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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 RESULTS FOR THE YEAR ENDED 30 JUNE 2019**

#### **FINANCIAL RESULTS**

The board of directors (the “Board”) of **Bossini International Holdings Limited** (the “Company”) announces the consolidated results of the Company and its subsidiaries (the “Group” or “Bossini”) for the year ended 30 June 2019, together with the comparative figures for the year ended 30 June 2018, as follows:

#### **Consolidated statement of profit or loss and other comprehensive income**

*Year ended 30 June 2019*

|  | <i>Notes</i> | <b>2019</b><br><i>HK\$’000</i> | <b>2018</b><br><i>HK\$’000</i> |
|--|--------------|--------------------------------|--------------------------------|
| <b>Revenue</b>   | 3            | <b>1,641,171</b>               | 1,958,043                      |
| Cost of sales  |              | <u>(795,314)</u>               | <u>(921,550)</u>               |
| <b>Gross profit</b>  |              | <b>845,857</b>                 | 1,036,493                      |
| Other income and gain  | 3            | <b>51,573</b>                  | 55,831                         |
| Selling and distribution expenses                                  |              | <b>(723,742)</b>               | (800,806)                      |
| Administrative expenses  |              | <b>(252,340)</b>               | (238,071)                      |
| Other operating expenses   |              | <u><b>(55,870)</b></u>         | <u>(74,921)</u>                |
| <b>Loss from operating activities</b>                              |              | <b>(134,522)</b>               | (21,474)                       |
| Finance cost   | 4            | <u><b>(212)</b></u>            | <u>(40)</u>                    |
| <b>Loss before tax</b>   | 5            | <b>(134,734)</b>               | (21,514)                       |
| Income tax expense   | 6            | <u><b>(4,371)</b></u>          | <u>(7,458)</u>                 |
| <b>Loss for the year attributable to owners<br/>of the Company</b> |              | <u><u><b>(139,105)</b></u></u> | <u><u>(28,972)</u></u>         |

\* *For identification purposes only*

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

|   | <i>Note</i> | <b>2019</b><br><b>HK\$'000</b> | 2018<br>HK\$'000       |
|---|-------------|--------------------------------|------------------------|
| <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 an available-for-sale investment  |             | –                              | (3,615)                |
| Change in fair value of a financial asset   |             | <b>2,066</b>                   | –                      |
| Reclassification adjustments for foreign operations deregistered during the year                              |             | –                              | (3,783)                |
| Exchange differences on translation of foreign operations   |             | <u>(1,021)</u>                 | <u>3,776</u>           |
| <b>Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods</b> |             | <u><b>1,045</b></u>            | <u>(3,622)</u>         |
| <b>Total comprehensive loss for the year attributable to owners of the Company</b>                            |             | <u><b>(138,060)</b></u>        | <u><b>(32,594)</b></u> |
| <b>Loss per share attributable to ordinary equity holders of the Company</b>                                  | 8           |                                |                        |
| Basic   |             | <u><b>(HK8.48 cents)</b></u>   | <u>(HK1.77 cents)</u>  |
| Diluted   |             | <u><b>(HK8.48 cents)</b></u>   | <u>(HK1.77 cents)</u>  |

## Consolidated statement of financial position

30 June 2019

|  | <i>Notes</i> | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| <b>Non-current assets</b>                                  |              |                                |                         |
| Property, plant and equipment                              |              | 45,854                         | 47,893                  |
| Investment property  |              | 18,543                         | 20,311                  |
| Trademark  |              | 1,164                          | 1,164                   |
| Available-for-sale investment                              |              | –                              | 229,562                 |
| Deferred tax assets  |              | 10,988                         | 11,600                  |
| Deposits paid  |              | 58,504                         | 45,902                  |
| <b>Total non-current assets</b>                            |              | <b>135,053</b>                 | 356,432                 |
| <b>Current assets</b>                                      |              |                                |                         |
| Inventories  |              | 258,736                        | 202,781                 |
| Debtors  | 9            | 57,157                         | 57,664                  |
| Bills receivable   |              | 3,209                          | 30,397                  |
| Deposits paid  |              | 38,062                         | 61,483                  |
| Tax recoverable  |              | 4,484                          | 4,616                   |
| Prepayments and other receivables                          |              | 47,656                         | 35,055                  |
| Derivative financial instruments                           |              | –                              | 1,188                   |
| Financial assets at fair value through profit or loss      |              | 231,942                        | –                       |
| Note receivable  |              | –                              | 38,775                  |
| Pledged bank deposits                                      |              | 865                            | 824                     |
| Cash and cash equivalents                                  |              | 160,975                        | 339,960                 |
| <b>Total current assets</b>                                |              | <b>803,086</b>                 | 772,743                 |
| <b>Current liabilities</b>                                 |              |                                |                         |
| Trade creditors, other payables and accruals               | 10           | 170,293                        | 193,760                 |
| Contract liabilities                                       |              | 3,762                          | –                       |
| Bills payable  |              | 21,744                         | 18,649                  |
| Tax payable  |              | 8,542                          | 6,979                   |
| Due to related companies                                   |              | 107                            | 1,879                   |
| Deferred gain  |              | –                              | 20,888                  |
| Derivative financial instruments                           |              | –                              | 7,224                   |
| Financial liabilities at fair value through profit or loss |              | 520                            | –                       |
| Interest-bearing bank borrowing                            |              | 30,000                         | –                       |
| <b>Total current liabilities</b>                           |              | <b>234,968</b>                 | 249,379                 |
| <b>Net current assets</b>                                  |              | <b>568,118</b>                 | 523,364                 |
| <b>Total assets less current liabilities</b>               |              | <b>703,171</b>                 | 879,796                 |
| <b>Non-current liabilities</b>                             |              |                                |                         |
| Deferred tax liabilities                                   |              | 1,463                          | 1,461                   |
| Other payables   |              | 1,733                          | 2,510                   |
| <b>Total non-current liabilities</b>                       |              | <b>3,196</b>                   | 3,971                   |
| <b>Net assets</b>  |              | <b>699,975</b>                 | 875,825                 |
| <b>Equity</b>  |              |                                |                         |
| Issued capital   | 11           | 164,134                        | 163,894                 |
| Reserves   |              | 535,841                        | 711,931                 |
| <b>Total equity</b>  |              | <b>699,975</b>                 | 875,825                 |

## Notes to the consolidated financial statements

### 1. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, financial assets/liabilities at fair value through profit or loss and available-for-sale investment which have been measured at fair value. These financial statements are presented in Hong Kong dollar (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

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

Other than as explained below regarding the impact of HKFRS 2 Amendments, HKFRS 9, HKFRS 15 and HKFRS 15 Amendments, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

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

The nature and the impact of the new and revised HKFRSs are described below:

### **HKFRS 2 Amendments *Classification and Measurement of Share-based Payment Transactions***

HKFRS 2 Amendments address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

### **HKFRS 9 *Financial Instruments***

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

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

### HKFRS 9 *Financial Instruments* (continued)

#### Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the consolidated statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 July 2018 is as follows:

|  | <i>Notes</i> | HKAS 39<br>Measurement |                           | Reclassification<br><i>HK\$'000</i> | HKFRS 9<br>Measurement    |                   |
|--|--------------|------------------------|---------------------------|-------------------------------------|---------------------------|-------------------|
|  |              | Category               | Amount<br><i>HK\$'000</i> |                                     | Amount<br><i>HK\$'000</i> | Category          |
| <b>Financial assets</b>                                    |              |                        |                           |                                     |                           |                   |
| Available-for-sale investment                              | (a)          | AFS <sup>1</sup>       | 229,562                   | (229,562)                           | –                         | N/A               |
| Derivative financial instruments                           | (b)          | FVPL <sup>2</sup>      | 1,188                     | (1,188)                             | –                         | N/A               |
| Financial assets at fair value through profit or loss      |              | N/A                    | –                         | 230,750                             | 230,750                   | FVPL <sup>2</sup> |
| <b>Financial liabilities</b>                               |              |                        |                           |                                     |                           |                   |
| Derivative financial instruments                           | (b)          | FVPL <sup>2</sup>      | 7,224                     | (7,224)                             | –                         | N/A               |
| Financial liabilities at fair value through profit or loss |              | N/A                    | –                         | 7,224                               | 7,224                     | FVPL <sup>2</sup> |

<sup>1</sup> AFS: Available-for-sale investment

<sup>2</sup> FVPL: Financial assets/liabilities at fair value through profit or loss

#### *Notes:*

- (a) The Group has classified its investment fund previously classified as AFS as financial asset at fair value through profit or loss as this non-equity investment did not pass the contractual cash flow characteristics test in HKFRS 9.
- (b) The Group has classified its forward currency contracts as financial assets/liabilities measured at fair value through profit or loss which were derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9.

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

### **HKFRS 9 *Financial Instruments* (continued)**

#### **Impairment**

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

#### **HKFRS 15 *Revenue from Contracts with Customers***

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 July 2018.

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

**HKFRS 15 Revenue from Contracts with Customers (continued)**

**Consideration received from customers in advance**

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which is separately disclosed in the consolidated statement of financial position.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK\$5,999,000 from other payables to contract liabilities as at 1 July 2018 in relation to the consideration received from customers in advance as at 1 July 2018.

As at 30 June 2019, HK\$3,512,000 classified as other payables under HKAS 18 was classified as contract liabilities due to adoption of HKFRS 15.

**Customer loyalty programme**

The Group maintains a customer loyalty programme within its retail shops in Singapore, which allows customers to enjoy exceptional product discounts upon purchase of goods in the retail shops. Prior to adoption of HKFRS 15, the customer loyalty programme offered by the Group resulted in deferring the fair value of future discounts given. The Group has concluded that under HKFRS 15, the customer loyalty programme gives rise to a separate performance obligation because it provides a material right to the customers and allocated a portion of the transaction price to the exceptional product discounts to the customers based on the relative stand-alone selling price.

Upon adoption of HKFRS 15, the Group reclassified HK\$427,000 from other payables to contract liabilities as at 1 July 2018 in relation to the customer loyalty programme.

As at 30 June 2019, HK\$250,000 classified as other payables under HKAS 18 was classified as contract liabilities due to adoption of HKFRS 15.



## 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that interest income and finance cost are excluded from such measurement.

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

Segment liabilities exclude deferred tax liabilities, tax payable and interest-bearing bank 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

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 30 June 2019 and 2018.

|                                | Hong Kong and Macau |                  | Mainland China  |                 | Taiwan          |                 | Singapore       |                | Consolidated     |                  |
|--------------------------------|---------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|------------------|------------------|
|                                | 2019                | 2018             | 2019            | 2018            | 2019            | 2018            | 2019            | 2018           | 2019             | 2018             |
|                                | HK\$'000            | HK\$'000         | HK\$'000        | HK\$'000        | HK\$'000        | HK\$'000        | HK\$'000        | HK\$'000       | HK\$'000         | HK\$'000         |
| <b>Segment revenue:</b>        |                     |                  |                 |                 |                 |                 |                 |                |                  |                  |
| Sales to external customers    | 1,052,101           | 1,304,091        | 331,853         | 340,454         | 153,099         | 175,512         | 104,118         | 137,986        | 1,641,171        | 1,958,043        |
| Other income and gain          | 38,797              | 41,848           | 1,357           | 1,563           | 206             | 337             | 520             | 666            | 40,880           | 44,414           |
| <b>Total</b>                   | <b>1,090,898</b>    | <b>1,345,939</b> | <b>333,210</b>  | <b>342,017</b>  | <b>153,305</b>  | <b>175,849</b>  | <b>104,638</b>  | <b>138,652</b> | <b>1,682,051</b> | <b>2,002,457</b> |
| <b>Segment results</b>         | <b>(43,095)</b>     | <b>13,113</b>    | <b>(58,326)</b> | <b>(30,840)</b> | <b>(31,251)</b> | <b>(12,037)</b> | <b>(12,543)</b> | <b>(3,127)</b> | <b>(145,215)</b> | <b>(32,891)</b>  |
| Interest income                |                     |                  |                 |                 |                 |                 |                 |                | 10,693           | 11,417           |
| Loss from operating activities |                     |                  |                 |                 |                 |                 |                 |                | (134,522)        | (21,474)         |
| Finance cost                   |                     |                  |                 |                 |                 |                 |                 |                | (212)            | (40)             |
| Loss before tax                |                     |                  |                 |                 |                 |                 |                 |                | (134,734)        | (21,514)         |
| Income tax expense             |                     |                  |                 |                 |                 |                 |                 |                | (4,371)          | (7,458)          |
| Loss for the year              |                     |                  |                 |                 |                 |                 |                 |                | (139,105)        | (28,972)         |

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

## 2. Operating segment information (continued)

### Geographical segments (continued)

|   | Hong Kong and Macau |                | Mainland China |                | Taiwan        |               | Singapore     |               | Consolidated   |                  |
|---|---------------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|----------------|------------------|
|   | 2019                | 2018           | 2019           | 2018           | 2019          | 2018          | 2019          | 2018          | 2019           | 2018             |
|   | HK\$'000            | HK\$'000       | HK\$'000       | HK\$'000       | HK\$'000      | HK\$'000      | HK\$'000      | HK\$'000      | HK\$'000       | HK\$'000         |
| Segment assets  | <u>625,370</u>      | <u>853,946</u> | <u>204,118</u> | <u>156,202</u> | <u>49,337</u> | <u>52,421</u> | <u>43,842</u> | <u>50,390</u> | <u>922,667</u> | <u>1,112,959</u> |
| Unallocated assets  |                     |                |                |                |               |               |               |               | <u>15,472</u>  | <u>16,216</u>    |
| Total assets  |                     |                |                |                |               |               |               |               | <u>938,139</u> | <u>1,129,175</u> |
| Segment liabilities   | <u>138,573</u>      | <u>174,399</u> | <u>39,059</u>  | <u>45,512</u>  | <u>13,045</u> | <u>15,188</u> | <u>7,482</u>  | <u>9,811</u>  | <u>198,159</u> | <u>244,910</u>   |
| Unallocated liabilities   |                     |                |                |                |               |               |               |               | <u>40,005</u>  | <u>8,440</u>     |
| Total liabilities   |                     |                |                |                |               |               |               |               | <u>238,164</u> | <u>253,350</u>   |
| <b>Other segment information:</b>   |                     |                |                |                |               |               |               |               |                |                  |
| Capital expenditure*  | 16,532              | 12,011         | 7,721          | 7,245          | 2,056         | 3,835         | 3,467         | 2,436         | 29,776         | 25,527           |
| Depreciation  | 19,954              | 22,899         | 5,860          | 4,262          | 2,762         | 2,708         | 1,974         | 1,379         | 30,550         | 31,248           |
| Impairment of items of property, plant and equipment                      | -                   | -              | 1,246          | -              | 413           | 119           | 1,340         | -             | 2,999          | 119              |
| Loss on disposal/write-off of items of property, plant and equipment, net | 6                   | 527            | 180            | 19             | 207           | 18            | 2             | 27            | 395            | 591              |
| Provision/(write-back of provision) for inventories                       | 5,990               | (11,475)       | 946            | (1,089)        | 1,177         | (409)         | 84            | (1,769)       | 8,197          | (14,742)         |
| Impairment/(write-back of impairment) of debtors                          | -                   | 288            | -              | (366)          | -             | -             | -             | -             | -              | (78)             |
| Loss of inventories due to a fire accident                                | 9,458               | -              | -              | -              | -             | -             | -             | -             | 9,458          | -                |
| Non-current assets**  | <u>57,368</u>       | <u>59,211</u>  | <u>2,860</u>   | <u>3,097</u>   | <u>2,250</u>  | <u>4,142</u>  | <u>3,083</u>  | <u>2,918</u>  | <u>65,561</u>  | <u>69,368</u>    |

\* Capital expenditure consists of additions of property, plant and equipment.

\*\* The non-current asset information above is based on the locations of assets and excludes deferred tax assets, deposits paid and available-for-sale investment.

#### Information about a major customer:

Revenue of approximately HK\$133,856,000 (2018: HK\$218,614,000) was derived from sales by the Hong Kong and Macau segment to a single customer.

### 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

|   | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Retailing and distribution of garments transferred at a point in time | <u>1,641,171</u>        | <u>1,958,043</u>        |

#### Disaggregated revenue information

##### *Geographical segments*

|  | Hong Kong<br>and Macau<br>2019<br><i>HK\$'000</i> | Mainland<br>China<br>2019<br><i>HK\$'000</i> | Taiwan<br>2019<br><i>HK\$'000</i> | Singapore<br>2019<br><i>HK\$'000</i> | Total<br>2019<br><i>HK\$'000</i> |
|--|---|--|-----------------------------------|--------------------------------------|----------------------------------|
| Retailing and distribution of garments | <u>1,052,101</u>                                  | <u>331,853</u>                               | <u>153,099</u>                    | <u>104,118</u>                       | <u>1,641,171</u>                 |

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

|  | 2019<br><i>HK\$'000</i> |
|--|-------------------------|
| Distribution of garments                           | 5,999                   |
| Retailing of garments – customer loyalty programme | <u>427</u>              |
|  | <u>6,426</u>            |

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

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

#### 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

|                                 | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Interest income                 | 10,693                  | 11,417                  |
| Royalty income                  | 7,932                   | 8,158                   |
| Gross rental income             | 8,789                   | 8,371                   |
| Amortisation of a deferred gain | 20,888                  | 23,333                  |
| Others                          | 3,271                   | 4,552                   |
|                                 | <u>51,573</u>           | <u>55,831</u>           |

### 4. Finance cost

|                        | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|------------------------|-------------------------|-------------------------|
| Interest on bank loans | <u>212</u>              | <u>40</u>               |

## 5. Loss before tax

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

|  | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Cost of sales:   |                         |                         |
| Cost of inventories sold   | 787,117                 | 936,292                 |
| Provision/(write-back of provision) for inventories  | 8,197                   | (14,742)                |
|  | <u>795,314</u>          | <u>921,550</u>          |
| Depreciation   | 30,550                  | 31,248                  |
| Impairment of items of property, plant and equipment   | 2,999                   | 119                     |
| Loss on disposal/write-off of items of property,<br>plant and equipment, net   | 395                     | 591                     |
| Write-back of impairment of debtors  | –                       | (78)                    |
| Net rental income  | (8,760)                 | (8,340)                 |
| Fair value losses, net on derivative financial instruments<br>– transactions not qualifying as hedges                                    | –                       | 2,742                   |
| Fair value gains, net on financial assets/liabilities<br>at fair value through profit or loss<br>– transactions not qualifying as hedges | (5,830)                 | –                       |
| Loss of inventories due to a fire accident ( <i>Note</i> )   | 9,458                   | –                       |
|  | <u><u>9,458</u></u>     | <u><u>–</u></u>         |

*Note:* During the year, certain inventories located in Hong Kong were damaged in a fire accident occurred at a third party warehouse. The carrying amount of the damaged inventories amounted to HK\$9,458,000 were written off and included in “other operating expenses” on the face of the consolidated statement of profit or loss and other comprehensive income. The Group is in the process of liaising with the insurance company for compensation. Based on the directors' assessment, since there are uncertainties involved in the insurance claim and it is still at the early stage of negotiation, it is not practicable to estimate the potential compensation at this stage.

## 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 year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

|                               | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Current – Hong Kong           |                         |                         |
| Charge for the year           | 3,504                   | 7,476                   |
| Overprovision in prior years  | (474)                   | (70)                    |
| Current – Elsewhere           |                         |                         |
| Charge for the year           | 727                     | 1,023                   |
| Deferred                      | 614                     | (971)                   |
|                               | <u>614</u>              | <u>(971)</u>            |
| Total tax charge for the year | <u><u>4,371</u></u>     | <u><u>7,458</u></u>     |

## 7. Dividends

|  | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interim – HK1.22 cents (2018: HK1.22 cents)<br>per ordinary share        | 20,032                  | 19,995                  |
| Proposed final – HK1.22 cents (2018: HK1.22 cents)<br>per ordinary share | <u>20,024</u>           | <u>19,995</u>           |
|  | <u><u>40,056</u></u>    | <u><u>39,990</u></u>    |

The proposed final dividend of HK\$20,024,000 (2018: HK\$19,995,000) for the year is calculated based on 1,641,333,394 (2018: 1,638,935,394) shares of the Company in issue and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$139,105,000 (2018: HK\$28,972,000), and the weighted average number of ordinary shares of 1,640,719,421 (2018: 1,638,514,572) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 30 June 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. Trade 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:

|                | 2019<br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 1 month | 48,637                  | 48,582                  |
| 1 to 2 months  | 5,014                   | 5,326                   |
| 2 to 3 months  | 656                     | 613                     |
| Over 3 months  | <u>2,850</u>            | <u>3,143</u>            |
|                | <u><u>57,157</u></u>    | <u><u>57,664</u></u>    |

## 10. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK\$48,734,000 (2018: HK\$59,829,000).

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

|                | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|----------------|--------------------------------|-------------------------|
| Within 1 month | <b>26,771</b>                  | 45,150                  |
| 1 to 2 months  | <b>16,239</b>                  | 12,986                  |
| 2 to 3 months  | <b>1,878</b>                   | 1,129                   |
| Over 3 months  | <b>3,846</b>                   | 564                     |
|                | <b>48,734</b>                  | 59,829                  |

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

## 11. Issued capital

### Shares

|   | <b>2019</b><br><i>HK\$'000</i> | 2018<br><i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Authorised:<br>2,000,000,000 ordinary shares of HK\$0.10 each                                     | <b>200,000</b>                 | 200,000                 |
| Issued and fully paid:<br>1,641,333,394 (2018: 1,638,935,394)<br>ordinary shares of HK\$0.10 each | <b>164,134</b>                 | 163,894                 |

## 11. Issued capital (continued)

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

|                                    | Number of<br>shares<br>in issue | Issued<br>Capital<br>HK\$'000 | Share<br>premium<br>account<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------|---------------------------------|-------------------------------|---|-------------------|
| At 1 July 2017                     | 1,637,735,394                   | 163,774                       | 28,223                                  | 191,997           |
| Exercise of share options (note a) | 1,200,000                       | 120                           | 535                                     | 655               |
| At 30 June 2018 and 1 July 2018    | 1,638,935,394                   | 163,894                       | 28,758                                  | 192,652           |
| Exercise of share options (note b) | 3,000,000                       | 300                           | 369                                     | 669               |
| Share repurchase (note c)          | (602,000)                       | (60)                          | (107)                                   | (167)             |
| At 30 June 2019                    | <u>1,641,333,394</u>            | <u>164,134</u>                | <u>29,020</u>                           | <u>193,154</u>    |

Notes:

- (a) For the year ended 30 June 2018, the subscription rights attaching to 1,200,000 share options were exercised at the subscription price of HK\$0.370 per share, resulting in the issue of 1,200,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$444,000, and the related share option reserve of HK\$211,000 was transferred to the share premium account upon the exercise of these share options.
- (b) 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.
- (c) 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.

## 12. Event after the reporting period

On 7 August 2019, the Group completed the disposal of a financial asset at fair value through profit or loss with a carrying amount of HK\$85 million. The Group is currently assessing the financial impact from the disposal and such financial impact has not been recorded in the current year's financial statements.



## **DIVIDENDS**

The Board has resolved to recommend a final dividend of HK1.22 cents (2018: HK1.22 cents) per ordinary share for the year ended 30 June 2019 at the forthcoming annual general meeting to be held on 12 November 2019 (“AGM”). The final dividend, if approved by the members, will be paid on 28 November 2019 to members whose names appear on the principal or branch register of members of the Company in Bermuda or Hong Kong respectively (collectively the “Register of Members”) as at the close of business on 20 November 2019.

## **CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING**

The AGM of the Company is scheduled to be held on Tuesday, 12 November 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 7 November 2019 to Tuesday, 12 November 2019, both days inclusive. During this period, no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 6 November 2019.

## **CLOSURE OF REGISTER OF MEMBERS FOR DIVIDENDS**

The Company’s Register of Members will be closed from Monday, 18 November 2019 to Wednesday, 20 November 2019, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 15 November 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The global economy experienced a broad-based growth slowdown amid unresolved trade tensions, high international policy uncertainty, and softening business confidence in the first half of 2019. The growth outlook in all major developed economies and most developing regions has weakened due to a confluence of both domestic and external factors. In the Middle East, tensions escalated in the gulf between the United States and Iran. Non-oil GDP growth across the region was broadly weaker than it should be due to ongoing fiscal consolidation efforts and austerity in the region, which have impacted consumption-linked market segments.

In South East Asia, the re-escalation in trade tensions came at a time when export growth across the region is already in the doldrums from weaker import demand for mainland China, a slowdown in the global information and communication technology cycle, and the increase in trade protectionism over the past year. Overall, the deterioration in export momentum across the region has continued.

Mainland China's months-long trade dispute with the United States has weighed on its economy. The economic growth of the second quarter in 2019 was the country's slowest for almost 27 years. Domestic demand has become a major driver. In the first half of 2019, garment was the sector with the second slowest growth after automobile.

In Hong Kong, the opening of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macau Bridge in late 2018 strengthened the city's connection within the region and nationwide, but the improved convenience also led to a shortened staying time of tourist which could inflict a negative effect to the retail industry. At the meantime, the shoppers in Hong Kong were lacking the stimulus to boost their consumption, and consumers demonstrated the lowest confidence level over the past years.

The Group saw a challenging business environment during the year under review. The loss for the year attributable to owners of the Group was mainly due to the unseasonal weather and the weak consumer sentiment in our core markets. The Group closed the underperforming stores, and overall revenue of the Group decreased by 16%, with a drop of 9% in same-store sales. Gross profit decreased by 18% and the gross margin dropped 1% point to 52%.

During the year under review, as part of the network expansion plan, the Group's export franchising business added 121 stores net, with a footprint across 27 countries.

## **Financial Performance**

During the year under review, the Group recorded revenue of HK\$1,641 million (2018: HK\$1,958 million), which fell by 16%. Gross profit decreased by 18% to HK\$846 million (2018: HK\$1,036 million), with gross margin dropped by 1% point to 52% (2018: 53%).

The Group's operating loss for the year under review was HK\$135 million (2018: HK\$21 million), with an operating margin of negative 8% (2018: negative 1%). Loss attributable to owners was HK\$139 million (2018: HK\$29 million). Basic loss per share amounted to HK8.48 cents (2018: HK1.77 cents).

As of 30 June 2019, the Group's cash and bank balances stood at HK\$162 million (2018: HK\$341 million), with a net cash position of HK\$132 million (2018: HK\$341 million). Also, the Group held an investment fund of HK\$232 million (2018: HK\$230 million). The inventory turnover days was 119 days (2018: 80 days).

## **Operating Efficiencies**

The retail market in Hong Kong saw a glooming picture at the backdrop of social unrest combined with the United States-mainland China trade war. Retail sales growth in Hong Kong has slowed down significantly since July 2018. Meanwhile, the devaluation of Renminbi and the downward trend of the property and investment markets in Hong Kong had continued to weigh on the consumer sentiment, bringing a reduction in in-store consumption and hence affecting our sales for Hong Kong and Macau segment, which accounted for 65% of the Group's consolidated revenue.

Same-store sales in Hong Kong and Macau and Singapore declined by 10% (2018: 2% decline) and 9% (2018: 5% decline), respectively. Same-store sales in mainland China and Taiwan recorded 6% decline (2018: 6% growth) and 8% decline (2018: 3% growth), respectively. The Group's overall same-store sales slipped by 9% (2018: 1% decline).

Same-store gross profit in Hong Kong and Macau, mainland China, Taiwan and Singapore dropped by 12% (2018: 2% growth), 6% (2018: 4% growth), 10% (2018: 6% growth) and 5% (2018: 9% decline), respectively, for the year under review. The overall same-store gross profit dropped by 11% (2018: 1% growth).

As of 30 June 2019, the total net retail floor area for directly managed stores decreased to 344,000 sq. ft. (2018: 359,100 sq. ft.). Sales per sq. ft. declined to HK\$3,800 (2018: HK\$4,200). The Group's operating expenses for the year under review accounted for 63% (2018: 57%) of the total revenue.

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

### Operating Expenses Analysis

|                                   | For the year ended 30 June    |                               |                               |                               |                   |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------|
|                                   | 2019                          |                               | 2018                          |                               | Change<br>(%)     |
|                                   | <i>HK\$</i><br><i>million</i> | <i>% of</i><br><i>revenue</i> | <i>HK\$</i><br><i>million</i> | <i>% of</i><br><i>revenue</i> |                   |
| Revenue                           | <u>1,641</u>                  | <u>100%</u>                   | <u>1,958</u>                  | <u>100%</u>                   |                   |
| Selling and distribution expenses | <u>724</u>                    | <u>45%</u>                    | <u>801</u>                    | <u>41%</u>                    | <u>-10%</u>       |
| Administrative expenses           | <u>252</u>                    | <u>15%</u>                    | <u>238</u>                    | <u>12%</u>                    | <u>+6%</u>        |
| Other operating expenses          | <u>56</u>                     | <u>3%</u>                     | <u>75</u>                     | <u>4%</u>                     | <u>-25%</u>       |
| <b>Total operating expenses</b>   | <b><u>1,032</u></b>           | <b><u>63%</u></b>             | <b><u>1,114</u></b>           | <b><u>57%</u></b>             | <b><u>-7%</u></b> |

## BUSINESS REVIEW

### Distribution Network

As of 30 June 2019, the Group had a presence in 31 countries and regions around the world, and had 1,061 stores (2018: 938) comprised of 286 (2018: 284) directly managed stores and 775 (2018: 654) franchised stores.

The Hong Kong and Macau market remained the Group's core market and major contributor to the Group's total revenue, the number of stores holding steady at 39 (2018: 40).

The export franchising business maintained the Group's focus on developing promising international markets, adding 121 stores net with footprint across 27 countries. The Group strategically added 108 and 20 new stores in the Middle East and India, respectively, during the year under review. The total number of stores increased to 775 (2018: 654).

The number of directly managed stores in mainland China was 175 (2018: 164). They were strategically located throughout key cities with solid, affluent demographics. During the year under review, the Group continued to refine its market exposure in Taiwan and Singapore, bringing the shop numbers to 57 (2018: 64) and 15 (2018: 16) respectively.

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

|                             | 30 June 2019            |                   | 30 June 2018            |                   |
|-----------------------------|-------------------------|-------------------|-------------------------|-------------------|
|                             | Directly managed stores | Franchised stores | Directly managed stores | Franchised stores |
| Hong Kong and Macau         | 39                      | –                 | 40                      | –                 |
| Mainland China              | 175                     | –                 | 164                     | –                 |
| Taiwan                      | 57                      | –                 | 64                      | –                 |
| Singapore                   | 15                      | –                 | 16                      | –                 |
| Other countries and regions | –                       | 775               | –                       | 654               |
| <b>Total</b>                | <b>286</b>              | <b>775</b>        | <b>284</b>              | <b>654</b>        |

### Marketing and Branding

“be happy” is the core brand value that the Group has been adhering to and where our marketing efforts are centering around. We are committed to promote a positive and optimistic life attitude and to spread happiness. Through colourful products and visual merchandising, the friendly and attentive staff and optimised doses of humour infused in our products, we create a cozy retail environment for customers to indulge in a joyful shopping experience.

We provide quality everyday apparels and associated accessories, and we unwaveringly devise innovative and conducive initiatives to reinforce our brand positioning and enhance brand awareness amidst keen competition. Leveraging the complementary online and offline channels, we extend our omnichannel presence to offer a satisfactory shopping experience to our customers.

### Co-branded and Licensed Products

The Group collaborates with popular brands in various markets. We develop and regularly release a wide variety of colourful and exciting choices to ignite our customers’ aspiration for a happy and fun lifestyle and foster their loyalty to our brand. 5 new licensing programmes were launched during the year under review.

The *«Taste It, Make Bold»* campaign of the *bossini x Coca-Cola* collection offered apparels that seamlessly weaved the iconic Coca-Cola logo and its signature palette of red, white and black with our reinvented styles.

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

Bossini's collaborative capsule collection with Winnie The Pooh, 《*Sweet As Can Bee*》 was inspired by The Hundred Acre Wood, the fictional land that Pooh lives. The campaign images featured the woods as the backdrop and Matthew Ho, a Hong Kong actor and television presenter, demonstrated a bright and carefree personality in the outdoors.

Bossini's latest collaborative Toy Story 4 collection 《*Disney • Pixar: It's Play Time!*》 featured well-loved characters: Sheriff Woody, Buzz Lightyear and Alien, as well as new characters from Toy Story 4: Forky, Ducky and Bunny. Designed with the entire family in mind, the line-up included Toy Story apparels for adults and kids across graphic tees, bottoms and dresses.

*bossini x QEE* collection 《*QEE my way*》 carried a whimsy, capricious and colourful life attitude that sparked off people's creativity. The cute, stylish pattern, fuelled with vitality, presented the fashionable QEE on adults and kids' wear. Together with the hipster couple Ares Cheng and INKY, the collection encouraged all to make choices bravely and firmly believe in real me.

The marketing strategy of co-branded and licensed products has been a proven one to differentiate Bossini from the peers. The brands that the Group collaborated with shared the value of happiness with us. The popular high profile characters synergised with Bossini in fostering and reinforcing our market visibility and brand value, boosting our share of mind amidst keen competition.

### **Operational Performance by Market**

During the year under review, the Group's Hong Kong and Macau segment remained the major source of revenue. The retail and export franchising business in Hong Kong and Macau contributed 65% (2018: 67%) of the total revenue. Other regions continued their steady share of contribution, mainland China accounted for 20% (2018: 17%), Taiwan and Singapore provided 9% (2018: 9%) and 6% (2018: 7%) of the total revenue respectively.

### **Hong Kong and Macau**

Hong Kong's economy had grown at its slowest quarterly rate in nearly a decade and reduced to a near standstill by weak consumer demand and shock waves from the United States-mainland China trade war. A sluggish retail environment and subdued market sentiment in Hong Kong, the weakening Renminbi and the recent social unrest added uncertainty and negative impact on the fragile market performance.

During the year under review, revenue in Hong Kong and Macau including the retail and export franchising business was HK\$1,052 million (2018: HK\$1,304 million), representing a 19% decline. Same-store sales for directly managed stores fell 10% (2018: 2% decline) while same-store gross profit declined 12% (2018: 2% growth). Total net retail floor area decreased to 110,800 sq. ft. (2018: 125,000 sq. ft.), and sales per sq. ft. declined 9% to HK\$7,000 (2018: HK\$7,700). The number of directly managed stores remained steady at 39 (2018: 40). Operating loss was HK\$33 million (2018: HK\$24 million profit) and the operating margin was negative 3% (2018: positive 2%).

The export franchising business added 121 stores net in the year under review, boosting the total number of stores to 775 (2018: 654) with a footprint across 27 countries as the Group maintained its cautious yet strategic international expansion programme to tap opportunities in the emerging markets.

### **Mainland China**

Mainland China's economy was facing a complex domestic and external environment that presented challenges to the retailers. China Consumer Confidence Index fluctuated and the small-to-medium enterprises showed their concern in the Manufacturing PMI. Exports maintained a growth momentum but imports was facing a slower speed.

Revenue in mainland China decreased slightly by 2% to HK\$332 million (2018: HK\$340 million). Same-store sales dropped 6% (2018: 6% growth) and same-store gross profit registered a 6% decline (2018: 4% growth). Sales per sq. ft. decreased by 5% to HK\$1,900 (2018: HK\$2,000) while total net retail floor area increased by 8% to 151,400 sq. ft. (2018: 140,700 sq. ft.). There was a total of 175 (2018: 164) directly managed stores in mainland China. Operating loss was HK\$58 million (2018: HK\$30 million), and the operating margin was negative 17% (2018: negative 9%).

### **Taiwan**

As international trade friction continued to heat up and geopolitical risks on the rise, the Taiwan business indicators continued to flash the “yellow-blue” signals between “recession” and “growth” since 2019. The manufacturing sector had also contracted. At the same time, the total sales of wholesaling, retailing and catering saw a fluctuating performance.

During the year under review, the Group's Taiwan operations posted an 8% drop (2018: 3% growth) in same-store sales, with a decline in same-store gross profit of 10% (2018: 6% growth). Total revenue declined 13% to HK\$153 million (2018: HK\$176 million). Total net retail floor area decreased by 12% to 60,400 sq. ft. (2018: 68,800 sq. ft.) and sales per sq. ft. decreased 5% to HK\$2,100 (2018: HK\$2,200). The Group continued to optimise the store network with the consolidation of non-performing stores, and the number of directly managed stores decreased to 57 (2018: 64). Operating loss was HK\$31 million (2018: HK\$12 million), and the operating margin was negative 20% (2018: negative 7%).

## **Singapore**

Singapore's economy contracted in the second quarter of 2019 as exports continued to plunge amid a worsening global economy. GDP growth was stagnant and retail sales dropped continuously.

The revenue of Singapore operation dropped 25% to HK\$104 million (2018: HK\$138 million) during the year under review. Same-store sales registered a 9% decline (2018: 5% decline) compared to last year. Same-store gross profit recorded a 5% decline (2018: 9% decline). Total net retail floor area decreased by 13% to 21,400 sq. ft. (2018: 24,600 sq. ft.). Sales per sq. ft. decreased 9% to HK\$5,000 (2018: HK\$5,500). The Group continued to adjust store network and the number of directly managed stores stood steady at 15 (2018: 16). The operating loss was HK\$13 million (2018: HK\$3 million) and the operating margin was negative 13% (2018: negative 2%).

## **Liquidity and Financial Resources**

As of 30 June 2019, the Group remained in a solid financial position with cash and bank balances of HK\$162 million (2018: HK\$341 million) and a net cash position of HK\$132 million (2018: HK\$341 million). The current ratio was 3.42 times (2018: 3.10 times) with a total liabilities to equity ratio of 34% (2018: 29%). Bank borrowing of HK\$30 million (2018: Nil) was recorded as of 30 June 2019 and the gearing ratio determined by bank borrowing divided by total equity was 4% (2018: Nil). The Group had banking facilities of HK\$422 million (2018: HK\$498 million) of which HK\$52 million (2018: HK\$20 million) had been utilised.

The Group has investments and operations in countries that use currencies other than the United States dollar and Hong Kong dollar. As such, the Group is exposed, to a certain extent, to foreign currency risk, which it mitigates by entering into forward currency contracts to reduce exposure to exchange rate fluctuations in material transactions denominated in currencies other than United States dollar and Hong Kong dollar.

As of 30 June 2019, the Group's inventory turnover days<sup>#</sup> was 119 days, compared to 80 days in 2018. The return on equity ratio for the year under review was negative 18% (2018: negative 3%).

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

## **Significant Investment**

The Group held an investment fund with an aggregate principal amount of HK\$232 million (2018: HK\$230 million) as of 30 June 2019. Interest income of HK\$7 million (2018: HK\$7 million) and a change in fair value of the investment fund of HK\$2 million gain (2018: HK\$4 million loss) have been included in the consolidated statement of profit or loss and other comprehensive income.



The global economic volatility, the return of the underlying bonds, depending on the performance of the business sectors, issuers and countries to which the underlying bonds belong to and other external factors may affect their values before maturity.

### Contingent Liabilities

|   | <b>30 June<br/>2019<br/>HK\$'000</b> | 30 June<br>2018<br>HK\$'000 |
|---|--------------------------------------|-----------------------------|
| Bank guarantees given in lieu of utility and property rental deposits | <b>3,463</b>                         | 3,606                       |

### Human Capital

As of 30 June, 2019, the Group employed 1,900 (2018: 2,100) full-time equivalent employees in Hong Kong and Macau, mainland China, Taiwan, 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 such as “The 7 Habits of Highly Effective People®” were offered for office and shop staff at all levels.

We believe a vibrant and competent workforce is indispensable in driving business growth. As a learning organisation, 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

Against a difficult backdrop that included intensified United States-mainland China trade tensions as well as prolonged uncertainty on Brexit, momentum in global activity remained soft in the first half of 2019. Downside risks to growth predominate, including rising trade barriers, a build-up of government debt, and deeper-than-expected slowdowns in several major economies. Investment growth in emerging market and developing economies is expected to remain weak, held back by sluggish global growth, limited fiscal space and structural constraints that misallocate or discourage investment.

To achieve its annual GDP growth target, mainland China will continue with a proactive fiscal policy and a prudent monetary policy. Stronger supportive measures are expected, including further implementation of tax and fee cuts and targeted monetary easing, to stabilise employment, trade, financial markets, investment, foreign capital, and expectations. The Chinese government has already stepped up efforts in recent months to keep the economy operate within an appropriate range. The State Council has also decided to adopt more measures to keep its foreign trade stable.

Double hit by worsening external environment prompted by the escalating Sino-United States trade frictions and weaker domestic demand amid asset price adjustment, Hong Kong's economy further decelerated. Although there are some favourable factors such as the Federal Reserve's dovish stance, positive wealth effect and the low base for comparison, uncertainties caused by trade frictions will continue to have a lasting impact. Uncertainties related to the social unrest in Hong Kong since June 2019 and the trade dispute is leaving no room for optimism on economic growth in 2019.

In view of a weakening economy as well as uncertainty surrounding the trade dispute that present risks to the outlook in the medium to the longer run, the management of the Group remains cautious and watchful over the market development. Challenges and opportunities coexist, however, and the Group will keep attentive to the potential that can be conducive to the future growth of business. The Group is in a healthy financial position, which is capable of facing potential challenges.

The export franchising business has been a main focus of the Group. We will further optimise the distribution network in the emerging markets, strengthen our brand image and presence, and leverage the economy of scale in market reach and profitability.

Our future plans and strategies are in place, and we will implement them diligently with the goal of sustainable business development.

We will strive to reinvent products to bring out a consistent brand identity that further reflects our core brand value. We will execute an array of marketing strategy for key looks and key functional products that cater to the changing consumer taste and preference. In addition, we will develop a global visual merchandising execution that aligns a unified brand perception and image.

Retail markets are facing immense challenges at all levels: local, regional and global. We will reignite the business growth by nurturing existing markets and develop new markets in Southeast Asia, tap and leverage the "New Retail" era to expand online to offline business for the Group, and turnaround and grow mainland China business in which we see dynamic and energetic opportunities.

A business organisation shall keep flexible, resilient and adapt to the changing market. We will rejuvenate our operational systems by maximising the economy of scale in operation, streamlining operation mode, and synergising internal and external resources. We will adopt 80/20 rules by identifying our best assets and resources and using them efficiently to enhance operation efficiencies.

We will also create and maximise business value through digitisation, the use of big data and information intelligence. With people being our core asset, we will develop and facilitate talents to transform into new ways of doing things, and empower them to unleash their potential.

The market environment at all levels - local, regional, and global - presents complexity and uncertainty. Inevitably, the industry is facing enormous challenges in the short and medium term. However, the Group remains confident in the longer term with the efficacious implementation of the future plans and strategies that will fuel our sustainable development.

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

During the year ended 30 June 2019, the Company repurchased a total of 602,000 ordinary shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration (before expenses) of HK\$167,000. All the purchased shares were subsequently cancelled.

The details of those transactions are as follows:

| <b>Month of repurchase</b> | <b>Number of ordinary shares repurchased</b> | <b>Highest purchase price per ordinary share<br/><i>HK\$</i></b> | <b>Lowest purchase price per ordinary share<br/><i>HK\$</i></b> | <b>Aggregate purchase price (excluding expenses)<br/><i>HK\$</i></b> |
|----------------------------|--|--|---|--|
| January 2019               | 602,000                                      | 0.280  | 0.275   | 167,000  |

## **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 financial results for the year ended 30 June 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.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2019 as set out in the preliminary announcement have been agreed by the Company’s auditor to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by the Company’s auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company’s auditor on the preliminary announcement.

## **CORPORATE GOVERNANCE**

The Company was in compliance with the code provisions as set out in the CG Code for the year ended 30 June 2019, except for the following deviations:

- 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, the Directors have complied with the required standard set out in the Model Code, throughout the year ended 30 June 2019.

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

The annual results announcement for the year ended 30 June 2019 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 annual report for the year ended 30 June 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, 18 September 2019

*As at the date of this announcement, the Board comprises three Executive Directors, namely Ms. TSIN Man Kuen Bess (Chairman), Mr. MAK Tak Cheong Edmund and Mr. CHAN Cheuk Him Paul and three Independent Non-executive Directors, namely Mr. CHEONG Shin Keong, Ms. LEUNG Mei Han and Prof. SIN Yat Ming.*