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 2019

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 2019, together with the comparative figures for the six months ended 31 December 2018, as follows:

Condensed consolidated statement of profit or loss and other comprehensive income

		Six months ended 31 December	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**699,414**	875,412
Cost of sales		**(343,656)**	(418,096)
Gross profit		**355,758**	457,316
Other income and gain	*3*	**11,840**	27,103
Selling and distribution expenses		**(313,702)**	(366,830)
Administrative expenses		**(116,494)**	(121,459)
Other operating expenses		**(18,979)**	(19,941)
Loss from operating activities		**(81,577)**	(23,811)
Finance costs	*4*	**(9,075)**	(59)
Loss before tax	*5*	**(90,652)**	(23,870)
Income tax expense	*6*	**(3,035)**	(1,878)
Loss for the period attributable to owners of the Company		**(93,687)**	(25,748)

* *For identification purposes only*

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

	Note	Six months ended 31 December 2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Change in fair value of a financial asset		**1,367**	1,451
Exchange differences on translation of foreign operations		**(7,184)**	(2,232)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(5,817)**	(781)
Total comprehensive loss for the period attributable to owners of the Company		**(99,504)**	(26,529)
Loss per share attributable to ordinary equity holders of the Company	*8*		
Basic		**(HK5.71 cents)**	(HK1.57 cents)
Diluted		**(HK5.71 cents)**	(HK1.57 cents)

Condensed consolidated statement of financial position

	Notes	At 31 December 2019 (Unaudited) *HK$'000*	At 30 June 2019 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**48,204**	45,854
Investment property		**17,660**	18,543
Right-of-use assets	*1*	**355,795**	–
Trademark		**1,164**	1,164
Deferred tax assets		**10,179**	10,988
Deposits paid		**52,251**	58,504
Total non-current assets		**485,253**	135,053
Current assets			
Inventories		**267,097**	258,736
Debtors	*9*	**64,380**	57,157
Bills receivable		**2,017**	3,209
Deposits paid		**41,170**	38,062
Tax recoverable		**4,484**	4,484
Prepayments and other receivables		**49,367**	47,656
Financial assets at fair value through profit or loss		**1,011**	231,942
Pledged bank deposits		**110**	865
Cash and cash equivalents		**262,250**	160,975
Total current assets		**691,886**	803,086
Current liabilities			
Trade creditors, other payables and accruals	*10*	**160,963**	170,293
Contract liabilities		**3,011**	3,762
Bills payable		**25,394**	21,744
Tax payable		**13,046**	8,542
Due to related companies		**7**	107
Lease liabilities	*1*	**184,271**	–
Financial liabilities at fair value through profit or loss		**441**	520
Interest-bearing bank borrowings		**30,000**	30,000
Total current liabilities		**417,133**	234,968
Net current assets		**274,753**	568,118
Total assets less current liabilities		**760,006**	703,171
Non-current liabilities			
Deferred tax liabilities		**1,463**	1,463
Lease liabilities	*1*	**195,614**	–
Other payables		**2,685**	1,733
Total non-current liabilities		**199,762**	3,196
Net assets		**560,244**	699,975
Equity			
Issued capital	*11*	**164,134**	164,134
Reserves		**396,110**	535,841
Total equity		**560,244**	699,975

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 2019, 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 19 Amendments	Amendments to HKAS 19 – *Plan Amendment, Curtailment or Settlement*
HKAS 28 Amendments	Amendments to HKAS 28 – *Long-term Interests in Associates and Joint Ventures*
HKFRS 9 Amendments	Amendments to HKFRS 9 – *Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
HK(IFRIC)-Interpretation 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKAS 12, HKAS 23, HKFRS 3 and HKFRS 11

Other than as explained below regarding the impact of HKFRS 16, 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 16 *Leases*

HKFRS 16 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 account for all leases under a single on balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 July 2019, and the comparative information for 30 June 2019 was not restated and continues to be reported under HKAS 17.

1. Basis of preparation and accounting policies (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., office equipment); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 July 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019 and included in lease liabilities.

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 July 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position.

For the leasehold land and building (that was held to earn rental income and/or for capital appreciation) previously included in investment property and measured at cost less accumulated depreciation and any impairment loss, the Group has continued to include it as investment property at 1 July 2019. It continues to be measured at cost less accumulated depreciation and any impairment loss applying HKAS 40.

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

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 July 2019:

– Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.

– Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

The impacts arising from the adoption of HKFRS 16 as at 1 July 2019 are as follows:

	Increase/ (decrease) (Unaudited) *HK$'000*
Assets	
Increase in right-of-use assets	367,853
Increase in total assets	367,853
Liabilities	
Increase in lease liabilities	390,178
Decrease in accruals	(1,778)
Increase in total liabilities	388,400
Equity	
Decrease in retained profits	(20,547)
Decrease in total equity	(20,547)

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

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The lease liabilities as at 1 July 2019 reconciled to the operating lease commitments as at 30 June 2019 are as follows:

	(Unaudited) *HK$'000*
Operating lease commitments as at 30 June 2019	474,474
Weighted average incremental borrowing rate as at 30 June 2019	3.6%-4.9%
Discounted operating lease commitments as at 1 July 2019	426,472
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 30 June 2020	(60,046)
Commitments relating to leases of low-value assets	(47)
Commitments relating to signed contracts not yet effective on 1 July 2019	(17,901)
Add: Payments for optional extension periods not recognised as at 30 June 2019	41,700
Lease liabilities as at 1 July 2019	390,178

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 30 June 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 July 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated amortisation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are amortised on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at cost less accumulated depreciation and any impairment loss, in accordance with the Group's policy for 'Investment Property'. As at 31 December 2019, the right-of-use assets amounted to HK$355,795,000 were recognised as non-current assets in the condensed consolidated statement of financial position.

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

Summary of new accounting policies (continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset. As at 31 December 2019, the lease liabilities of HK$184,271,000 and HK$195,614,000 were recognised as current and non-current liabilities, respectively, in the condensed consolidated statement of financial position.

Significant judgment in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease properties for additional terms of one to three years. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal.

After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

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 costs are excluded from such measurement.

2. **Operating segment information (continued)**

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 borrowing 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.

Geographical segments

An analysis of the Group's revenue and profit/(loss) by geographical segments for the six months ended 31 December 2019, together with the comparative figures for the corresponding period in 2018, is as follows:

	Hong Kong and Macau		Mainland China		Taiwan		Singapore		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	(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	**409,387**	577,085	**162,100**	166,971	**74,653**	77,771	**53,274**	53,585	**699,414**	875,412
Other income and gain	**8,635**	20,340	**687**	441	**291**	123	**127**	98	**9,740**	21,002
Total	**418,022**	597,425	**162,787**	167,412	**74,944**	77,894	**53,401**	53,683	**709,154**	896,414
Segment results	**(42,914)**	12,038	**(31,606)**	(23,183)	**(2,567)**	(13,495)	**(6,590)**	(5,272)	**(83,677)**	(29,912)
Interest income									**2,100**	6,101
Loss from operating activities									**(81,577)**	(23,811)
Finance costs									**(9,075)**	(59)
Loss before tax									**(90,652)**	(23,870)
Income tax expense									**(3,035)**	(1,878)
Loss for the period									**(93,687)**	(25,748)

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 asset and liability information for the Group's geographical segments at 31 December 2019, together with the comparative figures at 30 June 2019.

	Hong Kong and Macau		Mainland China		Taiwan		Singapore		Consolidated	
	At 31 December 2019 (Unaudited) *HK$'000*	At 30 June 2019 (Audited) *HK$'000*	**At 31 December 2019 (Unaudited) *HK$'000***	At 30 June 2019 (Audited) *HK$'000*	**At 31 December 2019 (Unaudited) *HK$'000***	At 30 June 2019 (Audited) *HK$'000*	**At 31 December 2019 (Unaudited) *HK$'000***	At 30 June 2019 (Audited) *HK$'000*	**At 31 December 2019 (Unaudited) *HK$'000***	At 30 June 2019 (Audited) *HK$'000*
Segment assets	**715,438**	625,370	**290,243**	204,118	**57,168**	49,337	**99,627**	43,842	**1,162,476**	922,667
Unallocated assets									**14,663**	15,472
Total assets									**1,177,139**	938,139
Segment liabilities	**371,889**	138,573	**121,733**	39,059	**19,937**	13,045	**58,827**	7,482	**572,386**	198,159
Unallocated liabilities									**44,509**	40,005
Total liabilities									**616,895**	238,164

3. Revenue, other income and gain

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

Revenue from contracts with customers

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Retailing and distribution of garments transferred at a point in time	**699,414**	875,412

Disaggregated revenue information

Geographical segments

An analysis of the Group's revenue by geographical segments for the six months ended 31 December 2019, together with the comparative figures for the corresponding period in 2018, is as follows:

	Hong Kong and Macau		Mainland China		Taiwan		Singapore		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	(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*
Retailing and distribution of garments	**409,387**	577,085	**162,100**	166,971	**74,653**	77,771	**53,274**	53,585	**699,414**	875,412

Performance obligations

Retailing and distribution of garments

The performance obligation is satisfied when the control of the product is transferred to the customers upon delivery of goods. Other than cash and credit card sales, the Group normally grants credit period of up to 60 days to its trade customers.

Other income and gain

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**2,100**	6,101
Royalty income	**3,413**	3,706
Gross rental income	**4,304**	4,336
Amortisation of deferred gain	**–**	11,667
Others	**2,023**	1,293
	11,840	27,103

4. Finance costs

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on lease liabilities	**8,586**	–
Interest on bank loans	**489**	59
	9,075	59

5. Loss before tax

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

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Provision/(write-back of provision) for inventories	**1,557**	(5)
Depreciation of right-of-use assets	**93,022**	–
Depreciation of items of property, plant and equipment and investment property	**15,926**	14,704
Fair value gains, net on financial assets/liabilities at fair value through profit or loss – transactions not qualifying as hedges	**(776)**	(6,209)
Fair value loss on a financial asset	**2,473**	–

6. **Income tax expense**

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**1,780**	2,259
Current – Elsewhere		
Charge for the period	**446**	–
Deferred	**809**	(381)
Total tax charge for the period	**3,035**	1,878

7. **Dividend**

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend declared – Nil (2018: HK1.22 cents per ordinary share)	**–**	20,032

No interim dividend was declared for the six months ended 31 December 2019. For the six months ended 31 December 2018, the interim dividend of HK$20,032,000 was calculated based on 1,641,935,394 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 2019 of HK$93,687,000 (2018: HK$25,748,000) and the weighted average number of ordinary shares of 1,641,333,394 (2018: 1,640,063,111) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the periods ended 31 December 2019 and 2018 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. Each trade customer has a maximum credit limit, except for new trade customers, where payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade customers relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade debtor balances. Debtors are non-interest-bearing.

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

	At 31 December 2019 (Unaudited) ***HK$'000***	At 30 June 2019 (Audited) *HK$'000*
Within 1 month	**54,650**	48,637
1 to 2 months	**6,887**	5,014
2 to 3 months	**608**	656
Over 3 months	**2,235**	2,850
	64,380	57,157

10. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK$49,398,000 (30 June 2019: HK$48,734,000).

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

	At 31 December 2019 (Unaudited) ***HK$'000***	At 30 June 2019 (Audited) *HK$'000*
Within 1 month	**28,449**	26,771
1 to 2 months	**13,997**	16,239
2 to 3 months	**5,840**	1,878
Over 3 months	**1,112**	3,846
	49,398	48,734

The trade creditors are non-interest bearing and are normally settled on terms of 30 to 60 days.

11. Issued capital

Shares

	At 31 December 2019 (Unaudited) *HK$'000*	At 30 June 2019 (Audited) *HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
1,641,333,394 (30 June 2019: 1,641,333,394) ordinary shares of HK$0.10 each	**164,134**	164,134

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

	Number of shares in issue	**Issued Capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
At 1 July 2018	1,638,935,394	163,894	28,758	192,652
Exercise of share options (note a)	3,000,000	300	369	669
Share repurchase (note b)	(602,000)	(60)	(107)	(167)
At 30 June 2019, 1 July 2019 and 31 December 2019	1,641,333,394	164,134	29,020	193,154

Notes:

(a) For the year ended 30 June 2019, 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.

(b) The Company repurchased 602,000 ordinary shares on The Stock Exchange of Hong Kong Limited for a total consideration, before expenses, of HK$167,000. The repurchased shares were cancelled during the year and the premium paid on the repurchase of the shares of HK$107,000 has been charged to the share premium account.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend (2018: HK1.22 cents per ordinary share) for the six months ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Trade policy uncertainty, geopolitical tensions and stress in key emerging market economies continued to weigh on global economic activity in the second half of 2019. In the Middle East, tensions between the United States and Iran further heightened when Saudi Arabia's oil production infrastructure was allegedly attacked. Elsewhere in the region, growing economic and political frustration had triggered major protests. The average GDP growth across the Gulf Cooperation Council members slowed in 2019 owing to muted oil prices and excess oil supply.

In Southeast Asia, the region's more open economies are facing the combined impacts of the United States-mainland China trade tensions and a dip in the electronics cycle, despite the partial offset by prosperous domestic demand. Overall, developing Asian countries are expected to experience slowing growth.

Trade tensions between mainland China and the United States re-escalated. Mainland China's export growth decelerated sharply in 2019 amid the trade war. Consumption has served as the largest contributor to mainland China's economic growth, but performance varied from sector to sector. The wearing apparel industry, for example, facing some challenges and registered a growth rate at a lower end as compared to other consumer goods in 2019.

The Group faced a challenging business environment during the period under review. The widened loss for the period attributable to owners of the Group was mainly due to a sharp decline in inbound visitors in Hong Kong, the mainland China-United States trade disputes, the weakened consumer sentiment and the unseasonal warm winter weather in several core markets where the Group operates. In Hong Kong, retail sales volume plummeted since July 2019. Visitors were avoiding Hong Kong and the number plunged sharply. The agreement on the first phase of the trade deal between mainland China and the United States (which has been signed in January 2020) has come too late for the worsened economy. Hong Kong's GDP shrank, the first annual decline since 2009.

The overall revenue of the Group decreased by 20%, with a drop of 10% in same-store sales. Gross profit decreased by 22% and the gross margin dropped 1% point to 51%. During the period under review, as part of the network expansion plan, the Group's export franchising business added 24 stores net, with a footprint across 26 countries.

Financial Performance

The Group's revenue for the six months ended 31 December 2019 decreased by 20% to HK$699 million (2018: HK$875 million). Gross profit decreased by 22% to HK$356 million (2018: HK$457 million). Gross margin slipped slightly to 51% (2018: 52%).

The Group recorded an operating loss of HK$82 million (2018: HK$24 million loss) and an operating margin of negative 12% (2018: negative 3%). Loss for the period attributable to owners was HK$94 million (2018: HK$26 million loss), while basic loss per share was HK5.71 cents (2018: HK1.57 cents).

As of 31 December 2019, the Group's cash and bank balances stood at HK$262 million (2018: HK$306 million), with a net cash balance of HK$232 million (2018: HK$283 million). The inventory turnover days was 142 days (2018: 124 days).

Operating Efficiencies

Retail sales in Hong Kong began to drop significantly since June 2019 when social activities escalated, coupled with a warmer winter and other factors. The value of total retail sales in the second half of 2019 decreased drastically, and the volume of retail sales in the fourth quarter saw the largest quarterly decline on record. Consumer confidence dropped to a very low point and worrying trends persisted towards economic development. These unfavourable factors continued to weigh on the consumer sentiment, bringing a reduction in in-store consumption and hence impacting our sales for Hong Kong and Macau segment, which accounted for 58% of the Group's consolidated revenue during the period under review.

Same-store sales in Hong Kong and Macau, mainland China and Singapore declined by 14% (2018: 5% decline), 5% (2018: 3% decline) and 5% (2018: 6% decline) respectively, whilst Taiwan remained flat (2018: 7% decline). The Group's overall same-store sales slipped by 10% (2018: 5% decline).

As of 31 December 2019, the total net retail floor area for directly managed stores slightly decreased to 357,900 sq. ft. (2018: 362,000 sq. ft.). Sales per sq. ft. decreased by 18% to HK$3,300 (2018: HK$4,000). The Group's operating expenses for the period under review accounted for 64% (2018: 58%) 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				
	2019		2018		
	HK$ million	**% of revenue**	HK$ million	% of revenue	**Change (%)**
Revenue	**699**	**100%**	875	100%	**-20%**
Selling and distribution expenses	**314**	**44%**	367	42%	**-14%**
Administrative expenses	**116**	**17%**	121	14%	**-4%**
Other operating expenses	**19**	**3%**	20	2%	**-5%**
Total operating expenses	**449**	**64%**	508	58%	**-12%**

BUSINESS REVIEW

Distribution Network

As of 31 December 2019, the Group had a presence in 30 countries and regions around the world and the total number of stores was 1,086 (30 June 2019: 1,061). The number of directly managed stores increased to 287 (30 June 2019: 286), while the number of franchised stores was 799 (30 June 2019: 775).

The Hong Kong and Macau segment remained the Group's core market and the major contributor to the total revenue. The total number of stores remained at 39 (30 June 2019: 39). The export franchising business added 24 stores net to the global network, bringing to a total of 799 (30 June 2019: 775) stores across 26 countries.

The number of stores in mainland China was 180 (30 June 2019: 175), all of which were directly managed. The Group continued to review the operation in Taiwan with store count at 51 (30 June 2019: 57) and the number of stores in Singapore was 17 (30 June 2019: 15).

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

	31 December 2019		30 June 2019	
	Directly managed stores	**Franchised stores**	Directly managed stores	Franchised stores
Hong Kong and Macau	**39**	**–**	39	–
Mainland China	**180**	**–**	175	–
Taiwan	**51**	**–**	57	–
Singapore	**17**	**–**	15	–
Other countries and regions	**–**	**799**	–	775
Total	**287**	**799**	286	775

Marketing and Branding

At Bossini, we always uphold "Customer Oriented" as one of the core values we honour and harbour. We spread and exalt the concept of "be happy", actively promote happiness in the community and call for everyone to live a positive, enthusiastic and happy attitude. Our colourful products and visual merchandising are designed with a touch of humour and the love for life, and we are committed to making our customers as happy customers.

Amidst keen competition and changing customer preference, the Group has unremittingly devised efficacious initiatives to entrench its brand image and strengthen brand awareness. Our extensive and established retail network offers us direct reach to the consumers which, in return, contributes to our omnichannel presence extending from offline to online, allowing a fuller touch with our customers.

Co-branded and Licensed Products

The collaboration with popular brands in co-branded and licensed product portfolio has proved a notable strategy engaged by Bossini over the years. We continue to keep up with the market trends, seek out and select the perfectly-matched brands and partners which have established a recognisable image and, most importantly, share the same value with us in bringing fun and life excitement to the customers.

bossini x Miffy《Bloom with Joy!》 collection featured Miffy on a range of printed tees, hoodies and dresses for ladies and kids. With signature colours of orange, blue and yellow, and distinct minimalist style, the exclusive line-up included playful and fun designs that seamlessly matched with Miffy's lovely character.

bossini x LYCHEE & FRIENDS collection invited boys and girls to explore the world with LYCHEE and the members of "The WittyLab". The neat yet colourful design in soft cotton Autumn series, together with the accessories such as tote bags and puffy toys, featured a trendy Korean style and ignited a playful heart.

bossini x Sanrio《Let Our Adventure Begin》 collection embarked on an adventure with My Melody, Bad Badtz-Maru, Pompompurin, Ahiru No Pekkle and Pochacco as they accompanied Hello Kitty on her birthday trip around the world. This Fall/Winter collection offered timeless prints and designs featuring the adorable Sanrio characters for the family wardrobe.

These co-branding and marketing initiatives have been proven in differentiating Bossini from the peers. The collaborated brands and characters were strategically negotiated so as to synergise with Bossini to create maximised brand visibility and customer loyalty, further reinforcing our share in the competitive market environment.

New CRM Programme and Mobile Application

Bossini always move forward to offer an enhanced shopping experience to forge customer loyalty. We have launched a brand-new bossini Plus membership programme together with the bossini Plus mobile application in the fourth quarter of 2019. The App signifies the Group's first step to unify a consumer profile across different channels, including offline, eShop and social media. It helps us to understand more about our customers – their journey of shopping, spending habit and pattern, preferences and choices. The digitalisation of consumer behaviour originated from the big data collected at all levels empowers us to provide our customers with more suitable and tailor-made product information and marketing initiatives that can effectively prompt their impulse of consumption. Customers can now handily enjoy exclusive member privileges and services, receive the latest news and personalised updates, coupons and get a "B-point" reward on every purchase. More new functions will be added to the application to make it a well-connected platform between us and the consumers.

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 58% (2018: 66%) of the total revenue. For other regions, mainland China accounted for 23% (2018: 19%) of the total revenue, while Taiwan and Singapore provided 11% (2018: 9%) and 8% (2018: 6%) respectively.

The Group's total revenue decreased by 20% to HK$699 million (2018: HK$875 million). Overall sales per sq. ft. slipped by 18% to HK$3,300 (2018: HK$4,000).

Hong Kong and Macau

The Hong Kong economy contracted sharply in the second half of 2019. Both domestic and external demand worsened significantly. The local social incidents, coupled with a warmer winter, took a heavy toll on inbound tourism and consumption-related activities, casting a very severe blow to an economy already weakened by a synchronised global economic slowdown and escalated trade tensions between the United States and mainland China.

During the period under review, revenue in Hong Kong and Macau including retail and export franchising business was HK$409 million (2018: HK$576 million), representing a 29% decrease. Same-store sales for directly managed stores declined by 14% (2018: 5% decline). Total net retail floor area in Hong Kong and Macau has scaled down to 111,000 sq. ft. (2018: 121,600 sq. ft.), and sales per sq. ft. declined 15% to HK$6,100 (2018: HK$7,200). The number of the directly managed stores remained at 39 (30 June 2019: 39). Operating loss was HK$41 million (2018: HK$17 million profit) and the operating margin was negative 10% (2018: positive 3%).

The export franchising business added 24 stores net during the period under review, boosting the total number of stores to 799 (30 June 2019: 775) with a footprint across 26 countries. The Group maintained its cautious yet strategic international expansion programme to tap opportunities in markets that might offer growth potential.

Mainland China

Mainland China faced with mounting risks and challenges both at home and abroad. Despite a trade surplus in 2019, both total export and import values have dropped slightly. The Manufacturing Purchasing Managers Index mostly stayed below 50 in the second half of 2019. Notably, the small-sized enterprises were more gloomy towards the manufacturing sector recession.

Revenue of the Group's business in mainland China decreased by 3% to HK$162 million (2018: HK$167 million). Same-store sales recorded a drop of 5% (2018: 3% decline). Sales per sq. ft. dropped to HK$1,600 (2018: HK$1,900). Total net retail floor area increased by 12% to 170,000 sq. ft. (2018: 151,600 sq. ft.). There were 180 (30 June 2019: 175) stores in total, all of which were directly managed stores. Operating loss was HK$31 million (2018: HK$23 million loss) and operating margin was negative 19% (2018: negative 14%).

Taiwan

The Cyclical Leading Composite Index for Service Industries in Taiwan has continued to show a steady downward trend for the wholesale and retail sector that has lasted for more than a year. The lack of momentum shows the absence of supportive domestic demand.

During the period under review, the same-store sales of the Group's Taiwan operations remained flat (2018: 7% decline). Total revenue declined 4% to HK$75 million (2018: HK$78 million). Total net retail floor area decreased by 23% to 53,300 sq. ft. (2018: 68,800 sq. ft.) and sales per sq. ft. increased by 5% to HK$2,200 (2018: HK$2,100). The Group continued to optimise the store network with the consolidation of non-performing stores, and the number of directly managed stores decreased to 51 (30 June 2019: 57). Operating loss was HK$3 million (2018: HK$13 million loss), and the operating margin was negative 3% (2018: negative 17%).

Singapore

The Singapore economy struggled in 2019 amid the trade war and registered a stagnant growth, the slowest since 2009. Retail sales has lost resilience and slid for consecutive months.

The revenue of Singapore operation dropped 2% to HK$53 million (2018: HK$54 million) during the period under review. Same-store sales registered a 5% decline (2018: 6% decline). Total net retail floor area increased by 18% to 23,600 sq. ft. (2018: 20,000 sq. ft.). Sales per sq. ft. decreased 12% to HK$4,500 (2018: HK$5,100). The Group continued to optimise store network and the number of directly managed stores increased to 17 (30 June 2019: 15). The operating loss was HK$7 million (2018: HK$5 million loss) and the operating margin was negative 12% (2018: negative 9%).

Liquidity and Financial Resources

The Group remained in a healthy financial position with cash and bank balances at HK$262 million (2018: HK$306 million) and net cash balance at HK$232 million (2018: HK$283 million) as of 31 December 2019. Current ratio stood at 1.66 times (2018: 3.41 times) with a total liabilities to equity ratio at 110% (2018: 35%).

The Group's bank borrowings was HK$30 million (2018: HK$23 million) as of 31 December 2019 and the gearing ratio determined by bank borrowings divided by total equity was 5% (2018: 3%).

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 142 days (2018: 124 days) as of 31 December 2019. Measures have been taken to allow flexibility in supply chain management. The return on equity ratio was negative 32% (2018: negative 6%) 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 as of 31 December 2018. Such investment fund was redeemed during the period under review. Interest income of HK$2 million (2018: HK$4 million) and a change in fair value of the investment fund of HK$2 million loss (2018: HK$1 million gain) have been included in the consolidated statement of profit or loss and other comprehensive income for the period under review.

Contingent Liabilities

During the period under review, the Group had no material changes in contingent liabilities since 30 June 2019.

Human Capital

As of 31 December 2019, the Group employed 1,900 (30 June 2019: 1,900) full-time equivalent employees in Hong Kong and Macau, mainland China, Taiwan and Singapore.

At Bossini, we recognise that our employees are the key to our success and nothing can be achieved without their engagement. The long-term achievement of the Group depends on its capacity to attract, retain and develop employees, which, in return, ensure our ongoing and sustainable growth. We motivate and engage all staff to reach their full potential through formal and informal learning. We embrace team spirit and encourage the free exchange of bold and innovative ideas and knowledge that can lead to a harmonious and rewarding working environment, an efficient workforce, and happy shopping experience. Every year, we organise workshops in effective management and certified programmes such as "The 7 Habits of Highly Effective People® for office and shop staff at all levels.

We are committed to building and championing a vibrant and competent workforce. Our employees receive regular feedback on their performance and career aspirations. We continuously update, renew and enrich "bossini e-academy", our online hub for practical and experience-based knowledge and skills in retailing, customer servicing, and other latest sales and marketing information.

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

OUTLOOK

Following its weakest performance since the global financial crisis, the world economy is poised for a modest rebound in 2020. Market sentiment has been boosted by tentative signs: manufacturing activity and global trade are bottoming out, central banks' shifting toward accommodative monetary policy, intermittent favourable news on the United States-mainland China trade negotiations, and diminished fears of a no-deal Brexit. However, downside risks to the global outlook still predominate.

In the United States, growth is forecasted to slow slightly in 2020, reflecting the negative impact of earlier tariff increases and elevated uncertainty. Whilst economists forecast an average year for the consumer, a strong job market coupled with low interest rates keeps the United States economy on solid footing.

In mainland China, the combination of reduced tariff uncertainty and stable policy support could lead to improved corporate confidence and a steady expansion of the consumer class, adding up to a more optimistic outlook. A slower GDP growth as a norm might be expected as the policymakers are taking a more conservative approach to stimulus and focus more on sustainable growth and risk control. Sadly, the outbreak of the novel coronavirus (COVID-19) infection nationwide is casting an adverse impact to the country with social and economic activities mostly halted in the seriously affected cities. Economic growth is facing huge challenge.

Hong Kong is poised to recover from months of social activities with government stimulus plans long-awaited to ease social and economic hardship, in spite of political turmoil that will likely continue weighing on domestic activity. Disastrously, the novel coronavirus infection threat is heavily weighing on inbound tourism and local consumption sentiment is expected to last months, bringing another blow to the fragile economy. The business environment for retail trade has become even more difficult.

In the Middle East, rising geopolitical tensions, notably between the United States and Iran, could disrupt global oil supply, hurt sentiment, and weaken the already tentative business investment. But infrastructure investment and business climate reforms are seen advancing growth among the Gulf Cooperation Council economies.

The complex socio-economic environment is presenting unprecedented challenges to enterprises. International tensions, on both trade and other issues like technology, will continue to wax and wane for the foreseeable future that batters market sentiment and economic growth.

The management of the Group remains cautious and watchful over market development. We are committed to lead the Group to weather the challenges and seek out sustainable growth drivers, as we have been attentive to the opportunities that can be potentially contributive to the future advancement of the business. The Group has always adhered to a prudent financial management principle and is in a healthy financial position.

The export franchising business has been a main focus of the Group. We will continue to optimise the distribution network, better market reach, toughen up brand awareness, and leverage the resources advantage in market positioning and brand image.

As we move into 2020, we are on our way to implementing the plans and measures for the goal of attaining sustainable business development. We will reinvent products that are designed to bring out a brand identity of Urban Athleisure that further reflects our core brand value. We will execute an array of marketing strategies that unlocks insights into consumer behavior to reinforce our brand awareness and presence. We will re-engineer key looks and key functional products that cater to the changing consumer taste and preference. We are developing a global visual merchandising execution that aligns and promotes a unified brand perception and image. Furthermore, we will drive and implement a "Designed to Sell" concept that will allow us a closer touch with the customers and facilitate our market competitiveness that, in return, improves profitability.

Over the years, Bossini has established a profound brand presence and foothold in the existing markets. We will reignite business growth by nurturing the strategic markets that are demonstrating growth momentum. In mainland China, we are striving to turnaround and grow business as we see the dynamic and rewarding potential. We will also continue to diligently explore opportunities in Southeast Asia, a market that is vigorous with a driving force.

Weak retail conditions, high wage and rent costs, and fierce competition have been weighing on the clothing retail sector in recent years. In Taiwan, where the market potential is still not promising, we will continue to consolidate and close the non-performing stores.

At the same time, providing an enjoyable and convenient shopping experience both online and in physical stores has become vital to maintaining consumer demand. The established click-and-mortar retail network is one of our paramount asset resources. Leveraging this asset, the Group will strategically tap into the "New Retail" opportunity to expand O2O business by engaging and connecting our customers in multi aspects.

A flexible and resilient organisation mode can allow streamlined adaptation to the changing market. We are rejuvenating our operational systems by maximising the economy of scale in operation and synergising internal and external resources, so as to attain enhanced operational efficiencies.

As part of the initiatives, we will create business value through "4D": Digitisation, Digitalisation, Digital Transformation, and Data Intelligence to improve processes, productivity, culture and customer experiences, eventually moving towards a customer-driven strategic business.

People are our core assets. We will continue to inspire and facilitate talents to adapt to new ways of doing things and empower them to unleash their potential to attain an even bigger goal.

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.

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 2019. 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 2019, 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 2019.

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 2019 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 2019 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
Bossini International Holdings Limited
TSIN Man Kuen Bess
Chairman

Hong Kong, 19 February 2020

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.