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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 2023

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") for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, as follows:

FINANCIAL HIGHLIGHTS
Year ended 31 December 2023

	2023	2022	
	HK$'000	*HK$'000*	*Change (%)*
Revenue	**604,223**	585,155	3%
Gross profit	**304,914**	273,224	12%
Loss for the year attributable to owners of the Company	**(223,368)**	(132,254)	(69%)
Adjusted EBITDA (note)	**(68,170)**	(122,312)	44%

Note:

Adjusted 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, with adjustments to exclude results from impairment of property, plant and equipment, right-of-use assets and one-off gain on disposal of the assets held for sale.

For the year ended 31 December 2023, the Group's revenue and gross profit increased by 3% and 12% respectively. Loss attributable to owners of the Company increased by 69%. The increase of loss was primarily attributable to the one-off gain on disposal of the assets held for sale of HK$174 million for the year ended 31 December 2022. If the one-off gain on disposal of the assets held for sale was excluded, the loss attributable to owners of the Company for the year ended 31 December 2022 was HK$306 million and the loss attributable to owners of the Company during the year under review was reduced by 27% accordingly. The reduction of loss is mainly due to the (i) improved gross margin, (ii) lower impairment of property, plant and equipment and right-of-use assets, and (iii) effective cost control of expenses for the year ended 31 December 2023.

* *For identification purposes only*

OPERATIONAL UPDATE

In mainland China, the Group is focusing our resources on rebranding of "bossini.X", conducting optimisation and adjustment in brand positioning, product development, pricing system, and sales channels. By making professional cycling the core of the product design and using professional sports technology materials, the development of sports outerwear and light outdoor apparel and footwear products that are easy to wear, clean up and be paired with, will attract a wider audience of energetic young consumers. The newly positioned products are expected to be fully launched on the market in the second half of 2024.

In Hong Kong SAR, the business will remain challenging in the coming year. The Group will continue to optimise the sales network in Hong Kong SAR and Macau SAR to increase the sales points of the "bossini.X" brand through appropriate channels to increase its exposure and achieve gradual brand integration between "bossini" and "bossini.X".

Consolidated statement of profit or loss and other comprehensive income
Year ended 31 December 2023

	Notes	**2023** ***HK$'000***	2022 *HK$'000*
Revenue	*3*	**604,223**	585,155
Cost of sales		**(299,309)**	(311,931)
Gross profit		**304,914**	273,224
Other income and gain	*3*	**26,863**	212,998
Selling, distribution and other operating expenses		**(409,673)**	(438,659)
Administrative expenses		**(135,329)**	(169,614)
Loss from operating activities		**(213,225)**	(122,051)
Finance costs	*4*	**(9,650)**	(9,832)
Loss before tax	*5*	**(222,875)**	(131,883)
Income tax expense	*6*	**(493)**	(371)
Loss for the year attributable to owners of the Company		**(223,368)**	(132,254)

Consolidated statement of profit or loss and other comprehensive income (continued)
Year ended 31 December 2023

	Note	**2023**	2022
		HK$'000	*HK$'000*
Other comprehensive loss			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(1,715)**	(15,265)
Net other comprehensive loss		**(1,715)**	(15,265)
Total comprehensive loss for the year attributable to owners of the Company		**(225,083)**	(147,519)
Loss per share attributable to ordinary equity holders of the Company	*8*		(restated)
Basic		**(HK7.31 cents)**	(HK5.32 cents)
Diluted		**(HK7.31 cents)**	(HK5.32 cents)

Consolidated statement of financial position
31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**17,559**	33,382
Investment properties		**3,514**	4,101
Right-of-use assets		**70,281**	89,221
Deferred tax assets		**371**	300
Deposits		**16,716**	28,567
Total non-current assets		**108,441**	155,571
Current assets			
Inventories		**144,912**	171,866
Debtors	*9*	**21,254**	24,559
Prepayments, deposits and other receivables		**79,049**	68,526
Due from a related company		**1,767**	–
Pledged bank deposits		**64**	127
Cash and cash equivalents		**184,666**	93,142
Total current assets		**431,712**	358,220
Current liabilities			
Trade creditors, other payables and accruals	*10*	**144,595**	150,601
Contract liabilities		**4,721**	3,739
Bills payable		**13,353**	14,812
Tax payable		**382**	1,196
Due to fellow subsidiaries		**7,849**	1,527
Due to related companies		**3**	1,474
Lease liabilities		**86,999**	74,643
Total current liabilities		**257,902**	247,992
Net current assets		**173,810**	110,228
Total assets less current liabilities		**282,251**	265,799
Non-current liabilities			
Deferred tax liabilities		**410**	410
Lease liabilities		**71,814**	140,083
Other payables		**3,385**	5,003
Total non-current liabilities		**75,609**	145,496
Net assets		**206,642**	120,303
Equity			
Issued capital	*11*	**332,272**	247,036
Reserves		**(125,630)**	(126,733)
Total equity		**206,642**	120,303

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) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Amendments to HKAS 1 and HKFRS Practice Statement 2 – *Disclosure of Accounting Policies*
HKAS 8 (Amendments)	Amendments to HKAS 8 – *Definition of Accounting Estimates*
HKAS 12 (Amendments)	Amendments to HKAS 12 – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
HKAS 12 (Amendments)	Amendments to HKAS 12 – *International Tax Reform – Pillar Two Model Rules*
HKFRS 17	*Insurance Contracts*
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – *Comparative Information*
HKFRS 17 (Amendments)	Amendments to HKFRS 17 – *Insurance Contracts*

1. Basis of preparation (continued)

(c) New standards, amendments and interpretations not yet adopted

		Effective for accounting period beginning on or after
HKAS 1 (Amendments)	Amendments to HKAS 1 – *Classification of Liabilities as Current or Non-current*	1 January 2024
HKAS 1 (Amendments)	Amendments to HKAS 1 – *Non-current liabilities with Covenants*	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Amendments to HKAS 7 and HKFRS 7 – *Supplier Finance Arrangements*	1 January 2024
HKAS 21 (Amendments)	Amendments to HKAS 21 – *Lack of Exchangeability*	1 January 2025
HKAS 28 and HKFRS 10 (Amendments)	Amendments to HKAS 28 and HKFRS 10 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined
HKFRS 16 (Amendments)	Amendments to HKFRS 16 – *Lease Liability in a Sale and Leaseback*	1 January 2024
Hong Kong Interpretation 5 (Revised)	Revised Hong Kong Interpretation 5 Presentation of Financial Statements – *Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*	1 January 2024

Certain amendments to accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2023 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) The Hong Kong Special Administrative Region, China ("Hong Kong SAR") and The Macau Special Administrative Region, China ("Macau SAR")
(b) Mainland China
(c) Singapore

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted loss before tax. The adjusted loss before tax 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.

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 years ended 31 December 2023 and 2022.

	Hong Kong SAR and Macau SAR		Mainland China		Singapore		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**392,120**	350,302	**153,975**	165,745	**58,128**	69,108	**604,223**	585,155
Other income and gain	**18,349**	210,165	**3,013**	1,064	**503**	350	**21,865**	211,579
Total	**410,469**	560,467	**156,988**	166,809	**58,631**	69,458	**626,088**	796,734
Segment results	**6,810**	141,247	**(199,499)**	(266,932)	**(34,572)**	(7,617)	**(227,261)**	(133,302)
Interest income							**4,998**	1,419
Loss from operating activities							**(222,263)**	(131,883)
Finance costs (other than interest on lease liabilities)							**(612)**	–
Loss before tax							**(222,875)**	(131,883)
Income tax expense							**(493)**	(371)
Loss for the year							**(223,368)**	(132,254)

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

2. Operating segment information (continued)

Geographical segments (continued)

	Hong Kong SAR and Macau SAR		Mainland China		Singapore		Consolidated	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**334,203**	238,237	**131,625**	202,591	**73,954**	72,663	**539,782**	513,491
Unallocated assets							**371**	300
Total assets							**540,153**	513,791
Segment liabilities	**173,380**	193,952	**111,597**	161,098	**47,742**	36,832	**332,719**	391,882
Unallocated liabilities							**792**	1,606
Total liabilities							**333,511**	393,488

	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:								
Impairment of property, plant and equipment	**228**	1,147	**16,000**	20,416	**1,386**	–	**17,614**	21,563
Impairment of right-of-use assets	**553**	3,971	**25,263**	51,737	**11,936**	1,069	**37,752**	56,777
Loss on disposal/write-off of property, plant and equipment, net	**675**	372	**6,848**	610	**–**	–	**7,523**	982
Gain on disposal of assets held for sale	**–**	(173,685)	**–**	–	**–**	–	**–**	(173,685)
(Write-back of provision)/ provision for inventories	**7,440**	2,108	**(9,126)**	821	**1,146**	(1,927)	**(540)**	1,002
Impairment of debtors	**203**	–	**190**	–	**–**	–	**393**	–
Impairment/(reversal of impairment) of deposits and other receivables	**198**	(10)	**973**	–	–	–	**1,171**	(10)
Capital expenditure*	**9,155**	14,141	**21,550**	31,880	**2,692**	3,145	**33,397**	49,166
Depreciation of property, plant and equipment and investment properties	**6,978**	7,028	**15,333**	8,576	**940**	1,432	**23,251**	17,036
Depreciation of right-of-use assets	**41,877**	46,375	**13,692**	18,892	**15,867**	14,200	**71,436**	79,467
Non-current assets**	**61,724**	67,612	**754**	29,591	**28,876**	29,501	**91,354**	126,704

2. Operating segment information (continued)

Geographical segments (continued)

* 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 years ended 31 December 2023 and 2022.

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

	2023	2022
	HK$'000	*HK$'000*
Retailing and distribution of garments transferred at a point in time	**604,223**	585,155

Other income and gain

	2023	2022
	HK$'000	*HK$'000*
Interest income	**4,998**	1,419
Royalty income	**3,689**	6,200
Rental income from third parties	**2,957**	3,456
Rental income and other income from fellow subsidiaries	**4,808**	3,904
Government grants (note a)	**712**	6,015
Gain on disposal of assets held for sale (note b)	**–**	173,685
Write-back of other payables	**6,336**	16,745
Others	**3,363**	1,574
	26,863	212,998

Notes:

(a) The amount for the year ended 31 December 2022 mainly represented the subsidy granted by The Government of the Hong Kong SAR 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) The amount represented the gain on disposal of assets held for sale of investment properties for the year ended 31 December 2022.

4. Finance costs

	2023 *HK$'000*	2022 *HK$'000*
Interest on lease liabilities	**9,038**	9,832
Interest on loan from an intermediate holding company (note)	**595**	–
Interest on bank loans	**17**	–
	9,650	9,832

Note:

During the year ended 31 December 2023, total of HK$155,000,000 loan facility from an intermediate holding company were utilised and repaid with the interest expenses of HK$595,000 recognised.

5. Loss before tax

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

	2023 *HK$'000*	2022 *HK$'000*
Cost of sales:		
Cost of inventories sold	**299,849**	310,929
(Write-back of provision)/provision for inventories	**(540)**	1,002
	299,309	311,931
Depreciation of right-of-use assets	**71,436**	79,467
Depreciation of property, plant and equipment and investment properties	**23,251**	17,036
Impairment of right-of-use assets	**37,752**	56,777
Impairment of property, plant and equipment	**17,614**	21,563
Impairment of debtors	**393**	–
Impairment/(reversal of impairment) of deposits and other receivables	**1,171**	(10)
Write-off of deposits and other receivables	**–**	547
Loss on disposal/write-off of property, plant and equipment, net	**7,523**	982
Gain on disposal of assets held for sale	**–**	(173,685)
Gain on early termination of leases	**(20,693)**	(2,801)
Gain on lease modification	**(408)**	–
Write-back of other payables	**(6,336)**	(16,745)

6. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2022: 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% (2022: 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 at the rates of taxation prevailing in the countries in which the Group operates.

	2023	2022
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**195**	1,052
– Overseas taxation	**375**	551
	570	1,603
Over provision in prior years		
– Hong Kong profits tax	**(6)**	(399)
	564	1,204
Deferred income tax	**(71)**	(833)
	493	371

7. Dividend

No final dividend was proposed for the years ended 31 December 2023 and 2022.

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

The calculation of basic loss per share for the year ended 31 December 2023 is based on the loss for the year attributable to ordinary equity holders of the Company of HK$223,368,000 (2022: HK$132,254,000), and the weighted average number of ordinary shares of 3,057,168,472 (2022 (restated): 2,485,021,736) in issue during the year.

Weighted average number of the ordinary shares

	2023	2022 (restated)
Issued shares at 1 January	**2,470,358,091**	2,465,750,091
Effect of share options exercised	**–**	2,496,088
Effect of rights issue including bonus elements (note 11(c))	**586,810,381**	16,775,557
Weighted average number of shares at 31 December	**3,057,168,472**	2,485,021,736

The diluted loss per share for the years ended 31 December 2023 and 2022 equal to the basic loss per share as the impact of dilution of the share options is anti-dilutive.

The basic and diluted loss per share for the year ended 31 December 2022 were restated by adjusting the weighted average number of ordinary shares in issues for the bonus element due to the rights issue completed on 27 April 2023.

9. Debtors

	2023	2022
	HK$'000	*HK$'000*
Debtors	**21,883**	24,799
Less: Loss allowance	**(629)**	(240)
	21,254	24,559

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.

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:

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**16,543**	15,861
1 to 2 months	**2,085**	6,110
2 to 3 months	**345**	537
Over 3 months	**2,281**	2,051
	21,254	24,559

10. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK$43,947,000 (2022: HK$43,861,000).

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

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**17,653**	23,169
1 to 2 months	**18,048**	16,057
2 to 3 months	**5,155**	3,992
Over 3 months	**3,091**	643
	43,947	43,861

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

	2023	2022
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 (2022: 3,000,000,000) ordinary shares of HK$0.10 each (note a)	**1,000,000**	300,000
Issued and fully paid:		
3,322,720,177 (2022: 2,470,358,091) ordinary shares of HK$0.10 each	**332,272**	247,036

11. Issued capital (continued)

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

	Number of shares in issue	Issued capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
At 1 January 2022	2,465,750,091	246,575	241,462	488,037
Exercise of share options (note b)	4,608,000	461	2,242	2,703
At 31 December 2022 and 1 January 2023	2,470,358,091	247,036	243,704	490,740
Shares issued under rights issue (note c)	852,362,086	85,236	230,138	315,374
Transaction costs incurred in respect of rights issue	–	–	(2,702)	(2,702)
At 31 December 2023	3,322,720,177	332,272	471,140	803,412

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) 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.

(c) 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.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The Annual General Meeting (the "AGM") of the Company is scheduled to be held on Tuesday, 11 June 2024. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 5 June 2024 to Tuesday, 11 June 2024, both days inclusive. During this period, no transfer of shares of the Company 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 registrar 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 Tuesday, 4 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group's revenue for the year ended 31 December 2023 (the "year under review") was HK$604 million (2022: HK$585 million) at a gross margin of 50% (2022: 47%). Table 1 below provides an overview of the Group's results in its core markets. During the year under review, loss attributable to owners of the Company was HK$223 million (2022: HK$132 million). The Group's same-store sales and same-store gross profit rose by 5% (2022: 7% decline) and 12% (2022: 10% decline) respectively. Net cash balance was HK$185 million (2022: HK$93 million) as at 31 December 2023.

RESULTS

Table 1: Group's results

	For the year ended 31 December				
	2023		2022		
	HK$mn	***% to sales***	*HK$mn*	*% to sales*	***Change***
Hong Kong SAR and Macau SAR	**392**	**65%**	350	60%	**12%**
Mainland China	**154**	**25%**	166	28%	**(7%)**
Singapore	**58**	**10%**	69	12%	**(16%)**
Group revenue	**604**	**100%**	585	100%	**3%**
Gross profit	**305**	**50%**	273	47%	**12%**
Total operating expenses	**(545)**	**(90%)**	(608)	(104%)	**10%**
Loss from operating activities	**(213)**	**(35%)**	(122)	(21%)	**(75%)**
Finance costs	**(10)**	**(2%)**	(10)	(2%)	**2%**
Adjusted EBITDA#	**(68)**	**(11%)**	(122)	(21%)	**44%**
Loss attributable to owners	**(223)**	**(37%)**	(132)	(23%)	**(69%)**
Group same-store sales growth	**5%**		(7%)		
Group same-store gross profit growth	**12%**		(10%)		
Net cash at 31 December	**185**		93		
Inventory level at 31 December	**145**		172		
Inventory turnover (days) at 31 December	**177**		201		

\# *Adjusted 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, with adjustments to exclude results from impairment of property, plant and equipment, right-of-use assets and one-off gain on disposal of the assets held for sale.*

Revenue and gross profit

Since 2023, the post-epidemic market has gradually recovered and the foot traffic of stores has continued to improve. The overall performance of the retail market in mainland China, Hong Kong SAR and Macau SAR showed positive signs of recovery in varying degrees.

During the year under review, the Group recorded revenue of HK$604 million (2022: HK$585 million). Gross profit was HK$305 million (2022: HK$273 million), with gross margin increased by 3% points to 50% (2022: 47%).

Total operating expenses and loss from operating activities

Total operating expenses to sales ratio decreased to 90% (2022: 104%). The slower industry recovery than market expectations had a negative impact on the Group, and had therefore affected the results for the year under review. Consequently, the Group recognised non-cash impairment on assets of HK$55 million (2022: HK$78 million) during the year under review.

Finance costs

Finance costs amounted to HK$10 million (2022: HK$10 million), mainly comprised of interest on lease liabilities of HK$9 million (2022: HK$10 million) representing 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$223 million (2022: HK$132 million). Net margin was negative 37% (2022: negative 23%). The preceding commentaries cite the reasons.

DISTRIBUTION NETWORK

As at 31 December 2023, the Group was present in 16 countries and regions around the world and had 519 (2022: 559) stores comprised of 168 (2022: 212) directly managed stores and 351 (2022: 347) franchised stores.

Table 2: Store composition by type and geographical location

	As at 31 December 2023			As at 31 December 2022		
	Directly managed stores	**Franchised stores**	**Total**	Directly managed stores	Franchised stores	Total
Hong Kong SAR and Macau SAR	**30**	**–**	**30**	26	–	26
Mainland China	**122**	**–**	**122**	171	–	171
Singapore	**16**	**–**	**16**	15	–	15
Other countries	**–**	**351**	**351**	–	347	347
Total	**168**	**351**	**519**	212	347	559

ANALYSIS BY MARKET

Hong Kong SAR and Macau SAR

In 2023, as the retail market in Hong Kong SAR gradually recovered from the impact of the COVID-19 pandemic, the public's overall willingness to consume increased, and the number of tourists to Hong Kong SAR also rebounded to 60% of the level in 2019, reaching approximately 34 million. The wave of recovery has breathed new life into the retail market and had positive impact on the customer traffic of the Group's stores. Driven by an overall positive economic climate, the Group's same-store sales in Hong Kong SAR increased by 5% year-on-year.

While the overall consumption sentiment has improved, there have been subtle changes in the consumption habits of local customers. Hong Kong SAR residents are increasingly opting for revenge travel and shopping across the border, leading to a decrease in local customer traffic, especially on weekends. At the same time, the consumption preferences of mainland Chinese tourists have also evolved from simply shopping to focusing on immersive cultural experiences. These changes have created challenges for local retail businesses.

However, the Group has taken a series of countermeasures in response to fluctuations in tourist numbers and overall consumption sentiment. We offered exclusive discounts to tourists at stores located in tourist areas, while we strengthened our promotion efforts on social media platforms. By sharing product promotions and relevant information on such platforms, we aimed to attract tourists to follow our accounts and thereby expand the sales from tourists in a targeted manner.

As for Macau SAR, its opening of the border ahead of Hong Kong SAR has been positive for the Group's overall business, with visitor arrivals have rebounded to 70% of that in 2019, reaching approximately 28 million. Sales from tourists increased by 24%. According to the market conditions in Macau SAR, the preferences of mainland Chinese tourists and the consumption power of customers, we offered exclusive discounts to boost sales for its business. Benefiting from the positive overall economic sentiment, the Group's same-store sales in Macau SAR increased by 27% year-on-year.

During the year under review, revenue in Hong Kong SAR and Macau SAR, including the retail and export franchising business, was HK$392 million (2022: HK$350 million). Same-store sales for directly managed stores rose 5% (2022: 2% decline) while same-store gross profit rose 22% (2022: 2% decline). Total net retail floor area increased to 68,900 sq. ft. (2022: 65,400 sq. ft.). The number of directly managed stores was 30 (2022: 26). Segment result was HK$7 million profit (2022: HK$141 million profit which included an one-off gain on disposal of the assets held for sale of HK$174 million).

Mainland China

In 2023, with most of the epidemic prevention and border quarantine measures in mainland China lifted, citizens' life gradually returned to normal and reconnected with the international market.

However, the unstable economic growth, slowdown in GDP growth and a deflation trend in the national consumer price index in mainland China represented the overall uninspiring economic activities. People became more prudent in their spending and gradually changed their consumption patterns. Thus, the overall consumption in mainland China remained weak and the rebound of the retail market was slower than expected. As a way out, the Group actively optimised or adjusted its brand positioning, product development, pricing system, sales channels, etc., and reshaping its brand with cycling as the core. Meanwhile, the Group managed the stock level by increasing discounts. From the perspective of cost control, the Group adjusted its sales network as appropriate to reduce all unnecessary expenses, thus to improve operational efficiency.

Revenue in mainland China was HK$154 million (2022: HK$166 million). Same-store sales rose 46% (2022: 29% decline) and same-store gross profit recorded a 13% decline (2022: 45% decline). Total net retail floor area decreased by 26% to 173,400 sq. ft. (2022: 233,000 sq. ft.). There was a total of 122 (2022: 171) directly managed stores in mainland China. Segment result was HK$199 million loss (2022: HK$267 million loss).

Singapore

Despite an increase in the number of travellers in 2023, the average days of staying decreased as compared to 2021 and 2022, coupled with growing concerns about global economic deterioration and recession, local residents became more prudent leading to corresponding decrease in spending. These had a negative impact on the Group's sales in Singapore.

The revenue of Singapore operation was HK$58 million (2022: HK$69 million) during the year under review. Same-store sales registered a 12% decrease (2022: 2% decline). Same-store gross profit recorded a 14% decline (2022: 2% increase). Total net retail floor area increased by 4% to 20,200 sq. ft. (2022: 19,500 sq. ft.). The number of directly managed stores was 16 (2022: 15). The segment result was HK$35 million loss (2022: HK$8 million loss).

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31 December 2023, the Group had net cash balance of HK$185 million (2022: HK$93 million). The current ratio was at 1.67 times (2022: 1.44 times) with a total liabilities to equity ratio at 161% (2022: 327%). As at 31 December 2023, the Group did not have any bank borrowings (2022: Nil) and the gearing ratio determined by bank borrowings divided by total equity was 0% (2022: 0%). As at 31 December 2023, the Group had total loan facility of HK$200 million (2022: HK$200 million) granted by an intermediate holding company. No facility was utilised as at 31 December 2023 (2022: 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 2023, the Group's inventory turnover days[#] was 177 days, compared to 201 days in 2022. The return on equity ratio for the year under review was negative 137% (2022: negative 70%).

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

Contingent Liabilities

At as 31 December 2023, the Group had no material contingent liabilities.

Human Capital

As at 31 December 2023, the Group employed 900 (2022: 1,000) full-time equivalent employees in Hong Kong SAR and Macau SAR, mainland China and Singapore. The total staff cost recorded during the year under review was HK$209 million (2022: HK$221 million).

The Group adheres to a policy of acquiring, nurturing and retaining talented employees. We treasure and proactively promote the teamwork 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 firmly believe that a vibrant and outstanding workforce is indispensable in driving business growth. Knowledge sharing and continuous learning are highly valued. We encourage employees to progress and excel every day through different types of trainings. We provide an e-platform to our employees, which is devised to offer practical and experience-based knowledge and skills in customer service, selling, products, and other latest marketing information, etc.

Meanwhile, we continue to adopt a performance-based remuneration system, including discretionary bonuses, share options and wide-ranging employee benefits such as insurance and retirement schemes. The purposes of these measures are to motivate employees to perform at their best in work and to provide them with stable future development and benefits.

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 cost 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 31 December 2023 as originally intended**	**Unutilised Net Proceeds as at 31 December 2023**	**Intended use and expected timeline**
HK$31 million for the Group's capital expenditure for its expansion in mainland China	HK$16 million	HK$15 million	From May 2023 to April 2025
HK$63 million for marketing activities to reinvent and promote the "bossini.X" brand	HK$19 million	HK$44 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$127 million	HK$92 million	From May 2023 to April 2025

The Group will continue to develop its business by rebranding of "bossini.X", conducting optimisation in brand positioning, product development, pricing system and sales channels. Therefore, the utilization of the Net Proceeds are still on track and the unutilized Net Proceeds are expected to be utilised by April 2025.

OUTLOOK

Looking ahead, market condition will gradually recover as situations in mainland China, Hong Kong SAR and Macau SAR completely return to normal. This will accelerate the development of retail industry and bring more opportunities and growth potentials to relevant enterprises. Meanwhile, consumption demand will also show stable growth momentum. Such positive trend will provide boarder development space as well as a series of opportunities and challenges to the retail industry. We have noticed that consumer preferences of citizens and tourists among mainland China, Hong Kong SAR and Macau SAR have somewhat changed. In order to capture such opportunities, we will focus on the change of market trend and consumer behaviours more closely and flexibly adjust our strategies and business model.

In mainland China, market consensus expects that the government will launch a series of measures to stimulate economy development, further promote domestic demand and facilitate the increase of domestic consumption. Mainland China still enjoys huge market potential. In order to cope with the change of consumer preferences, the Group has modified the "bossini.X" brand. By making professional cycling the core of the product design and using professional sports technology materials, the development of sports outerwear and light outdoor apparel and footwear products that are easy to wear, clean up and be paired with, will attract a wider audience of energetic young consumers and serve people's lifestyle to pursue health and recreation. We will strategically implement marketing campaigns and continue to sponsor the Chinese Cycling Team. In the future, the brand will also cooperate with, among others, cycling clubs and sports talents to enhance our connection with target consumers and diversify user experiences. In addition, the Group will continue to optimise sales channels and streamline inefficient stores while identifying appropriate locations for new stores, in a view to improve operational efficiency.

In Hong Kong SAR, we believe the business will remain challenging in the coming year. The Group will continue to optimise the sales network in Hong Kong SAR and Macau SAR to maintain reasonable operating expenses, and increase the sales points of the "bossini.X" brand through appropriate channels to increase its exposure and achieve gradual brand integration between "bossini" and "bossini.X", transitioning from a brand of cost-effective everyday clothing to functional light sports clothing. In addition to strengthening employee training, improving sales skills, striving for higher conversion rate and increasing each single spending amount, we also reinforce our social media to disseminate product promotions and information on social media platforms to connect with existing and potential customers. These efforts are geared towards increasing sales and reducing the discount rate of promotions, thereby improving the operating margin.

Furthermore, the Group will continue to identify suitable partners for its future development in overseas markets to expand its footprint in emerging economic regions.

We are focusing our resources on rebranding of "bossini.X", conducting optimisation and adjustment in brand positioning, product development, pricing system and sales channels. The newly positioned products are expected to be fully launched on the market in the second half of 2024, with the goal of making "bossini.X" the most influential Chinese apparel brand in cycling.

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 control. 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 financial results for the year ended 31 December 2023. 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 2023 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 and consequently no opinion or 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 2023.

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 C3 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 2023.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement for the year ended 31 December 2023 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 2023 of the Company, containing information required by the Listing Rules, 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, 20 March 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.