
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Bossini International Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offers contained herein.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.



VIVA CHINA
HOLDINGS LIMITED
非凡中國控股有限公司
(Incorporated in the Cayman Islands
with limited liability)
(Stock Code: 8032)

DRAGON LEAP
DEVELOPMENTS LIMITED
龍躍發展有限公司
(Incorporated in the British Virgin
Islands with limited liability)



BOSSINI INTERNATIONAL
HOLDINGS LIMITED
堡獅龍國際集團有限公司*
(Incorporated in Bermuda with
limited liability)
(Stock Code: 592)

**COMPOSITE OFFER AND RESPONSE DOCUMENT
IN RELATION TO MANDATORY UNCONDITIONAL
CASH OFFERS BY OPTIMA CAPITAL LIMITED
FOR AND ON BEHALF OF DRAGON LEAP DEVELOPMENTS LIMITED
(AN 80%-OWNED SUBSIDIARY OF VIVA CHINA HOLDINGS LIMITED)
FOR ALL THE ISSUED SHARES IN
BOSSINI INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY DRAGON LEAP DEVELOPMENTS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)
AND FOR THE CANCELLATION OF ALL THE OUTSTANDING
SHARE OPTIONS OF BOSSINI INTERNATIONAL HOLDINGS LIMITED**

**Financial adviser to
Viva China Holdings Limited and
Dragon Leap Developments Limited**



Optima Capital Limited

**Independent financial adviser to
the Independent Board Committee of Bossini International Holdings Limited**

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
溢博資本有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "DEFINITIONS" in this Composite Document.

A letter from Optima Capital containing, among other things, details of the terms of the Offers are set out on pages 10 to 24 of this Composite Document. A letter from the Board is set out on pages 25 to 34 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Offers to the Independent Shareholders is set out on pages 35 to 37 of this Composite Document. A letter from the independent financial adviser containing its advice to the Independent Board Committee is set out on pages 38 to 72 of this Composite Document.

The procedures for acceptance and settlement of the Offers and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptance of the Share Offer must be received by the Registrar, namely Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and as soon as possible and in any event no later than 4:00 p.m. on Friday, 14 August 2020 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code. Acceptance of the Option Offer must be received by the company secretary of the Company at 2/F, PopOffice, 9 Tong Yin Street, Tseung Kwan O, Kowloon, Hong Kong by no later than 4:00 p.m. on Friday, 14 August 2020 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard as contained in the paragraph headed "NOTICE TO THE OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS" under the section headed "IMPORTANT NOTICES" in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder and Overseas Optionholder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required, compliance with other necessary formalities or legal requirements, and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Shareholders and Overseas Optionholders are advised to seek professional advice on deciding whether to accept the Offers.

This Composite Document will remain on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at www.bossini.com as long as the Offers remain open.

24 July 2020

* For identification purpose only

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EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable. All references to time and date contained in this Composite Document are to Hong Kong time and date.

Events	Time and Date
	2020
Despatch date of this Composite Document and the accompanying Form(s) of Acceptance (<i>Note 1</i>)	Friday, 24 July
Offers open for acceptance (<i>Note 1</i>)	Friday, 24 July
Latest time and date for acceptance of the Offers (<i>Notes 2 and 4</i>)	4:00 p.m. on Friday, 14 August
Closing Date (<i>Notes 2 and 4</i>)	Friday, 14 August
Announcement of the results of the Offers on the website of the Stock Exchange (<i>Note 2</i>)	by 7:00 p.m. on Friday, 14 August
Latest date of posting of remittances in respect of valid acceptances received on or before the latest time for acceptance of the Offers (<i>Notes 3 and 4</i>)	Tuesday, 25 August

Notes:

1. The Offers, which are unconditional in all respects, are made on the date of posting of this Composite Document, and are capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the paragraph headed "7. RIGHT OF WITHDRAWAL" in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offers must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offers will be closed on the Closing Date. The latest time and date for acceptance of the Offers is 4:00 p.m. on Friday, 14 August 2020 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). An announcement will be jointly issued by the Company, Viva China and the Offeror through the Stock Exchange's website by 7:00 p.m. on Friday, 14 August 2020 stating the results of the Offers and whether the Offers have been revised or extended or have closed. In the event that the Offeror decides to revise the Offers, all Independent Shareholders and Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms. The revised Offers must be kept open for at least 14 days following the date on which the revised offer document(s) are posted and shall not close earlier than the Closing Date.

EXPECTED TIMETABLE

3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares tendered under the Share Offer and remittances in respect of the cash consideration payable for the Option Offer will be despatched to the Independent Shareholders and Optionholders respectively accepting the Offers by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt by the Registrar of the duly completed Form(s) of Acceptance together with all relevant documents required to render such acceptance complete and valid in accordance with the Takeovers Code.
4. If there is a tropical cyclone warning signal no. 8 or above, or "extreme conditions" caused by super typhoons or a black rainstorm warning:
 - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offers or the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, in which cases the latest time for acceptance of the Offers or the posting of remittances, as the case may be, will remain at 4:00 p.m. on the same Business Day; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offers or the latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances, in which cases the latest time for acceptance of the Offers or the posting of remittances, as the case may be, will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve in accordance with the Takeovers Code.

Save as mentioned above, if the latest time for acceptance of the Offers does not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror, Viva China and the Company will notify the Independent Shareholders and Optionholders any change to the expected timetable as soon as practicable by way of announcement(s).

IMPORTANT NOTICES

NOTICE TO OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders and Overseas Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities or legal requirements, and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. The Offeror, Viva China, the Company, Optima Capital, Rainbow Capital, the Registrar, their respective ultimate beneficial owners, directors, officers, agents, advisers and associates and any other person involved in the Offers shall be entitled to be fully indemnified and held harmless by such person for any taxes as such person may be required to pay. Please refer to the paragraph headed “Overseas Shareholders and Overseas Optionholders” in the letter from Optima Capital and the paragraph headed “8. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS” in Appendix I to this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror, Viva China and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

DEFINITIONS

In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings.

“Acquisition”	the acquisition of the Sale Shares by the Offeror from the Vendor pursuant to the Share Purchase Agreement
“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning ascribed to it under the Takeovers Code
“Board”	the board of the Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Closing Date”	Friday, 14 August 2020, being the closing date of the Offers, which is 21 days from the date on which this Composite Document is posted, or if the Offers are extended, any subsequent closing date of the Offers as may be announced by the Offeror in accordance with the Takeovers Code
“Company”	Bossini International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 592)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Share Purchase Agreement
“Composite Document”	this composite offer and response document jointly issued by Viva China, the Offeror and the Company to the Shareholders and Optionholders in connection with the Offers in compliance with the Takeovers Code
“Consideration”	the consideration for the Sale Shares

DEFINITIONS

“Director(s)”	the director(s) of the Company
“Encumbrances”	(i) any mortgage, charge, pledge, lien, hypothecation, encumbrance or other security arrangement of any kind; (ii) any option, equity, claim, adverse interest or other third party right of any kind; (iii) any arrangement by which any right is subordinated to any right of such third party; or (iv) any contractual right of set-off, including any agreement or commitment to create or procure to create, or to permit or suffer to be created or subsisted any of the above
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Form(s) of Acceptance”	the Form of Share Offer Acceptance and the Form of Option Offer Acceptance, and “Form of Acceptance” shall mean each and any one of them
“Form of Option Offer Acceptance”	the YELLOW form of acceptance in respect of the Option Offer accompanying this Composite Document
“Form of Share Offer Acceptance”	the WHITE form of acceptance in respect of the Share Offer accompanying this Composite Document
“GEM”	The GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Guarantor” or “Viva China”	Viva China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the GEM (stock code: 8032), being the guarantor of the Offeror under the Share Purchase Agreement
“HKSCC Nominees Limited”	a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising Mr. Cheong Shin Keong and Prof. Sin Yat Ming, both being independent non-executive Directors, formed for the purpose of advising the Independent Shareholders and the Optionholders in respect of the Offers
“Independent Shareholders”	the Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the joint announcement dated 14 May 2020 jointly issued by Viva China, the Offeror and the Company in respect of, among other things, the Acquisition and the Offers
“Keystar”	Keystar Limited, a company incorporated in the BVI with limited liability, and is wholly owned by Mr. Bosco Law
“Last Trading Day”	14 May 2020, being the last trading day of the Shares immediately prior to the release of the Joint Announcement
“Latest Practicable Date”	22 July 2020, being the latest practicable date for ascertaining certain information for the inclusion in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Bosco Law”	Mr. Law Ching Kit Bosco
“Offer Period”	the period commenced from 14 May 2020, being the date of the Joint Announcement and ending on the Closing Date
“Offer Share(s)”	the Share(s) that is/are subject to the Share Offer
“Offeror”	Dragon Leap Developments Limited, a company incorporated in the BVI with limited liability
“Offers”	collectively, the Share Offer and the Option Offer
“Optima Capital”	Optima Capital Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities, being the financial adviser to Viva China and the Offeror in respect of the Offers

DEFINITIONS

“Option Offer”	the mandatory unconditional cash offer made by Optima Capital for and on behalf of the Offeror for the cancellation of all the outstanding Share Options held by the Optionholders in accordance with the Takeovers Code
“Option Offer Price”	HK\$0.0001 per Share Option
“Optionholder(s)”	holder(s) of the Share Option(s)
“Overseas Optionholder(s)”	the Optionholder(s) whose registered address(es), as shown on the register of the Optionholders of the Company, is/are outside Hong Kong
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	the People’s Republic of China, which for the purpose of this Composite Document only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent Board Committee in respect of the Offers
“Registrar”	Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong
“Relevant Period”	the period from 15 November 2019, being the date falling six months prior to the date of commencement of the Offer Period, up to and including the Latest Practicable Date
“Sale Share(s)”	1,093,091,098 Shares, representing approximately 66.60% of the issued share capital of the Company as at the Latest Practicable Date which were acquired by the Offeror pursuant to the terms of the Share Purchase Agreement and each a “Sale Share”
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Share Offer”	the mandatory unconditional cash offer made by Optima Capital, for and on behalf of the Offeror, to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it in accordance with the Takeovers Code
“Share Offer Price”	HK\$0.043 per Offer Share
“Share Option(s)”	share option(s) granted by the Company pursuant to the Share Option Schemes
“Share Option Schemes”	the share option schemes adopted by the Company on 27 November 2003 and 12 November 2013, which entitle holder(s) thereof to subscribe for new Share(s) in accordance with the terms and conditions thereof
“Share Purchase Agreement”	the share purchase agreement dated 14 May 2020 entered into among the Offeror, the Vendor and Viva China in relation to the Acquisition
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“VC Consumables”	Viva China Consumables Holdings Limited, a company incorporated in the BVI with limited liability, and an indirect wholly-owned subsidiary of Viva China
“Vendor”	Mr. Law Ka Sing
“Viva China Board”	the board of Viva China Directors
“Viva China Director(s)”	director(s) of Viva China
“Viva China Group”	Viva China and its subsidiaries

DEFINITIONS

“Viva China Share(s)”	ordinary share(s) of HK\$0.05 each in the capital of Viva China
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM OPTIMA CAPITAL



Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

24 July 2020

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL
CASH OFFERS BY OPTIMA CAPITAL LIMITED
FOR AND ON BEHALF OF DRAGON LEAP DEVELOPMENTS LIMITED
(AN 80%-OWNED SUBSIDIARY OF VIVA CHINA HOLDINGS LIMITED)
FOR ALL THE ISSUED SHARES IN
BOSSINI INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY DRAGON LEAP DEVELOPMENTS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)
AND FOR THE CANCELLATION OF ALL THE OUTSTANDING
SHARE OPTIONS OF BOSSINI INTERNATIONAL HOLDINGS LIMITED**

INTRODUCTION

Reference is made to the Joint Announcement dated 14 May 2020 in relation to, among other things, the Acquisition and the Offers.

On 14 May 2020, the Offeror, the Vendor and Viva China entered into the Share Purchase Agreement, pursuant to which the Offeror (a company owned as to 80% by VC Consumables and 20% by Keystar) conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, being 1,093,091,098 Shares, representing approximately 66.60% of the entire issued share capital of the Company as at the Latest Practicable Date. The Consideration for the Sale Shares is HK\$46,620,000, equivalent to approximately HK\$0.043 per Sale Share. Completion took place on 21 July 2020.

Immediately following Completion and as at the Latest Practicable Date, the Offeror owned an aggregate of 1,093,091,098 Shares, representing approximately 66.60% of the Shares in issue. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offeror is also required to make a comparable offer to the Optionholders pursuant to Rule 13.5 of the Takeovers Code to cancel all the outstanding Share Options.

LETTER FROM OPTIMA CAPITAL

This letter forms part of this Composite Document and sets out, among other things, the details of the Offers, certain information on the Offeror and the intention of the Offeror regarding the Group. The terms and procedures of acceptance of the Offers are set out in this letter, Appendix I to this Composite Document, and the accompanying Forms of Acceptance.

The Independent Shareholders and Optionholders are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee and the letter from Rainbow Capital as set out in this Composite Document before reaching a decision as to whether or not to accept the Offers.

THE OFFERS

Optima Capital is making the Offers for and on behalf of the Offeror on the following basis:

Principal terms of the Offers

The Share Offer

For each Offer Share HK\$0.043 in cash

The Share Offer Price is the same as the price per Sale Share paid by the Offeror under the Share Purchase Agreement.

The Option Offer

For cancellation of each Share Option HK\$0.0001 in cash

The exercise prices of the Share Options are all above the Share Offer Price of HK\$0.043 per Offer Share under the Share Offer. Arrangements will be made under the Option Offer to cancel the Share Options for a nominal payment of HK\$0.0001 for each Share Option.

Pursuant to the terms of the Share Option Schemes, in the event a general offer is made to the Shareholders, the Optionholders may exercise the Share Options (to the extent not already exercised) to its full extent or to the extent specified in the notice to the Company in exercise of his or her Share Options at any time before the close of such offer (or any revised offer). The Share Options not already exercised shall lapse automatically on the date which the Offers close.

The Offers are unconditional in all respects when they are made and are not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

LETTER FROM OPTIMA CAPITAL

As at the Latest Practicable Date, the Company had 1,641,333,394 Shares in issue and 74,080,000 Share Options entitling the Optionholders to subscribe for the Shares at the following exercise prices:

Date of grant	Exercise price per Share Option (HK\$)	Number of new Shares to be issued upon exercise of the Share Options by the Optionholders
12 October 2010	0.780	22,960,000
3 January 2011	0.922	82,000
4 July 2011	0.880	54,000
2 December 2013	0.570	15,426,000
2 January 2014	0.570	124,000
2 July 2015	0.740	398,000
4 October 2016	0.495	28,980,000
1 June 2017	0.460	620,000
3 October 2017	0.455	816,000
3 July 2018	0.352	620,000
2 January 2019	0.275	2,500,000
1 March 2019	0.285	620,000
2 July 2019	0.231	880,000

Save as disclosed above, the Company did not have any other outstanding options, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which were convertible or exchangeable into the Shares.

LETTER FROM OPTIMA CAPITAL

Comparison of the Share Offer Price

The Share Offer Price of HK\$0.043 per Offer Share represents:

- (i) a discount of approximately 70.95% to the closing price of HK\$0.148 per Share as quoted on the Stock Exchange on 14 May 2020, being the Last Trading Day;
- (ii) a discount of approximately 71.90% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.153 per Share;
- (iii) a discount of approximately 71.14% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.149 per Share;
- (iv) a discount of approximately 68.15% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day of approximately HK\$0.135 per Share;
- (v) a discount of approximately 88.83% to the closing price of HK\$0.385 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 87.39% to the unaudited consolidated net assets per Share of approximately HK\$0.341 as at 31 December 2019, calculated based on the Group's unaudited consolidated net assets of approximately HK\$560,244,000 as at 31 December 2019 as disclosed in the interim report of the Company dated 19 February 2020 and 1,641,333,394 Shares in issue as at 31 December 2019.

Highest and lowest closing prices of the Shares

The highest and lowest closing price of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.540 per Share on 22 May 2020 and HK\$0.117 per Share on 18 March 2020 and 25 March 2020, respectively.

LETTER FROM OPTIMA CAPITAL

Total value of the Offers

As at the Latest Practicable Date, there were 1,641,333,394 Shares in issue and 74,080,000 Share Options entitling the Optionholders to subscribe for the Shares pursuant to the Share Option Schemes.

On the basis of the Share Offer Price of HK\$0.043 per Offer Share and 548,242,296 Shares subject to the Share Offer (excluding 1,093,091,098 Sale Shares acquired by the Offeror and parties acting in concert with it and assuming that no Share Options are exercised before the close of the Offers), the Share Offer is valued at approximately HK\$23,574,419. On the basis of the Option Offer Price of HK\$0.0001 each and 74,080,000 Share Options subject to the Option Offer (assuming no Share Options are exercised before the close of the Offers), the total amount required to satisfy the cancellation of the Share Options is approximately HK\$7,408. Based on the aforesaid and assuming that no Share Options are exercised before the close of the Offers, the Offers are valued at approximately HK\$23,581,827 in aggregate.

In the event that all the Share Options are exercised in full by the Optionholders before the close of the Offers, the Company will have to allot and issue 74,080,000 new Shares, representing approximately 4.51% of the issued share capital of the Company as at the Latest Practicable Date. Assuming the Share Offer is accepted in full (including all the Shares allotted and issued as a result of the exercise of the Share Options), and on the basis of the Share Offer Price of HK\$0.043 per Offer Share and 622,322,296 Shares subject to the Share Offer (excluding 1,093,091,098 Sale Shares acquired by the Offeror and parties acting in concert with it), the maximum value of the Share Offer will be increased to approximately HK\$26,759,859. In this case, no amount will be payable by the Offeror under the Option Offer, and the Offers are valued at approximately HK\$26,759,859 in aggregate.

Confirmation of financial resources

The Offeror will finance the Offers by shareholder's loans from Viva China and Keystar. Optima Capital is satisfied that sufficient financial resources are available to the Offeror to satisfy the Consideration and full acceptance of the Offers.

The Offeror does not expect that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the shareholder's loans will depend to any significant extent on the business of the Group.

LETTER FROM OPTIMA CAPITAL

Effect of accepting the Offers

By accepting the Share Offer, the Independent Shareholders shall sell their Shares free from all Encumbrances and with all rights and benefits at any time accruing and attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date on which the Share Offer is made. No distributions or dividends shall be declared as a result of the Share Purchase Agreement and as at the Latest Practicable Date, the Company had no plan to declare, recommend, or pay any dividends or make any other distributions on the Shares.

By accepting the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced. Pursuant to the terms of the Share Option Schemes, the Optionholders shall be entitled to exercise his or her Share Options at any time before the close of the Option Offer. The Share Options shall lapse automatically on the date on which the Option Offer closes.

Acceptance of the Offers would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Independent Shareholders and Optionholders are reminded to read the recommendations of the Independent Board Committee and the advice of the independent financial adviser in respect of the Offers which are included in this Composite Document.

Payment

Payment in cash in respect of acceptances of the Offers will be made as soon as possible but within seven (7) Business Days following the date on which the duly completed acceptance of the Offers and the relevant documents of title of the Offer Shares or the Share Options (as the case may be) in respect of such acceptance are received by or for the Offeror to render each such acceptance complete and valid. No fractions of a cent will be payable and the amount of the consideration payable to an Independent Shareholder and Optionholder who accepts the Offers will be rounded up to the nearest cent.

Stamp duty

In Hong Kong, seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Share Offer and calculated at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is the higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholders on the acceptance of the Share Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the Independent Shareholders who accept the Share Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Share Offer and the transfer of the Offer Shares.

LETTER FROM OPTIMA CAPITAL

No stamp duty is payable in connection with the acceptance of the Option Offer.

Overseas Shareholders and Overseas Optionholders

As the Offers to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders and Overseas Optionholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of the Overseas Shareholders and the Overseas Optionholders who wish to accept the Share Offer and the Option Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer and the Option Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders and Overseas Optionholders will be deemed to constitute a representation and warranty from such Overseas Shareholders and Overseas Optionholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in doubt.

Taxation advice

Independent Shareholders and Optionholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, parties acting in concert with the Offeror, the Company, the Vendor, the Guarantor, Optima Capital, Rainbow Capital, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offers accept any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

Acceptance and settlement

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

INFORMATION ON THE GROUP

Information on the Group is set out in the paragraph headed “INFORMATION ON THE GROUP” in the letter from the Board contained in this Composite Document.

LETTER FROM OPTIMA CAPITAL

INFORMATION ON THE OFFEROR, VIVA CHINA AND KEYSTAR

The Offeror

The Offeror is incorporated in BVI with limited liability and is an investment holding company. The sole purpose of setting up the Offeror is to execute the Acquisition and the holding and operation of the Group after Completion. It is owned as to 80% by VC Consumables (a wholly-owned subsidiary of Viva China) and 20% by Keystar. Prior to the entering into the Share Purchase Agreement, the Offeror had not carried out any business since incorporation.

Viva China

Principal business and long-term business strategy of the Viva China Group

The Viva China Group is principally engaged in (i) sports competition and event production and management; (ii) operation of an e-sports club; (iii) sports talent management; (iv) provision of sports-related marketing and consultancy service; (v) operation of sports destinations (including sports parks, sports centres and ice-skating rinks); and (vi) sales of construction materials. During the year ended 31 December 2019, the Viva China Group had embarked on the business of development, design and sale of sports, health and leisure consumables.

As set out in the annual report of the Viva China Group for the year ended 31 December 2019 (the “**VC Annual Report 2019**”), the Viva China Group has formulated a long-term business strategy to develop two principal businesses, namely (i) “sports experience”, including the operation, service provision and investment of sports destinations, sports competitions and events, as well as an esports club; and (ii) “sports and lifestyle consumables”, covering investment in and preparation for sports, health and leisure-related consumables projects. The “sports experience” businesses represent its core sports businesses (the “**Core Sports Businesses**”) and the revenue generated by the Viva China Group from its Core Sports Businesses recorded a 2017-2019 compound annual growth rate of approximately 36.0%. It is the business strategy of the Viva China Group to continue to devote resources to expand the Core Sports Businesses.

LETTER FROM OPTIMA CAPITAL

The development of the Consumables Business

As set out in the VC Annual Report 2019, the Viva China Board considers that there are opportunities in the sports-related consumables market and the Viva China Group could leverage on its existing resources to tap into the market. The Viva China Group established the “sports and lifestyle consumables” business (the “**Consumables Business**”) in 2019 to capture the related growing consumer market in the PRC. The Consumables Business has yet to record any revenue for the year ended 31 December 2019 but will be expected to become one of the key focuses of the Viva China Group in the coming years. To expedite the establishment of a quick foothold in the market, the Viva China Group has been actively exploring business opportunities, in particular, merger and acquisition opportunities relating to sports, health and leisure related apparel and footwear brand.

Furthermore, the Viva China Group is acquainted with the sports goods-related business in the PRC through its investments in associated companies. As at the Latest Practicable Date, Viva China held (i) around 13.39% of the issued share capital of Li Ning Company Limited (stock code: 2331), a company listed on the Main Board of the Stock Exchange which is principally engaged in the development and sales of professional and leisure footwear, apparel, equipment and accessories; and (ii) 10% of the equity interest of Shanghai Double Happiness Co., Ltd., a company which is principally engaged in manufacture, research and development, marketing and sales of principally table tennis and badminton equipment under its own “紅雙喜 (Double Happiness)” brand and other sports accessories.

As set out in the VC Annual Report 2019, during the year ended 31 December 2019, the Viva China Group had formed an operation team to commence its Consumables Business and has taken a number of tactical maneuvers to grow the business. In June 2019, the Viva China Group acquired the apparel and footwear brand “LNG” to embark on its apparel business and the acquisition was completed in November 2019. The target customers of the “LNG” brand are youngsters. Meanwhile, the Viva China Group has been aligning its resources and completed the acquisition of 80% ownership of “Snake Esports”, an esports team in the second quarter of 2019 and subsequently changed the team’s name to “LNG Esports”. LNG Esports team has obtained impressive results in multiple League of Legends Pro League matches, a very popular esports game in the PRC, in 2019. The Viva China Board believes that the cultivation of LNG Esports team will facilitate and enhance the brand awareness of the “LNG” brand.

In January 2020, the Viva China Group officially launched a series of apparel and footwear under the “LNG” brand. While the opening of the physical sales store for the “LNG” branded apparel and footwear will form part of the sales and marketing outlets of the Consumables Business, the initial marketing avenues of the “LNG” branded products are through (i) online platforms including, among others, T-mall (天貓) and JD.com (京東商城); and (ii) about 20 distributors. Opening sales platforms on the other popular online shopping platforms such as Tiktok (抖音) and Wechat (微信) is also in the pipeline. Regarding the distributors network, the Viva China Group is also in discussion with some other distributors to expand its distribution

LETTER FROM OPTIMA CAPITAL

network. While the progress of setting up physical retail stores for the “LNG” branded products has been delayed by the outbreak of COVID-19 pandemic, the Viva China Group currently plans to commence operation of the physical retail stores in the third quarter of 2020 and to have the number of physical retail stores at or about 10 by the end of 2020.

The management team of the Consumables Business

Viva China currently has a team of more than 40 staff for the Consumables Business. The team is personally led by (i) Mr. Li Ning, the Chairman and Chief Executive Officer of the Viva China Group, who is also the founder of LI-NING brand and the executive chairman and joint chief executive officer of Li Ning Company Limited (stock code: 2331) who possesses extensive experience in sports-related consumables market, and (ii) Mr. Cheung Chi, the Chief Financial Officer of the Viva China Group, who also possesses extensive experience in apparel business and was previously an executive director of Win Hanverky Holdings Limited (stock code: 3322), a company listed on the Main Board of the Stock Exchange which is principally engaged in manufacturing, distributing and retailing of internationally renowned sports, fashion and outdoor brands. They are supported by other senior management who has extensive experience in the apparel and/or e-commerce industry. The Viva China Board considers that the management team of the Consumables Business possesses relevant experience to manage the Group as operations of different fashion brands are similar which involves manufacturing, supply chain management, distribution and marketing. The management team’s experience in other brands could also bring new idea to the management and operation of the Group. Besides, Viva China is contemplating to recruit more experienced personnel to give impetus to the Viva China Group’s foray into the market nationwide.

Keystar

Keystar is a company incorporated in BVI with limited liability, and is an investment holding company. It is wholly owned by Mr. Bosco Law.

Mr. Bosco Law has over 15 years of experience in the apparel and fashion industry. He is the chief executive officer of Laws Fashion Group Limited (the “**LawsGroup**”), one of the industry leaders in garment manufacturing and fashion retail. Mr. Bosco Law is responsible for overseeing the LawsGroup’s global operations and development strategies in manufacturing, supply chain and retail business. LawsGroup is also engaged in property investment in Hong Kong. Under Mr. Bosco Law’s leadership, he initiated and led a series of industrial building revitalization projects in Hong Kong, including D2 Place ONE & TWO in Lai Chi Kok, Connaught Marina in Sheung Wan, East 350 in Kwun Tong, and several other property sites.

Mr. Bosco Law is a nephew of the Vendor. Save for the aforesaid, the Vendor is independent of Keystar and Mr. Bosco Law, and is not a party acting in concert with any one of them. As at the Latest Practicable Date, Mr. Bosco Law indirectly held 20% interests in the Offeror which owned 1,093,091,098 Shares (representing approximately 66.60% of the Shares in issue).

LETTER FROM OPTIMA CAPITAL

INTENTION OF THE OFFEROR REGARDING THE GROUP

Following the close of the Offers, the Offeror intends to continue the existing principal business of the Group and it will maintain the listing status of the Company on the Stock Exchange.

The Offeror will conduct a review on the existing principal business and the financial position of the Group for the purpose of formulating business plans and strategies for the further business development of the Group. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, fundraising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

Notwithstanding the above, as at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreements, arrangements, understandings or negotiations in relation to the injection of any assets or business into the Group and the Offeror had no intention to discontinue the employment of the employees or to dispose of or redeploy the assets of the Group other than those in its ordinary course of business.

PROPOSED CHANGES TO BOARD COMPOSITION OF THE COMPANY

The Board is currently made up of three executive Directors, namely Ms. Tsin Man Kuen Bess, Mr. Mak Tak Cheong Edmund and Mr. Chan Cheuk Him Paul and three independent non-executive Directors, namely Mr. Cheong Shin Keong, Ms. Leung Mei Han and Professor Sin Yat Ming.

Ms. Tsin Man Kuen Bess and Ms. Leung Mei Han have tendered resignation to take effect from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code (i.e. after the close of the Offers).

The Offeror has nominated Mr. Cheung Chi, Mr. Zhao Jianguo, Mr. Victor Herrero, Mr. Bosco Law and Mr. Lee Kwok Ming to be new Directors with effect after the despatch of this Composite Document on 24 July 2020. The biographies of the new Directors are set out below:

LETTER FROM OPTIMA CAPITAL

Executive Directors

Mr. Cheung Chi

Mr. Cheung Chi (“**Mr. Cheung**”), aged 53, is currently the chief financial officer and company secretary of Viva China. He has over 25 years of experience in financial management, corporate finance and administrative management. Mr. Cheung also possesses extensive experience in apparel business. He was an executive director and the chief financial officer of Win Hanverky Holdings Limited (stock code: 3322), an integrated sportswear manufacturer, distributor and retailer for international sports and fashion brands, the shares of which are listed on the Main Board of the Stock Exchange. He was the executive vice president and chief financial officer of Aspire Holdings Limited, which is a member of China Mobile Limited. Mr. Cheung was also the chief financial officer of eBIS Company Ltd. and NIT Education Group, the financial controller of Liuzhou ZF Machinery Co. Ltd. and a senior consultant of Arthur Andersen (Shanghai) Business Consulting Co. Ltd.

Mr. Cheung holds a Degree of Bachelor of Arts (Hons) in Accountancy from the City University of Hong Kong and a Degree of Master of Business Administration from The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Zhao Jianguo

Mr. Zhao Jianguo (“**Mr. Zhao**”), aged 56, has extensive experience in business operation and marketing and distribution of consumer products in the PRC and is the head of the Consumables Business of Viva China. He is the founder and a director of Beijing Henggu Investment Management Co., Ltd. 北京恒固投資管理有限公司 which is principally engaged in investment and asset management since May 2008. Mr. Zhao was also a director of Beijing Eagles Fund Management Co., Ltd* 北京老鷹投資基金管理有限公司 from November 2015 to January 2019. This fund management company focuses on diversified technology investment, including mobile internet and TMT Sectors. Mr. Zhao is the brother-in-law of Mr. Li Chun and Mr. Li Ning, both being substantial shareholders (within the meaning of the SFO) of Viva China.

Mr. Zhao graduated from Tianjin University of Sport in 1987 with professional physical qualification. In 1985, he won the National Gymnastics Championship in the PRC.

* For identification purpose only

LETTER FROM OPTIMA CAPITAL

Non-executive Directors

Mr. Victor Herrero

Mr. Victor Herrero (“**Mr. Herrero**”) (also known as Mr. Victor Herrero Amigo), aged 51, has extensive experience in corporate management and business operations in the consumables industry. From 2015 to 2019, Mr. Herrero served as the chief executive officer and director of Guess Inc, which is principally engaged in designing, marketing, distribution and licensing a lifestyle collection of contemporary apparel, denim, handbags, watches, footwear and other related consumer products around the world. Prior to joining Guess Inc, Mr. Herrero served as the head of Asia Pacific and managing director of Greater China of Industria de Diseño Textil, S.A. (Inditex Group), an international fashion retailer with brands including Zara, Massimo Dutti, Pull & Bear, Bershka and Stradivarius.

Mr. Herrero is a board member of Global Fashion Group S.A., (e-commerce fashion site operator and owner of Zalora and The Iconic, the shares of which are listed on the Frankfurt stock exchange), G-III Apparel Group, Ltd (US manufacturer and distributor operating with a portfolio of brands, the shares of which are listed on NASDAQ), Gruppo Coppel (Mexican consumer finance and retail conglomerate) and Clarks (British based international shoe manufacturer and retailer). Mr. Herrero is also serving as a senior advisor to Viva China.

Mr. Herrero graduated with a Master of Business Administration from Kellogg School of Management at Northwestern University in 2003. He obtained a Bachelor’s Degree in Business Administration from ESCP Europe in Paris, France in 1992 and a Bachelor of Law Degree from the University of Zaragoza in Spain in 1993. He was also awarded “Best CEO in the Sustainable Apparel Industry” in 2018 by the European CEO Magazine.

Mr. Bosco Law

Mr. Bosco Law (“**Mr. Law**”), aged 41, is currently the Deputy Chairman and Chief Executive Officer of the LawsGroup, one of the global industry leaders in garment manufacturing and fashion retailers. The LawsGroup is also engaged in property development and investment in Hong Kong. Mr. Law is responsible for overseeing the LawsGroup’s manufacturing operations, fashion retailing, property development and a series of industrial building revitalization projects including D2 Place ONE and TWO in Lai Chi Kok, Connaught Marina in Sheung Wan, East 350 in Kwun Tong and other property sites.

Mr. Law graduated from University of Toronto with major in Architecture and minor in Fine Art History and obtained Honours Bachelor of Arts in 2002. He is now the Chairman of Hong Kong Woollen & Synthetic Knitting Manufacturers’ Association from 2019 to 2020 and has been the Vice Chairman of Hong Kong Textile Council since 2020.

LETTER FROM OPTIMA CAPITAL

Independent Non-executive Director

Mr. Lee Kwok Ming

Mr. Lee Kwok Ming (“**Mr. Lee**”), aged 62, holds a Higher Diploma in Accountancy from the Hong Kong Polytechnic and a Master of Science degree in Business Administration from the University of Bath, United Kingdom. Mr. Lee is currently an independent non-executive director of Want Want China Holdings Limited (stock code: 151) and Lianhua Supermarket Holdings Co., Ltd.* (stock code: 980), the shares of which are listed on the Main Board of the Stock Exchange. From June 2007 to March 2020, he was the chief financial officer of Stella International Holdings Limited (stock code: 1836), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Lee has more than 30 years of financial management experience and extensive experience in corporate finance such as mergers and acquisitions. He assumed the position of chief financial officer in a number of listed companies in Hong Kong. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Chartered Institute of Management Accountants.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any power of compulsory acquisition of any Offer Shares outstanding and not acquired under the Share Offer after the close of the Offers.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

In case there is less than 25% of the Shares held by the public following the close of the Offers, the Offeror will place down the Shares held by it in order that there will be 25% of the issued Shares held by the public. The directors of the Offeror and the new Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offers.

LETTER FROM OPTIMA CAPITAL

GENERAL

To ensure equality of the treatment of all Independent Shareholders, those Independent Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

All documents and remittance will be sent to the Independent Shareholders and Optionholders by ordinary post at their own risk. Such documents and remittances will be sent to them at their respective addresses as they appear in the register of members of the Company (in the case of the Share Offer) or the register of Optionholders of the Company (in the case of the Option Offer) or, in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company, as applicable. None of the Offeror, parties acting in concert with the Offeror, the Company, the Vendor, the Guarantor, Optima Capital, Rainbow Capital, the Registrar, any of their respective directors or any persons involved in the Offers will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offers set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the letter from the Board, the letter from the Independent Board Committee and the letter from Rainbow Capital as set out in this Composite Document before reaching a decision as to whether or not to accept the Offers.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Ng Ka Po
Senior Director, Corporate Finance

LETTER FROM THE BOARD



BOSSINI INTERNATIONAL HOLDINGS LIMITED

堡獅龍國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 592)

Executive Directors:

Ms. TSIN Man Kuen Bess (*Chairman*)

Mr. MAK Tak Cheong Edmund

Mr. CHAN Cheuk Him Paul

Independent non-executive directors:

Mr. CHEONG Shin Keong

Ms. LEUNG Mei Han

Prof. SIN Yat Ming

Registered office in Bermuda:

Victoria Place

5th Floor

31 Victoria Street

Hamilton HM 10

Bermuda

Principal place of business

in Hong Kong:

2/F, PopOffice

9 Tong Yin Street

Tseung Kwan O

Kowloon

Hong Kong

24 July 2020

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL
CASH OFFERS BY OPTIMA CAPITAL LIMITED
FOR AND ON BEHALF OF DRAGON LEAP DEVELOPMENTS LIMITED
(AN 80%-OWNED SUBSIDIARY OF VIVA CHINA HOLDINGS LIMITED)
FOR ALL THE ISSUED SHARES IN
BOSSINI INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY DRAGON LEAP DEVELOPMENTS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)
AND FOR THE CANCELLATION OF ALL THE OUTSTANDING
SHARE OPTIONS OF BOSSINI INTERNATIONAL HOLDINGS LIMITED**

INTRODUCTION

Reference is made to the Joint Announcement dated 14 May 2020 in relation to, among other things, the Acquisition and the Offers.

* For identification purpose only

LETTER FROM THE BOARD

On 14 May 2020, the Offeror, the Vendor and Viva China entered into the Share Purchase Agreement, pursuant to which the Offeror (a company owned as to 80% by VC Consumables and 20% by Keystar) conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, being 1,093,091,098 Shares, representing approximately 66.60% of the entire issued share capital of the Company as at the Latest Practicable Date. The Consideration for the Sale Shares is HK\$46,620,000, equivalent to approximately HK\$0.043 per Sale Share. Completion took place on 21 July 2020.

Immediately following Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it owned an aggregate of 1,093,091,098 Shares, representing approximately 66.60% of the Shares in issue. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offeror is also required to make a comparable offer to the Optionholders pursuant to Rule 13.5 of the Takeovers Code to cancel all the outstanding Share Options.

The purpose of this Composite Document (of which this letter forms part) is to provide you with, among other things, (i) further information relating to the Group, the Offeror and the Offers; (ii) the letter from Optima Capital containing details of the Offers; (iii) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders and the Optionholders in relation to the Offers; and (iv) the letter from Rainbow Capital containing its advice to the Independent Board Committee on whether the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and on acceptance in respect of the Offers.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Under Rule 2.1 of the Takeovers Code, a board which receives an offer or is approached with a view to an offer being made, must, in the interests of shareholders, establish an independent committee of the board to make a recommendation: (i) as to whether the offer is, or is not, fair and reasonable; and (ii) as to acceptance.

The Independent Board Committee, comprising Mr. Cheong Shin Keong and Prof. Sin Yat Ming, both being the independent non-executive directors of the Company, has been established for the purpose of making recommendations to the Independent Shareholders as to whether the terms of the Share Offer are fair and reasonable and as to acceptance of the Share Offer and the Optionholders as to whether the terms of the Option Offer are fair and reasonable and as to acceptance of the Option Offer. Ms. Leung Mei Han, the other independent non-executive director of the Company, is the chairman of Optima Capital, being the financial adviser to Viva China and the Offeror in respect of the Offers, is therefore not considered independent to be a member of the Independent Board Committee and has declared her interest to the Board accordingly. Ms. Leung will not participate in any Board discussion in respect of the merits the Offers, however Ms. Leung will attend the Board meeting for addressing the procedural matters for the Offers.

LETTER FROM THE BOARD

As disclosed in the Joint Announcement, Rainbow Capital has been appointed as the independent financial adviser to the Independent Board Committee in respect of the Offers. Such appointment has been approved by the Independent Board Committee.

The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the Optionholders and the letter from Rainbow Capital addressed to the Independent Board Committee are set out in this Composite Document. **You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offers.**

THE OFFERS

The following information about the Offers is extracted from the “Letter from Optima Capital” contained in this Composite Document.

Optima Capital is making the Offers for and on behalf of the Offeror on the following basis:

Principal terms of the Offers

The Share Offer

For each Offer Share HK\$0.043 in cash

The Share Offer Price is the same as the price per Sale Share paid by the Offeror under the Share Purchase Agreement.

The Option Offer

For cancellation of each Share OptionHK\$0.0001 in cash

The exercise prices of the Share Options are all above the Share Offer Price of HK\$0.043 per Offer Share under the Share Offer. Arrangements will be made under the Option Offer to cancel the Share Options for a nominal payment of HK\$0.0001 for each Share Option.

Pursuant to the terms of the Share Option Schemes, in the event a general offer is made to the Shareholders, the Optionholders may exercise the Share Options (to the extent not already exercised) to its full extent or to the extent specified in the notice to the Company in exercise of his or her Share Options at any time before the close of such offer (or any revised offer). The Share Options not already exercised shall lapse automatically on the date which the Offers close.

LETTER FROM THE BOARD

The Offers are unconditional in all respects when they are made and are not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

As at the Latest Practicable Date, the Company had 1,641,333,394 Shares in issue and 74,080,000 Share Options entitling the Optionholders to subscribe for the Shares at the following exercise prices:

Date of grant	Exercise price per Share Option (HK\$)	Number of new Shares to be issued upon exercise of the Share Options by the Optionholders
12 October 2010	0.780	22,960,000
3 January 2011	0.922	82,000
4 July 2011	0.880	54,000
2 December 2013	0.570	15,426,000
2 January 2014	0.570	124,000
2 July 2015	0.740	398,000
4 October 2016	0.495	28,980,000
1 June 2017	0.460	620,000
3 October 2017	0.455	816,000
3 July 2018	0.352	620,000
2 January 2019	0.275	2,500,000
1 March 2019	0.285	620,000
2 July 2019	0.231	880,000

Save as disclosed above, the Company did not have any other outstanding options, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which were convertible or exchangeable into the Shares.

Further details of the Offers

Further details of the Offers, including, among other things, its extension to the Overseas Shareholders and Overseas Optionholders, information on taxation, the terms and conditions and the procedures for acceptance and settlement and acceptance period can be found in the “Letter from Optima Capital” and Appendix I to this Composite Document and the accompanying Forms of Acceptance.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

The Company, listed on the Stock Exchange (Stock code: 592), is principally engaged in the retail and distribution of casual wear garments.

The Company is founded by the family of the Vendor. It is a well-established apparel brand which was first launched in Hong Kong in 1987 and has been listed on the Stock Exchange since 1993. The family of the Vendor has been the single largest shareholder of the Company since it was listed. Over the past two decades, the Company has rapidly established an extensive international operating platform and distribution network that extended to a total of 287 directly managed stores and 799 export franchised stores in 30 different countries and regions as at 31 December 2019, details of which are set out as follows:-

	As at 31 December 2019
Directly managed stores located in:-	
– Hong Kong and Macau	39
– The PRC	180
– Taiwan	51
– Singapore	<u>17</u>
Total	<u><u>287</u></u>
Export franchised stores	<u><u>799</u></u>

Most of the stores of the Group in the PRC are located in the Guangdong Province. As disclosed in the announcement of the Group on 2 March 2020, the Group decided to cease its operation in Taiwan by or about 31 July 2020.

LETTER FROM THE BOARD

Set out below is the revenue of the Group by geographic locations for the three financial years ended 30 June 2017, 2018 and 2019:

	For the year ended 30 June					
	2017		2018		2019	
	(audited)		(audited)		(audited)	
	(HK\$'000)		(HK\$'000)		(HK\$'000)	
Hong Kong and Macau	1,394,517	69.0%	1,304,091	66.6%	1,052,101	64.2%
The PRC	306,999	15.2%	340,454	17.4%	331,853	20.2%
Taiwan	166,763	8.3%	175,512	9.0%	153,099	9.3%
Singapore	<u>151,611</u>	<u>7.5%</u>	<u>137,986</u>	<u>7.0%</u>	<u>104,118</u>	<u>6.3%</u>
Total Revenue	<u>2,019,890</u>	<u>100%</u>	<u>1,958,043</u>	<u>100%</u>	<u>1,641,171</u>	<u>100%</u>

Hong Kong and Macau have always been the main revenue contributors of the Group which contributed over 60% of the total revenue in the past three financial years. As shown in the above table, revenue generated from Hong Kong and Macau decreased from approximately HK\$1,394.5 million in 2017 to approximately HK\$1,304.1 million in 2018. It further decreased to approximately HK\$1,052.1 million in 2019. As set out in the annual report of the Company for the year ended 30 June 2019, the significant decrease in revenue in 2019 was mainly due to weak consumer demand and shock waves from the Sino-United States trade war, a sluggish retail environment and market sentiment in Hong Kong and the weakening Renminbi coupled with the social incidents starting from June 2019 which further added uncertainty and negative impact on the already fragile market performance.

Financial and general information in relation to the Group are set out in Appendices II and IV to this Composite Document.

PROFIT WARNING ANNOUNCEMENTS AND PROFIT FORECASTS

References are made to the announcements of the Company dated 28 May 2020 and 17 June 2020 (the “**Profit Warning Announcements**”) whereby it was announced, among other things, that, based on a preliminary assessment made by the Board on the information currently available to it:

- (a) the loss attributable to owners was widened to approximately HK\$195 million for the ten months ended 30 April 2020, from the loss attributable to owners of approximately HK\$94 million for the six months ended 31 December 2019. The operating conditions for the Group were further aggravated in the second half of the financial year with the outbreak of the COVID-19 pandemic, when Hong Kong and other core markets where the Group operates encountered semi-lockdown of their cities and retailing activities had virtually come to a halt; and

LETTER FROM THE BOARD

- (b) the loss attributable to owners for the eleven months ended 31 May 2020 was approximately between HK\$295 million and HK\$325 million, due to, *inter alia*, the adverse impact as explained above and the impairment provision of property, plant and equipment and right-of-use assets.

As disclosed in the Profit Warning Announcements, pursuant to Rule 10 of the Takeovers Code, the profit warning statements included in the Profit Warning Announcements constitute profit forecasts of the Company and are required to be reported on by the Company's independent financial adviser and its auditors in accordance with Rule 10.4 of the Takeovers Code.

The updated profit warning statement in relation to the eleven months ended 31 May 2020 set out in the announcement of the Company dated 17 June 2020 (the “**Profit Warning Statement**”) has been reported on by Ernst & Young, the Company's auditors and Rainbow Capital, the independent financial adviser of the Company. Ernst & Young has reported that, so far as the accounting policies and calculations are concerned, the Profit Warning Statement has been properly compiled in accordance with the bases adopted by the Board and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the interim report of the Company for the six months ended 31 December 2019. Rainbow Capital is satisfied that the Profit Warning Statement has been made by the Board with due care and consideration. Your attention is drawn to the reports issued by Ernst & Young and Rainbow Capital on the Profit Warning Statement set out in Appendix V and Appendix VI to this Composite Document respectively.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date:

	Number of Shares	Approximate %
The Offeror and parties acting in concert with it	1,093,091,098	66.60
Public Shareholders	<u>548,242,296</u>	<u>33.40</u>
Total	<u>1,641,333,394</u>	<u>100.00</u>

INFORMATION ON THE OFFEROR, VIVA CHINA AND KEYSTAR

Your attention is drawn to the paragraph headed “INFORMATION ON THE OFFEROR, VIVA CHINA AND KEYSTAR” in the “Letter from Optima Capital” in this Composite Document.

LETTER FROM THE BOARD

INTENTION OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraph headed “INTENTION OF THE OFFEROR REGARDING THE GROUP” in the “Letter from Optima Capital” in this Composite Document. The Board is aware of the intention of the Offeror in respect of the Group and is pleased to learn that following the close of the Offers, the Offeror intends to continue the existing principal business of the Group and it will maintain the listing status of the Company on the Stock Exchange.

The Board is aware that the Offeror will conduct a review on the existing principal business and the financial position of the Group for the purpose of formulating business plans and strategies for the further business development of the Group. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, fundraising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

The Board is aware that, notwithstanding the above, as at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreements, arrangements, understandings or negotiations in relation to the injection of any assets or business into the Group and the Offeror had no intention to discontinue the employment of the employees or to dispose of or redeploy the assets of the Group other than those in its ordinary course of business.

PROPOSED CHANGES TO BOARD COMPOSITION OF THE COMPANY

The Board is currently made up of three executive Directors, namely Ms. Tsin Man Kuen Bess, Mr. Mak Tak Cheong Edmund and Mr. Chan Cheuk Him Paul and three independent non-executive Directors, namely Mr. Cheong Shin Keong, Ms. Leung Mei Han and Professor Sin Yat Ming.

Ms. Tsin Man Kuen Bess and Ms. Leung Mei Han have tendered resignation to take effect from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code (i.e. after the close of the Offers).

The Offeror has nominated Mr. Cheung Chi, Mr. Zhao Jianguo, Mr. Victor Herrero, Mr. Bosco Law and Mr. Lee Kwok Ming to be new Directors with effect after the despatch of this Composite Document on 24 July 2020. The biographies of the new Directors are set out in the section headed “PROPOSED CHANGES TO BOARD COMPOSITION OF THE COMPANY” in the “Letter from Optima Capital”.

LETTER FROM THE BOARD

COMPULSORY ACQUISITION

The Board is aware that the Offeror does not intend to exercise any power of compulsory acquisition of any Offer Shares outstanding and not acquired under the Share Offer after the close of the Offers.

PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

As stated in the “Letter from Optima Capital” in this Composite Document, the Offeror intends to maintain the listing of the Shares on the Stock Exchange.

The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

In case there is less than 25% of the Shares held by the public following the close of the Offers, the Offeror will place down the Shares held by it in order that there will be 25% of the issued Shares held by the public. The directors of the Offeror and the new Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offers.

GENERAL

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 35 to 37 of this Composite Document, which contains its advice and recommendations to the Independent Shareholders and the Optionholders in respect of the Offers; and (ii) the letter from Rainbow Capital set out on pages 38 to 72 of this Composite Document, which contains its advice to the Independent Board Committee in relation to the Offers and the principal factors considered by it before arriving at its recommendations.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offers set out in the appendices to this Composite Document and the accompanying Forms of Acceptance.

In considering what action to take in connection with the Offers, you should consider your own tax positions, if any, and, in case of any doubt, consult your professional advisers.

By order of the Board of
Bossini International Holdings Limited
TSIN Man Kuen Bess
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



BOSSINI INTERNATIONAL HOLDINGS LIMITED

堡獅龍國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 592)

24 July 2020

To the Independent Shareholders and the Optionholders

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
OPTIMA CAPITAL LIMITED
FOR AND ON BEHALF OF DRAGON LEAP DEVELOPMENTS LIMITED
(AN 80%-OWNED SUBSIDIARY OF VIVA CHINA HOLDINGS LIMITED)
FOR ALL THE ISSUED SHARES IN
BOSSINI INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY DRAGON LEAP DEVELOPMENTS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)
AND FOR THE CANCELLATION OF ALL THE OUTSTANDING
SHARE OPTIONS OF BOSSINI INTERNATIONAL HOLDINGS LIMITED**

INTRODUCTION

We refer to the composite offer and response document (the “**Composite Document**”) dated 24 July 2020 jointly issued by the Company, Viva China and the Offeror, of which this letter forms part. Terms used herein shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider the terms of the Offers and to advise you as to whether or not, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and as to acceptance of the Offers.

Rainbow Capital has been appointed as the independent financial adviser with our approval to advise us in this respect of the terms of the Offers and as to acceptance thereof. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the “Letter from Rainbow Capital” on pages 38 to 72 of the Composite Document.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the sections headed “Letter from Optima Capital”, the “Letter from the Board” and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Forms of Acceptance in respect of the terms of the Offers and the acceptance and settlement procedures for the Offers.

RECOMMENDATION

Having taken into account the terms of the Share Offer, together with the advice and recommendation from Rainbow Capital, we are of the opinion that the terms of the Share Offer are not fair and reasonable so far as the Independent Shareholders are concerned and therefore we recommend the Independent Shareholders not to accept the Share Offer.

Having taken into account the terms of the Option Offer, together with the advice and recommendation from Rainbow Capital, we are of the opinion that the terms of the Option Offer are not fair and reasonable so far as the Optionholders are concerned.

For the Share Options with exercise prices below the current market price of the Shares (the “**In-the-money Share Options**”), the Optionholders should consider exercising their Share Options and if they wish to realise their investments in the Company, selling the corresponding Shares in the open market in the event that the market price of the Shares exceeds the Share Offer Price and the sales proceeds (net of transaction costs) from disposal in the open market of the Shares newly issued after exercise of the Share Options exceed the amount receivable under the Share Offer. Any In-the-money Share Options not exercised shall lapse automatically upon closing of the Offers.

For the Share Options with exercise prices above the current market price of the Shares (the “**Out-of-money Share Options**”), the Optionholders should consider accepting the Option Offer given that (i) if they wish to invest in the Company, they can alternatively purchase the Shares in the open market at prices lower than the exercise prices of their Share Options, instead of exercising their Share Options; and (ii) if they do not accept the Option Offer, their Share Options shall lapse automatically upon closing of the Offers.

Accordingly, we advise (i) the Independent Shareholders not to accept the Share Offer; (ii) the holders of the In-the-money Share Options to exercise their Share Options instead of accepting the Option Offer; and (iii) the holders of the Out-of-money Share Options to accept the Option Offer.

The market price of the Shares closed at HK\$0.385 as at the Latest Practicable Date. Those Independent Shareholders who wish to realise their investments in the market (especially those with a significant number of Shares) should monitor the market price and the trading liquidity in the Shares closely during the Offer Period.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Optionholders should note that if they do not accept the Option Offer or exercise their Share Options prior to the close of the Offers, their Share Options shall lapse automatically upon closing of the Offers.

The Independent Shareholders and the Optionholders are strongly advised that the decision to realise or to hold their investments is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders and the Optionholders should consult their own professional advisers for professional advice.

Yours faithfully,
Independent Board Committee
Bossini International Holdings Limited

Mr. CHEONG Shin Keong
Independent non-executive Director

Prof. SIN Yat Ming
Independent non-executive Director

LETTER FROM RAINBOW CAPITAL

The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the Independent Board Committee in respect of the Offers, which has been prepared for the purpose of incorporation in this Composite Document.



24 July 2020

To: the Independent Board Committee

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
OPTIMA CAPITAL LIMITED
FOR AND ON BEHALF OF DRAGON LEAP DEVELOPMENTS LIMITED
(AN 80%-OWNED SUBSIDIARY OF VIVA CHINA HOLDINGS LIMITED)
FOR ALL THE ISSUED SHARES IN
BOSSINI INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED
BY DRAGON LEAP DEVELOPMENTS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)
AND FOR THE CANCELLATION OF ALL THE OUTSTANDING
SHARE OPTIONS OF BOSSINI INTERNATIONAL HOLDINGS LIMITED**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Offers, details of which are set out in the “Letter from the Board” of this Composite Document to the Independent Shareholders and the Optionholders dated 24 July 2020, 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 this Composite Document.

On 14 May 2020, the Offeror, the Vendor and Viva China entered into the Share Purchase Agreement, pursuant to which the Offeror conditionally agreed to acquire the Sale Shares, being 1,093,091,098 Shares, representing approximately 66.60% of the issued share capital of the Company as at the Latest Practicable Date, from the Vendor at a consideration of HK\$46,620,000 (i.e. approximately HK\$0.043 per Sale Share). The Acquisition was approved by the shareholders of Viva China at an extraordinary general meeting of Viva China on 16 July 2020 and Completion took place on 21 July 2020.

LETTER FROM RAINBOW CAPITAL

Upon Completion, Optima Capital, for and on behalf of the Offeror, is making a mandatory unconditional cash offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) at the Share Offer Price of HK\$0.043 per Offer Share and a comparable offer to cancel all the outstanding Share Options.

The Independent Board Committee, comprising Mr. Cheong Shin Keong and Prof. Sin Yat Ming, being the independent non-executive directors of the Company, has been formed to advise the Independent Shareholders and the Optionholders in connection with the Offers. Ms. Leung Mei Han, the other independent non-executive director of the Company, is the chairman of Optima Capital, being the financial adviser to Viva China and the Offeror in respect of the Offers, and is therefore not considered independent to be a member of the Independent Board Committee. The Independent Board Committee has approved the appointment of Rainbow Capital as the independent financial adviser to the Independent Board Committee in the same regard.

We are not associated or connected with the Company, the Offeror, Viva China, their respective substantial shareholders and financial or other professional advisers, or any party acting, or presumed to be acting, in concert with any of them. In the last two years prior to the commencement of the Offer Period, there was no engagement or connection between the Group, the Offeror or Viva China on one hand and us on the other hand. 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 the Company, the Offeror, Viva China, their respective substantial shareholders and financial or other professional advisers, or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice to the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in this Composite Document; (ii) the information supplied by the Directors and the management of the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) 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 this Composite Document were true, accurate and complete 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 this Composite Document are true in all material respects at the time they were made and continue to be true in all material respects 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 this Composite Document were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness 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 this Composite

LETTER FROM RAINBOW CAPITAL

Document and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the Latest Practicable Date.

The Independent Shareholders and the Optionholders will be informed by the Company and us as soon as possible if there is any material change to the information disclosed in this Composite Document during the Offer Period, in which case we will consider whether it is necessary to revise our opinion and inform the Independent Board Committee, the Independent Shareholders and the Optionholders accordingly.

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 this Composite Document 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 in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, Viva China or any of their respective subsidiaries and associates.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Share Offer nor the Optionholders of acceptance or non-acceptance of the Option Offer since these depend on their individual circumstances. In particular, the Independent Shareholders and the Optionholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFERS

The Share Offer

Optima Capital, for and on behalf of the Offeror, is making the Share Offer in compliance with the Takeovers Code on the following terms:

For each Offer Share HK\$0.043 in cash

The Share Offer Price of HK\$0.043 per Offer Share is the same as the price per Sale Share paid by the Offeror under the Share Purchase Agreement.

LETTER FROM RAINBOW CAPITAL

The Option Offer

As at the Latest Practicable Date, there were 74,080,000 Share Options entitling the Optionholders to subscribe for the Shares at different exercise prices ranging from HK\$0.231 to HK\$0.922 per Share Option. Optima Capital, for and on behalf of the Offeror, is making the Option Offer for the cancellation of all outstanding Share Options on the following terms:

For cancellation of each Share Option HK\$0.0001 in cash

As the exercise prices of the Share Options are all above the Share Offer Price of HK\$0.043 per Offer Share under the Share Offer, the Share Options shall be cancelled at a nominal payment of HK\$0.0001 per Share Option under the Option Offer.

Further details of the Offers including, among other things, the expected timetable and the terms and procedures for acceptance of the Offers are set out in the sections headed “EXPECTED TIMETABLE”, “LETTER FROM OPTIMA CAPITAL” and “FURTHER TERMS AND PROCEDURES FOR ACCEPTANCE OF THE OFFERS” to this Composite Document and the Forms of Acceptance.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Offers, we have taken into account the following principal factors and reasons:

1. Information and historical financial performance of the Group

Headquartered in Hong Kong with its first retail store opened in 1987, the Group is principally engaged in the retailing and distribution of casual wear garments. The Company offers casual wear apparel products including men’s, ladies’ and kids’ wear, which are designed to fit a wide range of customer needs. As at 31 December 2019, the Group had a total of 1,086 stores, comprising 287 directly managed stores in Hong Kong and Macau, the PRC, Taiwan and Singapore and 799 export franchised stores, in about 30 countries and regions. The revenue of the Group has been primarily generated from Hong Kong and Macau which contributed over 60% of total revenue for the three years ended 30 June 2019. As disclosed in the announcement of the Company dated 2 March 2020, the Group decided to cease its retail operation in Taiwan by or about 31 July 2020.

LETTER FROM RAINBOW CAPITAL

(i) *Financial performance*

Set out below is a summary of the consolidated statements of profit or loss and other comprehensive income for the two years ended 30 June 2019 (“FY2018” and “FY2019”, respectively) and the six months ended 31 December 2018 and 2019 (“2018/2019 H1” and “2019/2020 H1”, respectively) as extracted from the annual report of the Company for the year ended 30 June 2019 (the “2019 Annual Report”) and the interim report of the Company for the six months ended 31 December 2019 (the “2020 Interim Report”):

	For the year ended 30 June		For the six months ended 31 December	
	2018 HK\$'000 (audited)	2019 HK\$'000 (audited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	1,958,043	1,641,171	875,412	699,414
– Hong Kong and Macau	1,304,091	1,052,101	577,085	409,387
– The PRC	340,454	331,853	166,971	162,100
– Taiwan	175,512	153,099	77,771	74,653
– Singapore	137,986	104,118	53,585	53,274
Same-store sales growth/(decline)	(1%)	(9%)	(5%)	(10%)
– Hong Kong and Macau	(2%)	(10%)	(5%)	(14%)
– The PRC	6%	(6%)	(3%)	(5%)
– Taiwan	3%	(8%)	(7%)	0%
– Singapore	(5%)	(9%)	(6%)	(5%)
Sales per square feet (“sq. ft.”) (HK\$)	4,200	3,800	4,000	3,300
Gross profit	1,036,493	845,857	457,316	355,758
<i>Gross margin</i>	52.9%	51.5%	52.2%	50.9%
Selling and distribution expenses	(800,806)	(723,742)	(366,830)	(313,702)
Administrative expenses	(238,071)	(252,340)	(121,459)	(116,494)
Other operating expenses	(74,921)	(55,870)	(19,941)	(18,979)
Total operating expenses	(1,113,798)	(1,031,952)	(508,230)	(449,175)
Loss from operating activities	(21,474)	(134,522)	(23,811)	(81,577)
Operating profit/(loss) (in HK\$ million)	(21)	(135)	(24)	(82)
– Hong Kong and Macau	24	(33)	17	(41)
– The PRC	(30)	(58)	(23)	(31)
– Taiwan	(12)	(31)	(13)	(3)
– Singapore	(3)	(13)	(5)	(7)
Loss for the year/period attributable to the owners	(28,972)	(139,105)	(25,748)	(93,687)
Dividend per Share (HK cents)	2.44	2.44	1.22	–

LETTER FROM RAINBOW CAPITAL

(a) *FY2019 compared to FY2018*

Revenue generated from Hong Kong and Macau accounted for approximately 66.6% and 64.2% of the Group's total revenue for FY2018 and FY2019, respectively.

For FY2019, revenue of the Group was approximately HK\$1.6 billion, representing a decrease of approximately 16.2% as compared to FY2018. Such decrease was mainly due to (1) the decrease in revenue from Hong Kong and Macau by approximately HK\$252.0 million caused by the United States-Mainland trade war as well as the weak consumer sentiment resulting from the devaluation of RMB and the downward trend of the property and investment markets in Hong Kong; (2) the decrease in revenue from the PRC by approximately HK\$8.6 million resulting from the trade dispute between the PRC and the United States and the slowdown of the domestic economic growth in the second quarter of 2019, in particular the growth in the garment sector; (3) the decrease in revenue from Taiwan by approximately HK\$22.4 million as a result of the rising international trade friction and geopolitical risks; and (4) the decrease in revenue from Singapore by approximately HK\$33.9 million as Singapore's economy contracted in the second quarter of 2019 due to the plunge in exports.

The Group's overall same-store sales ("SSS") declined by approximately 9% for FY2019, deteriorating from that for FY2018. In particular, SSS in Hong Kong and Macau, the PRC, Taiwan and Singapore dropped by approximately 10%, 6%, 8% and 9%, respectively. Similarly, the overall sales per sq. ft. declined by approximately 9.5% for FY2019 as compared to FY2018.

As a result of the decline in revenue, the gross profit of the Group decreased by approximately 18.4%, with gross margin declining by approximately 1.4 percentage points to approximately 51.5%, for FY2019 as compared to FY2018. Total operating expenses constituted approximately 62.9% of total revenue for FY2019 as compared to approximately 56.9% for FY2018.

As a result of the unseasonal weather and the weak consumer sentiment in the core markets where the Group operates, loss from operating activities and loss attributable to the owners increased significantly to approximately HK\$134.5 million and HK\$139.1 million for FY2019, from approximately HK\$21.5 million and HK\$29.0 million for FY2018, respectively.

LETTER FROM RAINBOW CAPITAL

(b) 2019/2020 H1 compared to 2018/2019 H1

Revenue generated from Hong Kong and Macau accounted for approximately 58.5% of the Group's total revenue for 2019/2020 H1.

Revenue of the Group decreased by approximately 20.1% to approximately HK\$699.4 million for 2019/2020 H1. Such decrease was primarily attributable to (1) the decrease in revenue from Hong Kong and Macau by approximately HK\$167.7 million caused by the escalated trade tensions between the United States and the PRC and the local social incidents which gave rise to a significant decline in inbound visitors and consumption-related activities, resulting in a contraction in the domestic economy; (2) the decrease in revenue from the PRC by approximately HK\$4.9 million given the trade dispute with the United States and the slower growth in the wearing apparel industry as compared to those of other consumer goods; (3) the decrease in revenue from Taiwan by approximately HK\$3.1 million due to the downward trend for the wholesale and retail sector; and (4) the slight decrease in revenue from Singapore arising from the stagnant growth in the Singapore economy.

The Group's overall SSS dropped by approximately 10% for 2019/2020 H1, deteriorating from that for 2018/2019 H1. While SSS in Taiwan remained flat, SSS in Hong Kong and Macau, the PRC and Singapore contracted by approximately 14%, 5% and 5%, respectively. Similarly, the overall sales per sq. ft. declined by approximately 17.5% for 2019/2020 H1 as compared to 2018/2019 H1.

Given the decline in revenue, the gross profit of the Group decreased by approximately 22.2%, with gross margin declining by approximately 1.3 percentage points to approximately 50.9%, for 2019/2020 H1 as compared to 2018/2019 H1. Total operating expenses constituted approximately 64.2% of total revenue for 2019/2020 H1 as compared to approximately 58.1% for 2018/2019 H1.

Loss from operating activities and loss attributable to the owners increased significantly to approximately HK\$81.6 million and HK\$93.7 million for 2019/2020 H1, from approximately HK\$23.8 million and HK\$25.7 million for 2018/2019 H1, respectively, primarily attributable to the sharp decline in inbound visitors in Hong Kong, the trade disputes between the United States and the PRC, the weak consumer sentiment and the unseasonal warm winter weather in the core markets where the Group operates.

LETTER FROM RAINBOW CAPITAL

(ii) Financial position

Set out below is a summary of the consolidated statements of financial position as at 30 June 2018 and 2019 and 31 December 2019 as extracted from the 2019 Annual Report and the 2020 Interim Report:

	As at 30 June		As at
	2018	2019	31 December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Total assets, including:	1,129,175	938,139	1,177,139
Available-for-sale investment	229,562	–	–
Investment property	20,311	18,543	17,660
Right-of-use assets	–	–	355,795
Deposits paid	107,385	96,566	93,421
Inventories	202,781	258,736	267,097
Debtors and bills receivable	88,061	60,366	66,397
Prepayments and other receivables	35,055	47,656	49,367
Financial assets at fair value through profit or loss	–	231,942	1,011
Cash and cash equivalents	339,960	160,975	262,250
Total liabilities, including:	253,350	238,164	616,895
Trade creditors, other payables and accruals	193,760	170,293	160,963
Lease liabilities	–	–	379,885
Interest-bearing bank borrowing	–	30,000	30,000
Total current assets	772,743	803,086	691,886
Total current liabilities	249,379	234,968	417,133
Net current assets	523,364	568,118	274,753
Total equity	875,825	699,975	560,244
Current ratio (Note 1)	3.10	3.42	1.66
Quick ratio (Note 2)	2.29	2.32	1.02
Inventory turnover days (Note 3)	80	119	142
Gearing ratio (Note 4)	–	4.3%	5.4%

Notes:

1. Being current assets divided by current liabilities.
2. Being current assets less inventories and divided by current liabilities.
3. Being inventories held as year or period end divided by cost of sales or annualised cost of sales times 365 days.
4. Being bank borrowing divided by total equity.

LETTER FROM RAINBOW CAPITAL

As at 31 December 2019, total assets and total liabilities of the Group amounted to approximately HK\$1,177.1 million and HK\$616.9 million, respectively. As at 31 December 2019, right-of-use assets, inventories and cash and cash equivalents accounted for approximately 75.2% of total assets of the Group whereas trade creditors, other payables and accruals, lease liabilities and interest-bearing bank borrowing accounted for approximately 92.5% of total liabilities of the Group.

The Group is financially healthy given its net current assets and net cash position, despite a deterioration in current and quick ratios, inventory turnover days and the net asset backing. As at 31 December 2019, the Group had net current assets of approximately HK\$274.8 million and net cash (being cash and cash equivalents less bank borrowing) of approximately HK\$232.3 million. The gearing ratio, being bank borrowing divided by total equity, remained at a low level of approximately 5.4% as at 31 December 2019.

Based on the unaudited net asset value (“NAV”) of the Group of approximately HK\$560.2 million as at 31 December 2019 and 1,641,333,394 Shares in issue as at the Latest Practicable Date, the unaudited NAV per Share is approximately HK\$0.341.

(iii) Overall comment

The Group had been profit making in the last decade until FY2018, FY2019 and 2019/2020 H1 when the operating environment was significantly affected by, among other things, the weak consumer sentiment and competitive apparel retailing environment in the Group’s core markets, the social incidents in Hong Kong in the second half of 2019 and the United States-Mainland trade tensions. These resulted in a deterioration in the Group’s financial performance for FY2019 and 2019/2020 H1. Particularly, total revenue recorded a notable decline of approximately 16.2% and 20.1% and the overall SSS recorded a contraction of approximately 9% and 10% for FY2019 and 2019/2020 H1, respectively, as compared to the previous year or period.

As disclosed in the announcement of the Company dated 28 May 2020 and 17 June 2020, as a result of (a) the outbreak of the novel coronavirus which caused semi-lockdown of the core markets of the Group and therefore a halt in retailing activities; and (b) the impairment provision of property, plant and equipment and right-of-use assets, the loss attributable to the owners was approximately between HK\$295 million and HK\$325 million for the eleven months ended 31 May 2020, deteriorating from approximately HK\$94 million for 2019/2020 H1, based on the unaudited consolidated management accounts of the Company. We consider the financial performance of the Group in the near term would largely hinge on the development of the United States-Mainland trade relations, the social incidents in Hong Kong and the novel coronavirus in Hong Kong and Asia which could further weight on economic sentiment and consumption- and tourism-related activities.

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Despite the worsening financial performance, the Group remained financially healthy with net cash of approximately HK\$232.3 million and current ratio of approximately 1.66 times as at 31 December 2019. To finance the consideration for the Acquisition and full acceptance of the Offers, VC Consumables and Keystar agreed to contribute an aggregate amount of HK\$100 million to the Offeror as shareholder's loan (the "**Initial Shareholder's Loan**"). In addition, pursuant to the shareholders' agreement dated 14 May 2020 entered into among the Offeror, VC Consumables and Keystar (the "**Shareholders' Agreement**"), in the event that the Offeror requires additional financial resources as determined by the board of the Offeror, VC Consumables and Keystar shall, on demand by the Offeror, contribute an aggregate amount of not more than HK\$300 million (including the Initial Shareholder's Loan) (collectively, the "**Contribution**") to the Offeror in proportion to their respective shareholding in the Offeror during the approximately two-year period following Completion. Excluding the maximum amount for satisfying the consideration for the Acquisition and full acceptance of the Offers of approximately HK\$73.4 million, the amount of Contribution being made available to the Offeror shall be not more than approximately HK\$226.6 million. This, in our view, indicates the Offeror's financial support for the Group's future business development in face of the current unfavourable economic environment.

The Directors have made a statement of material changes in the financial and trading position and outlook of the Group since 30 June 2019, as set out in the section headed "4. MATERIAL CHANGE" in Appendix II to this Composite Document.

2. Information on the Offeror and its intention regarding the Group

Details on the information on the Offeror and its intention regarding the Group are set out in the sections headed "INFORMATION ON THE OFFEROR, VIVA CHINA AND KEYSTAR" and "INTENTION OF THE OFFEROR REGARDING THE GROUP" in the "Letter from Optima Capital" in this Composite Document, which are summarised as follows:

(i) Information on the Offeror

(a) The Offeror

The Offeror, incorporated in BVI with limited liability for the purpose of pursuing the Acquisition and holding and operating the Group after Completion, is an investment holding company and is owned as to 80% by VC Consumables (a wholly-owned subsidiary of Viva China) and 20% by Keystar.

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(b) *VC Consumables and Viva China*

VC Consumables is a wholly-owned subsidiary of Viva China, the shares of which are listed on the GEM. The Viva China Group is principally engaged in (1) sports competition and event production and management; (2) operation of an e-sports club; (3) sports talent management; (4) provision of sports-related marketing and consultancy service; (5) operation of sports destinations (including sports parks, sports centres and ice-skating rinks); and (6) sales of construction materials. The Viva China Group has a solid foundation in the sports-related sector market in the PRC. In 2019, the Viva China Group commenced the “sports and lifestyle consumables” business which involves development, design and sale of sports, health and leisure consumables (the “**Consumables Business**”).

The Viva China Group is also involved in sports goods-related business in the PRC through its investments in associated companies. As at the Latest Practicable Date, Viva China held (1) approximately 13.39% of the issued share capital of Li Ning Company Limited (stock code: 2331), a company listed on the Main Board of the Stock Exchange which is principally engaged in the development and sales of professional and leisure footwear, apparel, equipment and accessories; and (2) 10% equity interest in Shanghai Double Happiness Co., Ltd., a company which is principally engaged in manufacture, research and development, marketing and sale of principally table tennis and badminton equipment under its own “紅雙喜 (Double Happiness)” brand and other sports accessories.

In 2019, the Viva China Group formed an operation team and took a number of initiatives to commence the Consumables Business, such as the acquisition of the new apparel and footwear brand “LNG” completed in November 2019, to capture the related growing consumer’s market in the PRC. As disclosed in the annual report of Viva China for the year ended 31 December 2019, while continuing to expand its core sports business, including the operation, service provision and investment of sports destinations, sports competitions and events and an esports club, the Viva China Group will focus on developing the Consumables Business. In January 2020, the Viva China Group officially launched a series of apparel and footwear under the “LNG” brand initially through online platforms including T-mall (天貓) and JD.com (京東商城) and distributors.

As set out in the “Letter from Optima Capital” in this Composite Document, Viva China currently has a team of more than 40 staff for the Consumables Business which is primarily led by (1) Mr. Li Ning, the chairman and chief executive officer of Viva China and the executive chairman and joint chief executive officer of Li Ning Company Limited (stock code: 2331) (with its subsidiaries, the “**Li Ning Group**”), who founded the Li Ning Group in 1989 with over 30 years of experience in brand development, design, manufacturing and sales of sport-related footwear, apparel and

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accessories in the PRC; and (2) Mr. Cheung Chi, the chief financial officer of Viva China, who possesses extensive experience in apparel business and was previously an executive director of Win Hanverky Holdings Limited (stock code: 3322), a company listed on the Main Board of the Stock Exchange which is principally engaged in manufacturing, distributing and retailing of internationally renowned sports, fashion and outdoor brands, and supported by other senior management who has extensive experience in the apparel and/or e-commerce industry.

We consider that the management team of the Consumables Business led by Mr. Li Ning and Mr. Cheung Chi possesses relevant experience to operate and manage the Group. Currently, the retail stores of the Company in the PRC are mainly located in Guangdong Province. Through the Acquisition, the Group can leverage on the Viva China Group's market presence in the PRC and Mr. Li Ning's extensive business connections, particularly the network of distributors built up in different regions of the PRC and his extensive experience in the sports-related and apparel industry, to expand its distribution network in other cities in the PRC. We consider that the PRC market represents a growth potential for the Group with the support from the Viva China Group and Mr. Li Ning in view of the Group's current low market penetration in the PRC.

(c) *Keystar*

Keystar, incorporated in BVI with limited liability, is an investment holding company and is wholly-owned by Mr. Bosco Law, a nephew of the Vendor.

As disclosed in the "Letter from Optima Capital" in this Composite Document, Mr. Bosco Law is the chief executive officer of Laws Fashion Group Limited (the "**LawsGroup**"), responsible for overseeing the LawsGroup's global operations and development strategies in manufacturing, supply chain and retail business, and has over 15 years of experience in the apparel and fashion industry.

(ii) ***Intention of the Offeror regarding the Group***

(a) *Business*

As set out in the "Letter from Optima Capital" in this Composite Document, following the close of the Offers, the Offeror intends to continue the existing principal business of the Group.

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As disclosed in the circular of Viva China dated 24 June 2020, the Viva China Board intends to expand the distribution network of the Company to other cities in the PRC. In addition, in view of the increasing popularity of e-commerce in the PRC, the Viva China Board intends to (1) use popular marketing tools including but not limited to influencer marketing to promote products of the Company; and (2) set up stores on popular online sale platforms to sell the Company's products.

Moreover, the Viva China Board will work together with the existing management of the Group to rejuvenate the "Bossini" brand with a younger image to appeal to younger generation in the PRC. It will also renovate the stores of the Company to enhance its layout so as to create a more immersive retail experience to the customers and capture the minds of the young generation.

The Offeror will conduct a review on the existing principal business and the financial position of the Group for the purpose of formulating business plans and strategies for the further business development of the Group. Subject to the results of the review, the Offeror may explore other business opportunities and consider whether any asset disposals, asset acquisitions, fundraising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

As at the Latest Practicable Date, no investment or business opportunity had been identified nor had the Offeror entered into any agreements, arrangements, understandings or negotiations in relation to the injection of any assets or business into the Group and the Offeror had no intention to discontinue the employment of the employees or to dispose of or redeploy the assets of the Group other than those in its ordinary course of business.

(b) Board composition

The Board currently comprises six Directors, of whom three are executive Directors and three are independent non-executive Directors. Ms. Tsin Man Kuen Bess, an executive Director, and Ms. Leung Mei Han, an independent non-executive Director, have tendered resignation to take effect from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code (i.e. after the close of the Offers).

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The Offeror has nominated Mr. Cheung Chi, Mr. Zhao Jianguo, Mr. Victor Herrero, Mr. Bosco Law and Mr. Lee Kwok Ming to be new Directors with effect after the despatch of this Composite Document on 24 July 2020. For details of the new Directors, please refer to the section headed “PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY” in the “Letter from Optima Capital” in this Composite Document.

(c) Maintenance of the Company’s listing status

As stated in the “Letter from Optima Capital” in this Composite Document, the Offeror intends to maintain the listing of Shares on the Stock Exchange. The directors of the Offeror and the new Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offers.

(d) Funding

Pursuant to the Shareholders’ Agreement, during the period from the Completion Date and until the second anniversary of the last day of the calendar month in which completion of the Offers took place (or such other date as the parties may agree in writing), in the event that the Offeror requires additional financial resources as determined by the board of the Offeror, VC Consumables and Keystar shall, on demand by the Offeror, procure further loans to the Offeror. VC Consumables and Keystar agree that the maximum amount of funds to be contributed to the Offeror by VC Consumables and Keystar, including the initial amount of HK\$80,000,000 and HK\$20,000,000 for financing the Acquisition and the Offers, shall not be more than HK\$240,000,000 and HK\$60,000,000, respectively.

3. Industry overview and outlook

The Group is principally engaged in the retailing and distribution of casual wear garments in Hong Kong and Macau, the PRC, Taiwan and Singapore. The Company, on 2 March 2020, announced that its retail operation in Taiwan will be ceased by or about 31 July 2020. For FY2019, Hong Kong and Macau, the PRC and Singapore contributed approximately 64.2%, 20.2% and 6.3% of the Group’s total revenue, respectively. Accordingly, the financial performance of the Group as a retailer of consumer goods is closely related to the domestic economic activities.

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(i) Hong Kong

The following table sets out the growth in (a) real gross domestic product (“GDP”); (b) private consumption expenditure in real terms; (c) total retail sales; (d) retail sales of wearing apparel; and (e) the numbers of visitor arrivals and overnight visitor arrivals, in Hong Kong, for the years or periods indicated:

Year-on-year (YoY) growth	2015	2016	2017	2018	2019	First quarter of 2020
Real GDP	2.4%	2.2%	3.8%	2.8%	-1.2%	-8.9%
– Private consumption expenditure in real terms	4.8%	2.0%	5.5%	5.3%	-1.1%	-10.1%
Total retail sales	-3.7%	-8.1%	2.2%	8.7%	-11.1%	-35.0%*
– Retail sales of wearing apparel (Note)	-7.1%	-4.9%	0.6%	6.0%	-14.6%	-55.4%*
YoY growth	2015	2016	2017	2018	2019	January to May 2020
Number of visitor arrivals	-2.5%	-4.5%	3.2%	11.4%	-14.2%	-88.2%
Number of overnight visitor arrivals	-3.9%	-0.5%	5.0%	4.9%	-18.8%	-89.8%

Source: Census and Statistics Department of The Government of the Hong Kong Special Administrative Region and Hong Kong Tourism Board

* *Provisional figures*

Note:

Represent retail sales of garments, sportswear, evening dresses, fur clothing and accessories like gloves, hats and leather belts, etc., in boutique shops and retail outlets.

As shown in the table above, Hong Kong’s economy as measured by the real GDP recorded a growth of 3.8% in 2017 which was higher than those in 2015 and 2016. The economic growth then slowed and reached 2.8% in 2018. As a result of the local social incidents which disrupted a range of economic activities and the escalation of the United States-Mainland trade tensions, the Hong Kong’s economy contracted by 1.2% in 2019. With the threat of the novel coronavirus infection and the resulting social distancing measures which disrupted consumption-related activities, the economic recession deepened in Hong Kong in the first quarter of 2020 (“2020 Q1”) with a contraction of real GDP by 8.9%. For the same reasons, domestic demand as reflected in private consumption expenditure contracted in 2019 and deteriorated in 2020 Q1.

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Hong Kong's retail sales growth bounced to 2.2% in 2017 and increased substantially to 8.7% in 2018, respectively, following a contraction in 2015 and 2016. Owing to the local social incidents in the second half of 2019 and the outbreak of the novel coronavirus since early 2020, retail sales plunged by 11.1% in 2019 and the decrease in retail sales widened to 35.0% in 2020 Q1. Particularly, retail sales of wearing apparel contracted sharply by 14.6% and 55.4% in 2019 and 2020 Q1, respectively. Similarly, due to the local social incidents and various anti-epidemic measures caused by the threat of the novel coronavirus, numbers of visitor arrivals and overnight visitor arrivals declined remarkably in 2019 and the five months ended 31 May 2020 after two consecutive years of growth.

(ii) Macau

The table below sets out Macau's growth in (a) real GDP; (b) private consumption expenditure in real terms; (c) total retail sales; and (d) retail sales of adults' clothing, for the years or periods indicated:

YoY growth	2015	2016	2017	2018	2019	First quarter of 2020
Real GDP	-21.6%	-0.7%	9.9%	5.4%	-4.7%	-48.7%
– Private consumption expenditure in real terms	2.1%	-0.8%	2.2%	4.2%	2.9%	-15.2%
Total retail sales	-9.5%	-4.4%	12.6%	15.9%	0.5%	-45.1%
– Adults' clothing	4.4%	11.2%	12.2%	16.8%	-12.3%	-52.9%

Source: Statistics and Census Service, Government of Macao Special Administrative Region

As shown in the table above, Macau's economy contracted by 4.7% in 2019 after registering two consecutive years of growth in 2017 and 2018, primarily due to drops in investment and exports of services. Growth in private consumption expenditure slowed to 2.9% in 2019 after reaching a peak of 4.2% in 2018. Macau's economy and private consumption expenditure contracted by 48.7% and 15.2% in 2020 Q1, respectively, amid the epidemic.

Growth in retail sales in Macau decelerated to 0.5% in 2019 from a peak of 15.9% in 2018. Particularly, retail sales of adults' clothing plunged by 12.3% in 2019 as compared to a significant growth of 16.8% in 2018. In 2020 Q1, the epidemic has significantly dampened total retail sales which shrank by 45.1%, in which retail sales of adults' clothing fell sharply by 52.9%.

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(iii) *The PRC*

The table below sets out the PRC's (a) real GDP growth; and (b) growth in retail sales of consumer goods, including those attributable to garments, footwear, hats and knitwear, for the years or periods indicated:

Year-on-year (YoY) growth	2015	2016	2017	2018	2019	First half of 2020
Real GDP	6.9%	6.7%	6.8%	6.6%	6.1%	-1.6%
YoY growth	2015	2016	2017	2018	2019	First half of 2020
Retail sales of consumer goods	10.7%	10.4%	10.2%	9.0%	8.0%	-11.4%
– <i>Garments, footwear, hats and knitwear</i>	9.8%	7.0%	7.8%	8.0%	2.9%	-19.6%

Source: National Bureau of Statistics of China

The PRC's real GDP grew at 6.6% in 2018, a slowdown in growth as compared to the previous three years. The economic growth further decelerated to 6.1% in 2019, the country's slowest rate of economic growth since 1990. This was significantly affected by the United States-Mainland trade war which brought down exports and weighted on investment in manufacturing through weakened sentiment and confidence. In the first half of 2020 ("2020 H1"), the threat of the novel coronavirus infection has added significant downward pressure to the domestic economy. The PRC's economy contracted by 1.6% in 2020 H1. The International Monetary Fund ("IMF") projected in June 2020 that the PRC's economy growth will decline to 1.0% in 2020 but rebound strongly to 8.2% in 2021 after the pandemic fades.

Among retail sales of consumer goods, retail sales of garments, footwear, hats and knitwear recorded a higher growth of 8.0% in 2018 as compared to 7.0% and 7.8% in 2016 and 2017, respectively, before retreating to 2.9% in 2019. In 2020 H1, retail sales of garments, footwear, hats and knitwear exhibited a negative growth of 19.6%.

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(iv) Singapore

Set out below is Singapore's real GDP growth for the years or period indicated:

YoY growth	2015	2016	2017	2018	2019	First quarter of 2020	Second quarter of 2020
Real GDP	3.0%	3.2%	4.3%	3.4%	0.7%	-0.3%	-12.6%

Source: Singapore Department of Statistics

Singapore's real GDP recorded a healthy growth in 2015 to 2018, in the range of 3.0% to 4.3%. Singapore's economy expanded steadily by 0.7% in 2019, the slowest since 2009, primarily affected by the weakness in manufacturing, the United States-Mainland trade war and the global slowdown. In the first and second quarters of 2020, the economic growth shrank by 0.3% and 12.6%, respectively, and the domestic consumption in Singapore have been negatively affected by the circuit breaker measures implemented to curb the spread of the novel coronavirus including the closure of most workplace premises. In May 2020, the Ministry of Trade and Industry revised Singapore's economic growth for 2020 downwards to "-7.0% to -4.0%".

(v) Outlook

Since 2019, the economic environment of the core markets in which the Group operates, comprising Hong Kong and Macau, the PRC and Singapore, has been adversely affected by the United States-Mainland trade tensions, the local social incidents in Hong Kong and the global outbreak of the novel coronavirus which disrupted a wide range of economic activities and critically affected tourism- and consumption-related sectors, resulting in slower growth or even contraction in retail sales.

In face of many uncertain and unstable factors including the current economic downturn caused by the incidents stated above, the growth in the apparel industry may be restricted in the short run. However, amid the worsening consumer sentiment, governments around the world have swiftly rolled out fiscal packages and relief measures to preserve the vitality of the economy, support affected industries and relieve people's financial burdens. IMF predicted in June 2020 that the economic growth of the PRC, which represents a growth potential for the Group with the support from the Viva China Group and Mr. Li Ning as explained in the section headed "2. Information on the Offeror and its intention regarding the Group" above, will decline to 1.0% in 2020 but rebound remarkably to 8.2% in 2021 after the pandemic fades.

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We, on balance, consider that the outlook for the apparel industry will be generally positive in the long run. This is especially the case when the novel coronavirus infection is well contained, the local social incidents in Hong Kong no longer cause extreme disruptions to economic activities and the United States-Mainland trade tensions are not significantly re-escalated.

4. Share Offer Price comparison

The Share Offer Price of HK\$0.043 per Offer Share represents:

- (i) a discount of approximately 70.95% to the closing price of HK\$0.148 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 71.90% to the average of the closing prices of approximately HK\$0.153 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 71.14% to the average of the closing prices of approximately HK\$0.149 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 68.15% to the average of the closing prices of approximately HK\$0.135 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 70.55% to the average of the closing prices of approximately HK\$0.146 per Share as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 73.78% to the average of the closing prices of approximately HK\$0.164 per Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day;
- (vii) a discount of approximately 76.63% to the average of the closing prices of approximately HK\$0.184 per Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day;
- (viii) a discount of approximately 80.63% to the average of the closing prices of approximately HK\$0.222 per Share as quoted on the Stock Exchange for the 360 consecutive trading days up to and including the Last Trading Day;

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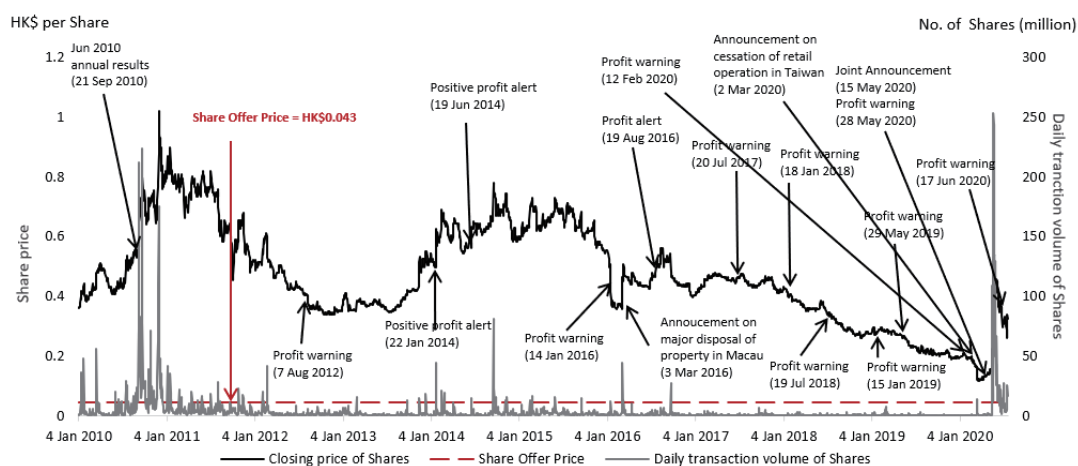
- (ix) a discount of approximately 88.83% to the closing price of HK\$0.385 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (x) a discount of approximately 87.39% to the unaudited NAV per Share of approximately HK\$0.341 as at 31 December 2019, calculated based on the unaudited NAV of the Group of approximately HK\$560.2 million as at 31 December 2019 and 1,641,333,394 Shares in issue as at the Latest Practicable Date.

5. Trading performance of the Shares

(i) Historical Share price performance

Set out below is (a) the movement of the closing prices of the Shares (i.e. chart 1); and (b) the comparison of the Share price with the Hang Seng Index (i.e. chart 2), from 4 January 2010 to the Latest Practicable Date (the “Review Period”), being approximately 10 years preceding the Last Trading Day:

Chart 1: Performance of Share price



Source: Bloomberg

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Chart 2: Comparison of Share price performance with Hang Seng Index



Source: Bloomberg

As shown above, the closing prices of the Shares were above the Share Offer Price at all times during the Review Period, ranging from HK\$0.117 on 18 March 2020 and 25 March 2020 to HK\$1.018 on 2 December 2010. In other words, the discounts of the Share Offer Price to the closing prices of the Shares ranged from approximately 63.25% to approximately 95.78%. During the Review Period, the Share price generally out-performed the Hang Seng Index for most of the time until August 2017 when the financial performance of the Group started to deteriorate.

The Share price trended upward from HK\$0.360 on 4 January 2010 to the highest of HK\$1.018 on 2 December 2010, following the publication of the annual results announcement of the Company for the year ended 30 June 2010 on 21 September 2010. The Share price then exhibited a downward trend and reached a low of HK\$0.340 on 27 November 2012 after publication of a profit warning announcement on 7 August 2012. Afterwards, the Share price fluctuated and rose gradually to reach a high of HK\$0.780 on 18 September 2014 after the Company published profit alert announcements on 22 January 2014 and 19 June 2014. The Share price continued to fluctuate and trended downward to a low of HK\$0.356 on 11 February 2016 subsequent to the release of a profit warning announcement on 14 January 2016. After the Company announced the disposal of its property in Macau on 3 March 2016, the Share price surged from HK\$0.356 on 3 March 2016 to a high of HK\$0.562 on 19 August 2016 when the Company published a profit alert announcement.

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Afterwards and until the Last Trading Day, the Share price demonstrated a downward trend, primarily attributable to the deteriorating financial performance of the Group for the three years ended 30 June 2019 and 2019/2020 H1. On 2 March 2020, the Company further announced the cessation of its retail operation in Taiwan, which has been loss making since the year ended 30 June 2006, by or about 31 July 2020. The Share price closed at HK\$0.148 on the Last Trading Day, representing a decrease of approximately 73.7% from HK\$0.562 on 19 August 2016.

Immediately after the publication of the Joint Announcement on 15 May 2020 (before trading hours), the Share price surged to HK\$0.224 on 15 May 2020, representing an increase of approximately 51.4% from HK\$0.148 on the Last Trading Day. During the period from 15 May 2020 and up to the Latest Practicable Date, the Share price fluctuated between HK\$0.194 and HK\$0.540, representing premiums over the Share Offer Price in the range of approximately 351.2% to approximately 1,155.8%, indicating a positive market response to the Acquisition. As at the Latest Practicable Date, the Share price closed at HK\$0.385, representing a premium of approximately 795.3% over the Share Offer Price.

Taking into account that (a) the Share Offer Price represents a deep discount of approximately 87.39% to the unaudited NAV per Share of approximately HK\$0.341 as at 31 December 2019; (b) the discounts of the Share Offer Price to the closing prices of the Shares for various periods in the 360 consecutive trading days before the announcement of the Offers are significant, in the range of approximately 68.15% to 80.63%; (c) the closing prices of the Shares were above the Share Offer Price at all times during the Review Period; and (d) the Share price closed significantly, ranging from approximately 351.2% to 1,155.8%, above the Share Offer Price following the publication of the Joint Announcement and up to the Latest Practicable Date, we consider that, in comparison of the historical closing prices of the Shares, the Share Offer Price is not fair and reasonable so far as the Independent Shareholders are concerned.

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(ii) Liquidity of the Shares

The following table sets out the average daily trading volume of the Shares for each month or period and the percentages of such average daily trading volume to the total number of Shares in issue and held by the public during the period from 2 January 2018 to the Latest Practicable Date:

	Approximate average daily trading volume	Approximate percentage of average daily trading volume to total number of Shares in issue (Note 1)	Approximate percentage of average daily trading volume to total number of Shares held by the public (Note 2)
2018			
January	487,909	0.030%	0.089%
February	690,972	0.042%	0.127%
March	531,226	0.032%	0.097%
April	301,937	0.018%	0.055%
May	342,186	0.021%	0.063%
June	350,750	0.021%	0.064%
July	366,518	0.022%	0.067%
August	251,293	0.015%	0.046%
September	385,362	0.024%	0.071%
October	449,307	0.027%	0.082%
November	420,727	0.026%	0.077%
December	359,816	0.022%	0.066%
2019			
January	528,490	0.032%	0.096%
February	790,603	0.048%	0.144%
March	1,133,613	0.069%	0.207%
April	241,770	0.015%	0.044%
May	425,617	0.026%	0.078%
June	368,737	0.022%	0.067%
July	579,682	0.035%	0.106%
August	126,799	0.008%	0.023%
September	90,714	0.006%	0.017%
October	189,744	0.012%	0.035%
November	188,857	0.012%	0.034%
December	119,055	0.007%	0.022%

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	Approximate average daily trading volume	Approximate percentage of average daily trading volume to total number of Shares in issue (Note 1)	Approximate percentage of average daily trading volume to total number of Shares held by the public (Note 2)
2020			
January	305,656	0.019%	0.056%
February	266,400	0.016%	0.049%
March	1,008,727	0.061%	0.184%
April	549,921	0.034%	0.100%
From 1 May to 14 May	491,333	0.030%	0.090%
From 15 May to 29 May (Note 3)	98,619,929	6.009%	17.988%
June	19,490,590	1.187%	3.555%
From 1 July to the Latest Practicable Date	11,244,403	0.685%	2.051%

Source: Bloomberg and the website of the Stock Exchange

Notes:

1. Based on the total number of Shares in issue at the end of each month or period as disclosed in the monthly returns of the Company.
2. Based on the number of Shares held by public Shareholders as calculated by deducting the Shares held by Mr. Law Ka Sing from the total number of Shares in issue at the end of each month or period.
3. 15 May 2020 was the first trading day after the publication of the Joint Announcement.

As illustrated above, the trading of the Shares was generally inactive prior to the publication of the Joint Announcement. The average daily trading volume for the respective month or period during the above period before the publication of the Joint Announcement ranged from approximately 90,714 Shares to approximately 1,133,613 Shares, representing approximately 0.006% to 0.069% of the total number of Shares in issue and approximately 0.017% to 0.207% of the total number of Shares held by the public. We consider that the relatively high daily trading volumes in March 2019 and March 2020 were primarily attributable to the deteriorating financial performance of the Group and the announcement in March 2020 of the cessation of the Group's retail operation in Taiwan by or about 31 July 2020. Since the publication of the Joint Announcement on 15 May 2020 (before trading hours), there has been a surge in trading volume of the Shares, reflecting the market reaction to the Acquisition.

LETTER FROM RAINBOW CAPITAL

As the Shares cannot be regarded as having been actively traded in general, if the Shareholders intend to dispose of a significant shareholding in the Company in the market within a short timeframe, it is possible that a downward pressure would be exerted on the market price of the Shares. In such circumstance, the Share Offer may represent an alternative exit for the Shareholders with significant shareholding in the Company to realise their investments in the Company. However, should the market price of the Shares exceed the Share Offer Price during the Offer Period, as the case was as at the Latest Practicable Date, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Share Offer, Shareholders may consider selling their Shares in the open market if they would like to divest the securities of the Company in the short-run and such disposal will not result in a downward pressure on the market prices of the Shares and therefore a substantial loss in value.

6. Comparable analysis

(i) *Analysis on comparable companies*

The Group is principally engaged in the retailing and distribution of casual wear garments in Hong Kong and Macau, the PRC, Taiwan and Singapore. For the three years ended 30 June 2019, revenue generated from Hong Kong and Macau accounted for over 60% of the Group's total revenue.

Selection of valuation methodologies

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. P/E is usually adopted for judging valuations for companies which are profit making. On the other hand, P/B is typically applied for valuing companies which hold relatively liquid assets on their balance sheets and their book values approximate their fair market values such as real estate companies and banks whereas P/S is appropriate for valuing companies which have volatile earnings or loss but with relatively stable revenue such as retailers offering general merchandise.

Given (a) that the Group was loss making with loss before interest, taxes, depreciation and amortisation for FY2019 and for the latest twelve months ended 31 December 2019; (b) the unstable earnings or loss of the Group from a profit of approximately HK\$4.9 million for the year ended 30 June 2017 to a loss of approximately HK\$29.0 million, HK\$139.1 million and HK\$93.7 million for FY2018, FY2019 and 2019/2020 H1, respectively; and (c) that investment property, inventories, debtors, bills receivables, deposits paid, prepayments and other receivables and cash and cash equivalents, which are considered as relatively liquid assets, constituted over 60% of the Group's total assets as at 31 December 2019, we consider the valuation methodologies using P/B and P/S are more appropriate in valuing the Group.

LETTER FROM RAINBOW CAPITAL

Based on (a) the Share Offer Price of HK\$0.043 per Offer Share; (b) 1,641,333,394 Shares in issue as at the Latest Practicable Date; and (c) the unaudited NAV of the Group of approximately HK\$560.2 million as at 31 December 2019, the P/B implied by the Share Offer Price is approximately 0.13 time (the “**Implied P/B**”).

Based on (a) the Share Offer Price of HK\$0.043 per Offer Share; (b) 1,641,333,394 Shares in issue as at the Latest Practicable Date; and (c) the revenue for the latest twelve months ended 31 December 2019 of approximately HK\$1,465.2 million, the P/S implied by the Share Offer Price is approximately 0.05 time (the “**Implied P/S**”).

Selection of comparable companies

In evaluating the fairness and reasonableness of the Share Offer Price, 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 a majority (i.e. over 50%) of their revenue from, the retailing and/or wholesales of apparel in their respective latest financial year; (b) generated a majority (i.e. over 50%) of their revenue from Hong Kong and/or Macau in their respective latest financial year; and (c) have their shares listed on the Stock Exchange. Based on these criteria, we identified five Comparable Companies. We consider the Comparable Companies are fair and representative given that they and the Group are engaged in the same sector and have a majority of their revenue derived from Hong Kong and/or Macau. As at the Latest Practicable Date, the market capitalisation of the Company was approximately HK\$631.9 million. We consider that the aforesaid criteria allow us to identify a sufficient number of samples with businesses comparable to that of the Group for comparison purpose.

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

Company name (stock code)	Principal activities (Percentage of total revenue derived from garment-related business in the latest financial year)	Geographical segment (Percentage of revenue derived from each location)	P/S <i>(Note 1)</i> <i>(times)</i>	P/B <i>(Note 1)</i> <i>(times)</i>	Market capitalisation as at the Latest Practicable Date <i>(HK\$ million)</i>
ENM Holdings Limited (“ENM”) (128.HK)	ENM is principally engaged in the wholesale and retail of fashion wear and accessories, resort and recreational club operations and investments. (72.1%)	Hong Kong (89.5%) Other Asia Pacific Region (0.3%) Europe (6.6%) Others (3.6%)	9.01	1.22	1,188.5
YGM Trading Limited (“YGM”) (375.HK)	YGM is principally engaged in the wholesale and retail of garments, the management and licensing of trademarks, the provision of security printing and sale of printed products and the leasing of properties. (74.7%)	Hong Kong (55.6%) Taiwan (12.6%) The PRC (20.8%) The United Kingdom (2.7%) Others (8.3%)	1.48	0.74	398.1

LETTER FROM RAINBOW CAPITAL

Company name (stock code)	Principal activities (Percentage of total revenue derived from garment-related business in the latest financial year)	Geographical segment (Percentage of revenue derived from each location)	P/S (Note 1) (times)	P/B (Note 1) (times)	Market capitalisation as at the Latest Practicable Date (HK\$ million)
Crocodile Garments Limited (“Crocodile”) (122.HK)	Crocodile is principally engaged in the retailing and wholesales of fashion apparel and the manufacture of garment, property investment and letting and securities trading. (75.7%)	Hong Kong (95.2%) The PRC (4.8%)	1.58	0.20	322.2
Bauhaus International (Holdings) Limited (“Bauhaus”) (483.HK)	Bauhaus is principally engaged in the design and retail of trendy apparel, bags and fashion accessories. (100%)	Hong Kong, Macau and elsewhere (71.3%) (Note 4) Taiwan (17.9%) The PRC (10.8%)	0.36	0.59	315.9
Moiselle International Holdings Limited (“Moiselle”) (130.HK)	Moiselle is principally engaged in the design, manufacture, retailing and wholesales of fashion apparel and accessories. (100%)	Hong Kong (51.0%) Macau (18.0%) The PRC (18.7%) Taiwan (7.7%) Singapore (4.6%)	0.47	0.17	89.3
		Maximum	9.01	1.22	
		Minimum	0.36	0.17	
		Average	2.58	0.58	
		Median	1.48	0.59	
The Share Offer			0.05 (Note 2)	0.13 (Note 3)	631.9

Source: Bloomberg and the annual reports of the respective Comparable Companies

Notes:

- Being the P/Ss and P/Bs of the respective Comparable Companies as at the Latest Practicable Date as extracted from Bloomberg.
- Calculated based on (i) the Share Offer Price of HK\$0.043 per Offer Share; (ii) 1,641,333,394 Shares in issue as at the Latest Practicable Date; and (iii) the revenue for the latest twelve months ended 31 December 2019 of approximately HK\$1,465.2 million.
- Calculated based on (i) the Share Offer Price of HK\$0.043 per Offer Share; (ii) 1,641,333,394 Shares in issue as at the Latest Practicable Date; and (iii) the unaudited NAV of the Group of approximately HK\$560.2 million as at 31 December 2019.
- As set out in the annual results announcement of Bauhaus for the year ended 31 March 2020, this geographic unit was contributed almost all from Hong Kong and Macau retail operations.

LETTER FROM RAINBOW CAPITAL

As shown above, the P/Ss of the Comparable Companies ranged from approximately 0.36 time to approximately 9.01 times with an average and median of approximately 2.58 times and 1.48 times, respectively, as at the Latest Practicable Date. The Implied P/S of approximately 0.05 time is lower than all the P/Ss of the Comparable Companies.

On the other hand, the P/Bs of the Comparable Companies ranged from approximately 0.17 time to approximately 1.22 times with an average and median of approximately 0.58 time and 0.59 time, respectively, as at the Latest Practicable Date. The Implied P/B of approximately 0.13 time is lower than all the P/Bs of the Comparable Companies.

(ii) Analysis on offer comparables

In addition to the Comparable Companies set out above, we have, based on our search on the website of the Stock Exchange, identified an exhaustive list of companies (the “**Offer Comparables**”) listed on the Stock Exchange which have undergone mandatory general offer exercises by an offeror since 1 January 2020 and up to the date of the Joint Announcement. We consider that the period under review, being approximately five months, is adequate to provide a fair and representative sample for analysis of recent mandatory general offer transactions in the market taking into account the effect of the recent novel coronavirus outbreak which has significantly affected the economic sentiment.

Although the Offer Comparables have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company, we consider that the Offer Comparables can provide a general reference to the pricing trend of recent mandatory general offer transactions, i.e. the amount that the offerors are willing pay to the independent shareholders to accept the offers, under the current economic atmosphere, so as to determine whether the Share Offer Price is in line with those of recent mandatory general offer transactions in the market.

LETTER FROM RAINBOW CAPITAL

The table below illustrates the premiums/discounts of the offer prices offered in the Offer Comparables over/to the prevailing share prices prior to announcement of the relevant mandatory general offer transactions as well as the net asset value per share of the Offer Comparables:

Date of announcement	Company name (stock code)	Type of general offer exercise	Offer price (HK\$)	Premium/ (discount) over/ (to) the closing price on the last trading day	Premium/ (discount) over/ (to) the average closing price for the five consecutive trading days immediately prior to and including the last trading day	Premium/ (discount) over/ (to) the average closing price for the 10 consecutive trading days immediately prior to and including the last trading day	Premium/ (discount) over/ (to) the average closing price for the 30 consecutive trading days immediately prior to and including the last trading day	Premium/ (discount) over/ (to) the net asset value per share attributable to shareholders
8 January 2020	Sunway International Holdings Limited (58.HK)	Mandatory conditional cash offer	0.1	25.00%	24.07%	14.03%	7.60%	(66.26%)
17 January 2020	Season Pacific Holdings Limited (1709.HK)	Mandatory unconditional cash offer	0.55	(19.12%)	(16.16%)	(17.17%)	(6.62%)	261.84%
21 January 2020	Zhuhai Holdings Investment Group Limited (908.HK)	Mandatory conditional cash offer	1.21	0.83%	1.51%	2.72%	0.58%	(54.13%)
24 January 2020	Imperium Group Global Holdings Limited (776.HK)	Mandatory unconditional cash offers	1.04	(20.00%)	(20.00%)	(20.00%)	(21.63%)	420.00%
5 February 2020	Pine Care Group Limited (1989.HK)	Mandatory unconditional cash offer	1.647	105.90%	116.70%	87.20%	55.40%	638.60%
11 February 2020	Windmill Group Limited (1850.HK)	Mandatory unconditional cash offer	0.268	(4.29%)	(5.96%)	(6.62%)	(11.26%)	59.52%
17 February 2020	Bonjour Holdings Limited (653.HK)	Mandatory unconditional cash offer	0.1147	(7.50%)	13.80%	20.90%	25.50%	(29.00%)
3 April 2020	Zhongchang International Holdings Group Limited (859.HK)	Mandatory unconditional cash offer	0.5425	6.37%	(3.12%)	(8.05%)	(1.90%)	(69.23%)
28 April 2020	Hopeluent Group Holdings Limited (733.HK)	Mandatory unconditional cash offer	1.5	7.14%	8.70%	11.94%	7.14%	(69.07%)
6 May 2020	PF Group Holdings Limited (8221.HK)	Mandatory unconditional cash offer	0.0812	84.55%	63.71%	56.76%	45.52%	(42.00%)
			Maximum	105.90%	116.70%	87.20%	55.40%	638.60%
			Minimum	(20.00%)	(20.00%)	(20.00%)	(21.63%)	(69.23%)
			Average	17.89%	18.33%	14.17%	10.03%	105.03%
			Median	3.60%	5.11%	7.33%	3.86%	(35.50%)
14 May 2020	The Company (592.HK)	Mandatory unconditional cash offers	0.043	(70.95%)	(71.90%)	(71.14%)	(68.15%)	(87.39%)

Source: Announcements of the respective Offer Comparables

As illustrated in the table above, the discounts as represented by the Share Offer Price to the closing price of the Shares on the Last Trading Day, the average closing prices of the Shares for the periods of 5, 10 and 30 trading days up to and including the Last Trading Day, and the unaudited NAV per Share as at 31 December 2019 amounted to approximately 70.95%, 71.90%, 71.14%, 68.15% and 87.39%, respectively, which are all higher than the highest discounts of those of the Offer Comparables.

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(iii) Overall comment

Taking into account that (a) the Implied P/S is lower than all the P/Ss of the Comparable Companies; (b) the Implied P/B is lower than all the P/Bs of the Comparable Companies; and (c) the discounts as represented by the Share Offer Price to the closing Share prices for various periods in the 30 consecutive trading days up to and including the Last Trading Day and the unaudited NAV per Share as at 31 December 2019 are all higher than the highest discounts of those of the Offer Comparables, we consider that the Share Offer Price is not fair and reasonable so far as the Independent Shareholders are concerned.

7. Options

As at the Latest Practicable Date, there were 74,080,000 outstanding Share Options entitling the Optionholders to subscribe for an aggregate of 74,080,000 new Shares at exercise prices ranging from HK\$0.231 to HK\$0.922 per Share Option. Given that the exercise prices of the Share Options are all above the Share Offer Price of HK\$0.043 per Offer Share, the Option Offer will be made for the cancellation of all outstanding Share Options at a nominal price of HK\$0.0001 for each Share Option. Following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

Pursuant to the terms of the Share Option Schemes, in the event a general offer is made to the Shareholders, the Optionholders may exercise the Share Options (to the extent not already exercised) to its full extent or to the extent specified in the notice to the Company in exercise of his or her Share Options at any time before the close of such offer (or any revised offer). The Share Options not already exercised shall lapse automatically on the date which the Offers close. As such, the Optionholders are reminded that if they do not accept the Option Offer or exercise their Share Options prior to the close of the Offers, their Share Options shall lapse automatically upon closing of the Offers. In other words, they can only choose to either (i) accept the Option Offer; or (ii) exercise their Share Options.

We consider the Option Offer Price to be in line with the market practice and is determined in accordance with the Takeovers Code. Taking into account that the Share Offer Price of HK\$0.043 per Offer Share is not fair and reasonable, we consider that the Option Offer Price is not fair and reasonable so far as the Optionholders are concerned.

The recent market price of the Shares has closed significantly above the Share Offer Price since the publication of the Joint Announcement and up to and including the Latest Practicable Date in the range of HK\$0.194 to HK\$0.540 per Share. As at the Latest Practicable Date, (i) the Shares closed at HK\$0.385 (the “**LPD Closing Price**”); (ii) 4,620,000 Share Options have exercise prices below the LPD Closing Price; and (iii) the remaining 69,460,000 Share Options have exercise prices above the LPD Closing Price.

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For the Share Options with exercise prices below the current market price of the Shares, the Optionholders should consider exercising their Share Options and if they wish to realise their investments in the Company, selling the corresponding Shares in the open market in the event that the market price of the Shares exceeds the Share Offer Price and the sales proceeds (net of transaction costs) from disposal in the open market of the Shares newly issued after exercise of the Share Options exceed the amount receivable under the Share Offer. Any such Share Options not exercised shall lapse automatically upon closing of the Offers.

For the Share Options with exercise prices above the current market price of the Shares, the Optionholders should consider accepting the Option Offer given that (i) if they wish to invest in the Company, they can alternatively purchase the Shares in the open market at prices lower than the exercise prices of their Share Options, instead of exercising their Share Options; and (ii) if they do not accept the Option Offer, their Share Options shall lapse automatically upon closing of the Offers.

OPINION AND RECOMMENDATION

In arriving at our recommendation in respect of the Offers, 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):

(i) The Share Offer

(a) The Share Offer Price compared to historical Share prices and the NAV per Share

We have evaluated the fairness and reasonableness of the Share Offer Price by reviewing the closing prices of the Shares during the Review Period, being approximately 10 years preceding the Last Trading Day. The Share price closed above the Share Offer Price at all times during the Review Period. The discounts of the Share Offer Price of HK\$0.043 per Offer Share to the closing prices of the Shares for various periods in the 360 consecutive trading days before the announcement of the Offers are significant, in the range of approximately 68.15% to 80.63%.

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Since the publication of the Joint Announcement and up to and including the Latest Practicable Date, the Shares closed at a range of HK\$0.194 to HK\$0.540, representing premiums over the Share Offer Price in the range of 351.2% to 1,155.8%, indicating a positive market response to the Acquisition. As at the Latest Practicable Date, the Shares closed at HK\$0.385, representing a premium of approximately 795.3% over the Share Offer Price. Trading in the Shares was generally inactive prior to the publication of the Joint Announcement.

Investment property, inventories, debtors, bills receivable, deposits paid, prepayments and other receivables and cash and cash equivalents, which are considered as relatively liquid assets, constituted over 60% of the Group's total assets as at 31 December 2019. The Share Offer Price represents a deep discount of approximately 87.39% to the unaudited NAV per Share of approximately HK\$0.341 as at 31 December 2019. In other words, if the Shareholders accept the Share Offer, it would mean that the underlying value of the Company would be worth not more than 13% of the net asset backing of the Group.

(b) *Peer comparison*

We have identified five Comparable Companies which are engaged in businesses comparable to that of the Group and are listed in Hong Kong. The Implied P/S and the Implied P/B of approximately 0.05 time and 0.13 time are lower than all the P/Ss and P/Bs of the Comparable Companies as at the Latest Practicable Date, respectively. This indicates that the valuation of the Company as represented by the Share Offer Price is lower than its peers.

(c) *Comparison with recent mandatory general offer transactions*

We have considered 10 Offer Comparables which have undergone mandatory general offer exercises since 1 January 2020 and up to the date of the Joint Announcement. We consider these represent a general reference to the pricing trend of recent mandatory general offer transactions taking into account the impact of the recent novel coronavirus outbreak which has significantly affected the economic sentiment. The Share Offer Price compares unfavorably to those of the Offer Comparables.

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(d) Financial performance and prospects of the Group

The Group had been profit making in the last decade until FY2018, FY2019 and 2019/2020 H1 when its financial performance was negatively affected by, among other things, the weak consumer sentiment and competitive apparel retailing environment in its core markets, the social incidents in Hong Kong in the second half of 2019 and the United States-Mainland trade tensions. Total revenue recorded a notable decline of approximately 16.2% and 20.1% and the overall SSS recorded a contraction of approximately 9% and 10% for FY2019 and 2019/2020 H1, respectively, as compared to the previous year or period. The unaudited loss attributable to the owners was approximately between HK\$295 million and HK\$325 million for the eleven months ended 31 May 2020, deteriorating from approximately HK\$94 million for 2019/2020 H1 due to a halt in retailing activities caused by the novel coronavirus outbreak since early 2020, and the impairment provision of property, plant and equipment and right-of-use assets. The financial performance of the Group in the near term would hinge critically on the development of global public health situation, the United States-Mainland trade relations and the social incidents in Hong Kong.

As discussed in the section headed “3. Industry overview and outlook” above, the prospects of the Group will remain generally positive in the long run given the stimulus policies and measures implemented by the governments around the world to revitalise the domestic economies despite current challenges such as the novel coronavirus outbreak and the local social incidents, the impact of which, in our view, is temporary and will not persist for a very long period of time.

The management team of the Viva China Group responsible for operating and managing the Group is primarily led by Mr. Li Ning who founded the Li Ning Group in 1989 with over 30 years of experience in apparel business. The Group, through the Acquisition, can leverage on the Viva China Group’s market presence in the PRC and Mr. Li Ning’s extensive business connections, particularly the network of distributors built up in different regions of the PRC and his extensive experience in the sports-related and apparel industry, to expand its distribution network in other cities in the PRC, which we consider a growth potential for the Group as currently, the retail stores of the Company in the PRC are mainly located in the Guangdong Province.

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Despite the current loss-making position, the Group is financially healthy given its net current asset and net cash position. As at 31 December 2019, the Group had net cash of approximately HK\$232.3 million and current ratio of approximately 1.66 times. Moreover, pursuant to the Shareholders' Agreement, the total amount of Contribution being made available by VC Consumables and Keystar to the Offeror, after excluding the maximum amount for satisfying the consideration for the Acquisition and full acceptance of the Offers, shall be not more than approximately HK\$226.6 million. This indicates the Offeror's financial support for the Group's future business development in face of the current hardship.

Based on the above, we consider that the Share Offer Price is not fair and reasonable so far as the Independent Shareholders are concerned.

(ii) The Option Offer

As set out in the sub-section above, we consider that the Share Offer Price is not fair and reasonable. Accordingly, we consider that the terms of the Option Offer are not fair and reasonable so far as the Optionholders are concerned.

The terms of the Share Option Schemes contain a provision to the effect that the Share Options shall lapse automatically following the close of an unconditional general offer, which we consider a common practice. As such, the Optionholders are reminded that if they do not accept the Option Offer or exercise their Share Options prior to the close of the Offers, their Share Options shall lapse automatically upon closing of the Offers. In other words, they can only choose to either (a) accept the Option Offer; or (b) exercise their Share Options.

The recent market price of the Shares has closed significantly above the Share Offer Price since the publication of the Joint Announcement and up to and including the Latest Practicable Date in the range of HK\$0.194 to HK\$0.540 per Share.

For the Share Options with exercise prices below the current market price of the Shares (the "**In-the-money Share Options**"), the Optionholders should consider exercising their Share Options and if they wish to realise their investments in the Company, selling the corresponding Shares in the open market in the event that the market price of the Shares exceeds the Share Offer Price and the sales proceeds (net of transaction costs) from disposal in the open market of the Shares newly issued after exercise of the Share Options exceed the amount receivable under the Share Offer. Any such Share Options not exercised shall lapse automatically upon closing of the Offers.

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For the Share Options with exercise prices above the current market price of the Shares (the “**Out-of-money Share Options**”), the Optionholders should consider accepting the Option Offer given that (a) if they wish to invest in the Company, they can alternatively purchase the Shares in the open market at prices lower than the exercise prices of their Share Options, instead of exercising their Share Options; and (b) if they do not accept the Option Offer, their Share Options shall lapse automatically upon closing of the Offers.

Based on the above, we consider that the terms of the Offers (being the Share Offer and the Option Offer) are not fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise (i) the Independent Shareholders not to accept the Share Offer; (ii) the holders of the In-the-money Share Options to exercise their Share Options instead of accepting the Option Offer; and (iii) the holders of the Out-of-money Share Options to accept the Option Offer.

The market price of the Shares closed at HK\$0.385 as at the Latest Practicable Date. Those Independent Shareholders who wish to realise their investments in the market (especially those with a significant number of Shares) should monitor the market price and the trading liquidity in the Shares closely during the Offer Period.

Optionholders should note that if they do not accept the Option Offer or exercise their Share Options prior to the close of the Offers, their Share Options shall lapse automatically upon closing of the Offers.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the corporate finance industry.

To accept the Offers, you should complete and sign the accompanying Form(s) of Acceptance in accordance with the instructions printed thereon. The instructions set out in this Composite Document should be read together with the instructions printed on the Form(s) of Acceptance which form part of the terms of the Offers.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

1.1 The Share Offer

- (i) To accept the Share Offer, you should complete and sign the accompanying Form of Share Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Share Offer.
- (ii) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed and signed Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, being Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by post or by hand, marked "**Bossini International Holdings Limited – Share Offer**" on the envelope, as soon as possible and in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (iii) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer whether in full or in part of your Shares, you must either:
 - (a) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver in an envelope marked "**Bossini International Holdings Limited – Share Offer**" with the duly completed and signed Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (b) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked “**Bossini International Holdings Limited – Share Offer**” with the duly completed and signed Form of Share Offer Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (c) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (d) if your Shares have been lodged with your investor participant’s account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (iv) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Shares, the Form of Share Offer Acceptance should nevertheless be completed, signed and delivered in an envelope marked “**Bossini International Holdings Limited – Share Offer**” to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (v) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete and sign the Form of Share Offer Acceptance and deliver it in an envelope marked “**Bossini International Holdings Limited – Share Offer**” to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Optima Capital and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the Form of Share Offer Acceptance.
- (vi) Acceptance of the Share Offer will be treated as valid only if the completed and signed Form of Share Offer Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code) and the Registrar has recorded the Form of Share Offer Acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
- (a) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (b) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (vi)); or
 - (c) certified by the Registrar or the Stock Exchange.

If the Form of Share Offer Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (vii) No acknowledgement of receipt of any Form of Share Offer Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

1.2 The Option Offer

- (i) To accept the Option Offer, you should complete and sign the Form of Option Offer Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Option Offer.
- (ii) If you are an Optionholder and you wish to accept the Option Offer in respect of your Share Options (whether in full or in part), you must send duly completed and signed Form of Option Offer Acceptance, together with the relevant certificate(s) of the Share Options (if applicable) and/or other document(s) of title or entitlement (and/or satisfactory indemnity or indemnities required in respect thereof) for the aggregate principal amount of Share Options which you hold that you wish to tender to the Option Offer, by post or by hand, in an envelope marked “**Bossini International Holdings Limited – Option Offer**”, to the company secretary of the Company, at 2/F, PopOffice, 9 Tong Yin Street, Tseung Kwan O, Kowloon, Hong Kong as soon as possible and in any event no later than 4:00 p.m. on the Closing Date or such later time(s) and/or date(s) as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code.
- (iii) No stamp duty is payable in connection with the acceptances of the Option Offer.
- (iv) No acknowledgement of receipt of any Form of Option Offer Acceptance, certificate(s) of the Share Options (if applicable) and/or any other documents of title (and/or any satisfactory indemnity/indemnities required in respect thereof) will be given.

2. SETTLEMENT OF THE OFFERS**2.1 The Share Offer**

Provided that a valid Form of Share Offer Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects in accordance with the Takeovers Code and have been received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount representing the cash consideration due to each of the Independent Shareholders who accepts the Share Offer less seller's ad valorem stamp duty in respect of the Shares tendered by it/him/her under the Share Offer will be despatched to such Independent Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) Business Days after the date on which all the relevant documents which render such acceptance complete and valid are received by the Registrar in accordance with the Takeovers Code.

2.2 The Option Offer

Provided that a valid Form of Option Offer Acceptance and the relevant certificate(s) of Share Option or other documents (if any) evidencing the grant of the Share Options and any documents of title or entitlement (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Share Options are complete and in good order in all respects and have been received by the company secretary of the Company by 4:00 p.m. on the Closing Date, a cheque or a banker's cashier order for the amount due to each of the Optionholders who accept the Option Offer in respect of the Share Options tendered by him/her under the Option Offer will be despatched to such Optionholder by ordinary post at his/her own risk as soon as possible but in any event within seven (7) Business Days following the date on which the duly completed acceptances of the Option Offer and the relevant documents of title in respect of such acceptances are received by the company secretary of the Company to render such acceptance complete and valid.

Settlement of the consideration to which any accepting Independent Shareholder or Optionholder is entitled under the Share Offer or the Option Offer will be implemented in full in accordance with the terms of the Offers (save with respect to the payment of seller's Hong Kong ad valorem stamp duty of the Share Offer), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder or Optionholder.

No fractions of a cent (HK\$) will be payable and the amount of cash consideration payable to an Independent Shareholder or Optionholder who accepts the Share Offer or the Option Offer will be rounded up to the nearest cent (HK\$).

3. ACCEPTANCE PERIOD AND REVISIONS

- (i) In order to be valid for the Offers, the Form of Share Offer Acceptance and Form of Option Offer Acceptance must be received by the Registrar and the company secretary of the Company respectively in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offers are extended or revised in accordance with the Takeovers Code. The Offers are unconditional.
- (ii) The Offeror reserves the right to revise the terms of the Offers in accordance with the Takeovers Code. If the Offeror revises the terms of the Offers, all the Independent Shareholders and the Optionholders, whether or not they have already accepted the Offers, will be entitled to accept the revised Offers under the revised terms.
- (iii) If the Offers are extended or revised, the announcement of such extension or revision will state the next closing date or the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to the Independent Shareholders and the Optionholders who have not accepted the Offers, and an announcement will be released. The revised Offers will be kept open for at least 14 days thereafter.
- (iv) If the Closing Date of the Offers are extended, any reference in this Composite Document and in the Forms of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.
- (v) Any acceptance of the relevant revised Offers shall be irrevocable unless and until the Independent Shareholders and the Optionholders who accept the Offers become entitled to withdraw their acceptance under the paragraphs headed "7. RIGHT OF WITHDRAWAL" below and duly do so.

4. EXERCISE OF OPTIONS

Optionholders who wish to accept the Share Offer may (i) exercise his/her Share Options (to the extent not already exercised) by completing, signing and delivering a notice for exercising the Share Options together with a cheque for payment of the subscription monies and the related certificates (if applicable) for the Share Options to the company secretary of the Company before the Offers close; and (ii) at the same time, or in any event no later than 4:00 p.m. on the Closing Date, complete and sign the Form of Share Offer Acceptance and deliver it to the Registrar together with a copy of the set of documents delivered to the Company for exercising the Share Options. Exercise of the Share Options is subject to the respective terms and conditions of the Share Option Schemes and the terms attaching to the grant of the relevant Share Options. Delivery of the completed and signed Form of Share Offer Acceptance to the Registrar will not serve to complete the exercise of the Share Options but will only be deemed to be an irrevocable

authority to the Offeror and/or Optima Capital and/or any of their respective agent(s) or such other person(s) as they may direct to collect from the Company or the Registrar on his/her behalf the relevant share certificate(s) when issued on exercise of the Share Options as if it/they were delivered to the Registrar with the Form of Share Offer Acceptance. If the Optionholder fails to exercise his/her Share Options as aforesaid and in accordance with the respective terms and conditions of the Share Option Scheme, there is no guarantee that the Company may issue the relevant share certificate in respect of the Shares allotted pursuant to his/her exercise of the Share Option(s) to such Optionholder in time for it to accept the Share Offer as an Independent Shareholder of such Shares under the terms of the Share Offer.

Pursuant to the terms of the Share Option Schemes, in the event a general offer is made to the Shareholders, the Optionholders may exercise the Share Options (to the extent not already exercised) to its full extent or to the extent specified in the notice to the Company in exercise of his or her Share Options at any time before the close of such offer (or any revised offer). The Share Options not already exercised shall lapse automatically on the date which the Offers close.

5. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

6. ANNOUNCEMENTS

- (i) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision or extension of the Offers. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offers and whether the Offers have been revised, or extended.

The announcement must state the following:

- (a) the total number of Offer Shares for which acceptances for the Share Offer have been received;

- (b) the total number of Share Options for which acceptances of the Option Offer have been received;
- (c) the total number of Shares and Share Options held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
- (d) the total number of Shares acquired or agreed to be acquired, or the number of Share Options cancelled as the case may be in connection during the Offer Period by the Offeror and persons acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror and parties acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (ii) In computing the total number or principal amount of Offer Shares and Share Options represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in this appendix, and which have been received by the Registrar (in respect of the Share Offer) or the company secretary of the Company (in respect of the Option Offer) respectively no later than 4:00 p.m. on the Closing Date, unless the Offers are extended or revised in accordance with the Takeovers Code, shall be included.
- (iii) As required under the Takeovers Code, all announcements in relation to the Offers which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the Listing Rules respectively.

7. RIGHT OF WITHDRAWAL

- (i) Acceptance of the Offers tendered by the Independent Shareholders and the Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (ii) below.
- (ii) If the Offeror is unable to comply with the requirements set out in the paragraph headed “6. ANNOUNCEMENTS” above, the Executive may require that the Independent Shareholders and Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in those paragraphs are met.

In such case, when any Independent Shareholder(s) and Optionholder(s) withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or the certificate(s) of the Share Options and/or other document(s) of title or evidencing the grant of the Share Options (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance to the relevant Independent Shareholder(s) and to the company secretary of the Company for collection by such Optionholder(s).

8. OVERSEAS SHAREHOLDERS AND OVERSEAS OPTIONHOLDERS

The availability of the Offers to persons who are not Hong Kong residents or who have registered addresses outside Hong Kong may be affected by the applicable laws and regulations of the relevant jurisdictions. Overseas Shareholders and Overseas Optionholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should fully observe all applicable legal or regulatory requirements and, where necessary, seek their own legal advice. It is the responsibility of the Overseas Shareholders and Overseas Optionholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the Offers (including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such accepting Overseas Shareholders and Overseas Optionholders in respect of such jurisdictions).

Acceptance of the Offers by any Overseas Shareholders and Overseas Optionholders will be deemed to constitute a representation and warranty from such Overseas Shareholders and Overseas Optionholders to the Offeror that all the laws and requirements of the relevant jurisdictions have been complied with. The Overseas Shareholders and Overseas Optionholders should consult their professional advisers if in any doubt. The Overseas Shareholders and Overseas Optionholders who are in doubt as to the action they should take should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

9. HONG KONG STAMP DUTY

The seller's Hong Kong ad valorem stamp duty payable by the Independent Shareholders who accept the Share Offer and calculated at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Share Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholders who accept the Share Offer.

The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders who accept the Share Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptances of the Share Offer and the transfers of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No Stamp duty is payable in connection with the acceptance of the Option Offer.

10. TAXATION ADVICE

None of the Offeror, parties acting in concert with the Offeror, the Company, the Vendor, the Guarantor, Optima Capital, Rainbow Capital, the Registrar or any of their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offers is in a position to advise the Independent Shareholders and the Optionholders on their individual tax implications. Independent Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offers. None of the Offeror, parties acting in concert with the Offeror, the Company, the Vendor, the Guarantor, Optima Capital, Rainbow Capital, the Registrar or any of their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offers accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offers.

11. GENERAL

- (i) All communications, notices, Form(s) of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and/or the Optionholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. None of the Offeror, parties acting in concert with the Offeror, the Company, the Vendor, the Guarantor, Optima Capital, Rainbow Capital, the Registrar, and any of their respective directors and professional advisers and any other parties involved in the Offers and any of their respective agents accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (ii) The provisions set out in the Form of Share Offer Acceptance and Form of Option Offer Acceptance form part of the terms and conditions of the Share Offer and Option Offer, respectively.
- (iii) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate either the Share Offer or the Option Offer in any way.

- (iv) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (v) Due execution of the Form(s) of Acceptance will constitute an irrevocable authority to the Offeror, Optima Capital, the Registrar, or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Shares or the Share Options in respect of which such person or persons has/have accepted the Offers.
- (vi) Acceptance of the Share Offer by any Independent Shareholders will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Offer Shares acquired under the Share Offer are sold by such person or persons free from all Encumbrances and together with all rights accruing or attaching thereto including (without limitation) the rights to receive in full any and all dividends and distributions declared, made or paid on or after the date on which the Share Offer is made.
- (vii) Acceptance of the Option Offer by any Optionholders will be deemed to constitute a warranty by such person that the Share Options and all rights attached thereto are cancelled with effect from the date on which the Option Offer is made, being the date of this Composite Document.
- (viii) References to the Offers in this Composite Document and the Form(s) of Acceptance shall include any revision and/or extension thereof.
- (ix) The making of the Offers to the Overseas Shareholders and Overseas Optionholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders and Overseas Optionholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder and Overseas Optionholder who wishes to accept the Offers to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders and Overseas Optionholders shall be fully responsible for the payment of any transfer or cancellation or other taxes and duties due by such Overseas Shareholders and Overseas Optionholders in respect of the relevant jurisdictions. The Overseas Shareholders and Overseas Optionholders are recommended to seek professional advice on deciding whether or not to accept the Offers.

- (x) Acceptance of the Offers by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares or Share Options, in respect of which it is indicated in the Form(s) of Acceptance, is the aggregate number of Shares or Share Options held by such nominee for such beneficial owners who accept the Offers.
- (xi) Acceptance of the Offers by any Independent Shareholders or Optionholders will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws and regulations to receive and accept the Offers, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.
- (xii) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offers) to all or any Independent Shareholders and the Optionholders with registered address(es) outside Hong Kong or whom the Offeror, Optima Capital, knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders and the Optionholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.
- (xiii) In making their decision, the Independent Shareholders and Optionholders must rely on their own examination of the Offeror, the Group and the terms of the Share Offer and the Option Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form(s) of Acceptance, shall not be construed as any legal or business advice on the part of the Company, the Offeror and parties acting in concert with it, Optima Capital, Rainbow Capital, the Registrar or any of their respective ultimate beneficial owners, directors, officers, agents, professional advisers or associates or any other persons involved in the Offers. The Independent Shareholders and Optionholders should consult their own professional advisers for professional advice.
- (xiv) The English text of this Composite Document and the Form(s) of Acceptance shall prevail over their respective Chinese text in case of inconsistency.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the financial information of the Group for each of the years ended 30 June 2017, 2018 and 2019 as extracted from the annual reports of the Company for each of the financial years ended 30 June 2017, 2018 and 2019, and the financial information of the Group for the six months ended 31 December 2019 as extracted from the interim report of the Company for the six months ended 31 December 2019.

	Year ended 30 June			Six months ended
	2019	2018	2017	31 December
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Revenue	<u>1,641,171</u>	<u>1,958,043</u>	<u>2,019,890</u>	<u>699,414</u>
Profit/(loss) from operating activities	(134,522)	(21,474)	9,764	(81,577)
Finance costs	<u>(212)</u>	<u>(40)</u>	<u>–</u>	<u>(9,075)</u>
Profit/(loss) before tax	(134,734)	(21,514)	9,764	(90,652)
Income tax expense	<u>(4,371)</u>	<u>(7,458)</u>	<u>(4,878)</u>	<u>(3,035)</u>
Profit/(loss) for the year/period attributable to owners of the Company	<u><u>(139,105)</u></u>	<u><u>(28,972)</u></u>	<u><u>4,886</u></u>	<u><u>(93,687)</u></u>
Total comprehensive income/(loss) for the year/period attributable to owners of the Company	(138,060)	(32,594)	1,259	(99,504)
Earnings/(loss) per Share attributable to ordinary equity holders of the Company				
– Basic	(HK8.48 cents)	(HK1.77 cents)	HK0.30 cent	(HK5.71 cents)
– Diluted	(HK8.48 cents)	(HK1.77 cents)	HK0.30 cent	(HK5.71 cents)

For each of the year/period stated above, the Group had no profit or loss or comprehensive income attributable to non-controlling interest.

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

	At 30 June		At 31 December	
	2019	2018	2017	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	938,139	1,129,175	1,232,745	1,177,139
Total liabilities	<u>(238,164)</u>	<u>(253,350)</u>	<u>(277,377)</u>	<u>(616,895)</u>
	<u>699,975</u>	<u>875,825</u>	<u>955,368</u>	<u>560,244</u>

For the years ended 30 June 2017, 2018 and 2019 and the six months ended 31 December 2019, the Company had declared dividends as follows:

For the six months ended 31 December 2016	Special interim dividend of HK1.22 cents per Share
For the year ended 30 June 2017	Final dividend of HK1.22 cents per Share and special final dividend of HK0.61 cent per Share
For the six months ended 31 December 2017	Interim dividend of HK1.22 cents per Share
For the year ended 30 June 2018	Final dividend of HK1.22 cents per Share
For the six months ended 31 December 2018	Interim dividend of HK1.22 cents per Share
For the year ended 30 June 2019	Final dividend of HK1.22 cents per Share
For the six months ended 31 December 2019	Nil

Save as disclosed above, the Group did not have any item of any income or expense which was material during each of the years ended 30 June 2017, 2018 or 2019 and the six months ended 31 December 2019. As at the Latest Practicable Date, the Company had no intention to make, declare or pay any future dividend/distribution until the close of the Offers.

The auditor's reports issued by Ernst & Young in respect of the Group's audited consolidated financial statements for each of the years ended 30 June 2017, 2018 and 2019 did not contain any qualified or modified opinion (including emphasis of matter, adverse opinion, disclaimer of opinion, and material uncertainty related to going concern).

2. CONSOLIDATED FINANCIAL INFORMATION

The Company is required to set out or refer to in this Composite Document the consolidated statement of financial position, consolidated statement of cash flows, any other primary statement and significant accounting policies as shown in (i) the audited consolidated financial statements of the Group for the year ended 30 June 2017 (the “**2017 Financial Statements**”); (ii) the audited consolidated financial statements of the Group for the year ended 30 June 2018 (the “**2018 Financial Statements**”); (iii) the audited consolidated financial statements of the Group for the year ended 30 June 2019 (the “**2019 Financial Statements**”); and (iv) the unaudited consolidated financial statements of the Group for the six months ended 31 December 2019 (the “**2020 Interim Financial Statements**”), and, together with the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The 2017 Financial Statements are set out on pages 83 to 191 of the annual report of the Company for the year ended 30 June 2017, which was published on 10 October 2017. The annual report of the Company for the year ended 30 June 2017 was posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/1010/lt20171010187.pdf>

The 2018 Financial Statements are set out on pages 69 to 179 of the annual report of the Company for the year ended 30 June 2018, which was published on 9 October 2018. The annual report of the Company for the year ended 30 June 2018 was posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/1009/lt20181009719.pdf>

The 2019 Financial Statements are set out on pages 75 to 211 of the annual report of the Company for the year ended 30 June 2019, which was published on 4 October 2019. The annual report of the Company for the year ended 30 June 2019 was posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1004/lt20191004413.pdf>

The 2020 Interim Financial Statements are set out on pages 40 to 87 of the interim report of the Company for the six months ended 31 December 2019, which was published on 12 March 2020. The interim report of the Company for the six months ended 31 December 2019 was posted on the websites of the Stock Exchange and the Company. Please also see below a direct link:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0312/2020031200734.pdf>

The 2017 Financial Statements, the 2018 Financial Statements, the 2019 Financial Statements and the 2020 Interim Financial Statements (but not any other part of the annual reports of the Company for the years ended 30 June 2017, 2018 and 2019 or the interim report of the Company for the six months ended 31 December 2019 in which they respectively appear) are incorporated by reference into this Composite Document and form part of this Composite Document.

3. INDEBTEDNESS

As at the close of business on 30 April 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had the following indebtedness:

	As at 30 April 2020
	<i>HK\$'000</i>
Bank loan – secured and guaranteed ^(Note)	30,000
Bank loans – unsecured and guaranteed ^(Note)	11,232
Lease liabilities	<u>308,965</u>
	<u><u>350,197</u></u>

Note:

The Group's bank loan of approximately HK\$30,000,000 was guaranteed by the Group and secured by certain properties held by the Group and bank loans of approximately HK\$11,232,000 were guaranteed by the Company.

Other than the aforementioned indebtedness, as at the close of business on 30 April 2020, the Group had contingent liabilities of approximately HK\$5,697,000, being the bank guarantees given in lieu of utility and property rental deposits.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal payables and accruals in the ordinary course of business, the Group did not have any bank overdrafts or loans, or other similar indebtedness, guarantees, material capital commitment or other material contingent liabilities outstanding as at the close of business on 30 April 2020.

4. MATERIAL CHANGE

The Directors confirm that, save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 30 June 2019, being the date to which the latest published audited financial statements of the Company were made up, up to the Latest Practicable Date:

- (i) as disclosed in the interim report of the Company for the six months ended 31 December 2019 (the “**Interim Report**”), as a result of the social incidents which gave rise to a significant decline in inbound visitors and consumption-related activities in Hong Kong, the escalated trade tensions between the United States and the PRC, the weak consumer sentiment and the unseasonal warm winter weather in the core markets where the Group operates, the Group recorded (a) a 20.1% and 10% period-on-period decrease in revenue and same-store sales, respectively; (b) a 22.2% period-on-period decrease in gross profit with gross margin declining by approximately 1.3 percentage points to approximately 50.9%; and (c) an increase in loss attributable to the owners from approximately HK\$25.7 million for the six months ended 31 December 2018 to approximately HK\$93.7 million, for the six months ended 31 December 2019;
- (ii) as disclosed in the Interim Report, the Group has adopted for the first time various revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) since the commencement of the six months ended 31 December 2019 (i.e. 1 July 2019). As set out in note 1 to the financial statements in the Interim Report, the adoption of HKFRS 16 in respect of leases resulted in an increase in right-of-use assets of approximately HK\$367.9 million, an increase in lease liabilities of approximately HK\$390.2 million and a decrease in total equity of approximately HK\$20.5 million as at 1 July 2019 as compared to 30 June 2019;
- (iii) as disclosed in the Interim Report, the Group held an investment fund with an aggregate principal amount of HK\$231.9 million as at 31 December 2018 and such investment fund was redeemed or matured during the six months ended 31 December 2019;
- (iv) as disclosed in the announcement of the Company dated 2 March 2020, the Group will wind up its retail operation in Taiwan (the “**Taiwan Division**”) orderly, targeting to close all the stores currently run in the Taiwan Division by or about 31 July 2020 and the costs associated with the closure of the Taiwan Division are estimated to be approximately HK\$20 million; and

- (v) as disclosed in the announcements of the Company dated 28 May 2020 and 17 June 2020, as a result of (a) the outbreak of the novel coronavirus which caused semi-lockdown of the core markets of the Group and therefore a halt in retailing activities; and (b) the impairment provision of property, plant and equipment and right-of-use assets, the loss attributable to the owners was approximately between HK\$295 million and HK\$325 million for the eleven months ended 31 May 2020, deteriorating from approximately HK\$93.7 million for the six months ended 31 December 2019, based on the unaudited consolidated management accounts of the Company.

The profit warning statements included in the profit warning announcements of the Company dated 28 May 2020 and 17 June 2020 constitute profit forecasts of the Company. In accordance with Rule 10.4 of the Takeovers Code, the updated profit warning statement in relation to the eleven months ended 31 May 2020 set out in the announcement of the Company dated 17 June 2020 has been reported on by Ernst & Young, the Company's auditors and Rainbow Capital, the independent financial adviser of the Company. Your attention is drawn to the reports issued by Ernst & Young and Rainbow Capital on such statement set out in Appendix V and Appendix VI to this Composite Document respectively.

RESPONSIBILITY STATEMENT

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Viva China Group (excluding the Offeror) and the Group), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Directors and the Viva China Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The directors of Viva China jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and the Group), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Directors and the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Share (HK\$)
29 November 2019	0.190
31 December 2019	0.194
31 January 2020	0.192
28 February 2020	0.183
31 March 2020	0.125
29 April 2020	0.146
14 May 2020 (being the Last Trading Day)	0.148
29 May 2020	0.405
30 June 2020	0.310
22 July 2020 (being the Latest Practicable Date)	0.385

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.540 per Share on 22 May 2020, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.117 per Share on 18 March 2020 and 25 March 2020 respectively.

DISCLOSURE OF INTERESTS AND DEALINGS OF SECURITIES IN THE COMPANY

- (i) The Offeror confirms that, as at the Latest Practicable Date:
 - (a) save for the Sale Shares held by the Offeror, none of the Offeror, VC Consumables, Keystar, their respective directors or parties acting in concert with the Offeror owned, controlled or was interested in any Shares or convertible securities, warrants, options or derivatives in respect of any Shares;
 - (b) none of the Offeror and parties acting in concert with it had received any irrevocable commitment to accept or reject the Offers;
 - (c) save for the Sale Shares acquired by the Offeror under the Share Purchase Agreement, representing in aggregate approximately 66.60% of the issued share capital of the Company as at the Latest Practicable Date, none of the Offeror, the directors of the Offeror and parties acting in concert with the Offeror had dealt for value in any Shares, Share Options, warrants or other securities convertible into the Shares during the Relevant Period;
 - (d) none of the Offeror and parties acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and
 - (e) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Offeror and parties acting in concert with it and any other person;
- (ii) there was no agreement or arrangement to which the Offeror and/or parties acting in concert with it was a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (iii) save for the Share Purchase Agreement, as at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, Shareholders, or recent Shareholders having any connection with or dependence upon the Offers;

- (iv) save for the shareholders' agreement dated 14 May 2020 entered into between the Offeror, VC Consumables and Keystar including the arrangement on distribution of the Shares held by the Offeror and all other assets (if any) to VC Consumables and Keystar in proportion to their shareholding interests in the Offeror on the second anniversary of the last day of the calendar month in which the completion of the Offers took place (or such other date as VC Consumables and Keystar agree in writing), there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons; and
- (v) no benefits had been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offers.

EXPERT AND CONSENT

The following is the name and the qualification of the professional adviser to the Offeror whose letter, opinion or advice is contained or referred to in this Composite Document:

Name	Qualification
Optima Capital	a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Optima Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion therein of its letter, opinion or advice and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Optima Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

MISCELLANEOUS

- (i) The Offeror is owned as to 80% by VC Consumables (a wholly-owned subsidiary of Viva China) and 20% by Keystar. The principal members of the Offeror's concert group are (i) VC Consumables; (ii) Keystar; and (iii) Viva China.
- (ii) The directors of the Offeror are Mr. Li Ning, Mr. Cheung Chi and Mr. Bosco Law.
- (iii) VC Consumables is wholly owned by Viva China. The directors of VC Consumables are Mr. Li Ning and Mr. Cheung Chi.

- (iv) The directors of Viva China are Mr. Li Ning, Mr. Li Chunyang, Mr. Li Qilin, Mr. Ma Wing Man, Mr. Li Qing, Mr. Pak Wai Keung, Martin and Mr. Wang Yan. The ultimate controlling shareholder of Viva China is Mr. Li Ning, as he is interested in the Viva China Shares through his interests in Lead Ahead Limited, Victory Mind Assets Limited and Dragon City Management (PTC) Limited, which held 2,132,420,382, 1,680,022,769 and 2,000,000,000 Viva China Shares respectively representing approximately 24.06%, 18.95% and 22.56% and in aggregate 65.57% of the total issued share capital of Viva China as at the Latest Practicable Date.
- (v) The directors of Keystar are Mr. Bosco Law and Mr. Hui Lam Po. The ultimate controlling shareholder of Keystar is Mr. Bosco Law.
- (vi) The registered office of the Offeror and VC Consumables is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (vii) The registered office of Viva China is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (viii) The registered office of Keystar is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (ix) The registered office of Optima Capital is situated at Suite 1501, 15th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (x) The correspondence address of the Offeror is at Room 3602-06, 36th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong.
- (xi) The correspondence address of VC Consumables and Viva China is at Room 3602-06, 36th Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong.
- (xii) The correspondence address of Keystar is at c/o 36/F, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong.
- (xiii) In the event of inconsistency, the English texts of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts.

DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection (i) on the websites of the SFC at www.sfc.hk and the Company at www.bossini.com; and (ii) during normal business hours from 9:00 a.m. to 5:00 p.m. on any business day at the head office and principal place of business of the Company at 2/F, PopOffice, 9 Tong Yin Street, Tseung Kwan O, Kowloon, Hong Kong, from the date of this Composite Document up to and including the Closing Date:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the letter from Optima Capital, the text of which is set out on pages 10 to 24 of this Composite Document; and
- (iii) the written consent referred to under the paragraph headed “EXPERT AND CONSENT” in this appendix.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror, Viva China, and parties acting in concert with any of them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the directors of the Offeror and Viva China) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$200,000,000.00 divided into 2,000,000,000 Shares of HK\$0.10 each, of which 1,641,333,394 Shares had been issued and were fully paid or credited as fully paid. All the existing issued Shares are fully paid up and rank *pari passu* in all respects including all rights as to capital, dividends and voting.

Since 30 June 2019, being the date to which the latest audited financial statements of the Company were made up, the Company has not allotted and issued any Share.

There were 74,080,000 outstanding Share Options as at the Latest Practicable Date. The following table sets out the list of outstanding Share Options as at the Latest Practicable Date:

Date of grant	Exercise price per Share Option (HK\$)	Number of new Shares to be issued upon exercise of the Share Options by the Optionholders
12 October 2010	0.780	22,960,000
3 January 2011	0.922	82,000
4 July 2011	0.880	54,000
2 December 2013	0.570	15,426,000
2 January 2014	0.570	124,000
2 July 2015	0.740	398,000
4 October 2016	0.495	28,980,000
1 June 2017	0.460	620,000
3 October 2017	0.455	816,000
3 July 2018	0.352	620,000
2 January 2019	0.275	2,500,000
1 March 2019	0.285	620,000
2 July 2019	0.231	880,000

Save as disclosed above, as at the Latest Practicable Date, there were no convertible securities, warrants, options, derivatives or other securities issued by the Company that are convertible or exchangeable into Shares or other types of equity interest in issue.

3. DISCLOSURE OF INTERESTS

(i) Interests and short positions of the Directors and chief executive in the shares, the underlying shares and debentures of the Company or any associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange or which were required to be disclosed under the Takeovers Code, were as follows:

Long positions in the shares and the underlying shares

Name of Director	Capacity	Number of Shares held	Number of Share Options held	Approximate % of the issued share capital ^(Note 2)
Ms. Tsin Man Kuen Bess (Note 1)	Beneficial owner	–	8,750,000 (Note 3)	0.53%
Mr. Mak Tak Cheong Edmund (Note 1)	Beneficial owner	–	22,500,000 (Note 4)	1.37%
Mr. Chan Cheuk Him Paul (Note 1)	Beneficial owner	–	7,550,000 (Note 5)	0.46%

Notes:

- Ms. Tsin Man Kuen Bess, Mr. Mak Tak Cheong Edmund and Mr. Chan Cheuk Him Paul are executive Directors.
- The percentage holding is calculated based on the issued share capital of the Company as at the Latest Practicable Date comprising 1,641,333,394 Shares.

3. The details of such Share Options held by Ms. Tsin Man Kuen Bess are as follows:

Number of Share Options	Exercise period of Share Options	Exercise price of Share Options (HK\$ per Share Option)
800,000	12 October 2011 to 11 October 2020	0.780
1,200,000	12 October 2013 to 11 October 2020	0.780
2,000,000	12 October 2015 to 11 October 2020	0.780
1,750,000	1 November 2016 to 1 December 2023 (vesting is subject to the grantee's individual performance and the achievement of 3-year corporate goals for the 3-year performance period ended 30 June 2016)	0.570
3,000,000	4 October 2019 to 3 October 2026	0.495

4. The details of such Share Options held by Mr. Mak Tak Cheong Edmund are as follows:

Number of Share Options	Exercise period of Share Options	Exercise price of Share Options (HK\$ per Share Option)
2,800,000	12 October 2011 to 11 October 2020	0.780
4,200,000	12 October 2013 to 11 October 2020	0.780
7,000,000	12 October 2015 to 11 October 2020	0.780
3,500,000	1 November 2016 to 1 December 2023 (vesting is subject to the grantee's individual performance and the achievement of 3-year corporate goals for the 3-year performance period ended 30 June 2016)	0.570
5,000,000	4 October 2019 to 3 October 2026	0.495

5. The details of such Share Options held by Mr. Chan Cheuk Him Paul are as follows:

Number of Share Options	Exercise period of Share Options	Exercise price of Share Options (HK\$ per Share Option)
560,000	12 October 2011 to 11 October 2020	0.780
840,000	12 October 2013 to 11 October 2020	0.780
1,400,000	12 October 2015 to 11 October 2020	0.780
1,750,000	1 November 2016 to 1 December 2023 (vesting is subject to the grantee's individual performance and the achievement of 3-year corporate goals for the 3-year performance period ended 30 June 2016)	0.570
3,000,000	4 October 2019 to 3 October 2026	0.495

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules or which were required to be disclosed under the Takeovers Code.

(ii) Interests and short positions of the substantial Shareholders in the Shares and underlying Shares

As at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executives of the Company) had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, or were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in the Shares and the underlying Shares

Name	Capacity	Number of Shares held	Number of Share Options held	Approximate % of the issued share capital ^(Note 3)
The Offeror	Beneficial owner	1,093,091,098 ^(Note 1)	–	66.60%
Viva China	Interest of controlled corporation	1,093,091,098 ^(Note 1)	–	66.60%
Mr. Li Ning	Interest of controlled corporation	1,093,091,098 ^(Note 2)	–	66.60%
Mr. Li Chun	Interest of controlled corporation	1,093,091,098 ^(Note 2)	–	66.60%

Notes:

1. These Shares were registered in the name of and beneficially owned by the Offeror. The Offeror is held as to 80% by Viva China. Therefore, Viva China is deemed to be interested in the Shares held by the Offeror under Part XV of the SFO.
2. Mr. Li Ning and Mr. Li Chun are deemed to be interested in the Viva China Shares through their interests in Lead Ahead Limited, Victory Mind Assets Limited and Dragon City Management (PTC) Limited, which held 2,132,420,382, 1,680,022,769 and 2,000,000,000 Viva China Shares respectively representing approximately 24.06%, 18.95% and 22.56% and in aggregate 65.57% of the total issued share capital of Viva China as at the Latest Practicable Date. Therefore, Mr. Li Ning and Mr. Li Chun are deemed to be interested in the Shares held by the Offeror under Part XV of the SFO.
3. The percentage holding is calculated based on the issued share capital of the Company as at the Latest Practicable Date comprising 1,641,333,394 Shares.

Other than disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the Company had not been notified of any other interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

As at the Latest Practicable Date, save and except for information above, no other Director nor any parties acting in concert with any of them was interested in any Shares or any convertible securities, warrants, options or derivative in respect of the Shares. None of the Directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period.

4. DEALINGS AND INTERESTS IN THE COMPANY'S SECURITIES

Save for the Sale Shares acquired by the Offeror from the Vendor pursuant to the terms of the Share Purchase Agreement, none of the Offeror, the directors of the Offeror and parties acting in concert with it had dealt for value in any Shares, Share Options, convertible securities, warrants or options of the Company or any derivatives in respect of such securities in the six months prior to the commencement of the Offer Period (as defined under the Takeovers Code) (i.e. the date of publication of the Joint Announcement). As at the Latest Practicable Date:

- (i) save for the Sale Shares that the Offeror was interested in, none of the Offeror, the directors of the Offeror, and/or parties acting in concert with it owned or had control or direction over any voting rights or rights over the Shares, options, derivatives, warrants or other securities convertible into the Shares;

- (ii) none of the Offeror and/or parties acting in concert with it had received any irrevocable commitment to accept or reject the Offers or any irrevocable undertaking from any Shareholders not to sell or transfer (or cause the same to be done) or otherwise dispose of (or permit any such action to occur in respect of) any interest in any Shares held by he/she/it/them;
- (iii) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which might be material to the Offers;
- (iv) there was no agreement or arrangement to which the Offeror was a party which related to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offers;
- (v) none of the Offeror and/or parties acting in concert with it had entered into any arrangements or contracts in relation to any outstanding derivative in respect of the securities in the Company;
- (vi) save for the Consideration paid under the Share Purchase Agreement, there was no other consideration, compensation or benefits in whatever form paid or to be paid by the Offeror or any parties acting in concert with it to the Vendor or any party acting in concert with it;
- (vii) there was no understanding, arrangement or special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any party acting in concert with it on the one hand, and the Vendor or any parties acting in concert with it on the other hand;
- (viii) save for the Share Purchase Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any of the Directors, recent directors, Shareholders or recent shareholders of the Company having any connection with or dependence upon the Offers;

- (ix) save for the shareholders' agreement dated 14 May 2020 entered into between the Offeror, VC Consumables and Keystar including the arrangement on distribution of the Shares held by the Offeror and all other assets (if any) to VC Consumables and Keystar in proportion to their shareholding interests in the Offeror on the second anniversary of the last day of the calendar month in which the completion of the Offers took place (or such other date as VC Consumables and Keystar agree in writing), there was no agreement, arrangement or understanding that any securities acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons;
- (x) there was no agreement, understanding, arrangement or special deal (as defined in Rule 25 of the Takeovers Code) between (1) any Shareholder; and (2)(a) the Offeror and/or parties acting in concert with it, or (2)(b) the Company, its subsidiaries or associated companies; and
- (xi) none of the Offeror and/or parties acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

5. OTHER DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (i) none of the Company nor any of its Directors had any interest in the shares, convertible securities, warrants or options of the Offeror or any derivatives in respect of such securities or had dealt for value in any shares, convertible securities, warrants or options of the Offeror or any derivatives in respect of such securities during the Relevant Period;
- (ii) none of the subsidiaries of the Company, the pension fund of the Company or of its subsidiaries, a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code owned or controlled any shares or convertible securities, options, warrants, or derivatives of the Company, or had dealt for value in any such securities of the Company during the Relevant Period;

- (iii) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or any person who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code existed, and no such person had owned, controlled or dealt for value in any Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (iv) no Shares, convertible securities, warrants, options or derivatives of the Company was managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Company, and no such person had dealt for value in any such securities of the Company during the Relevant Period;
- (v) save as disclosed in the section headed “3. DISCLOSURE OF INTERESTS” in this appendix, none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offers. The Directors who held Share Options as at the Latest Practicable Date (being Ms. Tsin Man Kuen Bess, Mr. Mak Tak Cheong Edmund and Mr. Chan Cheuk Him Paul) intend to deal with their Share Options as follows:
 - (a) for the Share Options with exercise prices below the current market price of the Shares, they intend to exercise their Share Options and would consider selling the corresponding Shares in the open market in the event that the market price of the Shares exceeds the Share Offer Price and the sales proceeds (net of transaction costs) from disposal in the open market of the Shares newly issued after exercise of the Share Options exceed the amount receivable under the Share Offer;
 - (b) for the Share Options with exercise prices above the current market price of the Shares, they intend to accept the Option Offer; and
- (vi) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares.

6. SERVICE CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the commencement of the Offer Period; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Name of Director	Commencement date of the service/employment contract/letter of appointment	Expiry date of the service/employment contract/letter of appointment	Monthly salary	Monthly salary since
			prior to amendment in March 2020 (HK\$)	March 2020 and as at the Latest Practicable Date (HK\$)
TSIN Man Kuen Bess	1 November 2009	N/A (Note 1)	147,210	103,047
MAK Tak Cheong Edmund	1 June 2007	N/A (Note 1)	352,160	246,512
CHAN Cheuk Him Paul	30 August 2010	N/A (Note 1)	169,400	119,330
LEUNG Mei Han	27 September 2004	26 September 2020 (Note 2)	25,010	22,509
CHEONG Shin Keong	20 September 2017	19 September 2020 (Note 2)	19,970	17,973
SIN Yat Ming	21 October 2005	20 October 2020 (Note 2)	19,970	17,973

Notes:

- without a specific term but will be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the bye-laws of the Company
- initial term of 1 year, renewed and extended automatically thereafter

Each of the Directors above receives a fixed monthly salary or director's fee and is entitled to discretionary performance related bonus. Save for the aforesaid, no variable remuneration is payable under the service or employment contract or letter of appointment of any of the Directors above.

7. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date:

- (i) no benefit was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (ii) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and
- (iii) no material contracts had been entered into by the Offeror in which any Director had a material personal interest.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

9. MATERIAL CONTRACTS

The Group did not enter into any contract which was or might be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries within two years immediately preceding the commencement of the Offer Period and up to and including the Latest Practicable Date.

10. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have been named in this Composite Document or have given opinion or advice which are contained or referred to in this Composite Document:

Name	Qualification
Ernst & Young	Certified Public Accountants
Rainbow Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The above experts have given and have not withdrawn their written consent to the issue of this Composite Document with the inclusion of the text of their letter, report, and/or references to their name in the form and context in which they appear.

As at the Latest Practicable Date, Rainbow Capital, being the independent financial adviser of the Company and Ernst & Young, being the auditors of the Company, did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any direct or indirect interest in any assets which had been, since 30 June 2019, being the date of the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. GENERAL

- (i) The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and having its principal place of business in Hong Kong at 2/F, PopOffice, 9 Tong Yin Street, Tseung Kwan O, Kowloon, Hong Kong.
- (ii) The registered office of the Rainbow Capital is located at Room 5B, 12/F, Tung Ning Building, No.2 Hiller Street, Sheung Wan, Hong Kong.
- (iii) The registered office of Ernst & Young is located at 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.
- (iv) The English text of this Composite Document and the Forms of Acceptance shall prevail over the Chinese translation in the case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the SFC (<http://www.sfc.hk/>) and the Company (<https://corp.bossini.com/investor-relations/>); and (ii) at the principal place of business of the Company at 2/F, PopOffice, 9 Tong Yin Street, Tseung Kwan O, Kowloon, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday other than public holidays from the date of this Composite Document, up to and including the Closing Date:

- (i) the bye-laws of the Company;
- (ii) the letter from the Board as set out on pages 25 to 34 of this Composite Document;
- (iii) the letter from the Independent Board Committee as set out on pages 35 to 37 of this Composite Document;
- (iv) the letter from Rainbow Capital as set out on pages 38 to 72 of this Composite Document;

- (v) the report from Ernst & Young as set out on pages V-1 to V-2 of this Composite Document;
- (vi) the report from Rainbow Capital as set out on pages VI-1 to VI-2 of this Composite Document;
- (vii) the service contracts referred to in the paragraph headed “6. SERVICE CONTRACTS” in this appendix;
- (viii) the written consents referred to in the paragraph headed “10. EXPERTS’ QUALIFICATIONS AND CONSENTS” in this appendix;
- (ix) the annual reports of the Company for each of the three financial years ended 30 June 2017, 2018 and 2019 and the interim report of the Company for the six months ended 31 December 2019; and
- (x) this Composite Document and the accompanying Forms of Acceptance.

The following is the text of a report prepared for the purpose of incorporation in this Composite Document, received from Ernst & Young, Certified Public Accountants, Hong Kong.



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道 1 號
中信大廈 22 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

24 July 2020

The Board of Directors
Bossini International Holdings Limited
2/F, PopOffice
9 Tong Yin Street
Tseung Kwan O
Kowloon
Hong Kong

Dear Sirs,

Bossini International Holdings Limited (“the Company”)

Profit estimate for the eleven months ended 31 May 2020

We refer to the estimate of the consolidated loss attributable to owners of the Company for the eleven months ended 31 May 2020 (“**the Profit Estimate**”) set forth in the profit warning announcement of the Company dated 17 June 2020 (“**the Profit Warning Announcement**”). The Profit Estimate is required to be reported on under Rule 10 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission.

Directors’ responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated results as shown in the management accounts of the Company and its subsidiaries (collectively referred to as “**the Group**”) for the eleven months ended 31 May 2020.

The Company’s directors are solely responsible for the Profit Estimate.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants’ responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the interim report of the Company for the six months ended 31 December 2019.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a report prepared for the purpose of incorporation in this Composite Document, received from Rainbow Capital, the independent financial adviser of the Company.



RAINBOW CAPITAL (HK) LIMITED
滋博資本有限公司

24 July 2020

The Board of Directors
Bossini International Holdings Limited
2/F, PopOffice
9 Tong Yin Street
Tseung Kwan O
Kowloon
Hong Kong

Dear Sirs,

We refer to the announcement dated 17 June 2020 (the “**Profit Warning Announcement**”) issued by Bossini International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”). Capitalised terms used in this letter shall have the same meanings as defined in the Profit Warning Announcement unless otherwise specified.

We refer to the statement (the “**Statement**”) made by the directors of the Company (the “**Directors**”) in the Profit Warning Announcement, as follows:

“The board of directors of the Company would like to inform the shareholders of the Company and potential investors that due to, *inter alia*, the adverse impact as explained in the Announcement and the impairment provision of property, plant and equipment and right-of-use assets, the unaudited consolidated management accounts of the Group for the eleven months ended 31 May 2020 indicated that the loss attributable to owners for the eleven months ended 31 May 2020 was approximately between HK\$295 million and HK\$325 million (the “**Profit Estimate**”).”

The Statement is regarded as a profit forecast under the Takeovers Code and therefore, is required to be reported on pursuant to Rule 10 of the Takeovers Code.

The Statement has been prepared by the Directors based on the unaudited consolidated management accounts of the Group for the eleven months ended 31 May 2020.

We have discussed with the Directors the bases upon which the Statement was prepared. We have also considered the report dated 24 July 2020 issued by Ernst & Young, the auditors of the Company, the text of which is set out in Appendix V to this Composite Document, which stated that, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the interim report of the Company for the six months ended 31 December 2019.

Based on the above, we are satisfied that the Statement, for which the Directors are solely responsible, has been made with due care and consideration.

Yours faithfully,
For and on behalf of
RAINBOW CAPITAL (HK) LIMITED
Larry Choi
Managing Director