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bossini

BOSSINI INTERNATIONAL HOLDINGS LIMITED

堡獅龍國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 592)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

FINANCIAL RESULTS

The board of directors (the "Board") of **Bossini International Holdings Limited** (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group" or "Bossini") for the six months ended 31 December 2018, together with the comparative figures for the six months ended 31 December 2017, as follows:

Condensed consolidated statement of profit or loss and other comprehensive income

		Six months ended 31 December	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**875,412**	974,109
Cost of sales		**(418,096)**	(461,939)
Gross profit		**457,316**	512,170
Other income and gain	*3*	**27,103**	27,950
Selling and distribution expenses		**(366,830)**	(393,189)
Administrative expenses		**(121,459)**	(117,611)
Other operating expenses		**(19,941)**	(38,836)
Loss from operating activities		**(23,811)**	(9,516)
Finance cost	*4*	**(59)**	(40)
Loss before tax	*5*	**(23,870)**	(9,556)
Income tax expense	*6*	**(1,878)**	(2,266)
Loss for the period attributable to owners of the Company		**(25,748)**	(11,822)

* *For identification purposes only*

Condensed consolidated statement of profit or loss and other comprehensive income (continued)

	Note	Six months ended 31 December 2018 (Unaudited) HK$'000	Six months ended 31 December 2017 (Unaudited) HK$'000
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Change in fair value of an available-for-sale investment		**–**	(585)
Change in fair value of a financial asset at fair value through other comprehensive income		**1,451**	–
Reclassification adjustment for a foreign operation deregistered during the period		**–**	(831)
Exchange differences on translation of foreign operations		**(2,232)**	5,803
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**(781)**	4,387
Total comprehensive loss for the period attributable to owners of the Company		**(26,529)**	(7,435)
Loss per share attributable to ordinary equity holders of the Company	*8*		
Basic		**(HK1.57 cents)**	(HK0.72 cent)
Diluted		**(HK1.57 cents)**	(HK0.72 cent)

Condensed consolidated statement of financial position

	Notes	At 31 December 2018 (Unaudited) *HK$'000*	At 30 June 2018 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**46,145**	47,893
Investment property		**19,427**	20,311
Trademark		**1,164**	1,164
Available-for-sale investment		**–**	229,562
Deferred tax assets		**11,983**	11,600
Deposits paid		**59,235**	45,902
Total non-current assets		**137,954**	356,432
Current assets			
Inventories		**284,726**	202,781
Debtors	*9*	**68,256**	57,664
Bills receivable		**808**	30,397
Deposits paid		**40,397**	61,483
Tax recoverable		**4,616**	4,616
Prepayments and other receivables		**47,256**	35,055
Derivative financial instruments		**–**	1,188
Financial assets at fair value through profit or loss		**1,581**	–
Financial asset at fair value through other comprehensive income		**231,013**	–
Note receivable		**–**	38,775
Pledged bank deposits		**878**	824
Cash and cash equivalents		**305,395**	339,960
Total current assets		**984,926**	772,743
Current liabilities			
Deferred gain		**9,221**	20,888
Trade creditors, other payables and accruals	*10*	**209,325**	193,760
Contract liabilities		**5,411**	–
Bills payable		**32,135**	18,649
Tax payable		**8,199**	6,979
Due to related companies		**76**	1,879
Derivative financial instruments		**–**	7,224
Financial liabilities at fair value through profit or loss		**1,408**	–
Interest-bearing bank borrowings		**23,000**	–
Total current liabilities		**288,775**	249,379
Net current assets		**696,151**	523,364
Total assets less current liabilities		**834,105**	879,796
Non-current liabilities			
Deferred tax liabilities		**1,463**	1,461
Other payables		**1,742**	2,510
Total non-current liabilities		**3,205**	3,971
Net assets		**830,900**	875,825
Equity			
Issued capital	*11*	**164,194**	163,894
Reserves		**666,706**	711,931
Total equity		**830,900**	875,825

Notes to the condensed consolidated interim financial statements

1. Basis of preparation and accounting policies

These condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The basis of preparation and accounting policies adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2018, except in relation to the following revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 40 Amendments	Amendments to HKAS 40 – *Investment Property – Transfers of Investment Property*
HKFRS 2 Amendments	Amendments to HKFRS 2 – *Classification and Measurement of Share-based Payment Transactions*
HKFRS 4 Amendments	Amendments to HKFRS 4 – *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
HKFRS 15 Amendments	Amendments to HKFRS 15 – *Revenue from Contracts with Customers*
HK(IFRIC)-Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKAS 28 and HKFRS 1

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and HKFRS 15 Amendments, the adoption of the above revised standards has had no significant financial effect on the interim financial information.

The nature and the impact of the changes are described below:

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 July 2018 in accordance with the transition requirements. The Group did not restate comparative information and recognise any material transition adjustments against the opening balance of equity at 1 July 2018.

1. **Basis of preparation and accounting policies (continued)**

The impacts related to the classification and measurement and the impairment requirements are summarised as follows:

(a) **Classification and measurement**

Under HKFRS 9, the Group initially measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's financial assets are as follows:

– Financial assets at FVPL and financial liabilities at FVPL comprise forward currency contracts which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. Under HKAS 39, the Group's forward currency contracts were classified as derivative financial instruments at fair value through profit or loss.

– Financial asset at FVOCI comprises quoted investment fund which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVPL. Under HKAS 39, the Group's quoted investment fund was classified as available-for-sale investment and measured at fair value through other comprehensive income.

The following tables show the impact on each individual line item. Line items that were not affected by the changes have not been included.

	At 30 June 2018 *HK$'000*	Impact on initial adoption of HKFRS 9 *HK$'000*	At 1 July 2018 *HK$'000*
Non-current assets			
Available-for-sale investment	229,562	(229,562)	–
Financial asset at fair value through other comprehensive income	–	229,562	229,562
Current assets			
Derivative financial instruments	1,188	(1,188)	–
Financial assets at fair value through profit or loss	–	1,188	1,188
Current liabilities			
Derivative financial instruments	7,224	(7,224)	–
Financial liabilities at fair value through profit or loss	–	7,224	7,224

1. **Basis of preparation and accounting policies (continued)**

(b) Impairment

HKFRS 9 requires an impairment on debtors, bills receivable, deposits paid, other receivables and note receivable under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its debtors and bills receivable. Furthermore, the Group has applied the general approach and recorded twelve-month expected credit losses that are estimated based on the possible default events on its deposits paid, other receivables and note receivable within the next twelve months. There is no significant impact on these condensed consolidated interim financial statements of the Group upon the initial adoption of the new impairment methodology.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

HKFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted HKFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 July 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to contracts that are not completed as at 1 July 2018. Other than the additional disclosures required, the adoption of HKFRS 15 has no significant impact on these condensed consolidated interim financial statements of the Group.

Prior to the adoption of HKFRS 15, the Group classified deposits received from customers in connection with the Group's sales of goods as other payables in the condensed consolidated interim financial statements. Upon adoption of HKFRS 15, reclassifications have been made from other payables to contract liabilities for the outstanding balance of deposits received from customers.

The deposits received of HK$5,999,000 that was previously classified as other payables has been reclassified to contract liabilities as at 1 July 2018.

The comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related Interpretations.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective in these condensed consolidated interim financial statements of the Group. Further information about those Standards that are expected to be applicable to the Group and have significant impact to the Group's financial position and/or results of operations is described below.

1. **Basis of preparation and accounting policies (continued)**

HKFRS 16 *Leases*

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The Group expects to adopt HKFRS 16 from 1 July 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. At 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$499,151,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2. **Operating segment information**

For management purposes, the Group is organised into business units that offer products to customers located in different geographical areas and has four reportable operating segments as follows:

(a) Hong Kong and Macau
(b) Mainland China
(c) Taiwan
(d) Singapore

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that interest income and finance cost are excluded from such measurement.

Segment assets exclude deferred tax assets and tax recoverable as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax payable and interest-bearing bank borrowings as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

2. Operating segment information (continued)

Geographical segments

An analysis of the Group's revenue and profit/(loss) by geographical segments for the six months ended 31 December 2018, together with the comparative figures for the corresponding period in 2017, is as follows:

	Hong Kong and Macau		Mainland China		Taiwan		Singapore		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**577,085**	646,415	**166,971**	171,076	**77,771**	86,663	**53,585**	69,955	**875,412**	974,109
Other income and gain	**20,340**	21,234	**441**	622	**123**	185	**98**	323	**21,002**	22,364
Total	**597,425**	667,649	**167,412**	171,698	**77,894**	86,848	**53,683**	70,278	**896,414**	996,473
Segment results	**12,038**	7,060	**(23,183)**	(12,592)	**(13,495)**	(5,603)	**(5,272)**	(3,967)	**(29,912)**	(15,102)
Interest income									**6,101**	5,586
Loss from operating activities									**(23,811)**	(9,516)
Finance cost									**(59)**	(40)
Loss before tax									**(23,870)**	(9,556)
Income tax expense									**(1,878)**	(2,266)
Loss for the period									**(25,748)**	(11,822)

The revenue information above is based on the locations in which the sales originated.

2. Operating segment information (continued)

Geographical segments (continued)

The following table presents certain assets and liabilities information for the Group's geographical segments at 31 December 2018, together with the comparative figures at 30 June 2018.

	Hong Kong and Macau		Mainland China		Taiwan		Singapore		Consolidated	
	At 31 December 2018 (Unaudited) *HK$'000*	At 30 June 2018 (Audited) *HK$'000*	**At 31 December 2018 (Unaudited) *HK$'000***	At 30 June 2018 (Audited) *HK$'000*	**At 31 December 2018 (Unaudited) *HK$'000***	At 30 June 2018 (Audited) *HK$'000*	**At 31 December 2018 (Unaudited) *HK$'000***	At 30 June 2018 (Audited) *HK$'000*	**At 31 December 2018 (Unaudited) *HK$'000***	At 30 June 2018 (Audited) *HK$'000*
Segment assets	**772,728**	853,946	**207,509**	156,202	**70,296**	52,421	**55,748**	50,390	**1,106,281**	1,112,959
Unallocated assets									**16,599**	16,216
Total assets									**1,122,880**	1,129,175
Segment liabilities	**172,384**	174,399	**59,881**	45,512	**18,694**	15,188	**8,359**	9,811	**259,318**	244,910
Unallocated liabilities									**32,662**	8,440
Total liabilities									**291,980**	253,350

3. Revenue and other income and gain

An analysis of the Group's revenue is as follows:

Revenue from contracts with customers

(i) Disaggregated revenue information

Type of goods

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Retailing and distribution of garments	**875,412**	974,109

Geographical segments

An analysis of the Group's geographical segments for the six months ended 31 December 2018, together with the comparative figures for the corresponding period in 2017, is as follows:

	Hong Kong and Macau		Mainland China		Taiwan		Singapore		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales to external customers	**577,085**	646,415	**166,971**	171,076	**77,771**	86,663	**53,585**	69,955	**875,412**	974,109

Timing of revenue recognition

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Goods transferred at a point in time	**875,412**	974,109

3. **Revenue and other income and gain (continued)**

(ii) Performance obligations

Sales of goods

The performance obligation is satisfied when the control of goods have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

An analysis of the Group's other income and gain is as follows:

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**6,101**	5,586
Royalty income	**3,706**	4,291
Gross rental income	**4,336**	4,155
Amortisation of deferred gain	**11,667**	11,667
Others	**1,293**	2,251
	27,103	27,950

4. **Finance cost**

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on a bank loan	**59**	40

5. Loss before tax

The Group's loss before tax is arrived at after charging/(crediting):

	Six months ended 31 December 2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
Write-back of provision for inventories	**(5)**	(10,263)
Depreciation	**14,704**	16,292
Fair value losses, net on derivative financial instruments		
– transactions not qualifying as hedges	**–**	2,774
Fair value gains, net on financial assets/liabilities at fair value through profit or loss		
– transactions not qualifying as hedges	**(6,209)**	–

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 31 December 2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
Current – Hong Kong		
Charge for the period	**2,259**	3,715
Current – Elsewhere		
Charge for the period	**–**	79
Deferred	**(381)**	(1,528)
Total tax charge for the period	**1,878**	2,266

7. Dividend

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend declared – HK1.22 cents (2017: HK1.22 cents) per ordinary share	**20,032**	19,995

The interim dividend of HK$20,032,000 (2017: HK$19,995,000) for the six months ended 31 December 2018 is calculated based on 1,641,935,394 (2017: 1,638,935,394) shares of the Company in issue.

8. Loss per share attributable to ordinary equity holders of the Company

The calculation of basic loss per share is based on the loss attributable to ordinary equity holders of the Company for the six months ended 31 December 2018 of HK$25,748,000 (2017: HK$11,822,000) and the weighted average number of ordinary shares of 1,640,063,111 (2017: 1,638,100,611) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the periods ended 31 December 2018 and 2017 in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic loss per share amounts presented.

9. Debtors

Other than cash and credit card sales, the Group normally grants credit periods of up to 60 days to its trade customers.

An aged analysis of debtors as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	At 31 December 2018 (Unaudited)	At 30 June 2018 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**61,900**	48,582
1 to 2 months	**4,476**	5,326
2 to 3 months	**405**	613
Over 3 months	**1,475**	3,143
	68,256	57,664

10. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK$87,115,000 (30 June 2018: HK$59,829,000).

An aged analysis of trade creditors as at the end of reporting period, based on the invoice date, is as follows:

	At 31 December 2018 (Unaudited)	At 30 June 2018 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**71,339**	45,150
1 to 2 months	**14,798**	12,986
2 to 3 months	**378**	1,129
Over 3 months	**600**	564
	87,115	59,829

11. Share capital

Shares

	At 31 December 2018 (Unaudited) *HK$'000*	At 30 June 2018 (Audited) *HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
1,641,935,394 (30 June 2018: 1,638,935,394) ordinary shares of HK$0.10 each	**164,194**	163,894

During the period, the movement in share capital was as follows:

	Number of shares in issue	**Issued capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
At 1 July 2017	1,637,735,394	163,774	28,223	191,997
Exercise of share options (note a)	1,200,000	120	535	655
At 30 June 2018 and 1 July 2018	1,638,935,394	163,894	28,758	192,652
Exercise of share options (note b)	3,000,000	300	369	669
At 31 December 2018	1,641,935,394	164,194	29,127	193,321

Notes:

(a) The subscription rights attaching to 1,200,000 share options were exercised at the subscription price of HK$0.370 per share, resulting in the issue of 1,200,000 shares of HK$0.10 each for a total cash consideration, before expenses, of HK$444,000, and the related share option reserve of HK$211,000 was transferred to the share premium account upon the exercise of these share options.

(b) The subscription rights attaching to 3,000,000 share options were exercised at the subscription price of HK$0.160 per share, resulting in the issue of 3,000,000 shares of HK$0.10 each for a total cash consideration, before expenses, of HK$480,000, and the related share option reserve of HK$189,000 was transferred to the share premium account upon the exercise of these share options.

11. **Share capital (continued)**

Subsequent to the end of the reporting period and up to the date of this announcement, certain ordinary shares were repurchased and cancelled subsequently by the Company on the Stock Exchange. Details are as follows:

Month of repurchase	**Number of ordinary shares repurchased**	**Highest purchase price per ordinary share** *HK$*	**Lowest purchase price per ordinary share** *HK$*	**Aggregate purchase price (excluding expenses)** *HK$*
January 2019	602,000	0.280	0.275	167,000

As a result of the above shares repurchases, the issued share capital of the Company was accordingly reduced by the par value of the aforesaid repurchased ordinary shares which were cancelled after the end of the reporting period.

The directors believe that the above shares repurchases are in the best interests of the Company and its shareholders and that such shares repurchases would lead to an enhancement of the net assets value and/ or earnings per share of the Company.

12. **Event after the reporting period**

Subsequent to the end of the reporting period, certain inventories located in Hong Kong were damaged in a fire accident occurred at a third party warehouse. The Group is still in the process of negotiating with the insurance company for compensation and the damaged inventories as at 31 December 2018 was valued at approximately HK$9,314,000 and was written off through profit or loss subsequent to the end of the reporting period.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.22 cents (2017: HK1.22 cents) per ordinary share to shareholders whose names appear on the principal or branch register of members of the Company in Bermuda or Hong Kong respectively (collectively the "Register of Members") as at the close of business on 19 March 2019. The interim dividend will be paid on or before 3 April 2019.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Thursday, 14 March 2019 to Tuesday, 19 March 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 13 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Despite the vibrant momentum at the beginning of 2018, the global economy lost speed during the year with a less balanced expansion. The escalation of trade tensions between the United States and mainland China appeared to have hurt global business confidence. International trade and manufacturing activity have softened, and some large emerging markets have experienced substantial financial pressures. In the Middle East, the consumer products sector were showing signs of optimism about market prospects in the near term, but only selectively. United Arab Emirates and Saudi Arabia, the most developed markets in the Middle East, were clouded with the low level of oil prices, denting local consumer sentiment and government spending which were sharply cut, posing challenges for suppliers and retailers.

GDP growth in Emerging Asia has sustained a faster speed in 2018 amids challenges. In Southeast Asia, economic expansion rates have remained robust although diverged performance are seen among the countries. While mainland China was facing a slowing momentum, India has shown a vigorous economic dynamic.

In mainland China, domestic engines that used to drive expansion showed signs of weakening momentum. The growth in social consumption, fixed-asset investment and the property market continued to slow down in the second half of 2018. The central government has rolled out a number of stimulus measures to stimulate the economy, with the annual GDP increasing which was in line with the country's expected target. Nonetheless, the economy was still facing downward pressure.

In Hong Kong, in the shadow of the United States-mainland China trade tensions and volatilities in the global financial markets, weaker asset prices and a more cautious consumption sentiment may appear as results.

The decrease in profit attributable to owners of the Group was mainly due to the unseasonal warm winter weather and the weak consumer sentiment in several core markets. Overall revenue of the Group decreased by 10%, with a drop of 5% in same-store sales. Gross margin decreased by 1% point to 52%. During the period under review, operating profit in Hong Kong and Macau recorded improvement. As part of the network expansion plan, the Group's export franchising business added 114 stores net during the six months ended 31 December 2018, with footprint across 27 countries.

Financial Performance

The Group's revenue for the six months ended 31 December 2018 decreased by 10% to HK$875 million (2017: HK$974 million). Gross profit decreased by 11% to HK$457 million (2017: HK$512 million). Gross margin slipped slightly to 52% (2017: 53%).

The Group recorded an operating loss of HK$24 million (2017: HK$10 million loss) and an operating margin of negative 3% (2017: negative 1%). Loss for the period attributable to owners was HK$26 million (2017: HK$12 million loss), while basic loss per share was HK1.57 cents (2017: basic loss per share HK0.72 cent).

As of 31 December 2018, the Group's cash and bank balances stood at HK$306 million (2017: HK$354 million), with a net cash balance of HK$283 million (2017: HK$354 million). Also, the Group held an investment fund of HK$231 million (2017: HK$233 million). The inventory turnover days was 124 days (2017: 105 days).

Operating Efficiencies

Retail sales growth in Hong Kong has slowed down significantly since July 2018, with the monthly total retail sales value recording only a single-digit increase. Despite the opening of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge in September and October 2018 respectively, the material stimulus brought by the two major infrastructure projects is yet to be realised. Meanwhile, the devaluation of Renminbi has had a negative impact on the business environment. These unfavourable factors, alongside the downward trend of the property and investment markets in Hong Kong that continued to weigh on the consumer sentiment, brought a reduction in in-store consumption and hence affected our sales for Hong Kong and Macau segment, which accounted for 66% of the Group's consolidated revenue.

Same-store sales in Hong Kong and Macau and Singapore declined by 5% (2017: 4% decline) and 6% (2017: 8% decline) respectively. Same-store sales in mainland China and Taiwan declined by 3% (2017: 9% growth) and 7% (2017: 5% growth) respectively. The Group's overall same-store sales slipped by 5% (2017: 2% decline).

As of 31 December 2018, the total net retail floor area for directly managed stores slightly decreased to 362,000 sq. ft. (2017: 366,400 sq. ft.). Sales per sq. ft. decreased by 2% to HK$4,000 (2017: HK$4,100). The Group's operating expenses for the period under review accounted for 58% (2017: 56%) of the total revenue.

The following table provides a breakdown of the operating expenses of the Group:

Operating Expenses Analysis

	For the six months ended 31 December				
	2018		2017		
	HK$ million	**% of revenue**	HK$ million	% of revenue	**Change (%)**
Revenue	**875**	**100%**	974	100%	**-10%**
Selling and distribution expenses	**367**	**42%**	393	40%	**-7%**
Administrative expenses	**121**	**14%**	118	12%	**+3%**
Other operating expenses	**20**	**2%**	39	4%	**-49%**
Total operating expenses	**508**	**58%**	550	56%	**-8%**

BUSINESS REVIEW

Distribution Network

As of 31 December 2018, the Group had a presence in 31 countries and regions around the world and the total number of stores was 1,063 (30 June 2018: 938). The number of directly managed stores increased to 295 (30 June 2018: 284), while the number of franchised stores was 768 (30 June 2018: 654).

The Hong Kong and Macau region remained the Group's core market and the major contributor to the total revenue. The total number of stores was 39 (30 June 2018: 40) as of 31 December 2018. The export franchising business added 114 stores net to the global network, bringing to a total of 768 (30 June 2018: 654) stores across 27 countries.

The number of stores in mainland China was 177 (30 June 2018: 164), all of which were directly managed. The Group continued to review and consolidate the operation in Taiwan and Singapore and owned 65 (30 June 2018: 64) and 14 (30 June 2018: 16) directly managed stores in respective markets.

The following is a breakdown of stores by geographical location and store type:

	31 December 2018		30 June 2018	
	Directly managed stores	**Franchised stores**	Directly managed stores	Franchised Stores
Hong Kong and Macau	**39**	**–**	40	–
Mainland China	**177**	**–**	164	–
Taiwan	**65**	**–**	64	–
Singapore	**14**	**–**	16	–
Other countries and regions	**–**	**768**	–	654
Total	**295**	**768**	284	654

Marketing and Branding

"Customer Oriented" is one of the core values we treasure the most. Not only do we offer a wide array of apparel products, but we are also committed to making our customers as happy customers. We continue to center our marketing effort on the core brand value of "be happy", driving the perennial and seasonal promotion programmes alike.

The Group has continued to devise conducive initiatives to reinforce its brand positioning and enhance brand awareness amidst keen competition and respond swiftly to market momentum. We further strengthened our omnichannel presence that extended from offline to online and online shopping experience.

Co-branded and Licensed Products

Bossini has established a strong brand image which is bright, cheerful and easily recognisable across the co-branded and licensed product portfolio. The Group continued to collaborate and crossover with popular brands in various markets, bringing more surprise to our customers.

bossini Mickey 90 collection celebrated Mickey's 90th Anniversary and incorporated the signature styles of Mickey over the years in this collection. The men's collection focused on Mickey as the main character. Pastel highlighted the ladies' collection, showcasing the sweet and loving characters of Mickey and Minnie.

The《*Taste It, Make Bold*》campaign of the newly launched *bossini x Coca-Cola* collection offered apparels that seamlessly weaved the iconic Coca-Cola logo and its signature palette of red, white and black with bossini's reinvented styles.

These collaborations and marketing initiatives were conducive to enhancing the core brand value of "be happy" that promoted a positive and optimistic attitude.

Operational Performance by Market

The Group's Hong Kong and Macau segment continued to be the major source of revenue during the period under review. The retail and export franchising business in Hong Kong and Macau contributed 66% (2017: 66%) of the total revenue. For other regions, mainland China accounted for 19% (2017: 18%) of the total revenue, while Taiwan and Singapore provided 9% (2017: 9%) and 6% (2017: 7%) respectively.

The Group's total revenue decreased by 10% to HK$875 million (2017: HK$974 million). Overall sales per sq. ft. slipped by 2% to HK$4,000 (2017: HK$4,100).

Hong Kong and Macau

The Hong Kong retail market presented a cautious optimism if not a mixed picture. Strong inbound tourism, especially from mainland China, was recorded in Hong Kong. Nevertheless, the consumption per capita has started to drop in the third quarter 2018 despite the annually increasing numbers of tourist arrivals in Hong Kong. Weak asset markets and external factors like the United States-mainland China trade war, however, rose concern in uncertainties.

Total revenue for the segment, which included retail and export franchising business, was HK$576 million (2017: HK$646 million), representing a 11% decrease. For the retail business, same-store sales declined by 5% (2017: 4% decline). Total net retail floor area in Hong Kong and Macau has scaled down to 121,600 sq. ft. (2017: 125,800 sq. ft.), representing a 3% decrease, while sales per sq. ft. slipped 5% to HK$7,200 (2017: HK$7,600). The number of the directly managed stores was 39 (30 June 2018: 40). Operating profit was HK$17 million (2017: HK$12 million profit) and the operating margin was 3% (2017: 2%).

The Group continued to expand international footprint during the period under review, bringing the number of export franchised stores up to 768 (30 June 2018: 654) across 27 countries.

Mainland China

Mainland China experienced a decrease in revenue by 2% to HK$167 million (2017: HK$171 million). Same-store sales recorded a drop of 3% (2017: 9% growth). Sales per sq. ft. remained flat at HK$1,900 (2017: HK$1,900). Total net retail floor area increased by 3% to 151,600 sq. ft. (2017: 147,000 sq. ft.). There were 177 (30 June 2018: 164) stores in total, all of which were directly managed stores. Operating loss was HK$23 million (2017: HK$12 million loss) and operating margin was negative 14% (2017: negative 7%).

Taiwan

Total revenue in Taiwan dropped 10% to HK$78 million (2017: HK$87 million). Sales per sq. ft. remained flat at HK$2,100 (2017: HK$2,100) and total net retail floor area slightly scaled down to 68,800 sq. ft. (2017: 69,400 sq. ft.). Same-store sales represented a 7% decrease (2017: 5% growth). The Group continued to optimise the store network in the region and maintained 65 (30 June 2018: 64) directly managed stores. Operating loss was HK$13 million (2017: HK$6 million loss) and operating margin was negative 17% (2017: negative 7%).

Singapore

Revenue of the Singapore market dropped 23% to HK$54 million (2017: HK$70 million). Same-store sales recorded 6% decline (2017: 8% decline). Total net retail floor area scaled down by 17% to 20,000 sq. ft. (2017: 24,200 sq. ft.). Sales per sq. ft. decreased by 6% to HK$5,100 (2017: HK$5,400), while the number of directly managed stores was reduced to 14 (30 June 2018: 16) as the consolidation of non-performing stores continued. Operating loss was HK$5 million (2017: HK$4 million loss) and operating margin was negative 9% (2017: negative 6%).

Liquidity and Financial Resources

The Group remained in a solid financial position with cash and bank balances at HK$306 million (2017: HK$354 million) and net cash balance at HK$283 million (2017: HK$354 million) as of 31 December 2018. Current ratio stood at 3.41 times (2017: 2.96 times) with a total liabilities to equity ratio at 35% (2017: 33%).

The Group's bank borrowings was HK$23 million (2017: Nil) as of 31 December 2018 and the gearing ratio determined by bank borrowings divided by total equity was 3% (2017: Nil).

The Group had investments and operations in countries that use currencies other than United States and Hong Kong dollar, and therefore mitigated its foreign currency risk by entering into forward currency contracts to reduce exposure to exchange rate fluctuations in material transactions denominated in those currencies.

Inventory turnover days# was 124 days (2017: 105 days) as of 31 December 2018. Measures have been taken to allow flexibility in supply chain management. The return on equity ratio was negative 6% (2017: negative 3%) during the period under review.

Inventory held at period end divided by annualised cost of sales times 365 days

Significant Investment

The Group held an investment fund with an aggregate principal amount of HK$231 million (2017: HK$233 million) as of 31 December 2018. For the period under review, interest income of HK$4 million (2017: HK$3 million) and a change in fair value of the investment fund of HK$1 million gain (2017: HK$1 million loss) have been included in the consolidated statement of profit or loss and other comprehensive income.

The management intends to hold the investment fund till the date of maturity but global economic volatility, the return of the underlying bonds, depending on the performance of the business sectors, issuers and countries to which the underlying bonds belong to and other external factors may affect their values before maturity.

Contingent Liabilities

During the period under review, the Group had no material changes in contingent liabilities since 30 June 2018.

Human Capital

As of 31 December 2018, the Group employed 2,100 (30 June 2018: 2,100) full-time equivalent employees in Hong Kong and Macau, mainland China, Taiwan and Singapore.

We uphold a policy of acquiring, nurturing and retaining talented employees, and devote our effort to building effective teams. To cultivate a proactive and ever-improving culture, we provide the certified programme "Seven Habits for Highly Effective People" for office and shop staff at all levels. Besides, we also provide a variety of training courses (classroom training and e-learning) on leadership and professional skills through the "Bossini Academy", so that our employees can be well-equipped for the challenges ahead.

We also continued to remunerate employees based on performance, including discretionary bonuses, share options and wide-ranging employee benefits such as insurance and retirement schemes.

OUTLOOK

Global economic growth is expected to slow down in 2019, according to the World Bank. International trade and investment are moderating, trade tensions remain elevated, and financing measures are tightening. Emerging market and developing economies, in face of financial stress, are losing momentum.

Looking ahead to 2019, the United States-mainland China tussle will continue in several areas. Mainland China will be facing a complexed external environment and downward pressure in the economy. The central government will continue to adopt a number of measures and policies to stimulate market vitality, demand potential and endogenous driving forces. Consumers remain the key driver of mainland China's domestic growth. Local brands will continue to gain in strength and share in 2019, while the Chinese consumers will continue to trade up, keen competition in the retailing sector is expected.

Among the emerging markets, East Asia and Pacific will remain one of the world's fastest-growing developing regions. Resilient demand will offset the negative impact of slowing exports. As for South Asia, the regional growth is expected to accelerate, underpinned by strengthening investment and robust consumption. The International Monetary Fund lowered its 2019 economic growth forecast for the Middle East over low oil prices and crude output along with rising geopolitical tensions.

Hong Kong economy will be facing a challenging external environment in 2019. The expected moderation in economic growth of many of Hong Kong's key trading partners would weigh on Hong Kong's exports. The downside risks to domestic demand have increased in view of the recent deterioration in business sentiment and consolidation of local asset markets, though positive labour market conditions should continue to provide some support to local consumption in the near term. Should the external headwinds exacerbate the overall economic environment further, private consumption and investment could be subject to more pressure in 2019.

The management of the Group remains cautiously optimistic about future prospects. However, in face of the complex and volatile global economy and geopolitics, the outlook is full of uncertainties. As an open economy, Hong Kong is particularly vulnerable to the impact of the global situation. At the same time, the local economy and consumption structure are also gradually changing. Challenges and opportunities coexist. The Group is fundamentally strong with a healthy financial position, which is capable of facing the potential challenges.

The export franchising business has been a main focus of the Group. We will further expand and optimise the distribution network, leveraging the economy of scale in market reach and profitability.

We will strive to introduce more new products and designs with a focus on functionality as part of our product strategy. Alongside the young adult segment, we will further develop kids' line so to broaden our customer base. In view of the swift market change, we are strengthening the supply chain management to enhance operational efficiencies.

The Group has successfully differentiated itself from the peers by launching a series of co-branded and licensed programmes. We will continue to seek opportunities with popular brands that can create brand synergies in sustaining customer loyalty and winning new customers. Meanwhile, stringent measures in cost control will be taken to reduce operational expenses such as rental and shop fixtures, and non-performing stores will be further consolidated.

Despite the challenges ahead, the Group will remain focus on its core business and competitiveness while continuing to devise strategies in promoting the existing markets and exploring the new ones to unleash future potential.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

Subsequent to the end of the reporting period and up to the date of the announcement, certain ordinary shares were repurchased by the Company on the Stock Exchange. Details of the shares repurchases are set out in Note 11 of this announcement.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. It has formulated its written terms of reference in accordance with the provisions set out in Appendix 14 – Corporate Governance Code and Corporate Governance Report (the "CG Code") of the Listing Rules. The Audit Committee has reviewed the unaudited interim financial results for the six months ended 31 December 2018. The Audit Committee comprises three Independent Non-executive Directors of the Company, namely Ms. LEUNG Mei Han, Mr. CHEONG Shin Keong and Prof. SIN Yat Ming.

CORPORATE GOVERNANCE

The Company was in compliance with the code provisions as set out in the CG Code for the six months ended 31 December 2018, except for the following deviation:

– The Chairman of the Company is not subject to retirement by rotation. The Board considers that the continuity of the Chairman of the Company and her leadership are crucial in maintaining the stability of the Group's business operations.

Currently, there are four Board committees, namely, Audit Committee, Remuneration Committee, Nomination Committee and Management Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry with the Company's Directors, all the Directors have complied with the required standard set out in the Model Code, throughout the six months ended 31 December 2018.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The interim results announcement for the six months ended 31 December 2018 of the Company is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.bossini.com. The interim report for the six months ended 31 December 2018 of the Company, containing information required by the Listing Rules, will be despatched to shareholders and published on the above websites in due course.

By Order of the Board
TSIN Man Kuen Bess
Chairman

Hong Kong, 20 February 2019

As at the date of this announcement, the Board comprises three Executive Directors, namely Ms. TSIN Man Kuen Bess (Chairman), 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 Prof. SIN Yat Ming.