\$0.108) is in the interest of the Scheme Shareholders.

On the above basis, we consider the Scheme Consideration to be fair and reasonable.



#### 6.4. Share exchange privatisation precedents

Given the consideration payable under the Proposal involves the Scheme Shareholders exchanging every 5 Scheme Shares for 1 new Viva Share with no cash alternative, the Scheme Shareholders will become shareholders of Viva and will continue to participate in the businesses of Bossini as part of the Viva Group, which, unlike most of the privatisation precedents in the market, is not a complete buy-out for cash transaction. Against this backdrop, we have searched for approved privatisation transactions involving share exchange offer (without payment of cash) announced by companies listed on the Main Board of the Stock Exchange since 1 January 2020 up to and including the Last Trading Day (the “Share Exchange Privatisation Precedents”). The Share Exchange Privatisation Precedents during such period, in our view, give a comprehensive overview on not only the recent pricing of transactions of this type but also the premium or discount that most of the independent shareholders are willing to accept in a similar transaction. The Share Exchange Privatisation Precedents represent an exhaustive list of privatisation proposals meeting the said criteria, a summary of which is set out in the table below:

**TABLE 16: SHARE EXCHANGE PRIVATISATION PRECEDENTS**

Date of announcement	Acquirer (stock code)	Target company (stock code)	Share exchange ratio	Last trading day	Premium/(discount) based on the average closing prices of acquirer's and target company's shares within the trading periods before the announcement and the share exchange ratio <sup>(1)</sup>					Premium/(discount) based on latest NAV per share attributable to the shareholders <sup>(3)</sup>
					Last 10 trading days <sup>(2)</sup>	Last 30 trading days <sup>(2)</sup>	Last 90 trading days <sup>(2)</sup>	Last 120 trading days <sup>(2)</sup>	Last 180 trading days <sup>(2)</sup>	
30 September 2020	Shandong Gold Mining Co., Ltd. (1787)	Hengxing Gold Holding Company Limited (2303) (“Hengxing Gold”)	0.1724	(2.4)% <sup>(4)</sup>	10.0% <sup>(4)</sup>	10.3% <sup>(4)</sup>	16.2% <sup>(4)</sup>	20.5% <sup>(4)</sup>	15.6% <sup>(4)</sup>	19.8% <sup>(4)</sup>
6 July 2020	Huarong International Financial Holdings Limited (993)	Huarong Investment Stock Corporation Limited (2277) (“Huarong Investment”)	2.8200	35.5%	53.6%	56.2%	62.4%	80.8%	108.1%	NA <sup>(5)</sup>
14 October 2024	Viva (933)	Bossini (592)	0.2000	(12.2)%	(4.6)%	22.0%	26.5%	25.7%	22.4%	200.0% <sup>(6)</sup>

Source: Bloomberg and the website of the Stock Exchange

Notes:

- The figures are quoted from the respective scheme document, or if such data is not available, calculated based on the closing price per acquirer's share (after adjusted in accordance to the share exchange ratio) divided by the closing price per target company's share on the last trading day or average closing prices of the acquirer's share and target company's share during various periods and taking into account the share exchange ratio.
- Up to and including the last trading day.
- It represents the premium represented by the acquirer's NAV per share (after adjusted in accordance the share exchange ratio) over the target company's NAV per share quoted from, or if such data is not available, calculated based on information as disclosed in the respective scheme document.
- The figures are extracted from the scheme document for the proposed privatisation of Hengxing Gold, save for the last trading day which is calculated based on the information stated therein. Based on the scheme document, it is noted that Hengxing Gold shares were entitled to a special dividend and the price per Hengxing Gold share used to calculate the percentages was after adjustment due to commencement of dealings in the Hengxing Gold shares on an ex-entitlement basis for the special dividend.



5. As set out in the scheme document for the privatisation of Huarong Investment, the Huarong Investment Group reported total equity of HK\$1,285.0 million as at 30 June 2020, of which HK\$1,424.1 million was attributable to the holder(s) of the Huarong Investment perpetual bond and the equity attributable to the ordinary shareholders of Huarong Investment was in a negative balance of HK\$139.1 million.
6. The calculation of the premium is set out in section 6.2 of this letter.

*Premium or (discount) based on the average prices of acquirer's and target company's shares having been adjusted by share exchange ratio during different trading periods*

Based on the above table, we noted that (i) the implied discounts of the Scheme Consideration per Scheme Share based on the closing share price of Viva and Bossini on the Last Trading Day and the average closing share price of Viva and Bossini for the last 10 trading days (up to and including the Last Trading Day) are 12.2% and 4.6%, respectively, which are lower than those of the Share Exchange Privatisation Precedents for the last trading day/period; and (ii) the implied premiums of the Scheme Consideration per Scheme Share based on the average closing share price of Viva and Bossini for the last 30, 90, 120 and 180 trading days (up to and including the Last Trading Day), ranging from 22.0% to 26.5%, are within the range of those of the Share Exchange Privatisation Precedents for the respective periods.

As discussed in section 6.1.1 above, the Bossini Share price surged by 64.0% after the stimulus measures announced by the PRC regulatory authorities on 24 September 2024 until the Last Trading Day, which outperformed both its peers and HSI. Given the exceptional price movement of Bossini Shares shortly before the Announcement, the Bossini Share price, in our view, might be somewhat disturbed and we tend to put more weight on the implied premium of the scheme consideration per share over a longer trading period (i.e. 30, 90, 120 and 180 trading days).

*Premiums or (discounts) based on NAV per share*

Stripping off the perpetual bond of Huarong Investment Group, equity attributable to its ordinary shareholders was a negative balance as at the latest period/year end before the scheme document was published and therefore no PBR could be appraised. Based on the above table, it is noted that the implied premium of the Scheme Consideration per Scheme Share based on the NAV of Viva Shares and Bossini Shares as at 30 June 2024 is 200.0% and is significantly higher than that of the privatisation for Hengxing Gold of 19.8%.



### ***Comment***

We consider the Share Exchange Privatisation Precedents provide a general overview of the pricing of the recent successful share exchange privatisation transactions without cash consideration in Hong Kong and serve as a reference when assessing the fairness and reasonableness of the Scheme Consideration. Although the business nature, scale and industries of the companies involved in the Share Exchange Privatisation Precedents may be different from those of Bossini and Viva and financial market conditions when those Share Exchange Privatisation Precedents took place might be different from that of the Proposal, they give a reference on recent pricing on successful privatisation transactions of this type in Hong Kong market that are acceptable for the respective independent shareholders for the exchange of listed shares and thus provide a relevant benchmark for Scheme Shareholders to assess the Scheme Consideration in terms of the acceptable privatisation premium/(discount) range in the market.

Having considered that (i) the Bossini Share prices shortly before the Announcement, which outperformed both the HSI and its peers, were somewhat disturbed and therefore its averages for longer trading periods are considered appropriate for comparison purpose; (ii) the implied premiums of the Scheme Consideration per Scheme Share based on the average closing prices of Viva Shares and Bossini Shares for the last 30, 90, 120 and 180 trading days (up to and including the Last Trading Day) fall within the ranges of those of the Share Exchange Privatisation Precedents for the respective periods; and (iii) the implied premium of the Scheme Consideration per Scheme Share based on the NAV of Viva Shares and Bossini Shares is significantly higher than that of the privatisation for Hengxing Gold, we consider that the pricing of the Scheme Consideration per Scheme Share under the Proposal is fair and reasonable.

### **7. Evaluation of the Option Offer**

In accordance with Rule 13 of the Takeovers Code and Practice Note 6 to the Takeovers Code, Bossini Optionholders shall be entitled to exit at the “see-through” price (being the offer price less the exercise price of each such Bossini Share Option). As the exercise prices for all outstanding Bossini Share Options are higher than the ascribed value of HK\$0.108 per Bossini Share under the Scheme, the Bossini Share Options are “out of money”. Given that (i) it is a common market practice and regulatory requirement to adopt “see-through” price based on the underlying exercise price per subject option as the minimum cancellation price for a convertible instrument in conjunction with a general offer/privatisation proposal; (ii) Bossini Optionholders will still receive 1 new Viva Share for every 1,000 Bossini Share Options cancelled; and (iii) the Bossini Share Options shall lapse on the Scheme Effective Date if they are not exercised by the Latest Options Exercise Time, we consider the Option offer to be fair and reasonable so far as the Bossini Optionholders are concerned.



## DISCUSSION

In forming our opinion and recommendations below, we have taken into account the factors set out under sections 1-7 above, none of which can be considered in isolation. We would like to draw the attention of the Scheme Shareholders and Bossini Optionholders in particular to the points summarised below:

### (a) **Bossini – an unprofitable well-known high-quality apparel retailer**

Bossini, listed in 1993, is a well-known “affordable” high-quality casual wear retailer bearing various “Bossini” brand names with 60% – 70% of its revenue derived from Hong Kong and Macau in the past 2.5 years. The Bossini Group has been loss-making since 2018, with the highest full-year (with 31 December as the financial year end) loss recorded in 2020 amounting to HK\$361.2 million. In the same year, Viva acquired 66.6% equity interest in Bossini and has become its controlling shareholder since then. After the change in control, Bossini continued to report substantial losses in 2021-2022. Bossini conducted the 2021 Bossini Rights Issue and the 2023 Bossini Rights Issue and raised gross cash proceeds of around HK\$296 million in 2021 and HK\$315 million in 2023, mainly supported by its controlling shareholder. After border reopening in 2023, Bossini, benefitted from the pent-up demand, reported a mild increase in revenue in 2023 but failed to improve further in 1H2024 as a result of “revenge travel” by residents and the continued trend of northbound consumption. Thanks to effective cost control, Bossini managed to narrow net losses for 2023 and 1H2024 by 30%-40%. Nevertheless, the losses remained substantial, reducing its cash balance from HK\$184.7 million as at 31 December 2023 to HK\$108.8 million as at 30 June 2024.

Bossini has not paid any dividend in the last 2.5 years.

### (b) **Lack of fund raising capability**

As mentioned in (a) above, Bossini raised gross proceeds of HK\$296 million in the 2021 Bossini Rights Issue and HK\$315 million in the 2023 Bossini Rights Issue, of which HK\$233 million and HK\$258 million, respectively, were ultimately contributed by the Viva Group. The 2021 Bossini Rights Issue and the 2023 Bossini Rights Issue were both undersubscribed with the public Shareholders’ participation of only 21% and 18%, respectively. Based on these experiences, the usefulness of the listing platform of Bossini to raise third party equity capital for its future business development and expansion appears to be limited. Furthermore, save for the HK\$200 million loan facility granted by the Viva Group, no other borrowings or loan facilities were secured by the Bossini Group from banks or financial institutions.



**(c) The Proposal – not a complete buy-out like other privatisations but a group restructuring**

Under the Proposal, Scheme Shareholders are offered 1 new Viva Share for every 5 Scheme Shares held by them, without any cash consideration. In other words, Scheme Shareholders will continue to participate in the businesses of Bossini as part of the Viva Group. The rationale behind this is to preserve cash for the future business development of Viva as well as Bossini amid the challenging operating environment and to allow Bossini to leverage Viva's financial resources without subject to any compliance requirements. As mentioned in its annual/interim reports, Bossini is shifting its focus to sports clothing. The Proposal, in our view, could (i) integrate the operations and resources of both entities efficiently and effectively; and (ii) enhance synergies in terms of marketing, supply chain solutions and distribution channels locally and worldwide with an aim to achieve the long-term goals (of Bossini, which is to improve brand image and Viva, which is to become a leading international consumer brands operating company).

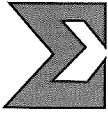
**(d) Exchange Ratio is fair and reasonable**

We consider the Exchange Ratio to be fair and reasonable.

As set out in Table 10, the implied premium/(discount) of the Scheme Consideration per Scheme Share based on (i) the closing price of Bossini Share and Viva Share on the Last Trading Day or the average closing price of Bossini Share and Viva Share for the last 10, 30, 90, 120 and 180 trading days (up to and including the Last Trading Day); and (ii) the Exchange Ratio are (12.2)%, (4.6)%, 22.0%, 26.5%, 25.7% and 22.4%, respectively.

As discussed in section 6.1.1, the Bossini Share price surged substantially by 64.0% from HK\$0.075 on 25 September 2024 to HK\$0.123 on the Last Trading Day while its peers and the market rose 1.9%-16.7% and 10.3%, respectively. Given the irregular price movements are seen in Bossini Shares shortly before the Announcement, comparison of the closing prices of Bossini Share and Viva Share over a longer trading period (i.e. the last 30, 90, 120 and 180 trading days) would be appropriate to provide a fair assessment of the Scheme Consideration as well as the Proposal. Such premiums over the last 30, 90, 120 and 180 trading days are within the ranges of the Share Exchange Privatisation Precedents.

The implied premium of the Scheme Consideration per Scheme Share based on the NAV of Viva Shares and Bossini Shares as at 30 June 2024 is 200.0% and is significantly higher than that of the privatisation precedent of 19.8%.



**(e) Viva – a multi-brand owner cushioned with investment in Li Ning Co**

Viva, listed on Main Board, is a multi-brand retailer and its major brands are Clarks and Bossini. After having reported profitable in 2018-2022, Viva was also facing challenges and reported a net loss for 2023 but managed to turn into profitable for 1H2024 as a result of continued business restructuring and enhanced cost control measures. Viva received handsome dividend from its associates, amounting to HK\$145 million for 2022 and HK\$244.6 million for 2023, of which Li Ning Co contributed 86.3% and 89.4%, respectively. Viva is substantially larger than Bossini in various aspects including market capitalisation and cash position. Viva's market capitalisation is 17 times Bossini as at the Latest Practicable Date, which will enhance the liquidity of Scheme Shareholders' investment in Viva in dollar value if the Proposal proceeds. Viva's cash and cash equivalents is 13 times that of Bossini as at 30 June 2024. The stronger balance sheet and cash position of Viva would, in our view, support Bossini's business goals and maximise its financial performance if the Proposal proceeds.

Viva paid final dividend of HK\$0.008 per Viva Share for 2023.

**(f) Challenging market conditions**

As discussed in section 3, deterioration in Hong Kong and Macau retail market, being Bossini's major market, is caused by continued impact from the change in post-covid consumption pattern, the relatively strong Hong Kong dollars and increased outbound travels by local residents, while cautious optimism is seen in the PRC consumers after the end of pandemic. The Viva Group's major markets were relatively stable and resilient although the footwear retail also faces challenges including high inflation and more price-sensitive consumers.

**(g) Bossini Share Options**

Bossini Optionholders are offered to exit at the "see-through" price (being the ascribed value of HK\$0.108 per Bossini Share less the exercise price of each such Bossini Share Option). As the exercise prices for all outstanding Bossini Share Options are higher than the ascribed value of HK\$0.108 per Bossini Share under the Scheme, the Bossini Share Options are "out of money". Given that (i) Bossini Optionholders will still receive 1 new Viva Share for every 1,000 Bossini Share Options cancelled; and (ii) the Bossini Share Options shall lapse on the Scheme Effective Date if they are not exercised by the Latest Options Exercise Time, we consider the Option Offer to be fair and reasonable so far as the Bossini Optionholders are concerned.

**(h) Cross check against the comparable companies**

The Bossini Group focuses on apparel retail in the Greater China region while the Viva Group mainly operates Clarks in the United Kingdom and the United States of America. Both Bossini Comparable Companies and Viva Comparable Companies have been identified. Given both Bossini and Viva are not profitable in the last 12 months, we have looked at PSR and PBR for comparison purposes.





The PSR implied by the Scheme Consideration of HK\$0.108 falls within the range of those of the Bossini Comparable Companies but higher than the median of those of the Bossini Comparable Companies; and the PBR implied by the Scheme Consideration of HK\$0.108 compares favourably against those of the Bossini Comparable Companies. Viva Share before the Proposal, in our view, was fairly valued by the market as reflected by its market price after having balanced the PSR and PBR comparison analysis results, of which the PSR and PBR of Viva fall within the ranges of those of the Viva Comparable Companies with the former higher than the average and median of, and the latter lower than the average and median of, those of the Viva Comparable Companies. Having also considered (i) Viva Share price exhibited a continuous downtrend over the last 2.5 years and was bottomed out at HK\$0.49 on 11 September 2024, around one month before the Last Trading Day; and (ii) unlike Bossini Share price, no irregular movement in Viva Share price is noted shortly before the Announcement, we are of the view that the Viva Share price on the Last Trading Day for use in arriving at the ascribed value per Bossini Share under the Scheme is in the interest of the Scheme Shareholders.

#### **OPINION AND RECOMMENDATION**

Having taken into account the principal factors and reasons set out in sections 1-7 above and are summarised in the point (a) – (h) under the “Discussion” section of our letter, we consider that the terms of the Proposal, the Scheme and the Option Offer to be fair and reasonable so far as the Scheme Shareholders and Bossini Optionholders are concerned. Accordingly, we advise the Bossini Independent Board Committee to recommend (i) Scheme Shareholders to vote in favour of resolutions in relation to the Proposal and the Scheme to be proposed at the Court Meeting and Bossini SGM; and (ii) Bossini Optionholders to accept the Option Offer.

**We would like to remind the Scheme Shareholders and Bossini Optionholders to closely monitor the market price and liquidity of Bossini Shares during the offer period, and consider selling their Bossini Shares (after exercising their Bossini Share Options for Bossini Optionholders) in the open market, where possible, instead of accepting the Scheme Consideration and/or the Option Offer (as the case may be), if the net proceeds from such sales exceed the ascribed value per Bossini Share as implied by the Viva Shares under the Scheme or the Option Offer or if they are not interested in investing in Viva.**



Scheme Shareholders should note that some/all of their shareholding in Viva might be less than a whole multiple of 8,000 Viva Shares (i.e. odd lot of Viva Shares) in the event the Proposal proceeds. Those Scheme Shareholders, particularly those holding a small number of board lots, who are concerned about the drawbacks of holding an odd lot (generally less marketable than the whole board lot and realisable at a lesser market value) should they accept the Scheme Consideration, may consider selling their Bossini Shares in the open market before the last trading day of Bossini Shares (i.e. 11 February 2025) to achieve a complete sale if the proceeds from such sale will exceed the aggregate of the Scheme Consideration and the value of the odd lots (if any).

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**

**Jenny Leung**  
*Director*

*Ms. Jenny Leung is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. She has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*