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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 30 JUNE 2023

FINANCIAL RESULTS

The board of directors (the “Board”) of **Bossini International Holdings Limited** (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group” or “Bossini”) for the six months ended 30 June 2023, together with the comparative figures for the six months ended 30 June 2022, as follows:

Condensed consolidated statement of profit or loss and other comprehensive income

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	298,437	294,681
Cost of sales		<u>(141,366)</u>	<u>(162,431)</u>
Gross profit		157,071	132,250
Other income and gain	3	9,522	185,000
Selling, distribution and other operating expenses		<u>(171,970)</u>	<u>(202,298)</u>
Administrative expenses		<u>(71,424)</u>	<u>(88,307)</u>
(Loss)/profit from operating activities		(76,801)	26,645
Finance costs	4	<u>(5,292)</u>	<u>(5,088)</u>
(Loss)/profit before tax	5	(82,093)	21,557
Income tax (expense)/credit	6	<u>(273)</u>	<u>298</u>
(Loss)/profit for the period attributable to owners of the Company		<u>(82,366)</u>	<u>21,855</u>

* For identification purposes only

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

	Six months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
Other comprehensive loss		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>(2,966)</u>	<u>(3,787)</u>
Net other comprehensive loss	<u>(2,966)</u>	<u>(3,787)</u>
Total comprehensive (loss)/income for the period attributable to owners of the Company	<u><u>(85,332)</u></u>	<u><u>18,068</u></u>
(Loss)/earnings per share attributable to ordinary equity holders of the Company	8	(restated)
Basic	<u><u>(HK2.96 cents)</u></u>	<u><u>HK0.88 cent</u></u>
Diluted	<u><u>(HK2.96 cents)</u></u>	<u><u>HK0.86 cent</u></u>

Condensed consolidated statement of financial position

		At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		37,242	33,382
Investment properties		3,807	4,101
Right-of-use assets		108,148	89,221
Deferred tax assets		377	300
Deposits		29,385	28,567
		<u>178,959</u>	<u>155,571</u>
Total non-current assets			
Current assets			
Inventories		154,972	171,866
Debtors	9	14,788	24,559
Prepayments, deposits and other receivables		74,799	68,526
Due from a related company		2	–
Pledged bank deposits		59	127
Cash and cash equivalents		363,714	93,142
		<u>608,334</u>	<u>358,220</u>
Total current assets			
Current liabilities			
Trade creditors, other payables and accruals	10	123,619	150,601
Contract liabilities		2,879	3,739
Bills payable		10,400	14,812
Tax payable		1,301	1,196
Loan from an intermediate holding company		100,000	–
Due to an intermediate holding company		45	–
Due to fellow subsidiaries		2,680	1,527
Due to related companies		3	1,474
Lease liabilities		115,684	74,643
		<u>356,611</u>	<u>247,992</u>
Total current liabilities			
Net current assets		<u>251,723</u>	<u>110,228</u>
Total assets less current liabilities		<u>430,682</u>	<u>265,799</u>

Condensed consolidated statement of financial position (continued)

		At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
Non-current liabilities			
Deferred tax liabilities		410	410
Lease liabilities		76,102	140,083
Other payables		5,003	5,003
		<hr/>	<hr/>
Total non-current liabilities		81,515	145,496
		<hr/>	<hr/>
Net assets		349,167	120,303
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Issued capital	<i>11</i>	332,272	247,036
Reserves		16,895	(126,733)
		<hr/>	<hr/>
Total equity		349,167	120,303
		<hr/> <hr/>	<hr/> <hr/>

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 31 December 2022, 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 1 and HKFRS Practice Statement 2 (Amendments)	Amendments to HKAS 1 and HKFRS Practice Statement 2 – <i>Disclosure of Accounting Policies</i>
HKAS 8 (Amendments)	Amendments to HKAS 8 – <i>Definition of Accounting Estimates</i>
HKAS 12 (Amendments)	Amendments to HKAS 12 – <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
HKFRS 17	<i>Insurance Contracts</i>
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – <i>Comparative Information</i>
HKFRS 17 (Amendments)	Amendments to HKFRS 17 – <i>Insurance Contracts</i>

The adoption of the above revised standards had no significant financial effect on the interim financial information.

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective in the unaudited condensed consolidated interim financial statements. However, the Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group’s results of operations and financial position.

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 three reportable operating segments as follows:

- (a) The Hong Kong Special Administrative Region, China (“Hong Kong SAR”) and The Macau Special Administrative Region, China (“Macau SAR”)
- (b) Mainland China
- (c) Singapore

2. Operating segment information (continued)

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 profit/loss before tax except that interest income and non-lease-related finance costs are excluded from such measurement.

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

Segment liabilities exclude deferred tax liabilities, tax payable, loan from an intermediate holding company and amount due to an intermediate holding company 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 30 June 2023, together with the comparative figures for the corresponding period in 2022, is as follows:

	Hong Kong SAR and Macau SAR		Mainland China		Singapore		Consolidated	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Segment revenue								
Sales to external customers	194,158	165,431	74,402	90,043	29,877	39,207	298,437	294,681
Other income and gain	6,719	183,140	993	626	427	245	8,139	184,011
Total	200,877	348,571	75,395	90,669	30,304	39,452	306,576	478,692
Segment results	758	137,636	(73,723)	(116,171)	(9,967)	(897)	(82,932)	20,568
Interest income							1,383	989
(Loss)/profit from operating activities							(81,549)	21,557
Finance costs (other than interest on lease liabilities)							(544)	–
(Loss)/profit before tax							(82,093)	21,557
Income tax (expense)/credit							(273)	298
(Loss)/profit for the period							(82,366)	21,855

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 30 June 2023, together with the comparative figures at 31 December 2022.

	Hong Kong SAR and Macau SAR		Mainland China		Singapore		Consolidated	
	At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>	At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>	At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>	At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
Segment assets	<u>503,373</u>	<u>238,237</u>	<u>212,649</u>	<u>202,591</u>	<u>70,894</u>	<u>72,663</u>	<u>786,916</u>	<u>513,491</u>
Unallocated assets							<u>377</u>	<u>300</u>
Total assets							<u>787,293</u>	<u>513,791</u>
Segment liabilities	<u>168,879</u>	<u>193,952</u>	<u>130,685</u>	<u>161,098</u>	<u>36,806</u>	<u>36,832</u>	<u>336,370</u>	<u>391,882</u>
Unallocated liabilities							<u>101,756</u>	<u>1,606</u>
Total liabilities							<u>438,126</u>	<u>393,488</u>

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 30 June	
	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>
Retailing and distribution of garments transferred at a point in time	<u>298,437</u>	<u>294,681</u>

3. Revenue, other income and gain (continued)

Other income and gain

	Six months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	1,383	989
Royalty income	2,039	3,926
Gross rental income	3,560	2,939
Government grants (note a)	452	2,252
Gain on disposal of assets held for sale (note b)	–	173,685
Others	2,088	1,209
	<u>9,522</u>	<u>185,000</u>

Notes:

- (a) The amounts for the six months ended 30 June 2022 mainly represented the subsidy granted by The Government of the Hong Kong SAR under the Anti-Epidemic Fund. This is a wage subsidy for eligible employers to retain their employees subject to certain conditions. There was no unfulfilled conditions and other contingencies attached to the receipts of those grants.
- (b) Disposal of assets held for sale represented sales of investment properties. The net proceeds arising from the disposal was approximately HK\$183,122,000 (after deducting the expenses in relation to the disposal) and the carrying amount of HK\$9,437,000. A gain on disposal of approximately HK\$173,685,000 was recognised in “Other income and gain” for the six months ended 30 June 2022.

4. Finance costs

	Six months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on lease liabilities	4,748	5,088
Interest on loan from an intermediate holding company	527	–
Interest on bank loans	17	–
	<u>5,292</u>	<u>5,088</u>

5. (Loss)/profit before tax

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

	Six months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision for inventories	3,293	2,040
Depreciation of right-of-use assets	31,338	45,867
Depreciation of property, plant and equipment and investment properties	11,050	11,771
Impairment of right-of-use assets	–	7,686
Impairment of property, plant and equipment	–	2,104
Reversal of impairment of deposits and other receivables	(119)	–
Loss on disposal of property, plant and equipment, net	1,887	492
Gain on disposal of assets held for sale	–	(173,685)
	<u> </u>	<u> </u>

6. Income tax (expense)/credit

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the period. The mainland China Corporate Income Tax provision in respect of the operation in mainland China is calculated based on the statutory tax rate of 25% (2022: 25%) on the estimated profits for the period based on existing legislation, interpretations and practices in respect thereof. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended	
	30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	105	607
– Overseas taxation	245	316
	<u> </u>	<u> </u>
	350	923
Deferred income tax	(77)	(1,221)
	<u> </u>	<u> </u>
Income tax expense/(credit)	<u> </u>	<u> </u>
	273	(298)

7. Dividend

No interim dividend was declared for the six months ended 30 June 2023 and 2022.

8. (Loss)/earnings per share attributable to ordinary equity holders of the Company

The calculation of basic loss per share for the six months ended 30 June 2023 (2022: basic earnings per share) is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$82,366,000 (2022: HK\$21,855,000 profit), and the weighted average number of ordinary shares of 2,787,215,358 (2022 (restated): 2,484,477,777) in issue during the period.

Weighted average number of the ordinary shares

	2023	2022 (restated)
Issued shares at 1 January	2,470,358,091	2,465,750,091
Effect of share options exercised	–	1,955,801
Effect of rights issue including bonus elements	<u>316,857,267</u>	<u>16,771,885</u>
Weighted average number of shares at 30 June	<u><u>2,787,215,358</u></u>	<u><u>2,484,477,777</u></u>

The diluted loss per share for the six months ended 30 June 2023 equals to the basic loss per share as the impact of dilution of the share options is anti-dilutive.

The calculation of diluted earnings per share for the six months ended 30 June 2022 was based on the profit for the period attributable to ordinary equity holders of the Company of HK\$21,855,000. The weighted average number of ordinary shares used in the calculation was the weighted average number of ordinary shares in issue of 2,484,477,777 (restated) during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 50,212,359 (restated) assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The basic and diluted earnings per share for the six months ended 30 June 2022 were restated by adjusting the weighted average number of ordinary shares in issues for the bonus element due to the rights issue completed on 27 April 2023.

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 and stated at net of loss allowance.

	At 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Debtors	15,022	24,799
Less: Loss allowance	(234)	(240)
	<u>14,788</u>	<u>24,559</u>

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 30 June 2023 (Unaudited) HK\$'000	At 31 December 2022 (Audited) HK\$'000
Within 1 month	9,234	15,861
1 to 2 months	2,642	6,110
2 to 3 months	2,127	537
Over 3 months	785	2,051
	<u>14,788</u>	<u>24,559</u>

10. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK\$29,311,000 (31 December 2022: HK\$43,861,000).

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

	At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
Within 1 month	6,528	23,169
1 to 2 months	14,581	16,057
2 to 3 months	5,705	3,992
Over 3 months	2,497	643
	<u>29,311</u>	<u>43,861</u>

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

11. Issued capital

Shares

	At 30 June 2023 (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
Authorised:		
10,000,000,000 (31 December 2022: 3,000,000,000) ordinary shares of HK\$0.10 each (note a)	<u>1,000,000</u>	<u>300,000</u>
Issued and fully paid:		
3,322,720,177 (31 December 2022: 2,470,358,091) ordinary shares of HK\$0.10 each	<u>332,272</u>	<u>247,036</u>

11. Issued capital (continued)

During the year/period, the movements in issued capital were as follows:

	Number of shares in issue	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022 (Audited)	2,465,750,091	246,575	241,462	488,037
Exercise of share options (note b)	<u>4,608,000</u>	<u>461</u>	<u>2,242</u>	<u>2,703</u>
At 31 December 2022 and 1 January 2023 (Audited)	2,470,358,091	247,036	243,704	490,740
Shares issued under rights issue (note c)	852,362,086	85,236	230,138	315,374
Transaction costs incurred in respect of rights issue	<u>–</u>	<u>–</u>	<u>(2,702)</u>	<u>(2,702)</u>
At 30 June 2023 (Unaudited)	<u><u>3,322,720,177</u></u>	<u><u>332,272</u></u>	<u><u>471,140</u></u>	<u><u>803,412</u></u>

Notes:

- (a) On 21 March 2023, the Company passed an ordinary resolution to approve the authorised share capital of the Company be increased from HK\$300,000,000 divided into 3,000,000,000 shares of HK\$0.10 each to HK\$1,000,000,000 divided into 10,000,000,000 shares by the creation of an additional 7,000,000,000 shares.
- (b) For the year ended 31 December 2022, the subscription rights attaching to 4,608,000 share options were exercised at the subscription price of HK\$0.456 per share, resulting in the issue of 4,608,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$2,101,000, and the related share option reserve of HK\$602,000 was transferred to the share premium account upon the exercise of these share options.
- (c) After the completion of the rights issue on 27 April 2023, the Company raised gross proceeds of HK\$315,374,000 before expenses by issuing 852,362,086 rights shares at a price of HK\$0.370 per rights share on the basis of one (1) rights share for every two (2) then existing shares to the qualifying shareholders. The weighted average number of ordinary shares in issue for the purpose of calculation of basic and diluted (loss)/earnings per share has been adjusted for the bonus element of the rights issue.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Group revenue for the six months ended 30 June 2023 (the “Period under review”) was HK\$298 million (2022: HK\$295 million) at a gross margin of 53% (2022: 45%). Table 1 provides an overview of the Group’s results in core markets. During the period under review, loss attributable to owners of the Company was HK\$82 million (2022: HK\$22 million profit). The Group’s same-store sales and same-store gross profit were up by 10% (2022: 9% decline) and 25% (2022: 17% decline) respectively. Net cash balance was HK\$264 million (2022: HK\$256 million) as at 30 June 2023.

RESULTS

Table 1: Group’s results

	For the six months ended 30 June				Change
	2023		2022		
	HK\$mn	% to sales	HK\$mn	% to sales	
Hong Kong SAR and Macau SAR	194	65%	166	56%	17%
Mainland China	74	25%	90	31%	(18%)
Singapore	30	10%	39	13%	(23%)
Group revenue	298	100%	295	100%	1%
Gross profit	157	53%	132	45%	19%
Total operating expenses	(243)	(82%)	(291)	(99%)	16%
(Loss)/profit from operating activities	(77)	(26%)	27	9%	(388%)
Finance costs	(5)	(2%)	(5)	(2%)	(4%)
EBITDA	(36)	(12%)	(90)*	(31%)	60%
(Loss)/profit attributable to owners	(82)	(28%)	22	7%	(477%)
Group same-store sales growth	10%		(9%)		
Group same-store gross profit growth	25%		(17%)		
Net cash at 30 June	264		256		3%
Inventory level at 30 June	155		151		3%
Inventory turnover (days) at 30 June	194		176		18

* Excluding the one-off gain on disposal of assets held for sale of HK\$174 million

Revenue and gross profit

With the easing COVID-19 epidemic, mainland China, Hong Kong SAR and Macau SAR have successively opened borders. The economy and the retail industry have been gradually recovering. During the period under review, the Group recorded revenue of HK\$298 million (2022: HK\$295 million). Gross profit was HK\$157 million (2022: HK\$132 million), with gross margin increased by 8% points to 53% (2022: 45%).

Total operating expenses and (loss)/profit from operating activities

The total operating expense to sales ratio decreased to 82% (2022: 99%). During the six months ended 30 June 2022, the Group recognised non-cash impairment on assets of HK\$10 million.

Finance costs

Finance costs were HK\$5 million (2022: HK\$5 million), mainly comprised of the interest on loan from an intermediate holding company and the interest on lease liabilities. The interest on lease liabilities of HK\$5 million (2022: HK\$5 million) was due to the imputed interest expense accrued on the outstanding balance of the lease liabilities.

(Loss)/profit attributable to owners of the Company

As shown in Table 1, loss attributable to owners of the Company was HK\$82 million (2022: HK\$22 million profit). Net margin was negative 28% (2022: positive 7%). For the six months ended 30 June 2022, excluding the one-off gain on disposal of assets held for sale of HK\$174 million, the loss attributable to owners of the Company would be HK\$152 million. The reduction in loss was mainly due to (i) improved gross profit margin, (ii) absence of impairment of right-of-use assets and property, plant and equipment, and (iii) effective cost control of expenses for the six months ended 30 June 2023.

DISTRIBUTION NETWORK

As at 30 June 2023, the Group had a presence in 19 countries and regions around the world and had 559 (31 December 2022: 559) stores comprised of 210 (31 December 2022: 212) directly managed stores and 349 (31 December 2022: 347) franchised stores.

Table 2: Store composition by type and geographical location

	At 30 June 2023			At 31 December 2022		
	Directly managed stores	Franchised stores	Total	Directly managed stores	Franchised stores	Total
Hong Kong SAR and Macau SAR	28	–	28	26	–	26
Mainland China	168	–	168	171	–	171
Singapore	14	–	14	15	–	15
Other countries	–	349	349	–	347	347
Total	<u>210</u>	<u>349</u>	<u>559</u>	<u>212</u>	<u>347</u>	<u>559</u>

ANALYSIS BY MARKET

Hong Kong SAR and Macau SAR

Since the end of last year, as the COVID-19 epidemic has eased, the Hong Kong SAR government has relaxed social distancing and other epidemic prevention measures on a large scale, and, in conjunction with “opening the border”, launched the “Hello, Hong Kong!” campaign, which aims to attract international and mainland China tourists to Hong Kong SAR, so as to stimulate the local tourism, retail and catering industries and boost local economy. The Hong Kong Tourism Board announced that Hong Kong SAR recorded approximately 13 million tourist arrivals in the first half of the year, among which, more than 10 million tourists were from mainland China, much higher than that of approximately 0.6 million in the full year of 2022, reflecting a significant rebound of the local tourism industry after the epidemic.

Benefiting from the overall economic climate, the customer flow of the Group’s stores continued to increase. In view of the increase in the number of tourists and the overall consumption amount, the Group provided exclusive discounts for tourists in stores located in tourist areas, so as to increase the consumption amount per order of tourists. We have also extended the business hours of retail stores, and reinforced our social platforms to disseminate product promotions and information to attract tourists to follow our account, and hence expanded the turnover from tourists in a targeted manner. These measures have achieved satisfactory results. In the first half of the year, same-store sales to mainland Chinese tourists in Hong Kong SAR nearly quadrupled year-on-year. However, although the overall consumption sentiment in the market has improved, Hong Kong SAR local residents tend to “revenge travel”. Therefore, the sales growth rate of the Group’s stores in residential areas was lower than that of stores in tourist areas.

As for Macau SAR, as its border was opened earlier than Hong Kong SAR, the Group's business recovery in the Macau SAR market is faster than that in the Hong Kong SAR market, which has been positive for the Group's overall business. The proportion of sales from tourists in the Macau SAR market increased by 23% year-on-year. According to the market conditions in Macau SAR, the preferences of mainland Chinese tourists and the consumption power of customers, we provided exclusive promotions in Macau SAR, so as to increase the gross profit of the Macau SAR business.

During the period under review, revenue in Hong Kong SAR and Macau SAR including the retail and export franchising business was HK\$194 million (2022: HK\$166 million). Same-store sales for directly managed stores rose 16% (2022: 7% decline) while same-store gross profit rose 38% (2022: 11% decline). Total net retail floor area increased to 66,500 sq. ft. (31 December 2022: 65,400 sq. ft.). The number of directly managed stores was 28 (31 December 2022: 26). Segment result was HK\$1 million profit (2022: HK\$138 million profit).

Mainland China

At the end of last year, the Chinese government cancelled most of the epidemic prevention and border quarantine measures in order to reconnect with the international market. After the peak of the epidemic, people's lives gradually returned to normal, which directly increased market traffic.

Nevertheless, in the first half of the year, mainland China's economic growth showed a weak recovery. The unstable economy led to cautious consumption. The overall consumption in mainland China remained weak and the rebound of the retail market was slower than expected. As a result, the apparel industry and the Group's local sales were greatly affected. However, during traditional Chinese festivals such as the Spring Festival and the Labour Day holiday, the Group's business in mainland China recorded a year-on-year growth, but the overall growth rate has yet to recover to the pre-pandemic level.

In order to enhance brand transformation, the Group steadily optimised the direct sales and joint sales channels of "bossini.X" in the first half of the year, and closed some stores with low operating efficiency while increasing sales points. The Group will regularly review relevant progresses and make timely adjustments based on the recovery of the economy and consumption.

Revenue in mainland China was HK\$74 million (2022: HK\$90 million). Same-store sales increased 9% (2022: 25% decline) and same-store gross profit registered a 12% growth (2022: 45% decline). Total net retail floor area increased by 3% to 240,600 sq. ft. (31 December 2022: 233,000 sq. ft.). There was a total of 168 (31 December 2022: 171) directly managed stores in mainland China. Segment result was HK\$74 million loss (2022: HK\$116 million loss).

Singapore

During the period under review, sales decreased year-on-year. In addition to the 17% decrease in sales area due to the store mix adjustment, the total number of sales transactions also decreased by 34%. This is mainly due to the fact that many places around the world have opened their borders to attract tourists in the post-epidemic era, and the exchange rate of Singapore dollar against most currencies in Southeast Asia has risen, bringing competition to the local tourism industry and causing Singaporeans to choose to travel and consume abroad. The slowdown in the market and the prospect of an imminent economic recession have dampened consumer confidence, which also dragged down the sales performance in the Singapore market during the period under review.

Therefore, in the first half of the year, the Group focused on various themed and tactical in-store promotions to attract customers by creating value purchases, including the “Great Singapore Sale”, as well as the Spring Festival series and the Miffy special series launched at the beginning of the year. Meanwhile, the Group also actively carried out old inventory clearance, which has greatly reduced the burden of old inventory.

The revenue of Singapore operation was HK\$30 million (2022: HK\$39 million) during the period under review. Same-store sales registered a 16% decline (2022: 2% growth) compared to last period. Same-store gross profit recorded a 17% decline (2022: flat). Total net retail floor area decreased 12% to 17,100 sq. ft. (31 December 2022: 19,500 sq. ft.). The number of directly managed stores was 14 (31 December 2022: 15). The segment result was HK\$10 million loss (2022: HK\$1 million loss).

FINANCIAL POSITION

Liquidity and Financial Resources

As at 30 June 2023, the Group had net cash balance of HK\$264 million (2022: HK\$256 million). The current ratio of the Group was at 1.71 times (2022: 1.88 times) with a total liabilities to equity ratio at 125% (2022: 153%). As at 30 June 2023, the Group’s total borrowings of HK\$100 million (2022: Nil) was denominated in Hong Kong dollar and repayable on demand. Interests on borrowings were charged at floating rates. The gearing ratio determined by borrowings divided by total equity was 29% (2022: 0%). As at 30 June 2023, there were no charges on the Group’s assets (2022: Nil).

The Group had certain investments and operations in countries that use currencies other than United States dollar and Hong Kong dollar. The Group has not used any derivative contracts to hedge against its exposure to currency risk. The Group will continue to monitor foreign currency risk exposure and will consider hedging significant foreign currency risk should the need arise.

As at 30 June 2023, the Group’s inventory turnover days[#] was 194 days, compared to 176 days in 2022. The return on equity ratio for the period under review was negative 35% (2022: positive 8%).

[#] *Inventory held at period end divided by annualised cost of sales times 365 days*

Contingent Liabilities

As at 30 June 2023, the Group had no material contingent liabilities.

Human Capital

As at 30 June 2023, the Group employed 1,000 (31 December 2022: 1,000) full-time equivalent employees across Hong Kong SAR and Macau SAR, mainland China and Singapore. The total staff cost recorded during the period under review was HK\$110 million (2022: HK\$114 million).

The Group is committed to attracting, recruiting, nurturing and retaining talented employees. We treasure and promote the team spirit and strive to cultivate a culture of proactive and continuous improvement. Workshops in effective management and certified programmes were offered for office and shop staff at all levels.

We believe a vibrant and competent workforce is indispensable in driving business growth. We treasure knowledge sharing and life-long learning. We encourage employees to progress and excel every day through different types of trainings. We provide an e-platform to our employee which is devised to offer practical and experience-based knowledge and skills in customer service, selling, products, and other latest marketing information to our employees.

We also continue to adopt a performance-based remuneration system, including discretionary bonuses, share options and wide-ranging employee benefits such as insurance and retirement schemes.

USE OF PROCEEDS FROM RIGHTS ISSUE

As disclosed in the prospectus dated 3 April 2023 and announcement dated 27 April 2023, the Company issued 852,362,086 ordinary shares with an aggregate nominal value of approximately HK\$85,236,000 by way of rights issue at a price of HK\$0.370 per rights share on the basis of one (1) rights share for every two (2) then existing shares to the qualifying shareholders (“Rights Issue”). The Rights Issue would enable the Company to raise funds for the proposed use as set out below, while at the same time, allowing the qualifying shareholders of the Company to maintain their proportional shareholdings in the Company. The market price on 24 February 2023 on which the terms of the subscription were fixed was HK\$0.470 per share. Upon completion of the Rights Issue, the Company received net cash proceeds of approximately HK\$313 million (the “Net Proceeds”) and the net price (after deducting the costs and expenses of the Rights Issue) was approximately HK\$0.367 per rights share. The Company intended to apply the Net Proceeds as to: (i) approximately HK\$31 million for its capital expenditure for the Group’s expansion in mainland China; (ii) approximately HK\$63 million for marketing activities to reinvent and promote the “bossini.X” brand; and (iii) approximately HK\$219 million for other expenses for supporting the expansion plan and the rebranding of the Group.

The following table sets forth the information in relation to the use of the Net Proceeds raised from the Rights Issue:

Intended use of Net Proceeds as disclosed in the prospectus dated 3 April 2023 and announcement dated 27 April 2023	Actual use of Net Proceeds up to 30 June 2023 as originally intended	Unutilised Net Proceeds as at 30 June 2023	Intended use and expected timeline
HK\$31 million for the Group's capital expenditure for its expansion in mainland China	HK\$9 million	HK\$22 million	From May 2023 to April 2025
HK\$63 million for marketing activities to reinvent and promote the "bossini.X" brand	HK\$8 million	HK\$55 million	From May 2023 to April 2025
HK\$219 million for other expenses for supporting the expansion plan and the rebranding of the Group	HK\$28 million	HK\$191 million	From May 2023 to April 2025

OUTLOOK

Looking ahead, the economies of mainland China, Hong Kong SAR and Macau SAR are expected to recover gradually, leading to an improvement in retail industry sentiment. In mainland China, in response to the slow recovery of the domestic economy, the government has introduced a number of measures to stimulate the domestic economy and investment since June, including the central bank lowering the lending rate by 10 basis points. The market generally expects that China will soon implement a series of fiscal policies and monetary policies to promote economic development. Therefore, the Group is optimistic about the economic and consumption sentiment in mainland China in the second half of the year. The Group will adopt a prudent but positive approach to respond to the situation, reduce or suspend unnecessary back office expenses and continue to optimise the existing sales network targeting at the huge potential consumer market in mainland China.

In Hong Kong SAR, the government has launched the “Happy Hong Kong” campaign and launched lucky draws for air tickets and MTR tickets together with a number of large companies. In addition, large-scale events and sports events such as the “Hong Kong Cyclothon”, “Hong Kong Wine and Dine Festival”, “Hong Kong WinterFest” and “Hong Kong New Year Countdown Celebrations” will be held during the year, which shows that the government is determined to actively attract tourists to Hong Kong SAR. Furthermore, the new round of Consumption Voucher Scheme is expected to stimulate local consumption again. Cooperating with these activities and government measures, the Group actively recruits manpower to fill in the vacancies. Through social media marketing, the Group continues to launch exclusive discounts for members to increase the repurchase rate of existing members, which is conducive to enhancing brand value. In the future, as the economy improves, the Group will reduce the discount rate, focus on product feature information, and increase the value of goods, so as to increase same-store sales and gross profit margin to improve marginal profit.

In Singapore, in the second half of the year, the Group will continue to focus on promoting sales, including a series of themed and tactical promotional activities carried over from the first half of the year. At the same time, the Group will expand its existing store portfolio in the city centre to attract tourist consumers. In addition, the Group has also formulated a special design plan to support flash sales and additional sales activities in outlet stores, so as to improve the overall sales performance.

In order to enhance the Group’s competitiveness in the long run, the Group takes the “bossini.X” brand as the focus of development and strives to reshape the brand image. However, during the epidemic, mainland China, Hong Kong SAR and Macau SAR have all experienced stringent lockdown measures, and consumer confidence has taken a hit, resulting in a sluggish business in all walks of life, especially the retail industry. As a result, the Group’s rebranding process did not proceed as planned. With the end of the epidemic and the gradual recovery of local economies, the Group will continue to develop products that are acceptable to the mass market with leisure life designs that incorporate elements of cycling through sponsoring the Chinese Cycling Team. The Group will continue to optimise the existing sales network and increase the sales points of the “bossini.X” brand through appropriate channels. At the same time, the Group will sell “bossini.X” brand products in some “bossini” stores in Hong Kong SAR and Macau SAR to increase its exposure and achieve gradual brand integration.

The Group will continue to develop online sales and explore the possibility of cooperating with other brands. The “bossini.X” brand is currently in the investment period for product development and channel expansion. The Group will continue to focus its resources on rebranding and stimulate sales through products and channel optimisation. We will grasp the opportunities brought to the retail industry in the process of the economic recovery.

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 (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 (the “CG Code”) of the Listing Rules. The Audit Committee has reviewed the unaudited interim financial results for the six months ended 30 June 2023. The Audit Committee comprises three Independent Non-executive Directors of the Company, namely Mr. LEE Kwok Ming, 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 30 June 2023.

Currently, there are three Board committees, namely, Audit Committee, Remuneration Committee and Nomination 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 30 June 2023.

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

The interim results announcement for the six months ended 30 June 2023 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 30 June 2023 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
Mr. ZHAO Jianguo
Chairman and Executive Director

Hong Kong SAR, 18 August 2023

As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. ZHAO Jianguo (Chairman), Mr. CHEUNG Chi (Co-Chief Executive Officer) and Ms. YU Xin, one Non-executive Director, namely Mr. LAW Ching Kit Bosco, and three independent Non-executive Directors, namely Mr. LEE Kwok Ming, Prof. SIN Yat Ming and Mr. CHEONG Shin Keong.