

3 January 2025

To the Independent Board Committee and the Independent Shareholders

Viva Goods Company Limited
2/F., PopOffice,
9 Tong Yin Street,
Tseung Kwan O, New Territories,
Hong Kong

Dear Sir or Madam,

**(1) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
AS CONSIDERATION FOR THE CANCELLATION AND
EXTINGUISHMENT OF THE SCHEME SHARES UNDER THE SCHEME
AND CANCELLATION OF BOSSINI SHARE OPTIONS UNDER THE
OPTION OFFER;
AND
(2) SHARE TRANSACTION AND CONNECTED TRANSACTION**

INTRODUCTION

We refer to (i) our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the issue of new Shares under the Specific Mandate as consideration for the cancellation and extinguishment of the Scheme Shares under the Scheme and the cancellation of Bossini Share Options under the Option Offer; and (ii) the circular dated 3 January 2025 issued by the Company in relation to among other things, the details of the Proposal and the Specific Mandate (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meaning as those defined in the Circular.

On 14 October 2024 (after trading hours), the Board and the Offeror Board requested the Bossini Board to put forward to the Scheme Shareholders the Proposal 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 Share will be allotted and issued to the Scheme Shareholders for every 5 Scheme Shares so cancelled; (ii) forthwith upon the issued share capital reduction referred to in (i) above, the restoration of the issued share capital of Bossini to the amount immediately before the cancellation of the Scheme Shares by 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 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 the Listing Rules. Subject to the Scheme becoming effective, the entire issued share capital of Bossini will be owned by the Offeror upon the Scheme Effective Date.

As at the Latest Practicable Date, there were 168,118,814 outstanding Bossini Share Options. The Offeror will make the Option 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". For every 1,000 Bossini Options cancelled, 1 new Share will be allotted and issued to the Bossini Optionholders.

The Shares to be issued pursuant to the Scheme as consideration for the cancellation and extinguishment of the Scheme Shares and to be issued pursuant to the Option Offer as consideration for the cancellation of the Bossini Share Options will be allotted and issued pursuant to the specific mandate to be sought from the Independent Shareholders at the EGM. The Shares to be issued under the Specific Mandate will be free from all Encumbrances, and together with all rights attaching to them, including the right to receive all dividends and other distributions, if the record time for determining the entitlement to such dividends and distributions falls on or after the date of issue of the new Shares, and will rank *pari passu* in all respects with all other Shares then in issue. The Specific Mandate, if approved, will be valid until the earlier of completion of the Proposal or lapse of the Scheme.

Assuming no changes to either the Company's issued share capital and Bossini's issued share capital from the Latest Practicable Date to the Scheme Effective Date, assuming no Bossini Share Options are exercised as at the Scheme Effective Date, and subject to the Scheme becoming effective and the Option Offer being accepted by the Bossini Optionholders, the Company will allot and issue a total of approximately 246,469,398 Shares to the Scheme Shareholders and approximately 168,118 Shares to the Bossini Optionholders, representing (i) approximately 2.54% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 2.47% of the enlarged issued share capital of the Company immediately upon completion of the Proposal. Out of the aggregate of 246,637,516 Shares to be allotted and issued under the Specific Mandate, approximately 70,042,653 Shares will be allotted and issued to the connected persons of the Company for cancellation and extinguishment of approximately 349,551,530 Scheme Shares and cancellation of approximately 132,351,437 Bossini Share Options, representing approximately 0.72% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 0.70% of the enlarged issued share capital of the Company immediately upon completion of the Proposal.

Assuming all Bossini Share Options are exercised as at the Scheme Effective Date and assuming no changes to either the Company's issued share capital and Bossini's issued share capital from the Latest Practicable Date to the Scheme Effective Date, and subject to the Scheme becoming effective, the Company will allot and issue a total of approximately 280,093,160 Shares to the Scheme Shareholders, representing (i) approximately 2.88% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 2.80% of the enlarged issued share capital of the Company immediately upon completion of the Proposal. The aggregate maximum value of consideration to the Scheme Shareholders under the Proposal is approximately HK\$170.9 million based on the closing price of HK\$0.610 per Share on the Latest Practicable Date. Out of the 280,093,160 Shares to be allotted and issued under the Specific Mandate, approximately 96,380,593 Shares will be allotted and issued to the connected persons of the Company for cancellation and extinguishment of approximately 481,902,967 Scheme Shares, representing approximately 0.99% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 0.96% of the enlarged issued share capital of the Company immediately upon completion of the Proposal. The aggregate maximum value of consideration to the connected persons of the Company under the Proposal is approximately HK\$58.8 million based on the closing price of HK\$0.610 per Share on the Latest Practicable Date.

An application will be made by the Company to the Listing Committee for the approval for and listing of, and permission to deal in, the new Shares, to be allotted and issued under the Specific Mandate, on the Main Board of the Stock Exchange.

As all applicable percentage ratios (as defined under the Listing Rules) are below 5%, the Proposal constitutes a share transaction of the Company pursuant to the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Set out in the table below are details of (i) the number of Bossini Shares and Bossini Share Options held by the following directors of Bossini Group as at the Latest Practicable Date; and (ii) the number Shares that the following directors of Bossini Group will be entitled under the Scheme and the Option Offer:

Name	Position	Number of Bossini Shares	Number of Bossini Share Options	Number of Shares entitled under the Scheme and the Option Offer (assuming no Bossini Share Options are exercised)	Number of Shares entitled under the Scheme and the Option Offer (assuming all Bossini Share Options are exercised)
Mr. Zhao Jianguo ¹	Executive director and chairman of Bossini	–	39,067,057	39,067	7,813,411
Mr. Cheung Chi ²	Executive director and chief executive officer of Bossini	–	44,174,689	44,174	8,834,937
Ms. Yu Xin ³	Executive director of Bossini	1,156,000	9,808,942	241,008	2,192,988
Mr. Bosco Law ⁴	Non-executive director of Bossini	348,395,530	6,033,529	69,685,139	70,885,811
Mr. Lee Kwok Ming	Independent non-executive director of Bossini	–	1,609,041	1,609	321,808
Prof. Sin Yat Ming	Independent non-executive director of Bossini	–	804,670	804	160,934
Mr. Cheong Shin Keong	Independent non-executive director of Bossini	–	804,670	804	160,934
Mr. Wong Siu Pan ⁵	Director of certain Bossini's subsidiaries	–	10,002,068	10,002	2,000,413
Mr. Chow Kai Ming	Director of certain Bossini's subsidiaries	–	8,022,352	8,022	1,604,470
Ms. Chong Yin Ling Sharon	Director of certain Bossini's subsidiaries	–	12,024,419	12,024	2,404,883

Notes:

1. Mr. Zhao Jianguo is an executive director of Bossini and the brother-in-law of Mr. Li Ning. As at the Latest Practicable Date, Mr. Zhao Jianguo held 39,067,057 Bossini Share Options and 289,666,667 Shares. Mr. Zhao Jianguo was also interested in 12,963,200 Shares held by Double Essence Limited which was owned as to 50% by Mr. Zhao Jianguo and 50% by Ms. Li Ying (the spouse of Mr. Zhao Jianguo) respectively.
2. Mr. Cheung Chi is an executive director of Bossini, the chief financial officer of the Company and a director of the Offeror. He is also a director of various subsidiaries of the Company. As at the Latest Practicable Date, Mr. Cheung Chi held 44,174,689 Bossini Share Options and 52,200,000 Shares.
3. Ms. Yu Xin is an executive director of Bossini and is a niece of the spouse of Mr. Li Ning. As at the Latest Practicable Date, Ms. Yu Xin held 1,156,000 Bossini Shares, 9,808,942 Bossini Share Options and 35,000,000 Shares.
4. Mr. Bosco Law is a non-executive director of Bossini and the sole shareholder of Keystar. As at the Latest Practicable Date, (a) Keystar owned 348,395,530 Bossini Shares; and (b) Mr. Bosco Law held 6,033,529 Bossini Share Options.
5. Mr. Wong Siu Pan is a director of certain Bossini's subsidiaries. As at the Latest Practicable Date, Mr. Wong Siu Pan held 10,002,068 Bossini Share Options and 223,000 Shares.

As each of the directors of the Bossini Group as set out in the table above is a connected person of the Company at the subsidiary level, the issue of Shares under the Specific Mandate to such persons pursuant to the Proposal constitutes connected transactions of the Company and is subject to reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive directors of the Company, namely Mr. Li Qing, Mr. Pak Wai Keung, Martin, Mr. Wang Yan and Professor Cui Haitao, has been established by the Company to advise the Independent Shareholders on the issue of new Shares under Specific Mandate as consideration for the cancellation and extinguishment of the Scheme Shares under the Scheme and the cancellation of Bossini Share Options under the Option Offer and as to voting. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Offeror, the Company, Bossini, or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. There has been no engagement between the Group and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this engagement, no other arrangement exists whereby we will receive any fees or benefits from the Offeror, the Company, Bossini, or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give an independent advice to the Independent Board Committee and the Independent Shareholders in respect of the issue of new Shares under Specific Mandate as consideration for the cancellation and extinguishment of the Scheme Shares under the Scheme and the cancellation of Bossini Share Options under the Option Offer.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Directors and the management of the Group; and (iii) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true and accurate in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth and accuracy of such information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the

Directors and the management of the Group are true and accurate in all material respects and not misleading in any material respect at the time they were made and continue to be so until the Latest Practicable Date. The Shareholders will be informed of any material change of information in the Circular after the Latest Practicable Date and up to the date of the EGM.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of independent in-depth investigation into the business, affairs, operations, financial position or future prospects of the Offeror, the Group, the Bossini Group or any of their respective subsidiaries and associates.

PRINCIPAL TERMS OF THE PROPOSAL

As at the Latest Practicable Date, Bossini has 3,322,720,177 Bossini Shares in issue and the Offeror held 2,090,373,183 Bossini Shares. All Bossini Shares other than those held by the Offeror will be subject to the Scheme and regarded as Scheme Shares. Assuming no changes to Bossini's issued share capital from the Latest Practicable Date to the Scheme Effective Date and assuming no Bossini Share Options are exercised, the maximum number of Bossini Shares subject to the Scheme will be 1,232,346,994 Bossini Shares. Assuming all Bossini Share Options are exercised as at the Scheme Effective Date and assuming no other changes to Bossini's issued share capital from the Latest Practicable Date to the Scheme Effective Date, the maximum number of Bossini Shares subject to Scheme will be 1,400,465,808 Bossini 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 the Company new Shares to be issued:

For every 5 Scheme Shares cancelled 1 new 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 Announcement, 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, Bossini has not announced or declared any dividend, distribution or other return of capital which remains unpaid.

As at the Latest Practicable Date, there were 168,118,814 outstanding Bossini Share Options. Details of the outstanding Bossini Share Options and the relevant exercise prices are set out below:

	Outstanding Bossini Share Options	Exercise Price
January 2021 Bossini Options	29,746,802	HK\$0.455
March 2022 Bossini Options	1,669,444	HK\$0.659
November 2022 Bossini Options	1,002,068	HK\$0.389
March 2024 Bossini Options	135,700,500	HK\$0.128

Since the Announcement Date and up to the Latest Practicable Date, all of the outstanding November 2021 Bossini Options and 3,000,000 March 2024 Bossini Options had lapsed. The Offeror will make the Option 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 is made on the following terms:

For every 1,000 Bossini Options cancelled 1 new Share

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

For further details of the terms of the Proposal, please refer to the Letter from the Board.

CONDITIONS TO THE PROPOSAL AND THE SCHEME

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 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;
- (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;
- (d) the sanction of the Scheme (with or without modification) by the Court and the delivery to the Registrar of Companies of a copy of the order of the Court for registration;
- (e) the necessary compliance with the procedural requirements and conditions, if any, of Section 46(2) of the Companies Act in relation to any reduction of the issued share capital of Bossini referred to in (c) above;
- (f) the Company having obtained approval from the Independent Shareholders for the specific mandate for the allotment and issuance of the Shares under the Proposal in compliance with the Listing Rules;
- (g) the granting by the Stock Exchange of the listing of, and permission to deal in, the Shares which fall to be issued pursuant to the Proposal, on the Main Board of the Stock Exchange;
- (h) all Authorisations having been obtained or made from, with or by (as the case may be) the Relevant Authorities in Bermuda, Hong Kong, and/or any other relevant jurisdictions and, if applicable, any waiting periods having expired or terminated (in each case where such Authorisation is material in the context of the Bossini Group as a whole and in the context of the Proposal);

- (i) the Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes binding and effective in accordance with its terms;
- (j) if required, the obtaining by the Offeror, the Company or Bossini of such other necessary consent, approval, permission, waiver or exemption which may be required from any Relevant Authorities under applicable laws and regulations or other third parties which are necessary for the performance of the Scheme;
- (k) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Scheme or its implementation in accordance with its terms);
- (l) since the Announcement Date, there having been no material adverse change in the business, financial or trading position or prospects of any member of the Bossini Group to an extent which is material in the context of the Bossini Group taken as a whole or in the context of the Proposal; and
- (m) since the Announcement Date, there not having been instituted any material litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Bossini Group is a party (whether as plaintiff or defendant or otherwise) and no such proceedings having been threatened in writing against any such member and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member in each case which is material and adverse in the context of the Bossini Group taken as a whole or in the context of the Proposal.

The Scheme Conditions (a) to (k) above are not waivable.

The Offeror reserves the right to waive any of the Scheme Conditions (l) and/or (m), either in whole or in part, either generally or in respect of any particular matter. All of the Scheme Conditions will have to be satisfied or validly waived (as applicable), on or before the Long Stop Date, otherwise the Scheme will not become effective. Subject to the Scheme Conditions being satisfied or validly waived (as applicable), the Scheme will become effective and binding on the Company and all Scheme Shareholders.

In respect of the Scheme Conditions (h) to (j), other than those set out in Scheme Conditions (a) to (g) (inclusive), the Offeror and the Company are not currently aware of any Authorisations or consents which are required.

As at the Latest Practicable Date, the Offeror and the Company are not aware of any circumstances which may result in Scheme Condition (k) not being satisfied.

If the Scheme Conditions are not satisfied or waived (as appropriate) on or before the Long Stop Date, the Proposal will lapse. If the Scheme is withdrawn, not approved or lapses, the listing of the Bossini Shares on the Stock Exchange will not be withdrawn.

The Option Offer is conditional upon the Scheme becoming effective.

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

When the Scheme Conditions are satisfied or waived (as applicable), the Scheme will become effective and binding on Bossini and all the Scheme Shareholders.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the issue of new Shares under Specific Mandate as consideration for the cancellation and extinguishment of the Scheme Shares under the Scheme and the cancellation of Bossini Share Options under the Option Offer, we have taken into account the following principal factors and reasons:

1. Background and financial information of the Group and the Bossini Group

(i) The Group

The Company is a company incorporated in the Cayman Islands with limited liability whose Share are listed on the Main Board of the Stock Exchange. The 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.

Financial performance

Set out in the table below is a summary of the consolidated financial performance of the Group for the two years ended 31 December 2023 (“FY2022” and “FY2023”, respectively), as extracted from the annual report of the Company for FY2023, and for the six months ended 30 June 2023 and 2024 (“6M2023” and “6M2024”, respectively), as extracted from the interim report of the Company for 6M2024:

	6M2024	6M2023	FY2023	FY2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
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) before income tax	13,993	72,912	(556,159)	871,151
Profit/(loss) for the period/year	48,839	85,834	(446,696)	873,011
Profit/(loss) attributable to the Shareholders	112,807	131,888	(118,990)	850,416

6M2024 as compared to 6M2023

The Group's revenue decreased by approximately 6.3% from approximately HK\$5,444.3 million for 6M2023 to approximately HK\$5,099.9 million for 6M2024, which was mainly due to the decrease in revenue of multi-brand apparel and footwear segment, especially Clarks and Bossini businesses. The decrease in the revenue of Clarks business was attributable to weak consumer spending due to high inflation and interest rates and rising cost of living in European and Americas regions. The decrease in Bossini's revenue was due to products and channels repositioning, by closing numerous inefficient retail stores and offering higher discount to clear aged stocks in mainland China during the period.

The Group's gross profit decreased by approximately 4.8% from approximately HK\$2,491.0 million for 6M2023 to approximately HK\$2,372.1 million for 6M2024, which was in line with the decrease in revenue. On the other hand, the gross profit margin of the Group slightly increased from 45.8% for 6M2023 to 46.5% for 6M2024, which was mainly due to increase in gross profit margin of Clarks business as it implemented effective control on product costs and logistic costs during the period.

For 6M2024, the Group recorded a net profit attributable to the Shareholders of approximately HK\$112.8 million compared to that of approximately HK\$131.9 million for 6M2023, representing a decrease of HK\$19.1 million. The decrease was mainly attributed to (i) the decrease in revenue as discussed above; (ii) the decrease in share of profits less losses of associates and joint ventures by HK\$129.0 million; and (iii) the impairment on property, plant and equipment and right-of-use assets of approximately HK\$101.5 million. The decrease was partially offset by the decrease in operating expenses as a result of continued business restructuring and enhanced cost control measures.

FY2023 as compared to FY2022

The Group recorded revenue of approximately HK\$11,219.4 million for FY2023, representing an increase of approximately 62.6% compared to approximately HK\$6,900.4 million for FY2022. The increase in revenue was primarily due to the full-year impact of the consolidation of Clark Group's financial result as the acquisition of Clark Group was completed in July 2022.

Gross profit of the Group for FY2023 was approximately HK\$5,130.3 million, representing an increase of approximately 62.3% as compared to that of approximately HK\$3,160.6 million for FY2022, which was in line with the increase in revenue as contributed by the full-year impact of the consolidation of Clark Group.

The Group recorded a net loss attributable to the Shareholders of approximately HK\$119.0 million for FY2023 as compared to a net profit attributable to the Shareholders of approximately HK\$850.4 million for FY2022. The turnaround was mainly due to that (i) there was a gain on bargain purchase amounted to approximately HK\$956.3 million due to the completion of acquisition of Clark Group in 2022, which was non-recurring; (ii) there was an one-off restructuring expense for Clark Group in 2023, which certain positions of the Clark Group were cut to streamline its business and improve its profitability; and (iii) higher impairment on right-of-use assets and property, plant and equipment and inventory provision in 2023, which was attributed to the worse-than expected performance of directly operated stores as a result of the challenging retail market since the second half of 2023, especially in the United Kingdom and the United States markets.

Financial position

	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)	2022 HK\$'000 (audited)
Non-current assets	8,881,840	8,751,009	8,796,617
Current assets	5,869,794	5,966,648	8,675,314
Current liabilities	3,622,632	3,803,230	4,428,192
Non-current liabilities	2,250,174	1,857,997	2,045,511
Net assets	8,878,828	9,056,430	10,998,228
Net assets attributable to the Shareholders	7,649,095	7,719,127	7,993,175

As at 30 June 2024, the total assets of the Group amounted to approximately HK\$14,751.6 million, which primarily consisted of property, plant and equipment of approximately HK\$1,499.3 million, interests in associates and joint ventures of approximately HK\$4,284.1 million, inventories of approximately HK\$2,971.6 million and cash and cash equivalents of approximately HK\$1,421.1 million.

As at 30 June 2024, the total liabilities of the Group amounted to approximately HK\$5,872.8 million, primarily consisted of trade, bills and other payables of approximately HK\$1,899.9 million, lease liabilities of approximately HK\$1,871.7 million, and bank borrowings of approximately HK\$917.1 million.

As at 30 June 2024, the Group had net assets attributable to the Shareholders of approximately HK\$7,649.1 million and current ratio of approximately 1.62 times.

(ii) 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 and Singapore.

Financial performance

Set out in the table below is a summary of the consolidated financial performance of the Bossini Group for FY2022 and FY2023, as extracted from the annual report of Bossini for FY2023 (the “**2023 Bossini Annual Report**”), and for 6M2023 and 6M2024, as extracted from the interim report of Bossini for 6M2024 (the “**2024 Bossini Interim Report**”):

	6M2024	6M2023	FY2023	FY2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	265,070	298,437	604,223	585,155
Gross profit	129,752	157,071	304,914	273,224
Loss before income tax	(51,676)	(82,093)	(222,875)	(131,883)
Loss for the period/year	(51,983)	(82,366)	(223,368)	(132,254)
Loss attributable to the Bossini Shareholders	(51,983)	(82,366)	(223,368)	(132,254)

6M2024 as compared to 6M2023

The Bossini Group’s revenue decreased by approximately 11.2% from approximately HK\$298.4 million for 6M2023 to approximately HK\$265.1 million for 6M2024, which was mainly due to the challenging Hong Kong retail market in 2024.

Gross profit decreased by approximately 17.4% from approximately HK\$157.1 million for 6M2023 to approximately HK\$129.8 million for 6M2024. Gross profit margin decreased from approximately 52.6% for 6M2023 to approximately 49.0% for 6M2024.

The Bossini Group recorded a net loss attributable to the Bossini Shareholders of approximately HK\$52.0 million, representing a decrease of approximately 36.9% from approximately HK\$82.4 million for 6M2023. The decrease was mainly attributed to (i) effective cost control of expenses; and (ii) closure of loss-making stores in mainland China for 6M2024.

FY2023 as compared to FY2022

The Bossini Group recorded revenue of approximately HK\$604.2 million for FY2023, representing an increase of approximately 3.3% compared to approximately HK\$585.2 million for FY2022. The increase was mainly due to the gradual recovery of the post-epidemic market and the improvement of foot traffic of stores in 2023.

The Bossini Group's gross profit increased by approximately 11.6% from approximately HK\$273.2 million for FY2022 to approximately HK\$304.9 million for FY2023. The gross profit margin increased from approximately 46.7% for FY2022 to approximately 50.5% for FY2023.

The Bossini Group recorded a net loss attributable to the Bossini Shareholders of approximately HK\$223.4 million for FY2023, representing an increase of approximately 68.9% from approximately HK\$132.3 million for FY2022, which was mainly due to the non-recurring gain on disposal of assets held for sale of approximately HK\$173.7 million in 2022.

Financial position

	As at 30 June 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)	2022 HK\$'000 (audited)
Non-current assets	103,449	108,441	155,571
Current assets	287,741	431,712	358,220
Current liabilities	171,270	257,902	247,992
Non-current liabilities	62,717	75,609	145,496
Net assets	157,203	206,642	120,303
Net assets attributable to the Bossini Shareholders	157,203	206,642	120,303

As at 30 June 2024, the total assets of the Bossini Group amounted to approximately HK\$391.2 million, which primarily consisted of right-of-use assets of approximately HK\$73.2 million, inventories of approximately HK\$94.7 million, prepayments, deposits and other receivables of approximately HK\$71.1 million, and cash and cash equivalents of approximately HK\$108.9 million.

As at 30 June 2024, the total liabilities of the Bossini Group amounted to approximately HK\$234.0 million, primarily consisted of trade creditors, other payables and accruals of approximately HK\$91.7 million and lease liabilities of approximately HK\$118.9 million.

As at 30 June 2024, the Group had net assets of approximately HK\$157.2 million and current ratio of approximately 1.68 times.

2. Information on the Offeror and the future intention of the Offeror

The Offeror is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company. The Offeror is principally engaged in investment holdings. As at the Latest Practicable Date, the Offeror holds 2,090,373,183 Bossini Shares (representing approximately 62.91% of the total issued Bossini Shares).

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). 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.

3. Reasons for and benefits of the Specific Mandate for the allotment and issuance of the Shares under the Proposal

As stated in the section headed “1. Background and financial information of the Group and the Bossini Group – (ii) The Bossini Group” above, the Bossini Group recorded net loss for each of FY2022, FY2023 and 6M2024. Bossini has faced a prolonged period of financial challenges with consistently recorded losses from its operations since 2018 that necessitated the need for external fundings. The Offeror considers that due to the low liquidity and the 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.

Given the deteriorating financial performance, the share price of the Bossini Shares had been exhibiting a general downward trend in the past two years, which in turn reduced Bossini's equity financing ability. As such, 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.

Taking into account that (i) given the Bossini Group's deteriorating financial performance and lack of equity financing capabilities, it is more beneficial to the Company, the indirect controlling shareholder of Bossini, to privatise Bossini and unify a single listing platform in order to save administrative costs and management resources; (ii) the Proposal does not involve any cash outflow by the Company; (iii) it is currently more cost effective for the Group to implement the Proposal for the privatisation of Bossini as the share price of Bossini of HK\$0.123 per Bossini Share on the Last Trading Day was almost at its lowest level which ranged from HK\$0.065 per Bossini Share to HK\$1.32 per Bossini Share in the last ten years; and (iv) the Proposal is put forward to all the Scheme Shareholders and the Bossini Optionholders, which include certain directors of Bossini Group and independent third parties, at the same share exchange ratio and same consideration ratio under the Option Offer based on their holding of Scheme Shares as at the Record Date and/or their holding of Bossini Options (as the case may be), we consider that the issue of new Shares under Specific Mandate as consideration for the cancellation and extinguishment of the Scheme Shares under the Scheme and the cancellation of Bossini Share Options under the Option Offer are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

4. Scheme Consideration

Under the Proposal, 1 Share will be allotted and issued to the Scheme Shareholders for every 5 Scheme Shares cancelled. In order to assess the fairness and reasonableness of the Scheme Consideration, we have considered the following principal factors:

(i) Comparison of value

Based on the closing price of HK\$0.54 per Share as quoted on the Stock Exchange on the Last Trading Day, the value of the Scheme Consideration is equivalent to approximately HK\$0.108 for every Scheme Share, which represents:

- (a) a premium of approximately 0.93% over the closing price of HK\$0.107 for every Bossini Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 12.20% to the closing price of HK\$0.123 for every Bossini Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 7.69% to the average closing price of approximately HK\$0.117 for every Bossini Share as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 22.73% over the average closing price of approximately HK\$0.088 for every Bossini Share as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;

- (e) a premium of approximately 12.50% over the average closing price of approximately HK\$0.096 for every Bossini Share as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day; and
- (f) a discount of approximately 0.92% to the average closing price of approximately HK\$0.109 for every Bossini Share as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day.

Based on the closing price of HK\$0.610 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the value of the Scheme Consideration is equivalent to approximately HK\$0.122 for every Scheme Share, which represents a premium of approximately 14.02% over the closing price of HK\$0.107 for every Bossini Share as quoted on the Stock Exchange on the Latest Practicable Date.

Based on the share exchange ratio and the average share price per Share in various historical period, the premium/discount represented by the Scheme Consideration over/to the average share price per Bossini Share in various historical periods are as follows:

	Last Trading Day	Historical periods up to and including the Last Trading Day			
		10 trading days	30 trading days	90 trading days	180 trading days
A Average price per Share (HK\$)	0.540	0.556	0.534	0.605	0.668
B Average price per Bossini Share (HK\$)	0.123	0.117	0.088	0.096	0.109
C Premium/(discount) = $(1/5 \times A)/B - 1$	(12.20)%	(4.63)%	21.97%	26.49%	22.43%

Based on the consolidated net asset value per Share of approximately HK\$0.913 as at 30 June 2024 (based on the unaudited consolidated net asset value of the Company of approximately HK\$8,878,828,000 as at 30 June 2024 and 9,723,772,727 Shares in issue as at the same date), the implied value of 1 Bossini Share (for each Scheme Share to be cancelled under the Scheme) is approximately HK\$0.183, which represents a premium of approximately 289.4% over the consolidated net asset value per Bossini Share of approximately HK\$0.047 as at 30 June 2024 (based on the unaudited consolidated net asset value of Bossini of approximately HK\$157,203,000 as at 30 June 2024 and 3,322,720,177 Bossini Shares in issue as at the same date).

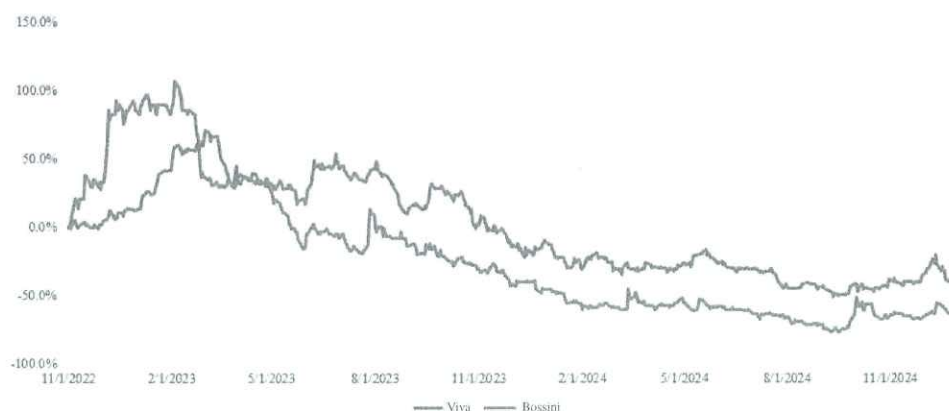
Based on the consolidated net asset value per Share of approximately HK\$0.932 as at 31 December 2023 (based on the audited consolidated net asset value of the Company of approximately HK\$9,056,430,000 as at 31 December 2023 and 9,722,276,727 Shares in issue as at the same date), the implied value of 1 Bossini Share (for each Scheme Share to be cancelled under the Scheme) is approximately HK\$0.186, which represents a premium of approximately 200.0% over the consolidated net asset value per Bossini Share of approximately HK\$0.062 as at 31 December 2023 (based on the audited consolidated net asset value of Bossini of approximately HK\$206,642,000 as at 31 December 2023 and 3,322,720,177 Bossini Shares in issue as at the same date). We are of the view that the significant premium of the implied value of 1 Bossini Share over the consolidated net asset value per Bossini Share is mainly due to the following (i) Bossini had a higher price-to-book ratio than the Company on the Last Trading Day and in the various periods prior to the Last Trading Day; (ii) the share exchange ratio (i.e. 1 Share for every 5 Scheme Shares) has been determined on a commercial basis after taking into account, among other things, the prevailing and historical market price levels and volatility of both the Shares and the Bossini Shares traded on the Stock Exchange; and (iii) the premium represented by the ascribed value of the Scheme Consideration per Bossini Share over the average historical closing price per Bossini Share, is necessary to provide incentives for the Scheme Shareholders to support the Proposal as the Scheme Shareholders are mainly concerned on the realisable value of the Scheme Shares by comparing the Scheme Consideration with the price of the Bossini Shares if they were to dispose their investment on the market, and is in line with other privatisation transactions in Hong Kong. As such, although the implied value of 1 Bossini Share represented significant premium over the consolidated net asset value per Bossini Share, we consider that it is not a determining factor on the fair and reasonableness of the Scheme Consideration.

We further consider that the premiums represented by the implied value of the Scheme Consideration over the average closing prices of the Bossini Shares for the 30 trading days and the 90 trading days up to and including the Last Trading Day are fair and reasonable, as discussed in more detail in the section headed “(v) Privatisation precedents” below, and necessary to provide sufficient incentive to attract the acceptance of the Proposal by the Scheme Shareholders.

(ii) Historical price performance of the Shares and the Bossini Shares

Set out below is the chart showing the relative movement of the daily closing prices of the Shares and the Bossini Shares as quoted on the Stock Exchange during the period from 1 November 2022 up to the Last Trading Day (the “**Review Period**”), being a period of approximately two years, and up to the Latest Practicable Date. We consider such Review Period to be fair, reasonable and representative as we consider it a sufficient period to illustrate the recent trend and level of movement of the daily closing prices of the Shares and the Bossini Shares for the purpose of this analysis, which reflects the prevailing market sentiment for conducting a comparison between the closing prices of the Shares and the Bossini Shares.

Relative change from the closing prices of the Shares and the Bossini Shares during the Review Period



Source: the website of the Stock Exchange

As showed in the chart above, the closing prices of the Shares and the Bossini Shares exhibited a general downward trend during the Review Period. The Bossini Share price decreased by approximately 88.9% from HK\$0.587 on 3 February 2023 to HK\$0.065 on 16 September 2024, the lowest closing price of the Bossini Shares during the Review Period. At the same time, the Shares also demonstrated a downward trend during the Review Period at a lesser extent, as the Share price decreased from the highest of HK\$1.71 on 3 March 2023 to the lowest of HK\$0.49 on 11 September 2024, representing a decrease of approximately 71.3%.

Before the date of the Announcement, the Bossini Share price increased by approximately 110.8% from HK\$0.065 on 16 September 2024 to HK\$0.137 on 2 October 2024. Based on our review of the public information disclosed by Bossini on the website of the Stock Exchange, including the 2024 Bossini Interim Report, we consider that there have been no material changes in the financial performance or outlook of the Bossini Group that could lead to a surge in the share price of Bossini Shares during the relevant period. Following the surge in share price, the price of the Bossini Shares resumed a downward trend and traded generally below the equivalent Scheme Consideration of approximately HK\$0.108. As at the Latest Practicable Date, the Shares and the Bossini Shares closed at HK\$0.610 and HK\$0.107, respectively. Taking into account that Bossini has been loss making since 2018 and there is no sign of improvement in its outlook, we consider the recent surge in the Bossini Share Price prior to the Last Trading Day may not be sustainable. Although the Scheme Consideration represented discounts to the closing price of the Bossini Shares on the Last Trading Day and for the last 10 trading days up to and including the Last Trading Day, we consider it is fair and reasonable to focus on the long-term underperformance in the trading prices of the Bossini Shares during the Review Period.

Taking into account the consistent downward trend in the share price of the Shares and the Bossini Shares during the Review Period and the need to provide Bossini Shareholders with an appropriate premium for a successful privatisation, we consider that the premiums, represented by the implied value of the Scheme Consideration over the average closing prices of the Bossini Shares for the 30 trading days, the 90 trading days and the 180 trading days, respectively, up to and including the Last Trading Day, are fair and reasonable.

(iii) Historical trading liquidity of the Bossini Shares

The following table sets out the average daily trading volume of the Bossini Shares for each month or period and the percentages of such average daily trading volume to the total number of the Bossini Shares in issue and held by the public during the Review Period:

	Number of trading days	Approximate average daily trading volume of the Bossini Shares	Approximate percentage of average daily trading volume to the total number of the Bossini Shares in issue (Note 1)	Approximate percentage of average daily trading volume to the total number of the Bossini Shares held by the public (Note 2)
2022				
November	22	935,244	0.0379%	0.1286%
December	20	3,748,508	0.1517%	0.5155%
2023				
January	18	1,253,104	0.0507%	0.1723%
February	20	2,284,641	0.0925%	0.3142%
March	23	1,795,815	0.0727%	0.2469%
April	17	2,295,085	0.0929%	0.3156%
May	21	1,629,762	0.0490%	0.1846%
June	21	1,352,381	0.0407%	0.1532%
July	20	1,376,101	0.0414%	0.1559%
August	23	671,201	0.0202%	0.0760%
September	19	430,632	0.0130%	0.0488%
October	20	301,475	0.0091%	0.0342%
November	22	455,682	0.0137%	0.0516%
December	19	498,000	0.0150%	0.0564%
2024				
January	22	470,670	0.0142%	0.0533%
February	19	415,849	0.0125%	0.0471%
March	20	1,173,963	0.0353%	0.1330%
April	20	648,088	0.0195%	0.0734%
May	21	2,432,881	0.0732%	0.2756%
June	19	624,895	0.0188%	0.0708%
July	22	1,023,818	0.0308%	0.1160%
August	22	852,932	0.0257%	0.0966%
September	19	1,297,818	0.0391%	0.1470%
From 2 October to the Last Trading Day	8	4,886,953	0.1471%	0.5536%

Source: the website of the Stock Exchange and Bloomberg

Notes:

1. Based on the total number of the Bossini Shares in issue.
2. Based on the number of the Bossini Shares held by the public Bossini Shareholders.

As illustrated in the above table, the trading of the Bossini Shares was generally inactive during the Review Period. The monthly average daily trading volume of the Bossini Shares for the respective month or period during the Review Period ranged from approximately 301,475 Bossini Shares in October 2023 to approximately 4,886,953 Bossini Shares during the period from 2 October 2024 to the Last Trading Date, representing approximately 0.0091% to 0.1471% of the total issued Bossini Shares and approximately 0.0342% to 0.5536% of the issued Bossini Shares held by the public.

In April 2023, Bossini conducted a rights issue (the “**Rights Issue**”) on the basis of one (1) rights share for every two (2) Bossini Shares then existing. 363,612,219 rights shares were offered to the public Bossini Shareholders who then held 727,224,439 Bossini Shares, while only 155,301,025 rights shares, representing 42.71% of the total number of right shares offered to the public Bossini Shareholders, were ultimately subscribed by the then public Bossini Shareholders. Although the subscription price for the Rights Issue represented a discount of approximately 21.28% to the then closing price of the Bossini Shares on 24 February 2023, the public Bossini Shareholders’ subscription of the Rights Issue was limited. As disclosed in the prospectus of Bossini in respect of the Rights Issue, the Bossini Directors had considered other debt/equity fund raising alternatives such as bank borrowings, placing or open offer. The Bossini Directors noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Bossini Shareholders, and placings will dilute the interests of Bossini Shareholders without giving them the opportunity to take part in the exercise.

Taking into account (i) the historical thin liquidity and general downward trend in the share price of the Bossini Shares during the Review Period; (ii) the public Bossini Shareholders’ relatively unfavourable response towards Bossini’s past equity financing activity; and (iii) that it may also be difficult to find investors for potential placing of Bossini Shares in view of Bossini’s financial which has been loss making since 2018, we are of the view that the equity fund raising abilities of Bossini is limited.

(iv) Comparable companies

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 and Singapore. Revenue generated from Hong Kong and Macau accounted for approximately 64.9% and 70.9% for FY2023 and 6M2024, respectively.

Price-to-earnings (“P/E(s)”), price-to-book (“P/B(s)”) and price-to-sale (“P/S(s)”) multiples are the three most commonly used benchmarks in valuing a company. Given that (a) the Bossini Group was loss making for FY2023 and 6M2024; (b) the Bossini Group recorded net assets position as at 30 June 2024; and (c) the Bossini Group recorded relatively stable revenue for the two years ended 31 December 2023, we consider the valuation methodologies using P/S and P/B are more appropriate in valuing the Bossini Group.

Based on (a) the implied value of approximately HK\$0.108 per Bossini Share on the Last Trading Day; (b) 3,322,720,177 Bossini Shares in issue as at the Latest Practicable Date; (c) revenue of approximately HK\$604.2 million for FY2023; and (d) equity attributable to the Shareholders of approximately HK\$206.6 million as at 31 December 2023, the P/S and P/B implied by the Scheme Consideration are approximately 0.59 time and 1.74 times, respectively (the “**Implied P/S**” and the “**Implied P/B**”, respectively).

In assessing the fairness and reasonableness of the Scheme Consideration, we have, based on our search on Bloomberg and the website of the Stock Exchange, identified an exhaustive list of companies (the “**Comparable Companies**”) which (a) are principally engaged in and generated over 50% of their revenue from retailing and distribution of garments in Hong Kong and/or Macau; (b) have their shares listed and traded on the Main Board of the Stock Exchange; and (c) had market capitalisation between HK\$100 million and HK\$500 million on the Last Trading Day. Taking into account (a) Bossini’s market capitalisation of approximately HK\$408.7 million on the Last Trading Day; and (b) the implied market capitalisation of approximately HK\$358.9 million based on the ascribed value of HK\$0.108 per Bossini Share under the Scheme, we consider such market capitalisation range is reasonable and could provide sufficient sample size for comparison purpose.

Based on the aforesaid criteria, we have identified four Comparable Companies, which represents an exhaustive list. We consider the Comparable Companies are fair and representative for comparison purpose given that they and the Bossini Group are engaged in the same sector, have a majority of their revenue derived from Hong Kong and/or Macau, and have a market capitalisation which are comparable to that of Bossini.

The following table sets out the details of the Comparable Companies:

Company name (stock code)	Principal business	Market capitalisation on the Last Trading Day (HK\$ million)	P/S (times)	P/B (times)
ENM Holdings Limited (Stock code: 128)	Retail of fashion wear and accessories, resort and recreational club operations and investment.	478.7	3.96	0.45
YGM Trading Limited (Stock code: 375)	Garment wholesaling and retailing, trademark ownership and licensing, property investment and provision of security printing, general business printing and trading of printing products.	182.5	0.77	0.40
Forward Fashion (International) Holdings Company Limited (Stock code: 2528)	Retail and wholesale of luxury and fashion clothes and products.	106.0	0.11	0.46
Bauhaus International (Holdings) Limited (Stock code: 483)	Design and retail of trendy apparel, bags and fashion accessories.	102.9	0.53	0.63
		Maximum	3.96	0.63
		Minimum	0.11	0.40
		Average	1.34	0.49
		Median	0.65	0.46
	Bossini	408.7	0.59 (Note 1)	1.74 (Note 2)

Source: the website of the Stock Exchange and Bloomberg

Notes:

1. Being the Implied P/S; and
2. Being the Implied P/B.

As shown in the table above, the P/Ss of the Comparable Companies ranged from approximately 0.11 time to approximately 3.96 times on the Last Trading Day. The Implied P/S of approximately 0.59 time is within the range of the P/Ss of the Comparable Companies and is slightly lower than the median of those of the Comparable Companies.

The P/Bs of the Comparable Companies ranged from approximately 0.40 time to approximately 0.63 time on the Last Trading Day. The Implied P/B of approximately 1.74 times is higher than the P/Bs of the Comparable Companies. Bossini Share had a P/B of approximately 1.98 times on the Last Trading Day, which was higher than those all of the Comparable Companies. We have reviewed the financial reports of the Comparable Companies and noted that save for Bauhaus International (Holdings) Limited, the Comparable Companies generally own significant property, plant and equipment and/or investment properties. Bossini is relatively assets-light as compared to the Comparable Companies. As such, we consider the comparison of P/B may not be representative.

Taking into account that (a) the Implied P/S is within the range of those of the Comparable Companies and is slightly lower than the median P/S of the Comparable Companies; (b) it is common for listed issuers to offer premium to scheme shareholders in privatisation transactions to facilitate the success of the implementation of the proposals to privatise the target companies; and (c) the general downward trend of the price of the Shares and the Bossini Shares, we consider the Scheme Consideration to be fair and reasonable as far as the Independent Shareholders are concerned.

(v) Privatisation precedents

In order to further assess the fairness and reasonableness of the Scheme Consideration, we have reviewed successful privatisation precedents of companies listed on the Main Board of the Stock Exchange conducted by issue of shares, either by way of absorption, scheme of arrangement or share exchange, for the past ten years prior to the Last Trading Day. Due to the differences in structure and the need for the Shareholders to consider the prospect of the offeror company, we did not consider the privatisation precedents which involved cash consideration. Based on the aforesaid criteria, we have identified, on a best effort basis, an exhaustive list of five privatisation precedents (the “**Privatisation Precedents**”). Taking into account the limited number of comparable privatisation precedents involving share offer in the recent years, we have adopted a longer time span of ten years in our research for the Privatisation Precedents in order to obtain sufficient samples for our analysis. We consider that a review period of ten years is adequate and appropriate to provide a sufficient and reasonable sample for comparison with the Proposal.

Although the issuers involved in the Privatisation Precedents have different principal activities and market capitalisations as compared to those of Bossini, taking into account that (a) the Privatisation Precedents would provide us with the relevant information to demonstrate the implied value of successful privatisation of the Main Board listed companies in Hong Kong; and (b) the review period is adequate and appropriate as discussed above, we consider the Privatisation Precedents to be fair and representative samples which can serve as a useful reference to the implied value of privatisation proposals in the Hong Kong capital market, so as to determine whether the Scheme Consideration is in line with market practices. We consider that the Privatisation Precedents are fair, representative and exhaustive samples for our assessment of the Scheme Consideration for illustrative purpose.

The table below sets out the details of the Privatisation Precedents:

Date of announcement	Offeror	Offeree	Share exchange ratio (Note 1)	Premium/(discount) based on the average closing price of the offeror's and the offeree's shares during the historical periods up to and including the respective last trading day (Note 2)				
				Last trading day	Last 10 trading days	Last 30 trading days	Last 90 trading days	Last 180 trading days
29 September 2020	Shandong Gold Mining Co., Ltd. (Stock code: 1787)	Hengxing Gold Holding Company Limited (Stock code: 2303)	5/29	(2.43)%	9.99%	10.33%	16.23%	15.59%
6 July 2020	Huarong International Financial Holdings Ltd (Stock code: 993)	Huarong Investment Stock Corporation Limited (Stock code: 2277)	2.82	35.54%	53.62%	56.15%	62.44%	108.07%
8 September 2017	China National Building Material Company Limited (Stock code: 3323 HK)	China National Materials Company Limited (Stock code: 1893)	0.85	19.19%	21.92%	27.58%	42.60%	58.98%
9 January 2015	Cheung Kong (Holdings) Limited (Stock code: 0001)	Hutchison Whampoa Limited (Stock code: 0013)	0.684	(2.33)%	(0.70)%	(0.11)%	(3.80)%	(6.57)%
30 December 2014	CSR Corporation Limited (Stock code: 1766)	China CNR Corporation Limited (Stock code: 6199)	1.10	13.30%	12.56%	12.55%	16.59%	N/A (Note 3)
			Maximum	35.54%	53.62%	56.15%	62.44%	108.07%
			Minimum	(2.43)%	(0.70)%	(0.11)%	(3.80)%	(6.57)%
			Average	12.66%	19.48%	21.30%	26.81%	44.02%
			Median	13.30%	12.56%	12.55%	16.59%	37.28%
16 October 2024	Viva Goods Company Limited (Stock Code: 933)	Bossini International Holdings Limited (Stock Code: 592)	0.20	(12.20)%	(4.63)%	21.97% (the "30 Days Premium")	26.49% (the "90 Days Premium")	22.43% (the "180 Days Premium")

Source: the website of the Stock Exchange and Bloomberg

Notes:

1. Share exchange ratio is the number of the offeror's shares that one share of the offeree is worth of.
2. For the purpose of consistency, premium/(discount) is calculated based on the average closing prices of offerors' shares (up to and including the last trading day) and the share exchange ratio.
3. The average share price of China CNR Corporation Limited for the last 180 trading days prior to the last trading day was not available as China CNR Corporation Limited was listed on 22 May 2014.

As illustrated in the above table, the implied discounts of the Scheme Consideration for each Bossini Share based on the average closing prices of the Shares and Bossini Shares on the Last Trading Day and for the last 10 trading days up to and including the Last Trading Day are 12.20% and 4.63%, respectively, which are lower than all of those of the Privatisation Precedents. However, such lower discounts are mainly due to the surge in share price of Bossini during the period from 16 September 2024 to 2 October 2024, which we consider to be not sustainable given that Bossini has been loss making since 2018 and there is no sign of improvement in its outlook. Following the date of the Announcement, the price of the Bossini Share closed at HK\$0.107 as at the Latest Practicable Date, over which the Scheme Consideration represented a premium of approximately 14.02% based on the closing Share price of HK\$0.610 per Share and the share exchange ratio. Hence, we consider the comparison of the value of the Scheme Consideration with the closing price of Bossini Shares on the Last Trading Day and the average of the last 10 trading days may not be representative.

The implied premiums of the Scheme Consideration for each Bossini Share based on the average closing prices of the Shares and Bossini Shares for the last 30, 90 and 180 trading days up to and including the Last Trading Day are 21.97%, 26.49% and 22.43%, respectively, which are within the ranges of those of the Privatisation Precedents. The 30 Days Premium is generally in line with the average of those of the Privatisation Precedents. The 90 Days Premium is generally in line with the average and the median of those of the Privatisation Precedents. The 180 Days Premium is lower than the average and the median of those of the Privatisation Precedents but is generally in line with the 30 Days Premium and the 90 Days Premium. In this regard, we noted that the 180 days comparison of the Privatisation Precedents had a large range from a discount of 6.57% to a premium of 108.07%. Given the longer time frame and the significant variance among the Privatisation Precedents, we consider the 180 days comparison may not give a very meaningful analysis for comparison purpose.

Taking into account that the 30 Days Premium and the 90 Days Premium are within the range of those of the Privatisation Precedents and are generally in line with the average and the median of those of the Privatisation Precedents, we consider the Scheme Consideration to be fair and reasonable as far as the Independent Shareholders are concerned.

5. Consideration for the Option Offer

As at the Latest Practicable Date, there were 168,118,814 outstanding Bossini Share Options. Details of the outstanding Bossini Share Options and the relevant exercise prices are set out below:

	Outstanding Bossini Share Options	Exercise Price
January 2021 Bossini Options	29,746,802	HK\$0.455
March 2022 Bossini Options	1,669,444	HK\$0.659
November 2022 Bossini Options	1,002,068	HK\$0.389
March 2024 Bossini Options	135,700,500	HK\$0.128

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”.

Assuming no outstanding Bossini Share Options are exercised, 168,118 new Shares will be allotted and issued to the Bossini Optionholders to cancel the outstanding 168,118,814 Bossini Share Options under the Option Offer. Based on the ascribed value of HK\$0.108 per Bossini Share under the Scheme, the implied consideration for the Option Offer is HK\$18,156,744.

Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 published by the SFC, the price for the Option Offer would normally represent the “see-through” price, being the difference between the share offer price and the exercise price for each outstanding Bossini Share Option. Given that the exercise prices of the outstanding Bossini Share Options are higher than the ascribed value of HK\$0.108 per Bossini Share under the Scheme, the outstanding Bossini Share Options are therefore out-of-money with nil “see-through” value. Accordingly, the cancellation price for the Option Offer for outstanding Bossini Share Options is at a nominal value of 1 new Share for every 1,000 Bossini Options cancelled.

To further assess the fair and reasonableness of the Option Offer, we have searched the website of the Stock Exchange for comparable option offers made pursuant to Rule 13 of the Takeovers Code for the offeree company's outstanding share options which were "out of money". The table below sets out an exhaustive list of the comparable option offers announced during the period from 1 January 2023 to the Last Trading Day, which we consider to be adequate and appropriate to provide a sufficient and reasonable sample comparison:

Date of announcement	Offeror	Offeree	Cancellation price of each share option
6 August 2024	Brilliant Sunshine International Limited	Hang Pin Living Technology Company Limited (Stock code: 1682)	HK\$0.01
3 July 2024	An Ke Technology Company Limited China Ping An Insurance Overseas (Holdings) Limited	Lufax Holding Ltd (Stock code: 6623)	HK\$0.00001
26 April 2024	Luxurious Bay Capital Limited	i-Control Holdings Limited (Stock code: 1402)	HK\$0.0001
8 November 2023	AXIOMA CAPITAL FZE LLC	IRC Limited (Stock code: 1029)	HK\$0.0001
3 August 2023	Mr. Xu Ai Hua	Hang Yick Holdings Company Limited (Stock code: 1894)	HK\$0.001
28 July 2023	Luk Fook 3D Investment Holding Company Limited	Hong Kong Resources Holdings Company Limited (Stock code: 2882)	HK\$0.00001
11 May 2023	Tangshan Guokong Science and Technology Innovation Investment Group Co., Limited	China Titans Energy Technology Group Co., Limited (Stock code: 2188)	HK\$0.0001
12 January 2023	Geely Group Limited	Honbridge Holdings Limited (Stock code: 8137)	HK\$0.001

As noted from the comparable option offers above, all of the cancellation price of each share option under the comparable option offers were of minimal value ranging from HK\$0.01 to HK\$0.00001. As such, the Option Offer is generally in line with the market practice of those “out of money” option offers. Given that (i) the “see-through” value of the outstanding Bossini Share Options is nil; and (ii) the cancellation price is at a nominal value equivalent to HK\$0.000108 per Bossini Share Option based on the ascribed value of HK\$0.108 per Bossini Share under the Scheme which is in line with the market practice of the “out of money” option offers, we consider the cancellation price for the Option Offer offered to the Bossini Optionholders is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION AND OPINION

In arriving at our recommendation in respect of the issue of new Shares under Specific Mandate as consideration for the cancellation and extinguishment of the Scheme Shares under the Scheme and the cancellation of Bossini Share Options under the Option Offer, we have considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- the Bossini Group’s deteriorating financial performance and lack of equity financing capabilities;
- the Proposal does not involve any cash outflow by the Group;
- the Company and Bossini could reduce administrative costs and management resources by unifying a single listing platform;
- it is currently more cost effective for the Group to implement the Proposal for the privatisation of Bossini as the share price of Bossini of HK\$0.123 per Bossini Share on the Last Trading Day was almost at its lowest level which ranged from HK\$0.065 per Bossini Share to HK\$1.32 per Bossini Share in the last ten years;
- the Proposal is put forward to all the Scheme Shareholders and the Bossini Optionholders, which include the directors of Bossini Group and independent third parties. The connected persons of the Company would attain the new Shares at the same share exchange ratio as the other Scheme Shareholders or the same consideration ratio under the Option Offer as the other Bossini Optionholders based on their respective holding of Scheme Shares as at the Record Date and/or their holding of the Bossini Options (as the case may be);

- the Scheme Consideration is fair and reasonable, taking into account that:
 - (i) the historical thin liquidity and general downward trend in the share price of the Bossini Shares during the Review Period;
 - (ii) the Implied P/S is within the range of those of the Comparable Companies and is slightly lower than the median P/S of the Comparable Companies;
 - (iii) the 30 Days Premium and the 90 Days Premium are within the range of those of the Privatisation Precedents and are generally in line with the average and the median of those of the Privatisation Precedents;
 - (iv) the Independent Bossini Shareholders should be given an appropriate premium to provide incentives for them to support the Proposal; and
- as the Bossini Share Options are out-of-money, the cancellation price for the Option Offer at a nominal value is considered to be fair and reasonable so far as the Independent Shareholders are concerned.

Based on the above, we consider that while the issue of new Shares under Specific Mandate as consideration for the cancellation and extinguishment of the Scheme Shares under the Scheme and the cancellation of Bossini Share Options under the Option Offer (including the Scheme Consideration and the consideration for the Option Offer) may not be in the ordinary and usual course of business of the Group, it is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the issue of new Shares under Specific Mandate as consideration for the cancellation and extinguishment of the Scheme Shares under the Scheme and the cancellation of Bossini Share Options under the Option Offer.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited



Danny Leung
Managing Director

Mr. Danny Leung is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.