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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 2024

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”) for the six months ended 30 June 2024, together with the comparative figures for the six months ended 30 June 2023, as follows:

FINANCIAL HIGHLIGHTS

Six months ended 30 June 2024

| | 2024 (Unaudited) <i>HK\$'000</i> | 2023 (Unaudited) <i>HK\$'000</i> | Change (%) |
|--|--|--|------------|
| Revenue | 265,070 | 298,437 | (11%) |
| Gross profit | 129,752 | 157,071 | (17%) |
| Loss for the period attributable to owners of the Company | (51,983) | (82,366) | 37% |
| EBITDA (note) | (20,556) | (35,796) | 43% |

Note:

EBITDA (non-HKFRS measure) is calculated as loss before tax plus finance costs, depreciation of property, plant and equipment and investment properties and right-of-use assets and minus interest income. The Company believes that the presentation of the EBITDA measure provides additional information to investors to facilitate the comparison of past and present results. See the section headed “Management Discussion and Analysis – Non-HKFRS Measure” in this announcement for details.

For the six months ended 30 June 2024, the Group’s revenue and gross profit decreased by 11% and 17% respectively. Loss attributable to owners of the Company was reduced by 37% period-on-period which mainly due to (i) effective cost control of expenses and (ii) closure of loss-making stores in mainland China for the six months ended 30 June 2024.

* For identification purposes only

OPERATIONAL UPDATE

The Group is actively rebranding by focusing on cycling sports.

In mainland China, the Group is promoting brand transformation, targeting the vast potential of the mainland China consumer market to attract more energetic young consumer groups. Meanwhile, the Group is reducing inventory, while continuously opening stores in suitable locations and closing inefficient stores to optimise sales channels and improve operational efficiency.

In Hong Kong SAR, the Group continues to optimise its sales network, increase sales points for “bossini.X” through appropriate channels to increase its exposure, and achieve the integration of the “bossini” and “bossini.X” brands.

As the global economic growth slows down, the Group expects the market will continue facing multiple uncertainties and posing certain challenges for business. It is expected the rebranding effort will require continuing investments over the next few years, with resources concentrated on product development and channel expansion.

Condensed consolidated statement of profit or loss and other comprehensive income

| | | Six months ended | |
|--|--------------|-------------------------|--------------------|
| | | 30 June | |
| | | 2024 | 2023 |
| | | (Unaudited) | (Unaudited) |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| Revenue | 3 | 265,070 | 298,437 |
| Cost of sales | | (135,318) | (141,366) |
| Gross profit | | 129,752 | 157,071 |
| Other income and gain | 3 | 13,786 | 9,522 |
| Selling, distribution and other operating expenses | | (145,957) | (171,970) |
| Administrative expenses | | (45,736) | (71,424) |
| Loss from operating activities | | (48,155) | (76,801) |
| Finance costs | 4 | (3,521) | (5,292) |
| Loss before tax | 5 | (51,676) | (82,093) |
| Income tax expense | 6 | (307) | (273) |
| Loss for the period attributable to owners of the Company | | (51,983) | (82,366) |

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

| | <i>Note</i> | Six months ended | |
|--|-------------|------------------------------|------------------------------|
| | | 30 June | |
| | | 2024 | 2023 |
| | | (Unaudited) | (Unaudited) |
| | | HK\$'000 | HK\$'000 |
| Other comprehensive income/(loss) | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | <u>485</u> | <u>(2,966)</u> |
| Net other comprehensive income/(loss) | | <u>485</u> | <u>(2,966)</u> |
| Total comprehensive loss for the period attributable to owners of the Company | | <u><u>(51,498)</u></u> | <u><u>(85,332)</u></u> |
| Loss per share attributable to ordinary equity holders of the Company | <i>8</i> | | |
| Basic | | <u><u>(HK1.56 cents)</u></u> | <u><u>(HK2.96 cents)</u></u> |
| Diluted | | <u><u>(HK1.56 cents)</u></u> | <u><u>(HK2.96 cents)</u></u> |

Condensed consolidated statement of financial position

| | | At 30 June 2024 (Unaudited) <i>HK\$'000</i> | At 31 December 2023 (Audited) <i>HK\$'000</i> |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | | 13,486 | 17,559 |
| Investment properties | | 3,221 | 3,514 |
| Right-of-use assets | | 73,187 | 70,281 |
| Deferred tax assets | | 297 | 371 |
| Deposits | | 13,258 | 16,716 |
| | | <u>103,449</u> | <u>108,441</u> |
| Total non-current assets | | | |
| Current assets | | | |
| Inventories | | 94,684 | 144,912 |
| Debtors | 9 | 11,515 | 21,254 |
| Prepayments, deposits and other receivables | | 71,089 | 79,049 |
| Due from related companies | | 1,566 | 1,767 |
| Pledged bank deposit | | 62 | 64 |
| Cash and cash equivalents | | 108,825 | 184,666 |
| | | <u>287,741</u> | <u>431,712</u> |
| Total current assets | | | |
| Current liabilities | | | |
| Trade creditors, other payables and accruals | 10 | 91,676 | 144,595 |
| Contract liabilities | | 3,124 | 4,721 |
| Bills payable | | 7,971 | 13,353 |
| Tax payable | | 480 | 382 |
| Due to fellow subsidiaries | | 8,024 | 7,849 |
| Due to a related company | | – | 3 |
| Lease liabilities | | 59,995 | 86,999 |
| | | <u>171,270</u> | <u>257,902</u> |
| Total current liabilities | | | |
| Net current assets | | | |
| | | <u>116,471</u> | <u>173,810</u> |
| Total assets less current liabilities | | | |
| | | <u>219,920</u> | <u>282,251</u> |

Condensed consolidated statement of financial position (continued)

| | | At 30 June 2024 (Unaudited) <i>HK\$'000</i> | At 31 December 2023 (Audited) <i>HK\$'000</i> |
|--------------------------------------|-------------|---|---|
| | <i>Note</i> | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 410 | 410 |
| Lease liabilities | | 58,922 | 71,814 |
| Other payables | | <u>3,385</u> | <u>3,385</u> |
| Total non-current liabilities | | <u>62,717</u> | <u>75,609</u> |
| Net assets | | <u>157,203</u> | <u>206,642</u> |
| Equity | | | |
| Issued capital | 11 | 332,272 | 332,272 |
| Reserves | | <u>(175,069)</u> | <u>(125,630)</u> |
| Total equity | | <u>157,203</u> | <u>206,642</u> |

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 D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The basis of preparation and accounting policies adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2023, except in relation to the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

| | |
|--------------------------------------|---|
| HKAS 1 (Amendments) | Amendments to HKAS 1 – <i>Classification of Liabilities as Current or Non-current</i> |
| HKAS 1 (Amendments) | Amendments to HKAS 1 – <i>Non-current Liabilities with Covenants</i> |
| HKAS 7 and HKFRS 7 (Amendments) | Amendments to HKAS 7 and HKFRS 7 – <i>Supplier Finance Arrangements</i> |
| HKFRS 16 (Amendments) | Amendments to HKFRS 16 – <i>Lease Liability in a Sale and Leaseback</i> |
| Hong Kong Interpretation 5 (Revised) | Revised Hong Kong Interpretation 5 <i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i> |

The adoption of the above amendment to standards and interpretations had no significant financial effect on the interim financial statements.

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) The Hong Kong Special Administrative Region, China (“Hong Kong SAR”) and The Macau Special Administrative Region, China (“Macau SAR”)
- (b) Mainland China
- (c) Singapore

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 measured consistently with the Group's loss before tax 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 2024, together with the comparative figures for the corresponding period in 2023, is as follows:

| | Hong Kong SAR and Macau SAR | | Mainland China | | Singapore | | Consolidated | |
|---|--------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 | (Unaudited) HK\$'000 |
| Segment revenue | | | | | | | | |
| Sales to external customers | 187,898 | 194,158 | 49,138 | 74,402 | 28,034 | 29,877 | 265,070 | 298,437 |
| Other income and gain | 7,359 | 6,719 | 3,681 | 993 | 753 | 427 | 11,793 | 8,139 |
| Total | 195,257 | 200,877 | 52,819 | 75,395 | 28,787 | 30,304 | 276,863 | 306,576 |
| Segment results | (16,582) | 758 | (30,728) | (73,723) | (6,359) | (9,967) | (53,669) | (82,932) |
| Interest income | | | | | | | 1,993 | 1,383 |
| Loss from operating activities | | | | | | | (51,676) | (81,549) |
| Finance costs (other than interest on lease liabilities) | | | | | | | - | (544) |
| Loss before tax | | | | | | | (51,676) | (82,093) |
| Income tax expense | | | | | | | (307) | (273) |
| Loss for the period | | | | | | | (51,983) | (82,366) |

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 2024, together with the comparative figures at 31 December 2023.

| | Hong Kong SAR and Macau SAR | | Mainland China | | Singapore | | Consolidated | |
|-------------------------|--|--|--|--|--|--|--|--|
| | At 30 June 2024 (Unaudited) HK\$'000 | At 31 December 2023 (Audited) HK\$'000 | At 30 June 2024 (Unaudited) HK\$'000 | At 31 December 2023 (Audited) HK\$'000 | At 30 June 2024 (Unaudited) HK\$'000 | At 31 December 2023 (Audited) HK\$'000 | At 30 June 2024 (Unaudited) HK\$'000 | At 31 December 2023 (Audited) HK\$'000 |
| Segment assets | <u>250,817</u> | <u>334,203</u> | <u>91,639</u> | <u>131,625</u> | <u>48,437</u> | <u>73,954</u> | <u>390,893</u> | <u>539,782</u> |
| Unallocated assets | | | | | | | <u>297</u> | <u>371</u> |
| Total assets | | | | | | | <u>391,190</u> | <u>540,153</u> |
| Segment liabilities | <u>153,555</u> | <u>173,380</u> | <u>44,387</u> | <u>111,597</u> | <u>35,155</u> | <u>47,742</u> | <u>233,097</u> | <u>332,719</u> |
| Unallocated liabilities | | | | | | | <u>890</u> | <u>792</u> |
| Total liabilities | | | | | | | <u>233,987</u> | <u>333,511</u> |

3. Revenue, other income and gain

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

Revenue from contracts with customers

| | Six months ended 30 June | |
|--|---------------------------------|---------------------------------|
| | 2024 (Unaudited) HK\$'000 | 2023 (Unaudited) HK\$'000 |
| Retailing and distribution of garments transferred at a point in time | <u>265,070</u> | <u>298,437</u> |

Retailing and distribution of garments

Revenue from the retailing and distribution of garments is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the garment products. Other than cash and credit card sales, the Group normally grants credit period of up to 60 days to its trade customers.

3. Revenue, other income and gain (continued)

Other income and gain

| | Six months ended 30 June | |
|---|--|--|
| | 2024 (Unaudited) <i>HK\$'000</i> | 2023 (Unaudited) <i>HK\$'000</i> |
| Interest income | 1,993 | 1,383 |
| Royalty income | 1,341 | 2,039 |
| Rental income from third parties | 1,278 | 1,940 |
| Rental income and other income from fellow subsidiaries | 2,554 | 2,465 |
| Government grants (note) | 2,787 | 452 |
| Insurance compensation income | 1,967 | – |
| Others | 1,866 | 1,243 |
| | <u>13,786</u> | <u>9,522</u> |

Note:

The amounts for the six months ended 30 June 2024 mainly represented the subsidy granted by the Government of mainland China. This is an investment subsidy for offshore companies which invest capital into mainland China, 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 | |
|---|--|--|
| | 2024 (Unaudited) <i>HK\$'000</i> | 2023 (Unaudited) <i>HK\$'000</i> |
| Interest on lease liabilities | 3,521 | 4,748 |
| Interest on loan from an intermediate holding company | – | 527 |
| Interest on bank loans | – | 17 |
| | <u>3,521</u> | <u>5,292</u> |

5. Loss before tax

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

| | Six months ended 30 June | |
|---|-----------------------------|-------------|
| | 2024 | 2023 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| (Write-back of provision)/provision for inventories | (4,944) | 3,293 |
| Depreciation of right-of-use assets | 24,658 | 31,338 |
| Depreciation of property, plant and equipment and investment properties | 4,934 | 11,050 |
| Write-off of debtors | 2 | – |
| Write-off of deposits and other receivables | 420 | – |
| Gain on early termination of leases | (19,014) | (8,567) |
| Reversal of impairment of deposits and other receivables | – | (119) |
| Loss on disposal of property, plant and equipment, net | 1,086 | 1,887 |

6. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2023: 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% (2023: 25%) on the estimated profits for the period based on existing legislation, interpretations and practices in respect thereof. 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 | |
|-------------------------|-----------------------------|-------------|
| | 2024 | 2023 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Current income tax | | |
| – Hong Kong profits tax | 98 | 105 |
| – Overseas taxation | 135 | 245 |
| | 233 | 350 |
| Deferred income tax | 74 | (77) |
| | 307 | 273 |

7. Dividend

No interim dividend was declared for the six months ended 30 June 2024 and 2023.

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

The calculation of basic loss per share for the six months ended 30 June 2024 and 2023 is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$51,983,000 (2023: HK\$82,366,000), and the weighted average number of ordinary shares of 3,322,720,177 (2023: 2,787,215,358) in issue during the period.

Weighted average number of the ordinary shares

| | 2024 | 2023 |
|--|-----------------------------|-----------------------------|
| Issued shares at 1 January | 3,322,720,177 | 2,470,358,091 |
| Effect of rights issue including bonus elements (note 11(b)) | <u>–</u> | <u>316,857,267</u> |
| Weighted average number of shares at 30 June | <u><u>3,322,720,177</u></u> | <u><u>2,787,215,358</u></u> |

The diluted loss per share for the six months ended 30 June 2024 and 2023 equal to the basic loss per share as the impact of dilution of the share options is anti-dilutive.

9. Debtors

| | At 30 June 2024 (Unaudited) HK\$'000 | At 31 December 2023 (Audited) HK\$'000 |
|----------------------|--|--|
| Debtors | 12,083 | 21,883 |
| Less: Loss allowance | <u>(568)</u> | <u>(629)</u> |
| | <u><u>11,515</u></u> | <u><u>21,254</u></u> |

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 of 60 days, 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.

9. 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 2024 (Unaudited) <i>HK\$'000</i> | At 31 December 2023 (Audited) <i>HK\$'000</i> |
|----------------|---|---|
| Within 1 month | 7,642 | 16,543 |
| 1 to 2 months | 948 | 2,085 |
| 2 to 3 months | 441 | 345 |
| Over 3 months | 2,484 | 2,281 |
| | <u>11,515</u> | <u>21,254</u> |

10. Trade creditors, other payables and accruals

As at 30 June 2024, included in trade creditors, other payables and accruals is a trade creditors balance of HK\$14,757,000 (31 December 2023: HK\$43,947,000).

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

| | At 30 June 2024 (Unaudited) <i>HK\$'000</i> | At 31 December 2023 (Audited) <i>HK\$'000</i> |
|----------------|---|---|
| Within 1 month | 3,719 | 17,653 |
| 1 to 2 months | 2,661 | 18,048 |
| 2 to 3 months | 8,072 | 5,155 |
| Over 3 months | 305 | 3,091 |
| | <u>14,757</u> | <u>43,947</u> |

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured, non-interest-bearing and are usually settled on terms of 30 to 60 days. Trade creditors, other payables and accruals are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

11. Issued capital

Shares

| | At 30 June 2024 (Unaudited) <i>HK\$'000</i> | At 31 December 2023 (Audited) <i>HK\$'000</i> |
|--|---|---|
| Authorised: | | |
| 10,000,000,000 ordinary shares of HK\$0.10 each (note a) | <u>1,000,000</u> | <u>1,000,000</u> |
| Issued and fully paid: | | |
| 3,322,720,177 ordinary shares of HK\$0.10 each | <u>332,272</u> | <u>332,272</u> |

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 January 2023 (Audited) | 2,470,358,091 | 247,036 | 243,704 | 490,740 |
| Shares issued under rights issue (note b) | 852,362,086 | 85,236 | 230,138 | 315,374 |
| Transaction costs incurred in respect of rights issue | <u>–</u> | <u>–</u> | <u>(2,702)</u> | <u>(2,702)</u> |
| At 31 December 2023, 1 January 2024 (Audited) and 30 June 2024 (Unaudited) | <u>3,322,720,177</u> | <u>332,272</u> | <u>471,140</u> | <u>803,412</u> |

Notes:

- (a) On 21 March 2023, the Company passed an ordinary resolution to approve the authorised share capital of the Company be increased from HK\$300,000,000 divided into 3,000,000,000 shares of HK\$0.10 each to HK\$1,000,000,000 divided into 10,000,000,000 shares by the creation of an additional 7,000,000,000 shares.
- (b) After the completion of the rights issue on 27 April 2023, the Company raised gross proceeds of HK\$315,374,000 before expenses by issuing 852,362,086 rights shares at a price of HK\$0.370 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group's revenue for the six months ended 30 June 2024 (the "Period under review") was HK\$265 million (2023: HK\$298 million) at a gross margin of 49% (2023: 53%). Table 1 provides an overview of the Group's results in its core markets. During the Period under review, loss attributable to owners of the Company was HK\$52 million (2023: HK\$82 million). The Group's same-store sales and same-store gross profit were down by 5% (2023: 10% increase) and 14% (2023: 25% increase) respectively. Net cash balance was HK\$109 million (31 December 2023: HK\$185 million) as at 30 June 2024.

RESULTS

Table 1: The Group's results

| | For the six months ended 30 June | | | | Change |
|--------------------------------------|----------------------------------|-------------|-------------------------------------|------------|--------------|
| | 2024 | | 2023 | | |
| | HK\$mn | % to sales | HK\$mn | % to sales | |
| Hong Kong SAR and Macau SAR | 188 | 71% | 194 | 65% | (3%) |
| Mainland China | 49 | 18% | 74 | 25% | (34%) |
| Singapore | 28 | 11% | 30 | 10% | (7%) |
| Group revenue | 265 | 100% | 298 | 100% | (11%) |
| Gross profit | 130 | 49% | 157 | 53% | (17%) |
| Total operating expenses | (192) | (72%) | (243) | (82%) | 21% |
| Loss from operating activities | (48) | (18%) | (77) | (26%) | 37% |
| Finance costs | (4) | (1%) | (5) | (2%) | 33% |
| Loss attributable to owners | (52) | (20%) | (82) | (28%) | 37% |
| EBITDA [#] | (21) | (8%) | (36) | (12%) | 43% |
| Group same-store sales growth | (5%) | | 10% | | |
| Group same-store gross profit growth | (14%) | | 25% | | |
| | At 30 June 2024 HK\$mn | | At 31 December 2023 HK\$mn | | Change |
| Net cash | 109 | | 185 | | (41%) |
| Inventory level | 95 | | 145 | | (34%) |
| Inventory turnover (days) | 118 | | 177 | | (59) |

[#] EBITDA (non-HKFRS measure) is calculated as loss before tax plus finance costs, depreciation of property, plant and equipment and investment properties and right-of-use assets and minus interest income.

Revenue and gross profit

In the first half of 2024, the Group continued to face a challenging market environment, with the Hong Kong SAR retail market remaining sluggish. Although there was some recovery after the border reopening in the first quarter of 2023, with continued improvement in store foot traffic, the market situation quickly stagnated again. The first six months of 2024 saw even more severe market conditions, with the overall environment showing no signs of optimism. During the Period under review, the Group recorded revenue of HK\$265 million (2023: HK\$298 million). Gross profit was HK\$130 million (2023: HK\$157 million), with gross margin decreased by 4% points to 49% (2023: 53%).

Total operating expenses and loss from operating activities

The total operating expense to sales ratio decreased to 72% (2023: 82%).

Finance costs

Finance costs were HK\$4 million (2023: HK\$5 million), mainly comprised of the interest on lease liabilities of HK\$4 million (2023: HK\$5 million) 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\$52 million (2023: HK\$82 million). Net margin was negative 20% (2023: negative 28%). The reduction in loss was mainly due to (i) effective cost control of expenses and (ii) closure of loss-making stores in mainland China for the six months ended 30 June 2024.

Non-HKFRS Measure

In addition to the results provided in accordance with HKFRS throughout this Management Discussion and Analysis section, the Company provides the EBITDA as an alternative measure. The EBITDA measure is not intended to replace the presentation of financial results in accordance with HKFRS. Rather, the Company believes that the presentation of the EBITDA measure provides additional information to investors to facilitate the comparison of past and present results, excluding those items (including non-cash items) that the Company does not consider as reflective of its core operating performance during the periods presented.

The EBITDA is calculated as loss before tax plus finance costs, depreciation of property, plant and equipment and investment properties and right-of-use assets and minus interest income.

The use of EBITDA as non-HKFRS measure has limitations as an analytical tool because they do not reflect all items of income and expenses that affect our operations. When assessing our operating and financial performance, investors should not consider EBITDA as non-HKFRS measure in isolation from or as a substitute for any other financial performance measure that is calculated in accordance with HKFRS. The term “EBITDA” (non-HKFRS measure) does not have a standardised meaning under HKFRS and may not be comparable to similar measures presented by other companies.

The following table sets forth the reconciliations from loss before tax under HKFRS to the EBITDA.

| | For the six months ended 30 June | |
|---|---|------------------------|
| | 2024 | 2023 |
| | (Unaudited) | (Unaudited) |
| | <i>HK'000</i> | <i>HK'000</i> |
| Loss before tax | (51,676) | (82,093) |
| Finance costs | 3,521 | 5,292 |
| Depreciation of right-of-use assets | 24,658 | 31,338 |
| Depreciation of property, plant and equipment and investment properties | 4,934 | 11,050 |
| Interest income | (1,993) | (1,383) |
| EBITDA | <u>(20,556)</u> | <u>(35,796)</u> |

The negative EBITDA was decreased by HK\$15.2 million or 43% to HK\$20.6 million for the six months ended 30 June 2024, which was mainly due to (i) effective cost control of expenses and (ii) closure of loss-making stores in mainland China for the six months ended 30 June 2024.

DISTRIBUTION NETWORK

As at 30 June 2024, the Group had a presence in 16 countries and regions around the world and had 427 (31 December 2023: 519) stores comprised of 99 (31 December 2023: 168) directly managed stores and 328 (31 December 2023: 351) franchised stores.

Table 2: Store composition by type and geographical location

| | At 30 June 2024 | | | At 31 December 2023 | | |
|-----------------------------|-------------------------|-------------------|------------|-------------------------|-------------------|------------|
| | Directly managed stores | Franchised stores | Total | Directly managed stores | Franchised stores | Total |
| Hong Kong SAR and Macau SAR | 29 | – | 29 | 30 | – | 30 |
| Mainland China | 56 | – | 56 | 122 | – | 122 |
| Singapore | 14 | – | 14 | 16 | – | 16 |
| Other countries | – | 328 | 328 | – | 351 | 351 |
| Total | <u>99</u> | <u>328</u> | <u>427</u> | <u>168</u> | <u>351</u> | <u>519</u> |

ANALYSIS BY MARKET

Hong Kong SAR and Macau SAR

In the first half of 2024, the retail market in Hong Kong SAR continued to face a challenging business environment. The gradual recovery following last year’s border reopening began to stagnate, with market conditions failing to improve further mainly due to “revenge travel” by residents and the continued trend of northbound consumption. In the first half of 2024, Hong Kong SAR residents made 50 million outbound trips, a 73% increase compared to the same period last year. This trend led to a decline in local customer foot traffic, particularly noticeable on weekends, with retail holiday sales performance falling far short of previous levels and market conditions tending towards quietness. Compared to the same period in 2023, Hong Kong SAR’s total retail sales value decreased by 7%, with the apparel category dropping by 10%. This decline is expected to continue until the end of this year or early next year.

During the Period under review, revenue in Hong Kong SAR and Macau SAR including the retail and export franchising business was HK\$188 million (2023: HK\$194 million). Same-store sales for directly managed stores declined 7% (2023: 16% increase) while same-store gross profit declined 13% (2023: 38% increase). Total net retail floor area decreased to 68,100 sq. ft. (31 December 2023: 68,900 sq. ft.). The number of directly managed stores was 29 (31 December 2023: 30). Segment result was HK\$17 million loss (2023: HK\$1 million profit).

Mainland China

In the first half of 2024, mainland China's economy continued to slow down due to the impact of an increasingly complex external environment and uncertainties. GDP growth in the first half of the year was 5.0% period-on-period, with the second quarter growing at 4.7%, showing a moderation compared to the growth trend in 2023. During the Period under review, the mainland China's consumer price index also showed a deflationary trend, with an increase of only 0.1% period-on-period. Due to the overall lack of economic vitality and various factors leading to cautious consumer spending, overall domestic consumption remained weak, and the retail market rebounded slower than expected, brands launched discount promotions to attract customers, resulting in fierce competition in the retail market. Facing these circumstances, the Group is actively promoting brand transformation, focusing on cycling sports as the core for rebranding. On one hand, we are increasing discounts to reduce inventory, and on the other hand, we are continuously optimising sales channels, opening stores in suitable locations while closing inefficient ones to improve operational efficiency.

Revenue in mainland China was HK\$49 million (2023: HK\$74 million). Same-store sales increased 21% (2023: 9% increase) and same-store gross profit registered a 44% decline (2023: 12% increase). Total net retail floor area decreased by 55% to 78,200 sq. ft. (31 December 2023: 173,400 sq. ft.). There was a total of 56 (31 December 2023: 122) directly managed stores in mainland China. Segment result was HK\$31 million loss (2023: HK\$74 million loss).

Singapore

In 2024, overall consumer spending growth in Singapore continued to slow down. Faced with continued inflationary pressures, Singapore consumers became more cautious in their domestic spending.

During the Period under review, the revenue of Singapore operation was HK\$28 million (2023: HK\$30 million). Same-store sales registered a 10% decline (2023: 16% decline) period-on-period. Same-store gross profit recorded a 4% decline (2023: 17% decline). Total net retail floor area decreased by 11% to 18,000 sq. ft. (31 December 2023: 20,200 sq. ft.). The number of directly managed stores was 14 (31 December 2023: 16). The segment result was HK\$6 million loss (2023: HK\$10 million loss).

FINANCIAL POSITION

Liquidity and Financial Resources

As at 30 June 2024, the Group had net cash balance of HK\$109 million (31 December 2023: HK\$185 million). The current ratio was at 1.68 times (31 December 2023: 1.67 times) with a total liabilities to equity ratio at 149% (31 December 2023: 161%). As at 30 June 2024, the Group did not record any borrowings (31 December 2023: Nil). The gearing ratio determined by borrowings divided by total equity was 0% (31 December 2023: 0%). As at 30 June 2024, the Group had a total loan facility of HK\$200 million (31 December 2023: HK\$200 million) granted by an intermediate holding company. As at 30 June 2024, no facility was utilised (31 December 2023: 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 30 June 2024, the Group's inventory turnover days[#] was 118 days, compared to 177 days at 31 December 2023. The return on equity ratio for the Period under review was negative 29% (2023: negative 35%).

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

Contingent Liabilities

As at 30 June 2024, the Group had no material contingent liabilities.

Human Capital

As at 30 June 2024, the Group employed 600 (31 December 2023: 900) full-time equivalent employees across Hong Kong SAR and Macau SAR, mainland China and Singapore. The total staff cost recorded during the Period under review was HK\$94 million (2023: HK\$110 million).

The Group firmly believes that excellent talent is the key to driving corporate development. We are committed to building a dynamic and highly capable workforce, actively attracting, cultivating, and retaining top talent.

We highly value team spirit and are dedicated to creating a positive, progressive corporate culture. To this end, we provide efficient management training and certification courses for employees at all levels, encouraging knowledge sharing and lifelong learning. We offer practical professional skill development in areas such as customer service, selling and product marketing to help our employees continuously enhance their competitiveness in a rapidly changing market environment.

Additionally, we adopt a performance-based remuneration system, including competitive salary packages, share options, and comprehensive insurance and retirement benefits. This aims to motivate employees to pursue excellence and provide them with long-term development opportunities and security.

We firmly believe that only through continuous investment and development of talent can we drive corporate innovation and growth, maintaining a leading position in the industry. This is at the core of the Group's long-term commitment to building an excellent talent team.

USE OF PROCEEDS FROM RIGHTS ISSUE

As disclosed in the prospectus dated 3 April 2023 and announcement dated 27 April 2023, the Company issued 852,362,086 ordinary shares with an aggregate nominal value of approximately HK\$85,236,000 by way of rights issue at a price of HK\$0.370 per rights share on the basis of one (1) rights share for every two (2) then existing shares to the qualifying shareholders (the "Rights Issue"). The Rights Issue would enable the Company to raise funds for the proposed use as set out below, while at the same time, allowing the qualifying shareholders of the Company to maintain their proportional shareholdings in the Company. The market price on 24 February 2023 on which the terms of the subscription were fixed was HK\$0.470 per share. Upon completion of the Rights Issue, the Company received net cash proceeds of approximately HK\$313 million (the "Net Proceeds") and the net price (after deducting the costs and expenses of the Rights Issue) was approximately HK\$0.367 per rights share. The Company intended to apply the Net Proceeds as to: (i) approximately HK\$31 million for its capital expenditure for the Group's expansion in mainland China; (ii) approximately HK\$63 million for marketing activities to reinvent and promote the "bossini.X" brand; and (iii) approximately HK\$219 million for other expenses for supporting the expansion plan and the rebranding of the Group.

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 3 April 2023 and announcement dated 27 April 2023 | Actual use of Net Proceeds up to 30 June 2024 as originally intended | Unutilised Net Proceeds as at 30 June 2024 | Expected timeline |
|--|---|---|-----------------------------|
| HK\$31 million for the Group's capital expenditure for its expansion in mainland China | HK\$17 million | HK\$14 million | From May 2023 to April 2025 |
| HK\$63 million for marketing activities to reinvent and promote the "bossini.X" brand | HK\$31 million | HK\$32 million | From May 2023 to April 2025 |
| HK\$219 million for other expenses for supporting the expansion plan and the rebranding of the Group | HK\$180 million | HK\$39 million | From May 2023 to April 2025 |

OUTLOOK

Looking ahead, as the global economic growth slows down, we expect the market will continue facing multiple uncertainties and posing certain challenges for businesses. The Group will adopt a cautiously positive attitude in response, actively promoting rebranding while moderately controlling back-office expenses. Targeting the vast potential of the mainland China consumer market, we will integrate professional cycling sports elements into product design, combined with professional sports technology materials, to develop easy-to-wear, easy-to-care-for, and easy-to-match sports outerwear and light outdoor apparel and footwear products. This aims to attract more energetic young consumer groups and serve people's pursuit of a healthy leisure lifestyle. We expect the rebranding effort will require continuing investments over the next few years, with resources concentrated on product development and channel expansion.

In Hong Kong SAR, although the government will continue to organise various events and activities to actively promote tourists visiting Hong Kong SAR and to establish Hong Kong SAR as an events capital, which is expected to provide stable support for Hong Kong SAR's retail market, we believe that the overall business will remain challenging in the face of intense competition in the retail market and high operating costs. To enhance the Group's long-term competitiveness, the "bossini" and "bossini.X" brands will gradually integrate, transitioning from a brand of cost-effective everyday clothing to functional light sports clothing. We will continue to optimise the sales network and seek suitable locations to increase the sales points of the "bossini.X" brand.

We are concentrating resources on the rebranding of "bossini.X", making adjustments in brand positioning, product categories, pricing systems, and sales channels. Newly positioned stores and products have been successively opened and displayed in mainland China, with the goal of making "bossini.X" the most influential Chinese apparel brand in cycling.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: Nil).

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 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 C1 – 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 2024. 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 2024.

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 C3 of the Listing Rules as the code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry with the Company's directors, they have complied with the required standards set out in the Model Code, throughout the six months ended 30 June 2024.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement for the six months ended 30 June 2024 of the Company is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.bossini.com. The interim report for the six months ended 30 June 2024 of the Company will be published on the above websites in due course.

By Order of the Board
Bossini International Holdings Limited
Mr. ZHAO Jianguo
Chairman and Executive Director

Hong Kong SAR, 22 August 2024

As at the date of this announcement, the Board comprises three executive directors, namely Mr. ZHAO Jianguo (Chairman), Mr. CHEUNG Chi (Chief Executive Officer) and Ms. YU Xin, one non-executive director, namely 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.