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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 RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 31 December 2022, together with the comparative figures for the period from 1 July 2020 to 31 December 2021 (“Period”), as follows:

Consolidated statement of profit or loss and other comprehensive income

Year ended 31 December 2022

	Notes	Year ended 31 December 2022 HK\$'000	Period ended 31 December 2021 HK\$'000
Continuing operations			
Revenue	3	585,155	1,164,075
Cost of sales		(311,931)	(567,816)
Gross profit		273,224	596,259
Other income and gain	3	212,998	56,517
Selling, distribution and other operating expenses		(438,659)	(702,486)
Administrative expenses		(169,614)	(272,689)
Loss from operating activities		(122,051)	(322,399)
Finance costs	4	(9,832)	(14,768)
Loss before tax from continuing operations	5	(131,883)	(337,167)
Income tax expense	6	(371)	(2,892)
Loss for the year/period from continuing operations		(132,254)	(340,059)
Discontinued operation			
Loss for the year/period from a discontinued operation	7	–	(378)
Loss for the year/period attributable to owners of the Company		(132,254)	(340,437)

* For identification purposes only

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

Year ended 31 December 2022

	Year ended 31 December 2022 HK\$'000	Period ended 31 December 2021 HK\$'000
	<i>Note</i>	
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Reclassification adjustment for a foreign operation deregistered during the year/period	–	(625)
Exchange differences on translation of foreign operations	<u>(15,265)</u>	<u>15,299</u>
Net other comprehensive (loss)/income	<u>(15,265)</u>	<u>14,674</u>
Total comprehensive loss for the year/period attributable to owners of the Company	<u><u>(147,519)</u></u>	<u><u>(325,763)</u></u>
Loss per share attributable to ordinary equity holders of the Company	<i>9</i>	
Basic		
– For loss for the year/period	<u>(HK5.36 cents)</u>	(HK16.52 cents)
– For loss from continuing operations	<u>(HK5.36 cents)</u>	<u>(HK16.50 cents)</u>
Diluted		
– For loss for the year/period	<u>(HK5.36 cents)</u>	(HK16.52 cents)
– For loss from continuing operations	<u>(HK5.36 cents)</u>	<u>(HK16.50 cents)</u>

Consolidated statement of financial position
31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		33,382	27,206
Investment properties		4,101	4,687
Right-of-use assets		89,221	112,261
Deferred tax assets		300	311
Deposits		28,567	33,811
Total non-current assets		155,571	178,276
Current assets			
Inventories		171,866	186,592
Debtors	10	24,559	25,393
Prepayments, deposits and other receivables		68,526	75,551
Pledged bank deposits		127	1,959
Cash and cash equivalents		93,142	266,655
		358,220	556,150
Assets classified as held for sale		–	9,437
Total current assets		358,220	565,587
Current liabilities			
Trade creditors, other payables and accruals	11	150,601	210,324
Contract liabilities		3,739	3,464
Bills payable		14,812	11,693
Tax payable		1,196	2,635
Due to fellow subsidiaries		1,527	5,377
Due to related companies		1,474	–
Lease liabilities		74,643	91,844
Total current liabilities		247,992	325,337
Net current assets		110,228	240,250
Total assets less current liabilities		265,799	418,526
Non-current liabilities			
Deferred tax liabilities		410	1,254
Lease liabilities		140,083	155,783
Other payables		5,003	2,469
Total non-current liabilities		145,496	159,506
Net assets		120,303	259,020
Equity			
Issued capital	12	247,036	246,575
Reserves		(126,733)	12,445
Total equity		120,303	259,020

Notes to the consolidated financial statements

1. Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 (“HKCO”). The consolidated financial statements have been prepared on a historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(b) Change of financial year end date

On 25 February 2021, the Board announced that the financial year end date of the Company has been changed from 30 June to 31 December commencing from the financial period ended 31 December 2021 in order to align its financial year end date with the controlling shareholder of the Company. The comparative figures presented for the audited consolidated statement of profit or loss and other comprehensive income, audited consolidated statement of changes in equity and audited consolidated statement of cash flows and related notes cover the audited figures of the financial period from 1 July 2020 to 31 December 2021 which may not be comparable with the amounts shown for the current year.

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2022:

HKAS 16 (Amendments)	Amendments to HKAS 16 – <i>Proceeds before Intended Use</i>
HKAS 37 (Amendments)	Amendments to HKAS 37 – <i>Onerous Contracts – Cost of 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 Project (Amendments)	Amendments to Annual Improvements Project – <i>Annual Improvements to HKFRSs 2018-2020</i>

1. Basis of preparation (continued)

(d) New standards and interpretations not yet adopted

		Effective for accounting period beginning on or after
HKAS 1 (Amendments)	Amendments to HKAS 1 – <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
HKAS 1 (Amendments)	Amendments to HKAS 1 – <i>Non-current liabilities with Covenants</i>	1 January 2024
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Amendments to HKAS 1 and HKFRS Practice Statement 2 – <i>Disclosure of Accounting Policies</i>	1 January 2023
HKAS 8 (Amendments)	Amendments to HKAS 8 – <i>Definition of Accounting Estimates</i>	1 January 2023
HKAS 12 (Amendments)	Amendments to HKAS 12 – <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
HKAS 28 and HKFRS 10 (Amendments)	Amendments to HKAS 28 and HKFRS 10 – <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined
HKFRS 16 (Amendments)	Amendments to HKFRS 16 – <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
HKFRS 17	<i>Insurance Contracts</i>	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – <i>Comparative information</i>	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17 – <i>Insurance Contracts</i>	1 January 2023
Hong Kong Interpretation 5 (Revised)	Revised Hong Kong Interpretation 5 Presentation of Financial Statements – <i>Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i>	1 January 2024

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2022 and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 consolidated statement of profit or loss and other comprehensive income (note 7).

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 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 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.

2. Operating segment information (continued)

Geographical segments

The following tables present revenue, profit/loss and certain asset, liability and expenditure information of the Group's geographical segments for the year ended 31 December 2022 and the period ended 31 December 2021.

	Hong Kong and Macau		Mainland China		Singapore		Consolidated	
	Year ended 31 December 2022 HK\$'000	Period ended 31 December 2021 HK\$'000	Year ended 31 December 2022 HK\$'000	Period ended 31 December 2021 HK\$'000	Year ended 31 December 2022 HK\$'000	Period ended 31 December 2021 HK\$'000	Year ended 31 December 2022 HK\$'000	Period ended 31 December 2021 HK\$'000
Segment revenue:								
Sales to external customers from continuing operations	350,302	680,919	165,745	362,863	69,108	120,293	585,155	1,164,075
Other income and gain from continuing operations	210,165	46,673	1,064	3,515	350	3,363	211,579	53,551
Total	560,467	727,592	166,809	366,378	69,458	123,656	796,734	1,217,626
Segment results	141,247	(168,881)	(266,932)	(179,884)	(7,617)	10,513	(133,302)	(338,252)
Interest income							1,419	2,966
Loss from operating activities							(131,883)	(335,286)
Finance costs (other than interest on lease liabilities)							-	(1,881)
Loss before tax from continuing operations							(131,883)	(337,167)
Income tax expense							(371)	(2,892)
Loss for the year/period from continuing operations							(132,254)	(340,059)

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		Singapore		Consolidated	
	At	At	At	At	At	At	At	At
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>238,237</u>	<u>377,038</u>	<u>202,591</u>	<u>278,917</u>	<u>72,663</u>	<u>87,597</u>	<u>513,491</u>	<u>743,552</u>
Unallocated assets							<u>300</u>	<u>311</u>
Total assets							<u>513,791</u>	<u>743,863</u>
Segment liabilities	<u>193,952</u>	<u>252,248</u>	<u>161,098</u>	<u>182,322</u>	<u>36,832</u>	<u>46,384</u>	<u>391,882</u>	<u>480,954</u>
Unallocated liabilities							<u>1,606</u>	<u>3,889</u>
Total liabilities							<u>393,488</u>	<u>484,843</u>
	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:								
From continuing operations:								
Impairment of property, plant and equipment	1,147	7,845	20,416	13,703	-	-	21,563	21,548
Impairment of right-of-use assets	3,971	42,105	51,737	52,367	1,069	-	56,777	94,472
Loss/(gain) on disposal/write-off of property, plant and equipment, net	372	(224)	610	584	-	9	982	369
Gain on disposal of assets held for sale	(173,685)	-	-	-	-	-	(173,685)	-
Provision/(write-back of provision) for inventories	2,108	(4,828)	821	(7,506)	(1,927)	786	1,002	(11,548)
Impairment of debtors	-	90	-	158	-	-	-	248
Impairment of trademark	-	1,164	-	-	-	-	-	1,164
(Reversal of impairment)/impairment of deposits and other receivables	(10)	878	-	321	-	151	(10)	1,350
Capital expenditure*	14,141	5,445	31,880	38,154	3,145	205	49,166	43,804

2. Operating segment information (continued)

Geographical segments (continued)

	Hong Kong and Macau		Mainland China		Singapore		Consolidated	
	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment and investment properties	7,028	17,624	8,576	6,716	1,432	1,779	17,036	26,119
Depreciation of right-of-use assets								
– from continuing operations	46,375	117,372	18,892	22,410	14,200	18,090	79,467	157,872
– from a discontinued operation							-	86
							<u>79,467</u>	<u>157,958</u>
Non-current assets**	<u>67,612</u>	<u>64,735</u>	<u>29,591</u>	<u>45,020</u>	<u>29,501</u>	<u>34,399</u>	<u>126,704</u>	<u>144,154</u>

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

** The non-current assets information above is based on the locations of assets and excludes deferred tax assets and the non-current portion of deposits.

Information about major customers:

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue during the year ended 31 December 2022 and the period ended 31 December 2021.

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

	Year ended 31 December 2022 <i>HK\$'000</i>	Period ended 31 December 2021 <i>HK\$'000</i>
Retailing and distribution of garments transferred at a point of time	<u>585,155</u>	<u>1,164,075</u>

Other income and gain

	Year ended 31 December 2022 <i>HK\$'000</i>	Period ended 31 December 2021 <i>HK\$'000</i>
Interest income	1,419	2,966
Royalty income	6,200	17,348
Gross rental income	6,155	15,037
Government grants (note a)	6,015	14,543
Gain on disposal of assets held for sale (note b)	173,685	–
Write-back of rent payable	16,745	–
Others	<u>2,779</u>	<u>6,623</u>
	<u>212,998</u>	<u>56,517</u>

Notes:

- (a) The amounts for the year ended 31 December 2022 and the period ended 31 December 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.
- (b) Disposal of assets held for sale represented sales of investment properties. The net proceeds arising from the disposal was approximately HK\$183,122,000 (after deducting the expenses in relation to the disposal) and the carrying amount of HK\$9,437,000. A gain on disposal of approximately HK\$173,685,000 was recognised in "Other income and gain" for the year ended 31 December 2022.

4. Finance costs

	Year ended 31 December 2022 <i>HK\$'000</i>	Period ended 31 December 2021 <i>HK\$'000</i>
Interest on lease liabilities	9,832	12,887
Interest on loan from immediate holding company (note)	–	1,679
Interest on interest-bearing bank borrowings	<u>–</u>	<u>202</u>
	<u>9,832</u>	<u>14,768</u>

Note:

The amount for the period ended 31 December 2021 was incurred from the loan from immediate holding company of HK\$100,000,000 which was fully repaid as at 31 December 2021.

5. Loss before tax from continuing operations

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

	Year ended 31 December 2022 <i>HK\$'000</i>	Period ended 31 December 2021 <i>HK\$'000</i>
Cost of sales:		
Cost of inventories sold	310,929	579,364
Provision/(write-back of provision) for inventories	1,002	(11,548)
	<u>311,931</u>	<u>567,816</u>
Depreciation of right-of-use assets	79,467	157,872
Depreciation of property, plant and equipment and investment properties	17,036	26,119
Impairment of right-of-use assets	56,777	94,472
Impairment of property, plant and equipment	21,563	21,548
Impairment of trademark	–	1,164
Impairment of debtors	–	248
(Reversal of impairment)/impairment of deposits and other receivables	(10)	1,350
Write-off of debtors	–	335
Write-off of deposits and other receivables	547	132
Loss on disposal/write-off of property, plant and equipment, net	982	369
Gain on disposal of assets held for sale	(173,685)	–
Gain on early termination of leases	(2,801)	(4,538)
Write-back of rent payable	(16,745)	–
Fair value losses, net on financial assets/liabilities at fair value through profit or loss – transactions not qualifying as hedges	–	586
	<u>–</u>	<u>586</u>

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (for the period ended 31 December 2021: 16.5%) on the estimated assessable profit for the year. 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% (for the period ended 31 December 2021: 25%) on the estimated profits for the year based on existing legislation, interpretations and practices in respect thereof. Taxation on overseas profits has been calculated on the estimated assessable profit for the year/period at the rates of taxation prevailing in the countries in which the Group operates.

	Year ended 31 December 2022 <i>HK\$'000</i>	Period ended 31 December 2021 <i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	1,052	1,291
– Overseas taxation	551	664
	<u>1,603</u>	<u>1,955</u>
(Over)/under provision in prior years		
– Hong Kong profits tax	(399)	381
	<u>1,204</u>	<u>2,336</u>
Deferred income tax	(833)	556
	<u>371</u>	<u>2,892</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 31 December 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.

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

	Period ended 31 December 2021 <i>HK\$'000</i>
Revenue	–
Cost of sales	–
	<hr/>
Gross profit	–
Other income and gain	17
Selling, distribution and other operating expenses	–
Administrative expenses	(395)
	<hr/>
Loss from operating activities from a discontinued operation	(378)
Finance costs	–
	<hr/>
Loss before tax from a discontinued operation	(378)
Income tax expense	–
	<hr/>
Loss for the period from a discontinued operation	<u><u>(378)</u></u>

8. Dividend

No final dividend was proposed for the year ended 31 December 2022 and for the period ended 31 December 2021.

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

The calculation of basic loss per share for the year ended 31 December 2022 is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$132,254,000, and the weighted average number of ordinary shares of 2,468,246,179 in issue during the year.

The calculation of basic loss per share for the period ended 31 December 2021 is based on the loss for the period attributable to ordinary equity holders of the Company from continuing operations of HK\$340,059,000 and the loss from a discontinued operation of HK\$378,000, and the weighted average number of ordinary shares of 2,061,332,475 in issue during the period.

9. Loss per share attributable to ordinary equity holders of the Company (continued)

Weighted average number of the ordinary shares

	2022	2021
Issued shares at 1 January/1 July	2,465,750,091	1,641,333,394
Effect of share options exercised	2,496,088	1,135,677
Effect of rights issue including bonus elements	–	418,863,404
	<u>2,468,246,179</u>	<u>2,061,332,475</u>

The diluted loss per share for the year ended 31 December 2022 and for the period ended 31 December 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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Debtors	24,799	25,646
Less: Loss allowance	(240)	(253)
	<u>24,559</u>	<u>25,393</u>

An ageing analysis of debtors as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	15,861	21,205
1 to 2 months	6,110	2,980
2 to 3 months	537	147
Over 3 months	2,051	1,061
	<u>24,559</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\$43,861,000 (2021: HK\$83,144,000).

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	23,169	33,874
1 to 2 months	16,057	29,847
2 to 3 months	3,992	18,875
Over 3 months	643	548
	43,861	83,144

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

12. Issued capital

Shares

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Authorised: 3,000,000,000 (2021: 3,000,000,000) ordinary shares of HK\$0.10 each (note a)	300,000	300,000
Issued and fully paid: 2,470,358,091 (2021: 2,465,750,091) ordinary shares of HK\$0.10 each	247,036	246,575

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

	Number of shares in issue	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2020	1,641,333,394	164,134	29,020	193,154
Exercise of share options (note b)	2,500,000	249	603	852
Shares issued under 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	2,465,750,091	246,575	241,462	488,037
Exercise of share options (note d)	4,608,000	461	2,242	2,703
At 31 December 2022	2,470,358,091	247,036	243,704	490,740

12. Issued capital (continued)

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) For the period ended 31 December 2021, 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) For the year ended 31 December 2022, the subscription rights attaching to 4,608,000 share options were exercised at the subscription price of HK\$0.456 per share, resulting in the issue of 4,608,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$2,101,000, and the related share option reserve of HK\$602,000 was transferred to the share premium account upon the exercise of these share options.

13. Event after the reporting period

On 24 February 2023, the Company proposed to implement a rights issue on the basis of one (1) rights share for every two (2) existing shares held on the record date at the subscription price of HK\$0.370 per rights share, to raise up to (i) approximately HK\$465 million before expenses by way of issuing up to 1,257,784,545 rights shares (assuming no change in the number of shares in issue on or before the record date other than the full exercise of the vested share options); or (ii) approximately HK\$457 million before expenses by way of issuing up to 1,235,179,045 rights shares (assuming no change in the number of shares in issue on or before the record date).

Details of the above were set out in the Company's announcement dated 24 February 2023.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (for the eighteen months ended 31 December 2021: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The Annual General Meeting (“AGM”) of the Company is scheduled to be held on Thursday, 15 June 2023. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 12 June 2023 to Thursday, 15 June 2023, 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 Friday, 9 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The financial year end date of the Company has been changed from 30 June to 31 December since the financial period 2020/21 (for details, please refer to the Company’s announcement dated 25 February 2021). This set of results covered the period from 1 January 2022 to 31 December 2022 (“year ended 31 December 2022”). It should be noted that the financial data presented herein are being compared with that for the eighteen-month period from 1 July 2020 to 31 December 2021. The difference in duration of the two financial periods should be considered when making year-on-year comparisons.

Group revenue for the year ended 31 December 2022 was HK\$585 million (for the eighteen months ended 31 December 2021: HK\$1,164 million) at a gross margin of 47% (for the eighteen months ended 31 December 2021: 51%). Table 1 provides an overview of the Group’s results of continuing operations in core markets. During the year under review, loss attributable to owners of the Company was HK\$132 million (for the eighteen months ended 31 December 2021: HK\$340 million). The Group’s same-store sales and same-store gross profit were down by 7% (for the eighteen months ended 31 December 2021: 17% decline) and 10% (for the eighteen months ended 31 December 2021: 16% decline) respectively. Net cash balance was HK\$93 million (2021: HK\$269 million) as of 31 December 2022.

RESULTS OF CONTINUING OPERATIONS

Table 1: Group's results of continuing operations

	For the year/eighteen months ended 31 December			
	2022		2021	
	<i>HK\$mn</i>	<i>% to sales</i>	<i>HK\$mn</i>	<i>% to sales</i>
Hong Kong and Macau	350	60%	681	59%
Mainland China	166	28%	363	31%
Singapore	69	12%	120	10%
Group revenue	585	100%	1,164	100%
Gross profit	273	47%	596	51%
Total operating expenses	(608)	(104%)	(975)	(84%)
Loss from operating activities	(122)	(21%)	(322)	(28%)
Finance costs	(10)	(2%)	(15)	(1%)
EBITDA	(27)	(5%)	(141)	(12%)
Loss attributable to owners	(132)	(23%)	(340)*	(29%)
Group same-store sales growth	(7%)		(17%)*	
Group same-store gross profit growth	(10%)		(16%)*	
Net cash at 31 December	93		269	
Inventory level at 31 December	172		187	
Inventory turnover (days) at 31 December	201		180*	

* Including continuing and discontinued operations

Revenue and gross profit

In the face of the ongoing outbreak of COVID-19, the retail markets in mainland China, Hong Kong and Macau region were severely affected. As a result, the recovery of the industry was slower than expected and the overall economic performance of the two regions was inevitably affected to varying degrees.

During the year under review, the Group recorded revenue of HK\$585 million (for the eighteen months ended 31 December 2021: HK\$1,164 million). Gross profit was HK\$273 million (for the eighteen months ended 31 December 2021: HK\$596 million), with gross margin decreased by 4% points to 47% (for the eighteen months ended 31 December 2021: 51%).

Total operating expenses and loss from operating activities

The total operating expenses to sales ratio increased to 104% (for the eighteen months ended 31 December 2021: 84%). The pandemic had a negative impact on the assessment of the Group's assets and impact on the results for the year under review. Consequently, the Group recognised non-cash impairment on assets of HK\$78 million (for the eighteen months ended 31 December 2021: HK\$119 million) during the year under review.

Finance costs

Finance costs were HK\$10 million (for the eighteen months ended 31 December 2021: HK\$15 million), mainly comprised of interest on lease liabilities of HK\$10 million (for the eighteen months ended 31 December 2021: HK\$13 million) which was due to the imputed interest expense accrued on the outstanding balance of the lease liabilities.

Loss attributable to owners of the Company

As shown in Table 1, loss attributable to owners of the Company was HK\$132 million (for the eighteen months ended 31 December 2021: HK\$340 million), including gain on disposal of assets held for sale of HK\$174 million (for the eighteen months ended 31 December 2021: Nil). Net margin was negative 23% (for the eighteen months ended 31 December 2021: negative 29%). The preceding commentaries cite the reasons.

DISTRIBUTION NETWORK

As at 31 December 2022, the Group had a presence in 16 countries and regions around the world, and had 559 (2021: 698) stores comprised of 212 (2021: 159) directly managed stores and 347 (2021: 539) franchised stores.

Table 2: Store composition by type and geographical location

	At 31 December 2022			At 31 December 2021		
	Directly managed stores	Franchised stores	Total	Directly managed stores	Franchised stores	Total
Hong Kong and Macau	26	-	26	26	-	26
Mainland China	171	-	171	119	-	119
Singapore	15	-	15	14	-	14
Other countries	-	347	347	-	539	539
Total	212	347	559	159	539	698

ANALYSIS BY MARKET

Hong Kong and Macau

In early 2022, the fifth wave of COVID-19 broke out on a large scale in Hong Kong, which adversely affected the local economy. In order to control the pandemic, the government has adopted a series of strict social distancing measures, including banning dine-in restaurants and requiring the citizens to undergo mandatory nucleic acid testing, which led to a reduction in the number of people going out. The overall consumer sentiment was weak, and the local retail industry has entered a cold winter. In order to enhance operational efficiency and control costs, the Group actively rationalised and integrated its retail network to reduce competition in the same area and focused its resources on stores with better performance. In addition, the Group took the initiative to negotiate rent reductions or other concessions with landlords, with some stores receiving rent reductions.

The pandemic has eased since the middle of the year. Coupled with a new round of consumption vouchers issued by the government and the relaxation of travel quarantine and social distancing measures in Hong Kong, its retail market has gradually improved since the second quarter. According to the statistics from the Census and Statistics Department, the value of total retail sales of wearing apparel for 2022 was approximately HK\$30 billion, with a decline of 9.0% as compared to 2021, representing an improved performance as compared to a 22.3% drop in the first quarter.

The operating hours of the Group's stores gradually returned to normal as the pandemic subsided. The Group seized the opportunities brought by the consumption voucher scheme and launched a number of promotions to stimulate store traffic and sales, resulting in a gradual recovery in store sales from the second quarter onwards.

In Macau, the pandemic began to break out in mid-June, and the government immediately and comprehensively tightened the entry restrictions and conducted multiple regionwide tests, resulting in a drop in sales from local consumers and tourists. Although the market situation in Macau improved by the end of September, the Group's business suffered another setback due to the relaxation of pandemic control in mainland China, which led to another major outbreak in both mainland China and Macau.

During the year under review, revenue in Hong Kong and Macau including the retail and export franchising business was HK\$350 million (for the eighteen months ended 31 December 2021: HK\$681 million). Same-store sales for directly managed stores fell 2% (for the eighteen months ended 31 December 2021: 17% decline) while same-store gross profit declined 2% (for the eighteen months ended 31 December 2021: 17% decline). Total net retail floor area decreased to 65,400 sq. ft. (2021: 69,800 sq. ft.), and sales per sq. ft. was HK\$4,700 (for the eighteen months ended 31 December 2021: HK\$4,800). The number of directly managed stores was 26 (2021: 26). Segment result was HK\$141 million profit (for the eighteen months ended 31 December 2021: HK\$169 million loss).

The export franchising business operated a total number of stores to 347 (2021: 539) with a footprint across 13 countries in the year under review. The Group maintained its cautious yet strategic international expansion programme to tap opportunities in the emerging markets.

Mainland China

In 2022, the economy of mainland China slowed sharply, with an annual GDP growth rate of 3%, which was lower than the original target of 5.5%. During the year under review, many provinces and cities in mainland China implemented stringent control measures intermittently, resulting in the closure of a number of stores in a timely manner. The Group has responded quickly by setting up micro-business sales during the period when the stores were forced to close. Nevertheless, the online express delivery service was severely disrupted by the pandemic, which affected the overall sales of the Group.

Towards the end of the year, there was a large outbreak of the disease across the country. The Group's employees, store sales staff and consumers in mainland China were also infected to a certain extent, resulting in a significant decrease in the flow of people to the shopping malls and unstable operating hours of the stores. As "bossini.X" brand is in the stage of rebranding, the Group has become more conservative in channel expansion while reducing all non-essential expenses, and has taken the initiative to request rent reductions from landlords to reduce the Group's losses.

Revenue in mainland China was HK\$166 million (for the eighteen months ended 31 December 2021: HK\$363 million). Same-store sales dropped 29% (for the eighteen months ended 31 December 2021: 19% decline) and same-store gross profit registered a 45% decline (for the eighteen months ended 31 December 2021: 17% decline). Sales per sq. ft. was HK\$600 (for the eighteen months ended 31 December 2021: HK\$1,400) while total net retail floor area increased by 44% to 233,000 sq. ft. (2021: 162,200 sq. ft.). There was a total of 171 (2021: 119) directly managed stores in mainland China. Segment result was HK\$267 million loss (for the eighteen months ended 31 December 2021: HK\$180 million loss).

Singapore

Unlike mainland China and Hong Kong, Singapore was one of the first countries and regions in Asia to choose to "living with the virus". The local economy and retail market improved immediately. However, the local economy was gradually slowing down as the Monetary Authority of Singapore continued to tighten monetary policy to curb the highest inflation in nearly fourteen years. In addition, the local tourism industry is still far from recovering to the pre-pandemic level, with 6.3 million inbound international tourists in 2022, only 33% of the number in 2019, the retail sector was inevitably affected.

The revenue of Singapore operation was HK\$69 million (for the eighteen months ended 31 December 2021: HK\$120 million) during the year under review. Same-store sales registered a 2% decline (for the eighteen months ended 31 December 2021: 9% decline). Same-store gross profit recorded a 2% growth (for the eighteen months ended 31 December 2021: 4% decline). Total net retail floor area increased by 10% to 19,500 sq. ft. (2021: 17,800 sq. ft.). Sales per sq. ft. was HK\$3,500 (for the eighteen months ended 31 December 2021: HK\$3,900). The number of directly managed stores was 15 (2021: 14). The segment result was HK\$8 million loss (for the eighteen months ended 31 December 2021: HK\$11 million profit).

CHANGE OF FINANCIAL YEAR END DATE

The financial year end date of the Company has been changed from 30 June to 31 December commencing from the financial period 2020/21 (for details, please refer to the Company's announcement dated 25 February 2021). This set of results covered the period from 1 January 2022 to 31 December 2022. The comparative figures, however, are for the eighteen-month period from 1 July 2020 to 31 December 2021, and hence are not directly comparable. The annual report for the year ended 31 December 2022 will be distributed on or before 30 April 2023.

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31 December 2022, the Group had net cash balance of HK\$93 million (2021: HK\$269 million). The current ratio was at 1.44 times (2021: 1.74 times) with a total liabilities to equity ratio at 327% (2021: 187%). As at 31 December 2022, the Group did not have any bank borrowings (2021: Nil) and the gearing ratio determined by bank borrowings divided by total equity was 0% (2021: 0%). As at 31 December 2022, the Group had total loan facility of HK\$200 million granted by an intermediate holding company (2021: Nil). No facility was utilised as at 31 December 2022 (2021: Nil).

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

As at 31 December 2022, the Group's inventory turnover days[#] was 201 days, compared to 180 days in 2021. The return on equity ratio for the year under review was negative 70% (for the eighteen months ended 31 December 2021: negative 126%).

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

Contingent Liabilities

As at 31 December 2022, the Group had no material contingent liabilities.

Human Capital

As at 31 December 2022, the Group employed 1,000 (2021: 1,000) full-time equivalent employees in Hong Kong and Macau, mainland China and Singapore. The total staff cost recorded during the year under review was HK\$221 million (for the eighteen months ended 31 December 2021: HK\$344 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 different types of training. We provide an e-platform to our employees 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 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 “2021 Rights Issue”). Upon completion of the 2021 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 2021 Rights Issue:

Intended use of Net Proceeds as disclosed in the prospectus dated 17 March 2021	Actual use of Net Proceeds up to 31 December 2022 as originally intended	Unutilised Net Proceeds as at 31 December 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\$60 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

OUTLOOK

In 2022, mainland China and Hong Kong and Macau experienced the most stringent control measures since the emergence of COVID-19, and the economy hit rock bottom. Consumer confidence has been severely hit. The operations of all industries, especially the retail industry, were in dismal business, and there was even a wave of store closures, among which, many large chain stores closed down, which had a profound impact on the overall economy.

Towards the end of 2022, mainland China and Hong Kong have opened up to their border and fully deploy for the resumption of normality in order to reconnect with the international community, welcome the return of international visitors. The market generally expects that the economies of the two places will recover in 2023. As overall economic sentiment improves, consumption is also expected to rebound. We expect that after the resumption of normal travel in mainland China, domestic exports will grow favorably and the economy will gradually improve.

Nevertheless, the Group expects to encounter many uncertainties in its operations this year. In the short term, the economy of mainland China will still be affected by sluggish exports and reduced investment. At the same time, excluding the low base effect, the speed of long-term economic growth recovery largely depends on the effectiveness of the series of measures to stimulate economic growth introduced by the government in stimulating domestic demand. Therefore, the Group will continue to take a prudent but a proactive approach. On one hand, the Group will reduce or suspend unnecessary back-office expenses, strictly control the site selection and rental costs of sales points. On the other hand, aiming at the potential of the huge consumer market in mainland China, we will focus on investing resources in enhancing product strength to meet the needs of consumers. At the same time, we will strategically carry out marketing activities and continue to identify suitable locations and implement the store opening plan pragmatically to increase brand exposure and increase sales.

In Hong Kong and Macau, the Hong Kong government has launched the “Hello, Hong Kong!” campaign, which aims to attract international tourists to Hong Kong, so as to stimulate the local tourism, retail and catering industries. Coupled with the resumption of normal travel between Hong Kong and mainland China since the beginning of the year 2023, the number of tourists from mainland China is also expected to increase gradually and positively contribute to the Group’s business in Hong Kong. In order to seize the opportunity of recovery, the Group will select stores in suitable tourist areas to provide special offers for visitors so as to increase each single spending amount. We have also reinforced our social media to disseminate product promotions and information on social media platforms to connect with existing and potential customers. At the same time, as global inflation leads to rising costs, in order to maintain business stability, the Group will reduce the discount rate of promotional offers to enhance business performance and operating margins and continue to launch exclusive member offers through social media to enhance the loyalty of existing members, which will be beneficial to the Group’s long-term development and enhance brand value. As the Group controlled costs and expenses during the epidemic by streamlining its structure and reducing stores with excessive losses, it is hoped that the Hong Kong and Macau businesses will achieve break even in the short term given rental costs remain at a reasonable level.

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 lifestyle and trendy culture and adding sports elements to the design due to our sponsorship to the Chinese Cycling Team to attract the new generation of consumers. In addition to optimising our existing sales network, we will continue to identify suitable locations to increase the number of points of sales of the “bossini.X” brand, as well as seek for joint venture partners through investment fairs and negotiate for partners suitable for the “bossini.X” brand in overseas markets to expand overseas business. In addition, we are also aware of the trend of e-commerce and therefore will develop online sales, with the goal of increasing the proportion of e-commerce in overall sales from the current approximately 7% 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 adjustment and channel expansion. The Group will continue to focus its resources on rebranding and stimulate sales through product and channel optimisation. We will grasp the opportunities brought to the retail industry in the process of economic recovery in the post-epidemic era.

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 year.

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 (the “CG Code”) of the Listing Rules. The Audit Committee has reviewed the financial results for the year ended 31 December 2022. The Audit Committee comprises three Independent Non-executive Directors of the Company, namely Mr. LEE Kwok Ming, Prof. SIN Yat Ming and Mr. CHEONG Shin Keong.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

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 31 December 2022 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers 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 31 December 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, the Directors have complied with the required standard set out in the Model Code, throughout the year ended 31 December 2022.

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

The annual results announcement for the year ended 31 December 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 annual report for the year ended 31 December 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, 21 March 2023

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.