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bossini

BOSSINI INTERNATIONAL HOLDINGS LIMITED

堡獅龍國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 592)

ANNOUNCEMENT OF SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED 30 JUNE 2021

FINANCIAL RESULTS

The board of directors (the “Board”) of **Bossini International Holdings Limited** (the “Company”) announces the unaudited condensed consolidated second interim results of the Company and its subsidiaries (the “Group” or “Bossini”) for the twelve months ended 30 June 2021, together with the audited comparative figures for the twelve months ended 30 June 2020, as follows:

Condensed consolidated statement of profit or loss and other comprehensive income

		Twelve months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Audited) HK\$'000
	<i>Notes</i>		
Continuing operations			
Revenue	4	847,962	1,091,631
Cost of sales		(416,473)	(557,514)
Gross profit		431,489	534,117
Other income	4	38,368	32,033
Selling and distribution expenses		(371,981)	(521,270)
Administrative expenses		(179,069)	(204,908)
Other operating expenses, net		(61,741)	(159,103)
Loss from operating activities		(142,934)	(319,131)
Finance costs	5	(10,763)	(16,182)
Loss before tax from continuing operations	6	(153,697)	(335,313)
Income tax expense	7	(1,046)	(12,183)
Loss for the period from continuing operations		(154,743)	(347,496)
Discontinued operation			
Loss for the period from a discontinued operation	8	(403)	(20,239)
Loss for the period attributable to owners of the Company		(155,146)	(367,735)

* For identification purposes only

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

		Twelve months ended	
		30 June	
		2021	2020
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss in subsequent periods:			
Change in fair value of a financial asset		–	1,367
Reclassification adjustment for a foreign operation deregistered during the period		–	932
Exchange differences on translation of foreign operations		<u>12,677</u>	<u>(13,151)</u>
Net other comprehensive income/(loss)		<u>12,677</u>	<u>(10,852)</u>
Total comprehensive loss for the period attributable to owners of the Company		<u><u>(142,469)</u></u>	<u><u>(378,587)</u></u>
Loss per share attributable to ordinary equity holders of the Company	<i>10</i>		(restated)
Basic			
– For loss for the period		<u><u>(HK8.35 cents)</u></u>	(HK21.83 cents)
– For loss from continuing operations		<u><u>(HK8.33 cents)</u></u>	(HK20.63 cents)
Diluted			
– For loss for the period		<u><u>(HK8.35 cents)</u></u>	(HK21.83 cents)
– For loss from continuing operations		<u><u>(HK8.33 cents)</u></u>	(HK20.63 cents)

Condensed consolidated statement of financial position

		At 30 June 2021 (Unaudited) HK\$'000	At 30 June 2020 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		17,995	25,520
Investment property		15,008	16,776
Right-of-use assets		96,806	164,732
Trademark		–	1,164
Deferred tax assets		386	386
Deposits		29,093	35,766
		<hr/>	<hr/>
Total non-current assets		159,288	244,344
Current assets			
Inventories		154,717	209,679
Debtors	11	19,052	48,441
Tax recoverable		–	4,484
Prepayments, deposits and other receivables		73,058	90,141
Financial assets at fair value through profit or loss		254	593
Pledged bank deposits		1,903	56
Cash and cash equivalents		370,866	176,339
		<hr/>	<hr/>
Total current assets		619,850	529,733
Current liabilities			
Trade creditors, other payables and accruals	12	126,450	118,686
Contract liabilities		3,096	3,584
Bills payable		25,258	12,277
Tax payable		1,774	7,739
Due to a fellow subsidiary		405	–
Due to related companies		–	71
Lease liabilities		95,759	154,068
Financial liabilities at fair value through profit or loss		–	7
Interest-bearing bank borrowings		–	59,721
		<hr/>	<hr/>
Total current liabilities		252,742	356,153
Net current assets		367,108	173,580
		<hr/>	<hr/>
Total assets less current liabilities		526,396	417,924
Non-current liabilities			
Deferred tax liabilities		1,254	773
Lease liabilities		82,341	133,016
Other payables		3,159	2,675
		<hr/>	<hr/>
Total non-current liabilities		86,754	136,464
Net assets		439,642	281,460
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Issued capital	13	246,575	164,134
Reserves		193,067	117,326
		<hr/>	<hr/>
Total equity		439,642	281,460
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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 second 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. Change of financial year end date

On 25 February 2021, the Company has resolved to change the financial year end date of the Company from 30 June to 31 December. The forthcoming financial year end date of the Company will be 31 December 2021 and the next audited consolidated financial statements of the Company will cover a period of 18 months from 1 July 2020 to 31 December 2021. Accordingly, the condensed consolidated second interim financial statements of the Company covers the twelve months ended 30 June 2021 with comparative figures cover the twelve months ended 30 June 2020.

3. Operating segment information

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

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

The Group has discontinued the business in Taiwan segment. Accordingly, certain 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.

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 and interest-bearing bank borrowings as these liabilities are managed on a group basis.

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

3. Operating segment information (continued)

Geographical segments

An analysis of the Group's revenue and profit/loss by geographical segments for the twelve months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020, is as follows:

	Hong Kong and Macau		Mainland China		Singapore		Consolidated	
	2021 (Unaudited) HK\$'000	2020 (Audited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Audited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Audited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Audited) HK\$'000
Segment revenue								
Sales to external customers from continuing operations	491,424	715,617	270,616	296,297	85,922	79,717	847,962	1,091,631
Other income from continuing operations	33,786	27,723	2,014	1,615	1,475	132	37,275	29,470
Total	525,210	743,340	272,630	297,912	87,397	79,849	885,237	1,121,101
Segment results	(108,910)	(199,450)	(50,466)	(101,621)	6,467	(35,964)	(152,909)	(337,035)
Interest income							1,093	2,563
Loss from operating activities							(151,816)	(334,472)
Finance costs (other than interest on lease liabilities)							(1,881)	(841)
Loss before tax from continuing operations							(153,697)	(335,313)
Income tax expense							(1,046)	(12,183)
Loss for the period from continuing operations							(154,743)	(347,496)

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

3. Operating segment information (continued)

Geographical segments (continued)

The following table presents certain asset and liability information for the Group's geographical segments at 30 June 2021, together with the comparative figures at 30 June 2020.

	Hong Kong and Macau		Mainland China		Singapore		Consolidated	
	At 30 June 2021 (Unaudited) HK\$'000	At 30 June 2020 (Audited) HK\$'000	At 30 June 2021 (Unaudited) HK\$'000	At 30 June 2020 (Audited) HK\$'000	At 30 June 2021 (Unaudited) HK\$'000	At 30 June 2020 (Audited) HK\$'000	At 30 June 2021 (Unaudited) HK\$'000	At 30 June 2020 (Audited) HK\$'000
Segment assets	<u>537,792</u>	<u>437,783</u>	<u>189,767</u>	<u>252,738</u>	<u>50,786</u>	<u>63,067</u>	<u>778,345</u>	<u>753,588</u>
Unallocated assets							386	4,870
Assets related to a discontinued operation							<u>407</u>	<u>15,619</u>
Total assets							<u>779,138</u>	<u>774,077</u>
Segment liabilities	<u>233,277</u>	<u>270,632</u>	<u>78,809</u>	<u>98,912</u>	<u>24,353</u>	<u>46,558</u>	<u>336,439</u>	<u>416,102</u>
Unallocated liabilities							3,028	68,233
Liabilities related to a discontinued operation							<u>29</u>	<u>8,282</u>
Total liabilities							<u>339,496</u>	<u>492,617</u>

4. 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

	Twelve months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Audited) HK\$'000
Retailing and distribution of garments	<u>847,962</u>	<u>1,091,631</u>

4. Revenue and other income (continued)

Other income

	Twelve months ended	
	30 June	
	2021	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Interest income	1,093	2,563
Royalty income	11,162	9,315
Gross rental income	10,248	8,993
Government grants (note)	12,593	3,077
Compensation income due to a fire accident	–	5,000
Others	3,272	3,085
	<u>38,368</u>	<u>32,033</u>

Note:

The amounts for the twelve months ended 30 June 2021 and 2020 mainly represented the subsidy granted by The Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund.

5. Finance costs

	Twelve months ended	
	30 June	
	2021	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Interest on lease liabilities	8,882	15,341
Interest on loan from immediate holding company (note)	1,679	–
Interest on bank loans	202	841
	<u>10,763</u>	<u>16,182</u>

Note:

The amount for the twelve months ended 30 June 2021 was incurred from the loan from immediate holding company of HK\$100,000,000 which was fully repaid during the period.

6. Loss before tax from continuing operations

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

	Twelve months ended	
	30 June	
	2021	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Provision/(write-back of provision) for inventories	(3,384)	10,594
Depreciation of right-of-use assets	107,967	187,538
Depreciation of items of property, plant and equipment and investment property	16,348	28,041
Impairment of right-of-use assets	23,363	102,306
Impairment of items of property, plant and equipment	5,054	12,968
Impairment of trademark	1,164	–
Impairment of debtors	248	–
Impairment of deposits and other receivables	1,070	–
Write-off of debtors	335	–
Write-off of deposits and other receivables	–	6,419
Fair value losses/(gains), net on financial assets/liabilities at fair value through profit or loss		
– transactions not qualifying as hedges	332	(792)
Compensation income due to a fire accident (note)	–	(5,000)
	<u> </u>	<u> </u>

Note:

For the twelve months ended 30 June 2020, the compensation income due to a fire accident of HK\$5,000,000 was included in “other income” on the face of the condensed consolidated statement of profit or loss and other comprehensive income.

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rate regime. For this subsidiary, the first HK\$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

	Twelve months ended	
	30 June	
	2021	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	145	1,844
Underprovision/(overprovision) in prior periods	82	(46)
Current - Elsewhere		
Charge for the period	338	473
Deferred	481	9,912
	<hr/>	<hr/>
Total tax charge for the period from continuing operations	1,046	12,183
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8. 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 30 June 2021, 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.

8. Discontinued operation (continued)

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

	Twelve months ended	
	30 June	
	2021	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Revenue	–	136,836
Cost of sales	–	(66,282)
Gross profit	–	70,554
Other income	17	855
Selling and distribution expenses	–	(68,461)
Administrative expenses	(420)	(23,059)
Other operating income, net	–	95
Loss from operating activities from a discontinued operation	(403)	(20,016)
Finance costs	–	(223)
Loss before tax from a discontinued operation	(403)	(20,239)
Income tax expense	–	–
Loss for the period from a discontinued operation	<u>(403)</u>	<u>(20,239)</u>

9. Dividend

No second interim dividend was declared for the twelve months ended 30 June 2021 and no final dividend was proposed for the twelve months ended 30 June 2020.

10. 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 twelve months ended 30 June 2021 from continuing operations of HK\$154,743,000 (2020: HK\$347,496,000) and the loss from a discontinued operation of HK\$403,000 (2020: HK\$20,239,000), and the weighted average number of ordinary shares of 1,857,461,676 (2020 (restated): 1,684,526,378) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the twelve months ended 30 June 2021 and 2020 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.

The basic and diluted loss per share for the twelve months ended 30 June 2020 were restated by adjusting the weighted average number of ordinary shares in issue for the bonus element due to the rights issue completed on 12 April 2021.

11. 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 30 June 2021 (Unaudited) HK\$'000	At 30 June 2020 (Audited) HK\$'000
Within 1 month	17,275	39,607
1 to 2 months	1,107	3,714
2 to 3 months	32	565
Over 3 months	638	4,555
	19,052	48,441

12. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK\$32,140,000 (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 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 30 June 2020 (Audited) <i>HK\$'000</i>
Within 1 month	20,526	3,319
1 to 2 months	10,379	10,715
2 to 3 months	547	1,314
Over 3 months	688	1,334
	<u>32,140</u>	<u>16,682</u>

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

13. Issued capital

Shares

	At 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 30 June 2020 (Audited) <i>HK\$'000</i>
Authorised:		
3,000,000,000 (2020: 2,000,000,000) ordinary shares of HK\$0.10 each (note a)	<u>300,000</u>	<u>200,000</u>
Issued and fully paid:		
2,465,750,091 (2020: 1,641,333,394) ordinary shares of HK\$0.10 each	<u>246,575</u>	<u>164,134</u>

13. Issued capital (continued)

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

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 July 2019, 30 June 2020 and 1 July 2020	1,641,333,394	164,134	29,020	193,154
Exercise of share options (note b)	2,500,000	249	603	852
Rights issue (note c)	<u>821,916,697</u>	<u>82,192</u>	<u>213,698</u>	<u>295,890</u>
At 30 June 2021	<u><u>2,465,750,091</u></u>	<u><u>246,575</u></u>	<u><u>243,321</u></u>	<u><u>489,896</u></u>

Notes:

- (a) On 4 March 2021, the Company passed an ordinary resolution to approve the authorised share capital of the Company be increased from HK\$200,000,000 divided into 2,000,000,000 shares of HK\$0.10 each to HK\$300,000,000 divided into 3,000,000,000 shares by the creation of an additional 1,000,000,000 shares.
- (b) The subscription rights attaching to 2,500,000 share options were exercised at the subscription price of HK\$0.275 per share, resulting in the issue of 2,500,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$688,000, and the related share option reserve of HK\$164,000 was transferred to the share premium account upon the exercise of these share options.
- (c) After the completion of the rights issue on 12 April 2021, the Company raised gross proceeds of HK\$295,890,000 before expenses by issuing 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) then existing shares to the qualifying shareholders. The weighted average number of ordinary shares in issue for the purpose of calculation of basic and diluted loss per share has been adjusted for the bonus element of the rights issue.

INTERIM DIVIDEND

The Board does not recommend payment of any second interim dividend (2020: Nil) for the twelve months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Group revenue for the twelve months ended 30 June 2021 was HK\$848 million (2020: HK\$1,092 million) at a gross margin of 51% (2020: 49%). Table 1 provides details of the Group's results of continuing operations in core markets. Loss attributable to owners of the Company was HK\$155 million (2020: HK\$368 million), a decrease of 58% from 2020. The Group's same-store sales and same-store gross profit were down by 18% (2020: 14% decline) and 18% (2020: 21% decline) respectively. Net cash balance was HK\$373 million (2020: HK\$116 million) as of 30 June 2021.

RESULTS OF CONTINUING OPERATIONS

Table 1: Group's results of continuing operations

	For the twelve months ended 30 June				Change
	2021		2020		
	HK\$ mn	% to sales	HK\$ mn	% to sales	
Hong Kong and Macau	491	58%	716	66%	(31%)
Mainland China	271	32%	296	27%	(8%)
Singapore	86	10%	80	7%	8%
Group revenue	848	100%	1,092	100%	(22%)
Gross profit	431	51%	534	49%	(19%)
Total operating expenses	(613)	(72%)	(885)	(81%)	31%
Loss from operating activities	(143)	(17%)	(319)	(29%)	55%
Finance costs	(11)	(1%)	(16)	(1%)	33%
EBITDA	(20)	(2%)	(106)	(10%)	81%
Loss attributable to owners	(155)	(18%)	(368)	(34%)	58%
Group same-store sales growth*	(18%)		(14%)		
Group same-store gross profit growth*	(18%)		(21%)		
Net cash at 30 June*	373		116		222%
Inventory level at 30 June*	155		210		(26%)
Inventory turnover (days) at 30 June*	136		123		13

* 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, despite it started to moderate in some countries with the implementation of vaccination programmes in recent months. During the period under review, the Group recorded revenue of HK\$848 million (2020: HK\$1,092 million), which fell by 22%. Gross profit decreased by 19% to HK\$431 million (2020: HK\$534 million), with gross margin increased by 2% points to 51% (2020: 49%).

Total operating expenses and loss from operating activities

The total operating expense to sales ratio decreased to 72% (2020: 81%). The pandemic had a 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 (2020: HK\$115 million) during the period under review.

Finance costs

Finance costs were HK\$11 million (2020: HK\$16 million), which comprised of interest on loan from immediate holding company and interest on lease liabilities. The interest on lease liabilities of HK\$9 million (2020: HK\$15 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 58%, as shown in Table 1. Net margin was negative 18% (2020: negative 34%), a decrease of 16% points. The preceding commentaries cite the reasons.

DISTRIBUTION NETWORK

As of 30 June 2021, the Group had a presence in 22 countries and regions around the world, and had 882 (2020: 982) stores comprised of 174 (2020: 209) directly managed stores and 708 (2020: 773) franchised stores.

Table 2: Store composition by type and geographical location

	At 30 June 2021			At 30 June 2020		
	Directly managed stores	Franchised stores	Total	Directly managed stores	Franchised stores	Total
Hong Kong and Macau						
Macau	34	–	34	38	–	38
Mainland China	124	–	124	154	–	154
Singapore	16	–	16	17	–	17
Other countries	–	708	708	–	773	773
Total	174	708	882	209	773	982

ANALYSIS BY MARKET**Hong Kong and Macau**

During the period under review, COVID-19 continued to wreak havoc worldwide and brought unprecedented challenges to the retail industry. Although the retail sector has shown signs of recovery since the first quarter of 2021, retail sales volume remained far below the pre-pandemic level as inbound tourism remained frozen amid travel restrictions worldwide. 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 4% on a period-on-period basis for the period from July 2020 to June 2021, and tourist arrivals plunged by 99.6% 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, 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\$491 million (2020: HK\$716 million), representing a 31% decline. Same-store sales for directly managed stores fell 22% (2020: 19% decline) while same-store gross profit declined 22% (2020: 27% decline). Total net retail floor area decreased to 91,000 sq. ft. (2020: 109,500 sq. ft.), and sales per sq. ft. declined 15% to HK\$4,700 (2020: HK\$5,500). The number of directly managed stores was 34 (2020: 38). Segment result was HK\$109 million loss (2020: HK\$199 million loss).

The export franchising business operated a total number of stores to 708 (2020: 773) with a footprint across 19 countries in the period under review. The Group maintained its cautious yet strategic international expansion programme to tap opportunities in the emerging markets.

Mainland China

During the period under review, 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. However, given the volatility of the pandemic and the increased number of COVID-19 infections towards the end of the period under review, especially in Shenzhen and Guangzhou where most of our retail stores are located, retail sales in mainland China was less than expected. We are 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 decreased by 8% to HK\$271 million (2020: HK\$296 million). Same-store sales dropped 12% (2020: 8% decline) and same-store gross profit registered a 9% decline (2020: 14% decline). Sales per sq. ft. increased by 7% to HK\$1,600 (2020: HK\$1,500) while total net retail floor area decreased by 15% to 120,200 sq. ft. (2020: 140,700 sq. ft.). There was a total of 124 (2020: 154) directly managed stores in mainland China. Segment result was HK\$50 million loss (2020: HK\$102 million loss).

Singapore

The revenue of Singapore operation increased by 8% to HK\$86 million (2020: HK\$80 million) during the period under review. Same-store sales registered a 2% growth (2020: 11% decline) compared to last period. Same-store gross profit recorded a 6% decline (2020: 13% decline). Total net retail floor area decreased by 6% to 20,800 sq. ft. (2020: 22,200 sq. ft.). Sales per sq. ft. increased by 18% to HK\$4,000 (2020: HK\$3,400). The number of directly managed stores was 16 (2020: 17). The segment result was HK\$6 million profit (2020: HK\$36 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 30 June 2021, the Group had cash and bank balances of HK\$373 million (2020: HK\$176 million) and net cash balance at HK\$373 million (2020: HK\$116 million). The current ratio was at 2.45 times (2020: 1.49 times) with a total liabilities to equity ratio at 77% (2020: 175%). As of 30 June 2020, bank borrowings of HK\$60 million were recorded and the gearing ratio determined by bank borrowings divided by total equity was 21%.

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 30 June 2021, the Group's inventory turnover days[#] was 136 days, compared to 123 days in 2020. The return on equity ratio for the period under review was negative 43% (2020: negative 75%).

[#] *Inventory held at period end divided by 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 30 June 2021, the Group employed 1,000 (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.

USE OF PROCEEDS FROM RIGHTS ISSUE

On 12 April 2021, the Company issued 821,916,697 rights shares, on the basis of one (1) rights share for every two (2) then existing shares, at a price of HK\$0.360 per rights share (the “Rights Issue”). Upon completion of the Rights Issue, the Company received net cash proceeds of approximately HK\$294 million (the “Net Proceeds”). The Company intended to apply the Net Proceeds as to: (i) approximately HK\$100 million for the repayment of shareholder’s loan; and (ii) approximately HK\$194 million for general working capital.

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

Intended use of Net Proceeds as disclosed in the prospectus dated 17 March 2021	Actual use of Net Proceeds up to 30 June 2021 as originally intended	Unutilised Net Proceeds as at 30 June 2021	Intended use and expected timeline
HK\$100 million for repayment of shareholder’s loan	HK\$100 million	–	–
HK\$60 million for the Group’s capital expenditure for its expansion in the mainland China	HK\$7 million	HK\$53 million	From May 2021 to April 2022 according to the Group’s network expansion timeline
HK\$10 million to upgrade the Group’s information technology systems	HK\$3 million	HK\$7 million	During the second half of 2021 and throughout 2022
HK\$124 million for the Group’s additional expenses in light of the Group’s branding and network expansion in the mainland China	HK\$10 million	HK\$114 million	From May 2021 to April 2022

OUTLOOK

Since the second half of 2020, the Group has been focusing on improving operating efficiency by reducing excessively loss-making stores, and trimming and simplifying less productive work processes and expenditures in order to lower operating losses as soon as possible. Meanwhile, the Group has also begun to reposition the Bossini brand, adjusted the combination of the senior management and formulated whole new strategies for Bossini for the next 3-5 years. In the first half of 2021, we had started establishing strategies on the new brand position and product direction, while allocated more resources on product development, product team reconstruction and related activities. Going forward, the Bossini brand will be repositioned from a lower end fast fashion brand to a street fashion and leisure brand bearing sports vitality.

The COVID-19 pandemic had disrupted global economic and retail activities throughout the period under review. However, it started to moderate in certain countries where the Group has presence with the implementation of vaccination programmes in the first half of 2021. That being said, we do not expect a full recovery in the short term. We are of the view that the operating environment would continue to be severely challenging with the new norm that the pandemic would linger for a certain period of time, which would result in a prolonged path to thorough recovery.

Mainland China remains to be the most crucial market we have confidence in which could accommodate our development strategy. The Group will be investing significantly on new distribution channels under the new brand positioning, mainly through opening directly managed and franchised stores in better shopping malls and distribution channels suitable for a street fashion leisure brand in various provinces and cities. Furthermore, through the collaboration with Viva Technology, a wholly-owned subsidiary of Viva China Holdings, the Group is also committed to further developing its e-commerce business and strengthening cooperation with various e-commerce platforms, aiming to explore in various ways for our e-commerce business.

Since the Bossini brand is repositioning and targeting at whole new distribution channels, its products will be substantially different from before. The next few years will be the Group's investment period with devotions in particular on products and channels, which formed the main motive behind the Group's fund-raising initiative through rights issue during the first half of 2021. If the pandemic persists during the investment period, the Group could possibly continue to incur losses.

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 second interim financial results for the twelve months ended 30 June 2021. 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 twelve months ended 30 June 2021.

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 twelve months ended 30 June 2021.

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

The second interim results announcement for the twelve months ended 30 June 2021 of the Company is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company’s website at www.bossini.com. The second interim report for the twelve months ended 30 June 2021 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, 13 August 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.