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## 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 2020

#### 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 31 December 2020, together with the comparative figures for the six months ended 31 December 2019, as follows:

#### Condensed consolidated statement of profit or loss and other comprehensive income

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2020</b>	2019
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
	<i>Notes</i>		(restated)
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>468,217</b>	624,761
Cost of sales		<b>(226,133)</b>	(308,305)
<b>Gross profit</b>		<b>242,084</b>	316,456
Other income	3	<b>24,049</b>	11,528
Selling and distribution expenses		<b>(203,402)</b>	(278,749)
Administrative expenses		<b>(93,262)</b>	(106,741)
Other operating expenses, net		<b>(46,926)</b>	(21,525)
<b>Loss from operating activities</b>		<b>(77,457)</b>	(79,031)
Finance costs	4	<b>(6,608)</b>	(8,908)
<b>Loss before tax from continuing operations</b>	5	<b>(84,065)</b>	(87,939)
Income tax expense	6	<b>(2,673)</b>	(3,035)
<b>Loss for the period from continuing operations</b>		<b>(86,738)</b>	(90,974)
<b>Discontinued operation</b>			
Loss for the period from a discontinued operation	7	<b>(391)</b>	(2,713)
<b>Loss for the period attributable to owners of the Company</b>		<b>(87,129)</b>	(93,687)

\* For identification purposes only

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

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
		(restated)
	<i>Note</i>	
<b>Other comprehensive income/(loss)</b>		
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
Exchange differences on translation of foreign operations	<b>10,668</b>	(7,184)
<b>Net other comprehensive income/(loss)</b>	<b>10,668</b>	(5,817)
<b>Total comprehensive loss for the period attributable to owners of the Company</b>	<b>(76,461)</b>	(99,504)
<b>Loss per share attributable to ordinary equity holders of the Company</b>	<i>9</i>	
Basic		
– For loss for the period	<b>(HK5.30 cents)</b>	(HK5.71 cents)
– For loss from continuing operations	<b>(HK5.28 cents)</b>	(HK5.54 cents)
Diluted		
– For loss for the period	<b>(HK5.30 cents)</b>	(HK5.71 cents)
– For loss from continuing operations	<b>(HK5.28 cents)</b>	(HK5.54 cents)

## Condensed consolidated statement of financial position

		At 31 December 2020 (Unaudited) <i>HK\$'000</i>	At 30 June 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		16,647	25,520
Investment property		15,892	16,776
Right-of-use assets		103,570	164,732
Trademark		–	1,164
Deferred tax assets		350	386
Deposits		27,852	35,766
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>164,311</b>	244,344
<b>Current assets</b>			
Inventories		177,385	209,679
Debtors	10	40,460	48,441
Tax recoverable		4,484	4,484
Prepayments, deposits and other receivables		73,300	90,141
Financial assets at fair value through profit or loss		1,464	593
Pledged bank deposit		60	56
Cash and cash equivalents		247,445	176,339
		<hr/>	<hr/>
<b>Total current assets</b>		<b>544,598</b>	529,733
<b>Current liabilities</b>			
Trade creditors, other payables and accruals	11	139,070	118,686
Contract liabilities		6,133	3,584
Bills payable		24,465	12,277
Tax payable		8,017	7,739
Loan from immediate holding company		100,000	–
Due to immediate holding company		199	–
Due to related companies		–	71
Lease liabilities		119,497	154,068
Financial liabilities at fair value through profit or loss		456	7
Interest-bearing bank borrowings		–	59,721
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>397,837</b>	356,153
<b>Net current assets</b>		<b>146,761</b>	173,580
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>311,072</b>	417,924
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,254	773
Lease liabilities		100,721	133,016
Other payables		3,169	2,675
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>105,144</b>	136,464
		<hr/>	<hr/>
<b>Net assets</b>		<b>205,928</b>	281,460
<b>Equity</b>			
Issued capital		164,383	164,134
Reserves		41,545	117,326
		<hr/>	<hr/>
<b>Total equity</b>		<b>205,928</b>	281,460
		<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 30 June 2020, 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 HKAS 8 Amendments	Amendments to HKAS 1 and HKAS 8 – <i>Definition of Material</i>
HKAS 39, HKFRS 7 and HKFRS 9 Amendments	Amendments to HKAS 39, HKFRS 7 and HKFRS 9 – <i>Interest Rate Benchmark Reform</i>
HKFRS 3 Amendments	Amendments to HKFRS 3 – <i>Definition of a Business</i>
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the above revised standards has 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 (2019: four) reportable operating segments as follows:

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

The Group has discontinued the business in Taiwan segment. Accordingly, certain comparative segment information related to the Taiwan segment is classified as “loss for the period from a discontinued operation” in the condensed consolidated statement of profit or loss and other comprehensive income. The impact of the abovementioned changes in the Group’s reportable operating segment for the six months ended 31 December 2019 is considered retrospectively and the Group’s operating segment information is restated as if the Group had reallocated the resources in that period.

## 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 loss before tax from continuing operations. The adjusted loss before tax from continuing operations is measured consistently with the Group's loss before tax from continuing operations except that interest income and non-lease-related finance costs are excluded from such measurement.

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

Segment liabilities exclude deferred tax liabilities, tax payable, interest-bearing bank borrowings, loan from immediate holding company and amount due to immediate 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 31 December 2020, together with the comparative figures for the corresponding period in 2019, is as follows:

	Hong Kong and Macau		Mainland China		Singapore		Consolidated	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000 (restated)
<b>Segment revenue</b>								
Sales to external customers from continuing operations	254,726	409,387	165,083	162,100	48,408	53,274	468,217	624,761
Other income from continuing operations	21,979	8,635	1,024	687	813	127	23,816	9,449
<b>Total</b>	<b>276,705</b>	<b>418,022</b>	<b>166,107</b>	<b>162,787</b>	<b>49,221</b>	<b>53,401</b>	<b>492,033</b>	<b>634,210</b>
<b>Segment results</b>	<b>(73,998)</b>	<b>(48,892)</b>	<b>(15,748)</b>	<b>(33,319)</b>	<b>6,626</b>	<b>(7,318)</b>	<b>(83,120)</b>	<b>(89,529)</b>
Interest income							233	2,079
Loss from operating activities							(82,887)	(87,450)
Finance costs (other than interest on lease liabilities)							(1,178)	(489)
Loss before tax from continuing operations							(84,065)	(87,939)
Income tax expense							(2,673)	(3,035)
Loss for the period from continuing operations							(86,738)	(90,974)

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 2020, together with the comparative figures at 30 June 2020.

	Hong Kong and Macau		Mainland China		Singapore		Consolidated	
	At 31 December 2020 (Unaudited) HK\$'000	At 30 June 2020 (Audited) HK\$'000	At 31 December 2020 (Unaudited) HK\$'000	At 30 June 2020 (Audited) HK\$'000	At 31 December 2020 (Unaudited) HK\$'000	At 30 June 2020 (Audited) HK\$'000	At 31 December 2020 (Unaudited) HK\$'000	At 30 June 2020 (Audited) HK\$'000
Segment assets	<u>395,590</u>	<u>437,783</u>	<u>244,061</u>	<u>252,738</u>	<u>63,968</u>	<u>63,067</u>	<u>703,619</u>	<u>753,588</u>
Unallocated assets							4,834	4,870
Assets related to a discontinued operation							<u>456</u>	<u>15,619</u>
Total assets							<u>708,909</u>	<u>774,077</u>
Segment liabilities	<u>261,864</u>	<u>270,632</u>	<u>94,752</u>	<u>98,912</u>	<u>36,885</u>	<u>46,558</u>	<u>393,501</u>	<u>416,102</u>
Unallocated liabilities							109,470	68,233
Liabilities related to a discontinued operation							<u>10</u>	<u>8,282</u>
Total liabilities							<u>502,981</u>	<u>492,617</u>

## 3. Revenue and other income

An analysis of the Group's revenue and other income from continuing operations is as follows:

### Revenue from contracts with customers

	Six months ended 31 December	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000 (restated)
Retailing and distribution of garments	<u>468,217</u>	<u>624,761</u>

### 3. Revenue and other income (continued)

#### Other income

	Six months ended	
	31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(restated)
Interest income	233	2,079
Royalty income	5,273	3,413
Gross rental income	4,420	4,289
Government grants	12,431	23
Others	1,692	1,724
	<u>24,049</u>	<u>11,528</u>

### 4. Finance costs

	Six months ended	
	31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(restated)
Interest on lease liabilities	5,430	8,419
Interest on loan from immediate holding company	976	–
Interest on bank loans	202	489
	<u>6,608</u>	<u>8,908</u>

## 5. Loss before tax from continuing operations

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

	Six months ended	
	31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(restated)
Write-back of provision for inventories	(7,945)	(3,803)
Depreciation of right-of-use assets	63,412	91,302
Depreciation of items of property, plant and equipment and investment property	8,412	15,138
Impairment of right-of-use assets	23,363	–
Impairment of items of property, plant and equipment	5,054	–
Impairment of trademark	1,164	–
Impairment of debtors	413	–
Impairment of deposits and other receivables	1,069	–
Fair value gains, net on financial assets/liabilities at fair value through profit or loss		
– transactions not qualifying as hedges	(422)	(776)
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% (2019: 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(restated)
Current – Hong Kong		
Charge for the period	1,328	1,780
Current – Elsewhere		
Charge for the period	828	446
Deferred	517	809
Total tax charge for the period from continuing operations	2,673	3,035



## 7. Discontinued operation

On 2 March 2020, the Group announced a plan to wind down the Group's retail operation in Taiwan (the "Taiwan segment") considering that it was not optimistic about the near term prospect of the Taiwan segment and the cessation of Taiwan segment operation could enable the Group to better utilise its resources in its other segments. As at 31 December 2020, all retail shops in Taiwan had ceased operation. The Taiwan segment was thus classified as discontinued operation and no longer included in the note for operating segment information. Further details of the above were set out in the Company's announcement dated 2 March 2020.

The results of the discontinued operation for the period are presented as below:

	Six months ended	
	31 December	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue	–	74,653
Cost of sales	–	(35,351)
Gross profit	–	39,302
Other income	17	312
Selling and distribution expenses	–	(34,953)
Administrative expenses	(408)	(9,753)
Other operating income, net	–	2,546
Loss from operating activities from a discontinued operation	(391)	(2,546)
Finance costs	–	(167)
Loss before tax from a discontinued operation	(391)	(2,713)
Income tax expense	–	–
Loss for the period from a discontinued operation	(391)	(2,713)

## 8. Dividend

No interim dividend was declared for the six months ended 31 December 2020 and 2019.

## 9. 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 2020 from continuing operations of HK\$86,738,000 (2019 (restated): HK\$90,974,000) and the loss from a discontinued operation of HK\$391,000 (2019: HK\$2,713,000), and the weighted average number of ordinary shares of 1,643,262,742 (2019: 1,641,333,394) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the periods ended 31 December 2020 and 2019 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.

## 10. 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.

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 2020 (Unaudited) HK\$'000	At 30 June 2020 (Audited) HK\$'000
Within 1 month	37,192	39,607
1 to 2 months	2,227	3,714
2 to 3 months	405	565
Over 3 months	636	4,555
	<u>40,460</u>	<u>48,441</u>

## 11. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK\$41,802,000 (30 June 2020: HK\$16,682,000).

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

	At 31 December 2020 (Unaudited) HK\$'000	At 30 June 2020 (Audited) HK\$'000
Within 1 month	25,043	3,319
1 to 2 months	15,624	10,715
2 to 3 months	811	1,314
Over 3 months	324	1,334
	<u>41,802</u>	<u>16,682</u>

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

## 12. Comparative amounts

The comparative condensed consolidated statement of profit or loss and other comprehensive income has been re-presented as if the Taiwan segment discontinued and other segment resources reallocation during the current period had been discontinued and reallocated at the beginning of the comparative period.

## 13. Events after reporting period

### (a) Grant of share options

On 5 January 2021, an aggregate of 90,000,000 share options were granted to the directors and certain employees of the Company in respect of their services to the Group in the forthcoming years. The share options have an exercise price of HK\$0.460 per share. Each of the one-third of the share options is exercisable from 1 January 2022 to 31 December 2026, from 1 January 2023 to 31 December 2026 and from 1 January 2024 to 31 December 2026. The price of the Company's shares at the date of grant was HK\$0.460 per share, which was the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

Details of the above were set out in the Company's announcement dated 5 January 2021.

### (b) Proposed rights issue

On 5 February 2021, the Company proposed to raise gross proceeds of approximately HK\$296 million before expense by way of a rights issue of 821,916,697 rights shares at a price of HK\$0.360 per rights share on the basis of one (1) rights share for every two (2) existing shares held by the qualifying shareholders on the record date.

Details of the above were set out in the Company's announcement dated 5 February 2021.

## INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend (2019: Nil) for the six months ended 31 December 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

Group revenue for the six months ended 31 December 2020 was HK\$468 million (2019: HK\$625 million) at a gross margin of 52% (2019: 51%). Table 1 provides details of the Group's results of continuing operations in core markets. Loss attributable to owners of the Company was HK\$87 million (2019: HK\$94 million), a decrease of 7% from 2019. The Group's same-store sales and same-store gross profit were down by 22% (2019: 10% decline) and 25% (2019: 15% decline), respectively. Net cash balance was HK\$248 million (2019: HK\$232 million) as of 31 December 2020.

### RESULTS OF CONTINUING OPERATIONS

**Table 1: Group's results of continuing operations**

	For the six months ended 31 December				Change
	2020		2019		
	HK\$mn	% to sales	HK\$mn	% to sales	
Hong Kong and Macau	255	55%	410	66%	(38%)
Mainland China	165	35%	162	26%	2%
Singapore	48	10%	53	8%	(9%)
Group revenue	468	100%	625	100%	(25%)
Gross profit	242	52%	316	51%	(24%)
Total operating expenses	(344)	(73%)	(407)	(65%)	16%
Loss from operating activities	(77)	(17%)	(79)	(13%)	2%
Finance costs	(7)	(1%)	(9)	(1%)	26%
EBITDA	(6)	(1%)	25	4%	(123%)
Loss attributable to owners	(87)	(19%)	(94)	(15%)	7%
Group same-store sales growth*	(22%)		(10%)		
Group same-store gross profit growth*	(25%)		(15%)		
Net cash at 31 December*	248		232		7%
Inventory level at 31 December*	177		267		(34%)
Inventory turnover (days) at 31 December*	143		142		1

\* Including continuing and discontinued operations

## Revenue and gross profit

The pandemic of COVID-19 outbreak continued to adversely affect the local retail sectors and suppress many economic activities globally. During the period under review, the Group recorded revenue of HK\$468 million (2019: HK\$625 million), which fell by 25%. Gross profit decreased by 24% to HK\$242 million (2019: HK\$316 million), with gross margin increased by 1% point to 52% (2019: 51%).

## Total operating expenses and loss from operating activities

The total operating expense to sales ratio increased to 73% (2019: 65%). The pandemic had a significant negative impact on the assessment of the Group's non-financial assets and impact on the results for the period under review. Consequently, the Group recognised non-cash impairment on non-financial assets of HK\$30 million (2019: Nil) during the period under review.

## Finance costs

Finance costs were HK\$7 million (2019: HK\$9 million), which comprised of interest on loan from immediate holding company and interest on lease liabilities. The interest on lease liabilities of HK\$5 million (2019: HK\$8 million) was due to the adoption of HKFRS 16, under which the Group (as lessee in numerous tenancy agreements) recognises the imputed interest expense accrued on the outstanding balance of the lease liabilities.

## Loss attributable to owners of the Company

Loss attributable to owners of the Company decreased by 7%, as shown in Table 1. Net margin was negative 19% (2019: negative 15%), an increase of 4% points. The preceding commentaries cite the reasons.

## DISTRIBUTION NETWORK

As of 31 December 2020, the Group had a presence in 25 countries and regions around the world, and had 927 (30 June 2020: 982) stores comprised of 190 (30 June 2020: 209) directly managed stores and 737 (30 June 2020: 773) franchised stores.

**Table 2: Store composition by type and geographical location**

	At 31 December 2020		At 30 June 2020	
	Directly managed stores	Franchised stores	Directly managed stores	Franchised stores
Hong Kong and Macau	37	–	38	–
Mainland China	136	–	154	–
Singapore	17	–	17	–
Other countries	–	737	–	773
<b>Total</b>	<b>190</b>	<b>737</b>	<b>209</b>	<b>773</b>

## **ANALYSIS BY MARKET**

### **Hong Kong and Macau**

The retail sector in Hong Kong continued to record a material decline since mid-2019. According to the statistics from the Census and Statistics Department of The Government of the Hong Kong Special Administrative Region, the wearing apparel retail sales value decreased by 26% on a period-on-period basis for the period from July 2020 to December 2020, and tourist arrivals plunged by 99.7% according to the statistics from the Hong Kong Tourism Board.

The pandemic of COVID-19 has severely affected the retail consumption in Hong Kong and Macau. Travel restrictions and border control were in force, while a series of social-distancing measures were imposed, which consequentially impaired the consumer sentiment and stifled customer traffic. During the period under review, the third and fourth waves of local COVID-19 infections at alarming levels induced stricter social distancing measures, including but not limited to the banning of evening dine-in services, which sharply reduced shopping activities and foot traffic as a result.

During the period under review, revenue in Hong Kong and Macau including the retail and export franchising business was HK\$255 million (2019: HK\$410 million), representing a 38% decline. Same-store sales for directly managed stores fell 28% (2019: 14% decline) while same-store gross profit declined 33% (2019: 20% decline). Total net retail floor area decreased to 105,700 sq. ft. (2019: 111,000 sq. ft.), and sales per sq. ft. declined 26% to HK\$4,500 (2019: HK\$6,100). The number of directly managed stores was 37 (30 June 2020: 38). Segment result was HK\$74 million loss (2019: HK\$49 million loss).

### **Mainland China**

In and out of lockdown ahead of many other countries, the economy in mainland China powered ahead while much of the world was still struggling. Although GDP expanded year-on-year in the fourth quarter of 2020, growth in retail sales towards end of year was less than expected. Our business in mainland China is currently under structural transformation, covering areas from product development, distribution channels to logistics. We are also focusing on off-season stock clearance and paving the way for the execution of our new product strategy in the near future.

Revenue in mainland China increased by 2% to HK\$165 million (2019: HK\$162 million). Same-store sales dropped 8% (2019: 5% decline) and same-store gross profit registered a 10% decline (2019: 11% decline). Sales per sq. ft. increased by 19% to HK\$1,900 (2019: HK\$1,600) while total net retail floor area decreased by 24% to 129,200 sq. ft. (2019: 170,000 sq. ft.). There was a total of 136 (30 June 2020: 154) directly managed stores in mainland China. Segment result was HK\$16 million loss (2019: HK\$33 million loss).

## **Singapore**

The revenue of Singapore operation dropped by 9% to HK\$48 million (2019: HK\$53 million) during the period under review. Same-store sales registered a 6% decline (2019: 5% decline) compared to last period. Same-store gross profit recorded a 9% decline (2019: 5% decline). Total net retail floor area decreased by 6% to 22,200 sq. ft. (2019: 23,600 sq. ft.). Sales per sq. ft. decreased by 2% to HK\$4,400 (2019: HK\$4,500). The number of directly managed stores stood steady at 17 (30 June 2020: 17). The segment result was HK\$7 million profit (2019: HK\$7 million loss).

## **Discontinued operation**

### **Taiwan**

The Group had ceased its retail operation in Taiwan by end of June 2020. Taiwan commenced operation in 1992 and had a significant role in promoting the brand name of the Group in the Southeast Asia region, thus spearheading the Group's presence in the Greater China region. However, due to the continuing sluggish consumer market in Taiwan over the last two decades, the Taiwan segment has been loss making since the financial year of 2005/06. In the face of the challenging market conditions prevailing in Hong Kong and mainland China, the two main retailing divisions of the Group, the Group believes that it is in the best interests of the Company and its shareholders to cease the Taiwan operation so that the Group can better utilise its resources in its other core markets.

## **FINANCIAL POSITION**

### **Liquidity and Financial Resources**

As of 31 December 2020, the Group had cash and bank balances of HK\$248 million (2019: HK\$262 million) and net cash balance at HK\$248 million (2019: HK\$232 million). The current ratio was at 1.37 times (2019: 1.66 times) with a total liabilities to equity ratio at 244% (2019: 110%). As of 31 December 2019, bank borrowings of HK\$30 million were recorded and the gearing ratio determined by bank borrowings divided by total equity was 5%.

The Group had investments and operations in countries that use currencies other than United States dollar 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.

As of 31 December 2020, the Group's inventory turnover days<sup>#</sup> was 143 days, compared to 142 days in 2019. The return on equity ratio for the period under review was negative 87% (2019: negative 32%).

<sup>#</sup> *Inventory held at period end divided by annualised cost of sales times 365 days*

## **Contingent Liabilities**

During the period under review, the Group had no material changes in contingent liabilities since 30 June 2020.

## **Human Capital**

As of 31 December 2020, the Group employed 1,300 (30 June 2020: 1,500) full-time equivalent employees in Hong Kong and Macau, mainland China and Singapore.

The Group adhere to a policy of acquiring, nurturing and retaining talented employees. We treasure and promote the team spirit, and strive to cultivate a proactive and ever-improving culture. 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 the “bossini e-academy”, our e-platform which is devised to offer practical and experience-based knowledge and skills in customer service, retailing, products, and other latest marketing information.

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

## **OUTLOOK**

It is widely anticipated that COVID-19 will continue to impact consumer behaviour, economic activities and business environment globally for a certain period. The Group’s performance is expected to remain under significant pressure for the remaining financial year with travel restrictions and social-distancing measures still largely in place. Nevertheless, we will continue to work towards a positive turnaround of our businesses with focus on our core markets and to closely monitor the market dynamics in order to timely adjust our plan.

For the Hong Kong and Macau market, the Group does not anticipate a significant rebound of tourist arrivals or the retail environment to resume normal within a short period of time. We therefore intend to maintain a lean operational and administrative structure and to re-focus resources on this market. The overall shop rental expenses remained at a very unreasonable level with several landlords still unwilling to provide rent concessions, despite some landlords had already switched to pure turnover-rent arrangement. This will inevitably involve the closure of certain loss-making retail shops, as the Group aims to operate in an appropriate scale as a viable retail business and retain the Group’s financial capacity. We will continue to renegotiate with landlords to seek rent relief and reduction. Where landlords are reluctant to respond reasonably to our requests, we will close those shops accordingly.



Mainland China remains to be a market we have confidence in and has growth potential. The Group will continue to focus on business expansion and enlarge our footprint in this market in 2021, mainly focusing on opening directly managed stores in better shopping malls and reigniting franchised shops in various provinces and cities. The Group is also committed to further developing its e-commerce business and strengthening cooperation with various e-commerce platforms in mainland China, aiming to sustain the growth in e-commerce revenue with higher operational efficiency in this financial year.

Overall, the Group is formulating and implementing strategies ranging from brand re-positioning, product segmentation and pricing, distribution channels, production and supply chain management, marketing and promotion to IT infrastructure. We believe all of these would collaboratively equip us with a solid foundation and pave the way for our expansion and tap into market opportunities in the mid- to long-term.

## **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 2020. 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 31 December 2020.

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 31 December 2020.

## **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 2020 of the Company is published on the website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.bossini.com](http://www.bossini.com). The interim report for the six months ended 31 December 2020 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. Victor HERRERO**  
*Chairman and Non-executive Director*

Hong Kong, 25 February 2021

*As at the date of this announcement, the Board comprises three Executive Directors, namely Mr. CHEUNG Chi (Co-Chief Executive Officer), Mr. ZHAO Jianguo and Mr. CHAN Cheuk Him Paul, two Non-executive Directors, namely Mr. Victor HERRERO (Chairman) and Mr. LAW Ching Kit Bosco, and three independent Non-executive Directors, namely Mr. LEE Kwok Ming, Mr. CHEONG Shin Keong and Prof. SIN Yat Ming.*