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bossini

BOSSINI INTERNATIONAL HOLDINGS LIMITED

堡獅龍國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 592)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL RESULTS

The board of directors (the “Board”) of **Bossini International Holdings Limited** (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group” or “Bossini”) for the six months ended 30 June 2022, together with the comparative figures for the six months ended 30 June 2021, as follows:

Condensed consolidated statement of profit or loss and other comprehensive income

		Six months ended 30 June	
	Notes	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Continuing operations			
Revenue	3	294,681	379,745
Cost of sales		<u>(162,431)</u>	<u>(190,340)</u>
Gross profit		132,250	189,405
Other income and gain	3	185,000	14,319
Selling, distribution and other operating expenses		<u>(202,298)</u>	<u>(183,394)</u>
Administrative expenses		<u>(88,307)</u>	<u>(85,807)</u>
Profit/(loss) from operating activities		26,645	(65,477)
Finance costs	4	<u>(5,088)</u>	<u>(4,155)</u>
Profit/(loss) before tax from continuing operations	5	21,557	(69,632)
Income tax credit	6	<u>298</u>	<u>1,627</u>
Profit/(loss) for the period from continuing operations		21,855	(68,005)
Discontinued operation			
Loss for the period from a discontinued operation	7	<u>—</u>	<u>(12)</u>
Profit/(loss) for the period attributable to owners of the Company		<u>21,855</u>	<u>(68,017)</u>

* For identification purposes only

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

	Six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<u>(3,787)</u>	<u>2,009</u>
Net other comprehensive income/(loss)	<u>(3,787)</u>	<u>2,009</u>
Total comprehensive income/(loss) for the period attributable to owners of the Company	<u>18,068</u>	<u>(66,008)</u>
Earnings/(loss) per share attributable to ordinary equity holders of the Company	<i>9</i>	
Basic		
– For profit/(loss) for the period	HK0.89 cent	(HK3.34 cents)
– For profit/(loss) from continuing operations	<u>HK0.89 cent</u>	<u>(HK3.34 cents)</u>
Diluted		
– For profit/(loss) for the period	HK0.87 cent	(HK3.34 cents)
– For profit/(loss) from continuing operations	<u>HK0.87 cent</u>	<u>(HK3.34 cents)</u>

Condensed consolidated statement of financial position

		At 30 June 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		38,058	27,206
Investment properties		4,394	4,687
Right-of-use assets		146,281	112,261
Deferred tax assets		280	311
Deposits		39,479	33,811
		<u>228,492</u>	<u>178,276</u>
Total non-current assets			
Current assets			
Inventories		151,425	186,592
Debtors	10	18,236	25,393
Prepayments, deposits and other receivables		55,846	75,551
Due from a fellow subsidiary		2,209	–
Pledged bank deposits		2,100	1,959
Cash and cash equivalents		254,110	266,655
		<u>483,926</u>	<u>556,150</u>
Assets classified as held for sale		–	9,437
		<u>483,926</u>	<u>565,587</u>
Total current assets			
Current liabilities			
Trade creditors, other payables and accruals	11	154,088	210,324
Contract liabilities		4,094	3,464
Bills payable		7,815	11,693
Tax payable		3,242	2,635
Due to fellow subsidiaries		868	5,377
Lease liabilities		87,047	91,844
		<u>257,154</u>	<u>325,337</u>
Total current liabilities			
		<u>226,772</u>	<u>240,250</u>
Net current assets			
		<u>455,264</u>	<u>418,526</u>
Total assets less current liabilities			

Condensed consolidated statement of financial position (continued)

		At 30 June 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
Non-current liabilities			
Deferred tax liabilities		–	1,254
Lease liabilities		171,469	155,783
Other payables		2,470	2,469
		<hr/>	<hr/>
Total non-current liabilities		173,939	159,506
		<hr/>	<hr/>
Net assets		281,325	259,020
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Issued capital	<i>12</i>	246,775	246,575
Reserves		34,550	12,445
		<hr/>	<hr/>
Total equity		281,325	259,020
		<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements

1. Basis of preparation and accounting policies

These condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The basis of preparation and accounting policies adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the eighteen months ended 31 December 2021, 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 16 (Amendments)	Amendments to HKAS 16 – <i>Property, Plant and Equipment – Proceeds before Intended Use</i>
HKAS 37 (Amendments)	Amendments to HKAS 37 – <i>Onerous Contracts – Cost Fulfilling a Contract</i>
HKFRS 3 (Amendments)	Amendments to HKFRS 3 – <i>Reference to the Conceptual Framework</i>
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 – <i>Merger Accounting for Common Control Combinations</i>
Annual Improvements Projects	Annual Improvements to HKFRSs 2018-2020

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

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

2. Operating segment information

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

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

The Group has discontinued the business in Taiwan segment during the year ended 30 June 2020. Accordingly, certain comparative segment information related to the Taiwan segment is classified as “loss for the period from a discontinued operation” in the condensed consolidated statement of profit or loss and other comprehensive income (note 7).

2. Operating segment information (continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit/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 as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and tax payable as these liabilities are managed on a group basis.

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

Geographical segments

An analysis of the Group's revenue and profit/loss by geographical segments for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021, is as follows:

	Hong Kong and Macau		Mainland China		Singapore		Consolidated	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Segment revenue								
Sales to external customers from continuing operations	165,431	236,698	90,043	105,533	39,207	37,514	294,681	379,745
Other income and gain from continuing operations	183,140	11,807	626	990	245	662	184,011	13,459
Total	348,571	248,505	90,669	106,523	39,452	38,176	478,692	393,204
Segment results	137,636	(34,912)	(116,171)	(34,718)	(897)	(159)	20,568	(69,789)
Interest income							989	860
Profit/(loss) from operating activities							21,557	(68,929)
Finance costs (other than interest on lease liabilities)							-	(703)
Profit/(loss) before tax from continuing operations							21,557	(69,632)
Income tax credit							298	1,627
Profit/(loss) for the period from continuing operations							21,855	(68,005)

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

2. Operating segment information (continued)

Geographical segments (continued)

The following table presents certain asset and liability information for the Group's geographical segments at 30 June 2022, together with the comparative figures at 31 December 2021.

	Hong Kong and Macau		Mainland China		Singapore		Consolidated	
	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Segment assets	<u>361,101</u>	<u>377,038</u>	<u>279,824</u>	<u>278,917</u>	<u>71,213</u>	<u>87,597</u>	<u>712,138</u>	<u>743,552</u>
Unallocated assets							<u>280</u>	<u>311</u>
Total assets							<u>712,418</u>	<u>743,863</u>
Segment liabilities	<u>242,584</u>	<u>252,248</u>	<u>147,717</u>	<u>182,322</u>	<u>37,550</u>	<u>46,384</u>	<u>427,851</u>	<u>480,954</u>
Unallocated liabilities							<u>3,242</u>	<u>3,889</u>
Total liabilities							<u>431,093</u>	<u>484,843</u>

3. Revenue, other income and gain

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

Revenue from contracts with customers

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Retailing and distribution of garments	<u>294,681</u>	<u>379,745</u>

3. Revenue, other income and gain (continued)

Other income and gain

	Six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	989	860
Royalty income	3,926	5,889
Gross rental income	2,939	5,828
Government grants (note)	2,252	162
Gain on disposal of investment properties	173,685	–
Others	1,209	1,580
	<u>185,000</u>	<u>14,319</u>

Note:

The amounts for the six months ended 30 June 2022 and 2021 mainly represented the subsidy granted by The Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. This is a wage subsidy for eligible employers to retain their employees, subject to certain conditions. There was no unfulfilled conditions and other contingencies attached to the receipts of those grants.

4. Finance costs

	Six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on lease liabilities	5,088	3,452
Interest on loan from immediate holding company (note)	–	703
	<u>5,088</u>	<u>4,155</u>

Note:

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

5. Profit/(loss) before tax from continuing operations

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

	Six months ended 30 June	
	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Provision for inventories	2,040	4,561
Depreciation of right-of-use assets	45,867	44,555
Depreciation of property, plant and equipment and investment properties	11,771	7,936
Impairment of right-of-use assets	7,686	–
Impairment of property, plant and equipment	2,104	–
Loss on disposal/write-off of property, plant and equipment, net	492	–
Gain on disposal of investment properties	(173,685)	–
Write-off of debtors	–	335
Fair value losses, net on financial assets/liabilities at fair value through profit or loss – transactions not qualifying as hedges	–	754
	<u> </u>	<u> </u>

6. Income tax credit

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the period. The mainland China Corporate Income Tax provision in respect of the operation in mainland China is calculated based on the statutory tax rate of 25% on the estimated profits for the period based on existing legislation, interpretations and practices in respect thereof (2021: 25%). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	607	–
– Overseas taxation	316	–
	<u> </u>	<u> </u>
	923	–
Overprovision in prior period		
– Hong Kong profits tax	–	(1,101)
– Overseas taxation	–	(490)
	<u> </u>	<u> </u>
	–	(1,591)
Deferred income tax	(1,221)	(36)
	<u> </u>	<u> </u>
	(298)	(1,627)
	<u> </u>	<u> </u>

7. Discontinued operation

On 2 March 2020, the Group announced a plan to wind down the Group's retail operation in Taiwan (the "Taiwan segment") considering that it was not optimistic about the near term prospect of the Taiwan segment and the cessation of Taiwan segment operation could enable the Group to better utilise its resources in its other segments. As at 30 June 2022, all retail shops in Taiwan had ceased operation. The Taiwan segment was thus classified as discontinued operation and no longer included in the note for operating segment information. Further details of the above were set out in the Company's announcement dated 2 March 2020.

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

	Six months ended	
	30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Other income and gain	–	–
Selling, distribution and other operating expenses	–	–
Administrative expenses	–	(12)
Loss from operating activities from a discontinued operation	–	(12)
Finance costs	–	–
Loss before tax from a discontinued operation	–	(12)
Income tax expense	–	–
Loss for the period from a discontinued operation	–	(12)

8. Dividend

No interim dividend was declared for the six months ended 30 June 2022 and 2021.

9. Earnings/(loss) per share attributable to ordinary equity holders of the Company

The calculation of basic earnings per share for the six months ended 30 June 2022 is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$21,855,000 and the weighted average number of ordinary shares of 2,467,705,892 in issue during the period.

The calculation of basic loss per share for the six months ended 30 June 2021 is based on the loss for the period attributable to ordinary equity holders of the Company from continuing operations of HK\$68,005,000 and the loss from a discontinued operation of HK\$12,000, and the weighted average number of ordinary shares of 2,034,629,808 in issue during the period.

Weighted average number of the ordinary shares

	2022	2021
Issued shares at 1 January	2,465,750,091	1,643,833,394
Effect of share options exercised	1,955,801	–
Effect of rights issue including bonus elements	–	390,796,414
	<u>2,467,705,892</u>	<u>2,034,629,808</u>
Weighted average number of shares at 30 June	<u>2,467,705,892</u>	<u>2,034,629,808</u>

The calculation of diluted earnings per share for the six months ended 30 June 2022 is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$21,855,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue of 2,467,705,892 during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 49,873,392 assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The diluted loss per share for the six months ended 30 June 2021 equals to the basic loss per share as the impact of dilution of the share options is anti-dilutive.

10. Debtors

Other than cash and credit card sales, the Group normally grants credit periods of up to 60 days to its trade customers. Each trade customer has a maximum credit limit, except for new trade customers, where payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade customers relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade debtor balances. Debtors are non-interest-bearing and stated at net of loss allowance.

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Debtors	18,482	25,646
Less: Loss allowance	(246)	(253)
	<u>18,236</u>	<u>25,393</u>

10. Debtors (continued)

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 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Within 1 month	13,177	21,205
1 to 2 months	1,486	2,980
2 to 3 months	1,149	147
Over 3 months	2,424	1,061
	<u>18,236</u>	<u>25,393</u>

11. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK\$36,849,000 (31 December 2021: HK\$83,144,000).

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

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Within 1 month	33,728	33,874
1 to 2 months	721	29,847
2 to 3 months	931	18,875
Over 3 months	1,469	548
	<u>36,849</u>	<u>83,144</u>

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

12. Issued capital

Shares

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Authorised: 3,000,000,000 (31 December 2021: 3,000,000,000) ordinary shares of HK\$0.10 each (note a)	<u>300,000</u>	<u>300,000</u>
Issued and fully paid: 2,467,750,091 (31 December 2021: 2,465,750,091) ordinary shares of HK\$0.10 each	<u>246,775</u>	<u>246,575</u>

12. Issued capital (continued)

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

	Number of shares in issue	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2020 (Audited)	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)	821,916,697	82,192	213,698	295,890
Transaction costs incurred in respect of rights issue	–	–	(1,859)	(1,859)
At 31 December 2021 and 1 January 2022 (Audited)	2,465,750,091	246,575	241,462	488,037
Exercise of share options (note d)	2,000,000	200	910	1,110
At 30 June 2022 (Unaudited)	<u>2,467,750,091</u>	<u>246,775</u>	<u>242,372</u>	<u>489,147</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.
- (d) The subscription rights attaching to 2,000,000 share options were exercised at the subscription price of HK\$0.456 per share, resulting in the issue of 2,000,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$912,000, and the related share option reserve of HK\$198,000 was transferred to the share premium account upon the exercise of these share options.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Group revenue for the six months ended 30 June 2022 was HK\$295 million (2021: HK\$380 million) at a gross margin of 45% (2021: 50%). Table 1 provides an overview of the Group's results of continuing operations in core markets. During the period under review, profit attributable to owners of the Company was HK\$22 million (2021: HK\$68 million loss). The Group's same-store sales and same-store gross profit were down by 9% (2021: 12% decline) and 17% (2021: 5% decline) respectively. Net cash balance was HK\$256 million (2021: HK\$373 million) as of 30 June 2022.

RESULTS OF CONTINUING OPERATIONS

Table 1: Group's results of continuing operations

	For the six months ended 30 June				Change
	2022		2021		
	HK\$mn	% to sales	HK\$mn	% to sales	
Hong Kong and Macau	166	56%	236	62%	(30%)
Mainland China	90	31%	106	28%	(15%)
Singapore	39	13%	38	10%	3%
Group revenue	295	100%	380	100%	(22%)
Gross profit	132	45%	189	50%	(30%)
Total operating expenses	(291)	(99%)	(269)	(71%)	(8%)
Profit/(loss) from operating activities	27	9%	(65)	(17%)	141%
Finance costs	(5)	(2%)	(4)	(1%)	(22%)
EBITDA	83	28%	(14)	(4%)	702%
Profit/(loss) attributable to owners	22	7%	(68)	(18%)	132%
Group same-store sales growth*	(9%)		(12%)		
Group same-store gross profit growth*	(17%)		(5%)		
Net cash at 30 June*	256		373		(31%)
Inventory level at 30 June*	151		155		(3%)
Inventory turnover (days) at 30 June*	176		136		40

* Including continuing and discontinued operations

Revenue and gross profit

The ongoing outbreak of novel coronaviruses and a new global outbreak of highly infectious variants such as Omicron continue to pose a major challenge to the recovery of retail industry. The economies of mainland China, as well as Hong Kong and Macau, are therefore exposed to serious downside risks. During the period under review, the Group recorded revenue of HK\$295 million (2021: HK\$380 million). Gross profit was HK\$132 million (2021: HK\$189 million), with gross margin decreased by 5% points to 45% (2021: 50%).

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

The total operating expense to sales ratio increased to 99% (2021: 71%). The pandemic had a negative impact on the assessment of the Group's assets and impact on the results for the period under review. Consequently, the Group recognised non-cash impairment on assets of HK\$10 million (2021: Nil) during the period under review.

Finance costs

Finance costs were HK\$5 million (2021: HK\$4 million), mainly comprised of the interest on lease liabilities of HK\$5 million (2021: HK\$3 million) which was due to the imputed interest expense accrued on the outstanding balance of the lease liabilities.

Profit/(loss) attributable to owners of the Company

As shown in Table 1, profit attributable to owners of the Company was HK\$22 million (2021: HK\$68 million loss), including gain on disposal of investment properties of HK\$174 million (2021: Nil). Net margin was positive 7% (2021: negative 18%). The preceding commentaries cite the reasons.

DISTRIBUTION NETWORK

As of 30 June 2022, the Group had a presence in 21 countries and regions around the world, and had 734 (31 December 2021: 698) stores comprised of 195 (31 December 2021: 159) directly managed stores and 539 (31 December 2021: 539) franchised stores.

Table 2: Store composition by type and geographical location

	At 30 June 2022			At 31 December 2021		
	Directly managed stores	Franchised stores	Total	Directly managed stores	Franchised stores	Total
Hong Kong and Macau	24	–	24	26	–	26
Mainland China	155	–	155	119	–	119
Singapore	16	–	16	14	–	14
Other countries	–	539	539	–	539	539
Total	<u>195</u>	<u>539</u>	<u>734</u>	<u>159</u>	<u>539</u>	<u>698</u>

ANALYSIS BY MARKET

Hong Kong and Macau

During the period under review, Hong Kong once again faced a new wave of the novel coronavirus epidemic. The fifth wave of the epidemic broke out on a large scale, hitting the local economy hard. Hong Kong’s real GDP contracted by 4.0% year-on-year in the first quarter of this year. Due to the severity of the epidemic, the government has adopted a series of strict social distancing measures, including banning dine-in restaurants and requiring citizens to undergo mandatory nucleic acid testing. In addition, there have been many rumors that The Government of the Hong Kong Special Administrative Region plans to implement a “city lockdown” and universal testing, discouraging citizens from going out. Except for purchasing food, daily necessities and anti-epidemic supplies, the overall spending desire of the public is weak, and the local retail industry has entered a cold winter. According to government data, in the first quarter of this year, the total sales value of the local retail sector fell by 7.6% year-on-year.

In the face of the raging epidemic, some of the Group’s stores had to suspend their operations or shorten their operating hours during the period from February to March this year. In order to minimise the impact of the epidemic, the Group has taken a number of countermeasures. We adjusted the staffs of the stores according to store business hours to improve operational efficiency. We also actively rationalised and integrated our retail network to reduce competition in the same region and focus our resources on stores with better performance, while enhancing member sales and offering various promotions to increase member loyalty, repurchase rate and average spending and re-engage existing members. In addition, the Group took the initiative to negotiate rent reductions or other concessions with landlords, with some stores receiving rent reductions.

With the easing of the epidemic and the issuance of a new round of consumption vouchers by the government, the retail market in Hong Kong has gradually improved, with total retail sales value in April and May this year increased by 4.7% year-on-year. In order to seize the opportunities brought by the consumption voucher scheme, the Group launched relevant promotion activities to provide customers with various discounts and stimulate store sales. These measures have achieved satisfactory results. Overall sales in April were even higher than expectation.

In Macau, the local epidemic has been relatively stable, and the retail industry continued to benefit from the visitors to Macau from the Pearl River Delta region with satisfactory sales. However, a new round of COVID-19 epidemic struck Macau in mid-June, and the government immediately tightened entry restrictions and conducted multiple nationwide tests, which severely affected the Group's Macau business.

During the period under review, revenue in Hong Kong and Macau including the retail and export franchising business was HK\$166 million (2021: HK\$236 million). Same-store sales for directly managed stores fell 7% (2021: 14% decline) while same-store gross profit declined 11% (2021: 8% decline). Total net retail floor area decreased to 63,300 sq. ft. (2021: 91,000 sq. ft.), and sales per sq. ft. was HK\$4,500 (2021: HK\$4,700). The number of directly managed stores was 24 (31 December 2021: 26). Segment result was HK\$138 million profit (2021: HK\$35 million loss).

The export franchising business operated a total number of stores to 539 (31 December 2021: 539) with a footprint across 18 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, many provinces and cities in mainland China were hit by a new wave of epidemics, resulting in the lockdown of various cities. In the first half of the year, a number of stores of the Group in mainland China were forced to close down. Although the Group has responded quickly by setting up micro-business sales during the period when the stores were forced to close, the overall sales performance was still greatly affected due to the epidemic infecting many courier companies during the same period. In addition, we have taken the initiative to request rent reductions, which have been granted by some landlords.

The severe epidemic not only affected the Group's sales performance in the first half of the year, but also slowed down the Group's expansion in mainland China. In the first half of this year, our store opening plan was seriously hindered, and the development progress of the "bossini.X" brand was not as expected.

Revenue in mainland China was HK\$90 million (2021: HK\$106 million). Same-store sales dropped 25% (2021: 17% decline) and same-store gross profit registered a 45% decline (2021: 8% decline). Sales per sq. ft. was HK\$700 (2021: HK\$1,600) while total net retail floor area increased by 72% to 206,700 sq. ft. (2021: 120,200 sq. ft.). There was a total of 155 (31 December 2021: 119) directly managed stores in mainland China. Segment result was HK\$116 million loss (2021: HK\$34 million loss).

Singapore

Since last year, Singapore has entered a new phase of “living with the virus”. Following the introduction of the “Vaccinated Travel Lane”, which allows international travelers to enter the country without quarantine, the retail market has improved significantly. In May this year, Singapore’s retail sales grew by approximately 17.8% year-on-year, for the third consecutive month. In particular, sales in the apparel and footwear sector rose by approximately 98.2%.

The revenue of Singapore operation was HK\$39 million (2021: HK\$38 million) during the period under review. Same-store sales registered a 2% growth (2021: 23% growth) compared to last period. Same-store gross profit was flat (2021: 33% growth). Total net retail floor area decreased to 20,500 sq. ft. (2021: 20,800 sq. ft.). Sales per sq. ft. was HK\$4,000 (2021: HK\$4,000). The number of directly managed stores was 16 (31 December 2021: 14). The segment result was HK\$1 million loss (2021: HK\$1 million loss).

FINANCIAL POSITION

Liquidity and Financial Resources

As at 30 June 2022, the Group had net cash balances of HK\$256 million (2021: HK\$373 million). The current ratio of the Group was at 1.88 times (2021: 2.45 times) with a total liabilities to equity ratio at 153% (2021: 77%). As at 30 June 2022, the Group did not record any bank borrowings (2021: Nil) and the gearing ratio determined by bank borrowings divided by total equity was 0% (2021: 0%).

The Group had certain 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 at 30 June 2022, the Group’s inventory turnover days[#] was 176 days, compared to 136 days in 2021. The return on equity ratio for the period under review was positive 8% (2021: negative 22%).

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

Contingent Liabilities

During the period under review, the Group had no material changes in contingent liabilities since 31 December 2021.

Human Capital

As at 30 June 2022, the Group employed 1,100 (31 December 2021: 1,000) full-time equivalent employees in Hong Kong and Macau, mainland China and Singapore. The total staff cost recorded during the period under review was HK\$114 million (2021: HK\$118 million).

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 to our employees.

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 2022 as originally intended	Unutilised Net Proceeds as at 30 June 2022	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\$51 million	HK\$9 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\$10 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\$124 million	–	From May 2021 to April 2022

* *The remaining unutilised net proceeds of approximately HK\$9 million were deposited in licensed banks in Hong Kong. The delay in utilising the net proceeds up to 30 June 2022 was mainly due to the prolonged effects of COVID-19 pandemic on the Group's network expansion timeline. It is expected that the remaining unutilised amount of the net proceeds will be utilised by the year ending 31 December 2022 depending on the development of COVID-19 pandemic and its impact on the economic conditions in mainland China.*

OUTLOOK

The haze of the pandemic in mainland China, Hong Kong and Macau is still lingering, and market concerns about economic risks continue to fester. Although it is anticipated that the government will take active measures to stimulate domestic demand and boost consumption in response to the economic downturn, the Group expects that, in general, the operational situation will remain difficult in the second half of the year.

In Hong Kong, we started to launch various promotional activities in phases in mid-June to align with the issuance of the second phase of consumption vouchers in 2022, in the hope of enhancing customer loyalty and attracting customers to keep shopping in our stores.

As the epidemic has just started in Macau, all companies and establishments engaged in industrial and commercial activities are required to suspend their operations or operate with limitation from 11 to 30 July according to the instructions of the Macau government. As a result, two stores in Macau had to limit their operations during such period and thus the business was severely affected. In the short term, the "Zero-COVID" policy of the Macau government will bring uncertainty to the Group's business environment in the region. The Group will closely monitor the latest situation and take timely action to ensure that the impact on daily operations is minimised while protecting the health of our employees and customers.

With the lifting of the “lockdown” measures in mainland China, shopping malls and shopping areas that were closed earlier have reopened and the consumer market has gradually improved. We expect that the consumer goods market in mainland China will gradually recover in the second half of the year. In view of the huge consumer market potential in mainland China, the Group will continue to identify suitable locations and accelerate the pace of store opening. At the same time, we will actively develop franchising business, increase marketing through appropriate channels, promote and sell through live streaming, and increase online and offline interaction and membership management.

In the short term, in order to reduce operating losses during the pandemic, we will reduce or suspend unnecessary back-office expenses, including marketing activities and operating expenses, and continue to negotiate rent reductions with landlords and close stores with higher losses.

To enhance the competitiveness of the Group in the long run, we are committed to reinventing our brand image, focusing on the development of the “bossini.X” brand, integrating street and trendy culture and adding sports elements to the design to attract the new generation of consumers, aiming to increase the number of “bossini.X” brand stores to over 100 within this year. We are also aware of the trend of e-commerce and therefore will actively develop online sales, with the goal of increasing the proportion of e-commerce in overall sales from the current approximately 8% to approximately 30%. In addition to rebranding, the Group will also explore the possibility of collaborating with other brands, including the launch of co-branded products such as footwear, apparel, handbag and accessories. In the coming years, the “bossini.X” brand will be in an investment period of product development and channel expansion. Given the uncertainties of the pandemic and the economy, the Group may continue to incur losses during the investment period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. It has formulated its written terms of reference in accordance with the provisions set out in Appendix 14 – Corporate Governance Code (the “CG Code”) of the Listing Rules. The Audit Committee has reviewed the unaudited interim financial results for the six months ended 30 June 2022. The Audit Committee comprises three Independent Non-executive Directors of the Company, namely Mr. LEE Kwok Ming, Mr. CHEONG Shin Keong and Prof. SIN Yat Ming.

CORPORATE GOVERNANCE

The Company was in compliance with the code provisions as set out in the CG Code for the six months ended 30 June 2022.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry with the Company’s Directors, all the Directors have complied with the required standard set out in the Model Code, throughout the six months ended 30 June 2022.

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

The interim results announcement for the six months ended 30 June 2022 of the Company is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company’s website at www.bossini.com. The interim report for the six months ended 30 June 2022 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, 12 August 2022

As at the date of this announcement, the Board comprises two Executive Directors, namely Mr. CHEUNG Chi (Co-Chief Executive Officer) and Mr. ZHAO Jianguo, 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, Prof. SIN Yat Ming and Mr. CHEONG Shin Keong.