bossini

BOSSINI INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 592)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

FINANCIAL RESULTS

The board of directors (the "Board") of **Bossini International Holdings Limited** (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group" or "Bossini") for the six months ended 31 December 2012, together with the comparative figures for the six months ended 31 December 2011, as follows:

Condensed consolidated statement of comprehensive income

		Six months ended 31 December	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**1,334,102**	1,447,129
Cost of sales		**(698,042)**	(732,558)
Gross profit		**636,060**	714,571
Other income	*3*	**9,747**	9,134
Selling and distribution costs		**(440,056)**	(474,273)
Administrative expenses		**(129,520)**	(132,302)
Other operating expenses		**(25,725)**	(36,162)
Profit from operating activities		**50,506**	80,968
Finance costs	*4*	**(81)**	(4,860)
Profit before tax	*5*	**50,425**	76,108
Income tax expense	*6*	**(16,334)**	(17,520)
Profit for the period attributable to owners of the Company		**34,091**	58,588

Condensed consolidated statement of comprehensive income (continued)

		Six months ended 31 December	
		2012	2011
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		**5,348**	(5,116)
Total comprehensive income for the period attributable to owners of the Company		**39,439**	53,472
Earnings per share attributable to ordinary equity holders of the Company	*8*		
Basic		**HK2.10 cents**	HK3.62 cents
Diluted		**HK2.10 cents**	HK3.59 cents

Details of the dividends for the period are disclosed in note 7 to the financial statements.

Condensed consolidated statement of financial position

	Notes	At 31 December 2012 (Unaudited) *HK$'000*	At 30 June 2012 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**109,771**	124,066
Investment properties		**30,034**	30,918
Trademark		**1,164**	1,164
Deferred tax assets		**3,458**	3,476
Deposits paid		**74,610**	75,909
Total non-current assets		**219,037**	235,533
Current assets			
Inventories		**380,687**	364,997
Debtors	*9*	**89,550**	67,119
Bills receivable		**21,646**	31,852
Deposits paid		**42,297**	39,494
Prepayments and other receivables		**62,658**	59,551
Due from a related company		**–**	777
Structured deposit		**15,808**	15,779
Derivative financial instruments		**487**	996
Tax recoverable		**4**	–
Pledged bank deposits		**800**	779
Cash and cash equivalents		**343,574**	272,752
Total current assets		**957,511**	854,096
Current liabilities			
Trade creditors, other payables and accruals	*10*	**289,043**	232,680
Bills payable		**66,623**	35,038
Tax payable		**28,309**	54,251
Due to related companies		**20,528**	11,203
Derivative financial instruments		**443**	895
Interest-bearing bank borrowings		**–**	24,432
Provision		**1,839**	1,790
Total current liabilities		**406,785**	360,289
Net current assets		**550,726**	493,807
Total assets less current liabilities		**769,763**	729,340
Non-current liabilities			
Deferred tax liabilities		**2,277**	2,277
Other payable		**1,349**	1,349
Total non-current liabilities		**3,626**	3,626
Net assets		**766,137**	725,714
Equity			
Issued capital		**162,018**	162,018
Reserves		**604,119**	563,696
Total equity		**766,137**	725,714

Details of the dividends for the period are disclosed in note 7 to the financial statements.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation and impact of new and revised Hong Kong Financial Reporting Standards

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

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 30 June 2012, 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 – *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 12 Amendments	Amendments to HKAS 12 – *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the above revised HKFRSs has had no significant impact on the Group's results of operations and financial position.

1. Basis of preparation and impact of new and revised Hong Kong Financial Reporting Standards (continued)

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 19 (2011)	*Employee Benefits* [1]
HKAS 27 (2011)	*Separate Financial Statements* [1]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [1]
HKAS 32 Amendments	Amendments to HKAS 32 – *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 – *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 – *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [1]
HKFRS 9	*Financial Instruments* [3]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance* [1]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities* [2]
HKFRS 10	*Consolidated Financial Statements* [1]
HKFRS 11	*Joint Arrangements* [1]
HKFRS 12	*Disclosure of Interests in Other Entities* [1]
HKFRS 13	*Fair Value Measurement* [1]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [1]
Annual Improvements 2009 – 2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 [1]

1 Effective for annual periods beginning on or after 1 January 2013

2 Effective for annual periods beginning on or after 1 January 2014

3 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to 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 four reportable operating segments as follows:

(a) Hong Kong
(b) Mainland China
(c) Taiwan
(d) Singapore and Malaysia

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income and finance costs are excluded from such measurement.

Intersegment sales and transfer 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)**

An analysis of the Group's revenue and profit/(loss) by geographical segment for the six months ended 31 December 2012, together with the comparative figures for the corresponding period in 2011, is as follows:

	Hong Kong		**Mainland China**		**Taiwan**		**Singapore & Malaysia**		**Consolidated**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
Sales to external customers	**842,441**	819,643	**223,293**	327,827	**133,579**	158,492	**134,789**	141,167	**1,334,102**	1,447,129
Other income	**5,822**	5,029	**1,565**	1,557	**613**	397	**235**	129	**8,235**	7,112
Total	**848,263**	824,672	**224,858**	329,384	**134,192**	158,889	**135,024**	141,296	**1,342,337**	1,454,241
Segment results	**119,629**	148,911	**(52,200)**	(55,587)	**(20,047)**	(12,337)	**1,612**	(2,041)	**48,994**	78,946
Interest income									**1,512**	2,022
Profit from operating activities									**50,506**	80,968
Finance costs									**(81)**	(4,860)
Profit before tax									**50,425**	76,108
Income tax expense									**(16,334)**	(17,520)
Profit for the period									**34,091**	58,588

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

3. **Other income**

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**1,512**	2,022
Claims received	**600**	477
Royalty income	**2,334**	1,847
Gross rental income	**2,484**	2,051
Others	**2,817**	2,737
	9,747	9,134

4. Finance costs

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**81**	4,860

5. Profit before tax

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

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Write-back of provision for inventories	**(4,984)**	(3,800)
Depreciation	**35,844**	42,854
Fair value gain on a structured deposit	**(29)**	(1)
Fair value losses/(gains), net on derivative financial instruments – transactions not qualifying as hedges	**57**	(677)

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**16,818**	15,613
Current – Elsewhere		
Charge/(credit) for the period	**(502)**	1,684
Underprovision in prior periods	**–**	139
Deferred	**18**	84
Tax charge for the period	**16,334**	17,520

7. **Dividends**

	Six months ended 31 December	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend declared – HK0.63 cent (2011: HK1.10 cents) per ordinary share	**10,207**	17,822
Special interim dividend declared – HK1.05 cents (2011: Nil) per ordinary share	**17,012**	–
	27,219	17,822

The interim dividend and special interim dividend are not reflected as dividend payables as of 31 December 2012, but will be recorded as a distribution of retained earnings for the year ending 30 June 2013. The interim dividend of HK$10,207,000 (2011: HK$17,822,000) and the special interim dividend of HK$17,012,000 (2011: Nil) for the six months ended 31 December 2012 are calculated based on 1,620,179,394 (2011: 1,620,179,394) shares of the Company in issue.

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

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the six months ended 31 December 2012 of HK$34,091,000 (2011: HK$58,588,000) and the weighted average number of ordinary shares of 1,620,179,394 (2011: 1,619,510,916) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company for the six months ended 31 December 2012 of HK$34,091,000 (2011: HK$58,588,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue of 1,620,179,394 (2011: 1,619,510,916) during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 2,649,191 (2011: 11,814,956) assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

9. Debtors

Other than cash and credit card sales, the Group normally grants credit periods of up to 60 days to its trade customers.

An aged analysis of debtors that are not considered to be impaired, based on the payment due date, is as follows:

	At 31 December 2012 (Unaudited) *HK$'000*	At 30 June 2012 (Audited) *HK$'000*
Neither past due nor impaired	**75,312**	54,000
Less than 1 month past due	**7,943**	6,648
1 to 2 months past due	**1,995**	1,548
2 to 3 months past due	**1,195**	941
Over 3 months past due	**3,105**	3,982
	89,550	67,119

10. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK$123,349,000 (30 June 2012: HK$78,839,000).

An aged analysis of trade creditors as at the end of reporting period, based on the payment due date, is as follows:

	At 31 December 2012 (Unaudited) *HK$'000*	At 30 June 2012 (Audited) *HK$'000*
Current	**53,225**	49,627
0 to 30 days	**16,322**	19,049
31 to 60 days	**16,736**	3,557
61 to 90 days	**16,606**	3,546
Over 90 days	**20,460**	3,060
	123,349	78,839

DIVIDENDS

The Board has declared an interim dividend of HK0.63 cent (2011: HK1.10 cents) per ordinary share and a special interim dividend of HK1.05 cents (2011: Nil) per ordinary share to shareholders whose names appear on the principal or branch register of members of the Company in Bermuda or Hong Kong respectively (collectively the "Register of Members") as at the close of business on 25 March 2013. The interim dividend and special interim dividend will be paid on or before 8 April 2013.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Wednesday, 20 March 2013 to Monday, 25 March 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend and special interim dividend, 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 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 19 March 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of the financial year 2012/13, the global economy endured a feeble convalescence as economic weakness and uncertainty continued to mar the prospects of a recovery in consumer sentiment. The by now deep-rooted debt crisis in Europe showed signs of abatement but still tormented by chronic underlying problems, threatening the already fragile unity of the region. In the United States, the persistent and recurring budget crisis came as a headwind when the much feared fiscal cliff, besieged by political rancor and uncertainty, was only narrowly and temporarily avoided by a last-minute political compromise. In the meantime, huge swathes of Asian and emerging markets, long bulwarks against the global economic downturn, also came to face the dual pressures of slowing growth and increased uncertainty, as export demand dwindled and domestic markets drooped.

As a result of this assiduous weakness in consumer sentiment, the overall retail environment in many of the Group's major markets continued to be challenging. The emergence of a hyper competitive retail climate, with frequent sales promotions and relentless steep discounting, eroded margins throughout the industry as competitors fought to defend market share.

In this difficult climate, the Group experienced a modest decrease in sales, leading to a diminishment of profit due mainly to the dampened export franchising markets, widened loss incurred from the Taiwan operation and exorbitant rentals fuelled by fierce competition for prime shopping locations in Hong Kong. Notwithstanding the formidable backdrop, the Group managed to drive record-high sales in its Hong Kong and Singapore markets, with Singapore market achieving a turnaround in operating profitability for the period under review. Meanwhile, the Group stood at a much better inventory level year-on-year while its financial position at a healthy level with positive net cash.

In these challenging circumstances, the Group remains focused on our core values and key strategic initiatives. We continue to invest in enhancing and driving awareness of our core "be happy" brand value, as exemplified by the roll-out of our new store concept starting in Hong Kong. We also remain committed to improving the efficiency and responsiveness of our supply chain while advancing the ongoing consolidation of our distribution network.

FINANCIAL PERFORMANCE

Revenue for the Group for the six months ended 31 December 2012 decreased by approximately 8% to HK$1,334 million (2011: HK$1,447 million). Gross profit for the period under review was HK$636 million (2011: HK$715 million), resulting in a reduced gross margin of 48% (2011: 49%). Operating profit was HK$51 million (2011: HK$81 million), which also led to a reduced operating margin of 4% (2011: 6%). Profit for the period attributable to owners was HK$34 million (2011: HK$59 million), while basic earnings per share were HK2.10 cents (2011: HK3.62 cents).

The Group continued to maintain a healthy financial position with cash and bank balances of HK$344 million (2011: HK$370 million) and a net cash balance of HK$344 million (2011: HK$202 million) as of 31 December 2012. As at 31 January 2013, cash and bank balances increased to HK$378 million with net cash balance also expanded to HK$378 million.

Operating Efficiencies

Overall same-store sales for the Group during the period under review remained flat (2011: 7% growth) as the challenging retail environment in many of the Group's operating markets took its toll. The Hong Kong market remained strong and once again achieved record-high sales, with same-store sales growth of 5% (2011: 15% growth) during the period under review. The Singapore market experienced a turnaround in operating profit and grew to record-high sales, with an improvement in same-store sales growth to 5% (2011: 5% decline).

The total retail floor area of the Group's directly-managed stores decreased to 608,600 sq. ft. (2011: 791,900 sq. ft.) as a result of continued consolidation of our non-performing stores in mainland China and Taiwan markets. This drove an increase in productivity, with overall net sales per sq. ft. increasing by 15% to HK$3,100 (2011: HK$2,700).

Operating expenses for the Group for the period under review accounted for 45% (2011: 44%) of total revenue. The following table provides a breakdown of the operating costs:

Operating Costs Analysis

	For the six months ended 31 December				
	2012		2011		
	HK$ million	**% of revenue**	HK$ million	% of revenue	**Change (%)**
Revenue	**1,334**	**100%**	1,447	100%	**–8%**
Selling and distribution costs	**439**	**33%**	475	33%	**–7%**
Administrative expenses	**130**	**10%**	132	9%	**–2%**
Other operating expenses	**26**	**2%**	36	2%	**–29%**
Total operating expenses	**595**	**45%**	643	44%	**–7%**

BUSINESS REVIEW

Network Expansion

The Group continued its pragmatic approach to expansion in light of continued global economic weakness and uncertainty during the period under review. Overall, the Group had presence in 36 countries and regions as of 31 December 2012. Our number of stores decreased by 169 to 1,145 (30 June 2012: 1,314) as we continued to wind down our "b.style de flyblue" stores in mainland China, Hong Kong and Singapore and closed underperforming locations. Of the existing stores, 397 (30 June 2012: 523) were directly managed and 748 (30 June 2012: 791) were franchised stores.

As in previous periods, Hong Kong was the Group's core market and our main contributor to overall revenue. With 41 (30 June 2012: 41) stores in the market as of 31 December 2012, the Group maintained an even presence in the region. 7 stores were added in the export franchising markets during the period under review to a total of 550 (30 June 2012: 543) as we continued to take advantage of selected opportunities in certain markets.

The retail market in mainland China remained difficult during the period under review, and the Group responded by consolidating our non-performing stores gradually in the region, and continuing to wind down our "b.style de flyblue" operations which was nearly completed by the end of the period under review. As a result, the number of stores in mainland China decreased to 429 (30 June 2012: 598) stores as of 31 December 2012. Of this total, 231 (30 June 2012: 350) were directly managed stores and 198 (30 June 2012: 248) were franchised stores. The Group also responded actively to a difficult retail environment in Taiwan by consolidating non-performing locations, resulting in a slight decrease in the number of stores there to 96 (30 June 2012: 102).

The following is a breakdown of stores by geographical location and store type:

	31 December 2012		30 June 2012	
	Directly managed stores	**Franchised stores**	Directly managed stores	Franchised stores
Hong Kong	**41**	**–**	41	–
Mainland China	**231**	**198**	350	248
Taiwan	**96**	**–**	102	–
Singapore	**29**	**–**	30	–
Other countries and regions	**–**	**550**	–	543
Total	**397**	**748**	523	791

Marketing and Branding

The 25th anniversary of Bossini in 2012 was a salient reminder of the strength and endurance of our brand and its "be happy" message. The celebration of this milestone provided numerous opportunities for the Group to promote its brand and values through commemorative campaigns, events and product enhancements that together comprised the HA:PPY 25 promotional marketing programme. With the renowned pop diva Ms. Joey Yung as brand ambassador, the HA:PPY 25 campaign strengthened the image and value of our core "be happy" brand and ensured that many innovative design elements and enhanced products that were launched received ample market attention.

Co-branded and Licensed Products

The Group's successful brand strategy relies partly on the leverage afforded by co-branded and licensed products. By building campaigns on appealing and well-known international icons, the Group ensures consumer awareness and boosts its own "be happy" brand value. As in previous periods, the Group partnered with internationally renowned licensors to create mutually beneficial promotional campaigns and enhance brand value.

During the period under review, the Group again partnered with AllRightsReserved studio to develop and release the *bossini x WOW!! Angry Birds* crossover series, which included limited edition clothing for men, women and children, as well as accessories such as capes, gloves, earmuffs and scarves with designs inspired by signature slingshots and space canvases of the popular game. The series leveraged on the popular gaming phenomenon by cleverly combining brand messages in its "Get angry, be happy" slogan and benefitted from the participation of Ms. Joey Yung as series ambassador.

Overall, the co-branded and licensed product programme received continued enthusiastic responses within the marketplace and remained an important driver of the Group's overall sales performance.

Awards and Recognition

The Group enjoyed considerable recognition for our marketing and social responsibility efforts during the period under review. For our marketing and branding activities, the Group received the TVB Weekly "Most Popular Brand Award 2012 – The Most Popular Apparel Brand"; and the 10th Global Views "Excellent Service Award – Affordable Clothing and Accessories" in Taiwan. For our social responsibility achievements, the Group received recognition as a "Caring Company" for 2012, an accolade it has received for 8 consecutive years since 2004.

Operational Performance by Market

As in past periods, the Hong Kong market, comprised of both directly managed retail operation and export franchising business, remained the Group's principal market and largest sales contributor, accounting for 63% (2011: 56%) of the Group's consolidated revenue for the period under review. This was followed by mainland China, where consolidation of non-performing stores and the wind down of the remaining "b.style de flyblue" stores reduced the revenue base, with its share of the Group's revenue down to 17% (2011: 23%) for the period under review. Singapore and Taiwan each accounted for approximately 10% (2011: 9% and 11% respectively) of the Group's consolidated revenue for the period under review.

Hong Kong

The Hong Kong economy continued to show signs of strain under the pressures of decreased export demand from mainland China and slow economic activities globally. Nevertheless, Hong Kong as a shopper's paradise still continues to attract foreign brands to the territory, which in turn has aggravated competition and pushed up rentals dramatically. Meanwhile, considerable discounting and sales promotion activity are frequently offered as international brands joined the league of their local counterparts afflicted with high inventory predicament. In spite of these adverse dynamics, the Group managed to deliver another period of record-high sales, with a 5% increase in Hong Kong same-store sales for the period under review.

Owing to the political instability of some export franchising countries, our export franchising performance was affected during the period under review. Overall, the franchising export business in Hong Kong added 7 stores to a total of 550 (30 June 2012: 543) stores in 32 countries during the period under review.

Total revenue for the period under review achieved a new record high, with HK$842 million (2011: HK$820 million) in sales, a 3% overall increase from the prior period. Total retail floor area in the region remained broadly constant at 141,000 sq. ft. (2011: 141,900 sq. ft.) and the number of directly managed stores also remained the same at 41 (30 June 2012: 41) stores. During the period under review, same-store sales showed a relatively healthy 5% growth (2011: 15% growth) over the previous period. Net sales per sq. ft. grew by 5% to HK$8,100 (2011: HK$7,700). Operating profit decreased to HK$122 million (2011: HK$150 million), a drop of 19% over the prior period, with an operating margin of 14% (2011: 18%).

Mainland China

Mainland China's protracted slowdown had at last run its course, with economic expansion hit the lowest pace in more than a decade amid external jitters and domestic woes. Headwinds emanating from the result of protracted economic turmoil with slow export demand in Europe and a languid US recovery, weighed on the formerly bullish Chinese market, which in turn soured consumer confidence there. In addition, major international brands continue to see mainland China as an attractive, high-growth market in a sea of humdrum opportunities elsewhere. This has led to the rapid and extensive expansion of such brands in mainland China, which in turn has caused a marked increase in competition and overall discounting. As a result, the apparel retail sector in mainland China has been challenging.

The Group responded to these challenges by aggressively managing its bottom-line performance in mainland China. During the period under review, the Group continued to wind down its "b.style de flyblue" stores, which is close to completion as of 31 December 2012, and also progressively closing the under-performing "bossini" stores.

Total revenue for mainland China were HK$223 million (2011: HK$328 million). Total retail floor area decreased concomitantly to 312,800 sq. ft. (2011: 483,000 sq. ft.), as did the number of stores, which decreased to 429 (30 June 2012: 598) stores. Of these, 231 (30 June 2012: 350) were directly managed stores and 198 (30 June 2012: 248) were franchised stores. Same-store sales declined by 5% (2011: 1% decline), while net sales per sq. ft. decreased to HK$900 (2011: HK$1,000). The operating loss for the period under review reduced to HK$52 million (2011: HK$55 million loss), yielding an operating margin of negative 23% (2011: negative 17%).

Taiwan

Like mainland China, Taiwan's economy for 2012 rose at the slowest annual rate since the 2009 global downturn, only rebounded in the last quarter bolstered by a return to positive export growth, an increase in domestic demand and healthy capital formation. Consumer confidence, which had been on the decline for most of the year 2012, making the retail sector in Taiwan market difficult. Overall, the Group saw reduced retail traffic and weak consumer demand in the region during the period.

Total revenue for Taiwan during the period under review were HK$134 million (2011: HK$158 million). The number of directly managed retail stores fell by 6 stores to 96 (30 June 2012: 102) stores as the Group focused on consolidating its network in the country in light of declining retail sentiment. As a result, total retail floor area also declined to 120,700 sq. ft. (2011: 131,100 sq. ft.). Net sales per sq. ft. decreased to HK$2,000 (2011: HK$2,400). Same-store sales declined by 19% (2011: 2% decline) while operating loss widened to HK$20 million (2011: HK$12 million loss) and operating margin dropped to negative 15% (2011: negative 8%).

Singapore

Singapore's export-oriented economy could not stand isolated from the global economic weakness, resulting in lackluster performance in manufacturing sector. Fortunately, Singapore experienced a quick pickup in other spectres and averted recession that trumped market consensus. During the period under review, the Group's operation in Singapore underwent a turnaround in operating profit with sales productivity improved and execution on strict cost controls.

Total revenue for Singapore during the period under review increased by 8% to HK$135 million (2011: HK$125 million) while the number of directly managed stores remained broadly the same with 29 (30 June 2012: 30). Total retail floor area also remained broadly the same with 34,100 sq. ft. (2011: 35,900 sq. ft.). Same-store sales improved dramatically compared to the same period last year by 5% growth (2011: 5% decline) and net sales per sq. ft. increased to HK$7,800 (2011: HK$7,000), resulting in an improved operating profit of HK$1 million (2011: HK$1 million loss). Operating margin increased to 1% (2011: negative 1%).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances as of 31 December 2012 were HK$344 million (2011: HK$370 million) and its net cash balance was HK$344 million (2011: HK$202 million). The current ratio for the Group was 2.35 times (2011: 1.84 times) and the ratio of total liabilities to equity was 54% (2011: 83%).

No short-term bank borrowings (payable within one year) was recorded as at 31 December 2012 (2011: HK$168 million). The Group's gearing ratio as determined by bank borrowings divided over total equity was nil (2011: 21%).

The Group has investments and operations in countries which use currencies other than the United States dollar and the Hong Kong dollar. As such, the Group has some exposures to foreign currency risk, which it mitigates by entering into forward currency contracts and other financial instruments designed to lessen exposure to exchange rate fluctuations in material transactions denominated in currencies other than the United States dollar and Hong Kong dollar.

As at 31 December 2012, the Group had inventory turnover days[#] of 100 days (2011: 126 days), a 26-day improvement over the 31 December 2011 level and a healthy level especially at a time when the overall industry is plagued by high inventory levels. The Group's return on equity ratio for the period under review was 9% (2011: 14%).

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

CONTINGENT LIABILITIES

During the period under review, the Group had no material changes in contingent liabilities since 30 June 2012.

HUMAN CAPITAL

The Group employed 3,300 (30 June 2012: 3,800) full-time equivalent employees in Hong Kong, Macau, mainland China, Taiwan and Singapore as of 31 December 2012. The Group invests in regular training and other focused programmes for our employees to ensure the endurance of our unique corporate culture and the "7 Habits®" and "7 Practices" that make up the "bossini way". In addition, the Group remunerates its employees using a performance-based system that includes share options and discretionary bonuses, while we also offer comprehensive benefits, such as insurance and retirement schemes.

OUTLOOK

The global economy continues to suffer under the lingering effects of the year 2008/09 financial crises, with the faint global growth in 2012 expected to be looming along in 2013. While the mature economies continue to deal with the obstinate effects of the crisis, emerging markets are no longer picking up the slack, themselves feeling the effects of continued sluggish trade and languid foreign direct investment. Persistent uncertainty, be it about the longevity of the Euro, the US debt ceiling, or the momentum of emerging markets, will continue to impact the global economy in negative ways and restrict the potential for growth.

Against this global backdrop, the Group expects retail environment in its main markets to remain volatile as tepid consumer sentiment persists. In addition, the high inventory levels that continue to cloud the industry are likely to endure, perpetuating the cycle of promotional activity and discounting that has dampened sales in the current period.

In response to these myriad challenges, the Group intends to focus on our principal markets while pragmatically expanding our export franchising business in emerging markets that demonstrate certain opportunities for growth. We will also continue to introduce our new store concept, already launched progressively in Hong Kong and soon to be established in other markets, to rejuvenate our brand and enhance the shopping experience of customers. As has long been our successful strategy, we will continue to develop and launch co-branded and licensed products to drive sales momentum and brand value.

Operationally, the Group aims to continue our consolidation of non-performing stores in mainland China and Taiwan in the short run to preserve resources and boost the productivity of our remaining assets. Furthermore, we will continue to enhance our supply chain capabilities, in conjunction with our strategic partner, to shorten production lead times and ensure the reliable availability of our quality products.

The Group relies on the resourcefulness and dedication of our employees, and we are fortunate to have a hardworking and committed team that works tirelessly to promote our brand and drive our strategic efforts. We are dedicated to our ongoing investment in this team, in our brand, and in our ability to deliver quality products in the most efficient way.

Overall, the Group's management remains cautiously optimistic. The Bossini brand is now 25 years old and one of the most valued apparel brands in the Asia-Pacific region. We will continue to focus on preserving and building the value of this asset as we drive operational excellence, expand franchising opportunities, and work to preserve our unique corporate culture.

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

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

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. It has formulated its written terms of reference in accordance with the provisions set out in Appendix 14 – Code on Corporate Governance Code and Corporate Governance Report (the "CG Code") of the Listing Rules. The audit committee has reviewed the unaudited interim financial results for the six months ended 31 December 2012. The audit committee comprises three Independent Non-executive Directors of the Company, namely Ms. LEUNG Mei Han, Mr. LEE Man Chun Raymond and Prof. SIN Yat Ming.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was in compliance with the code provisions as set out in the CG Code for the six months ended 31 December 2012, except for the following deviations:

- The Chairman of the Company is not subject to retirement by rotation. The Board considers that the continuity of the Chairman of the Company and her leadership are crucial in maintaining the stability of the Group's business operations.

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 its securities by the directors of the Company. Based on specific enquiry with the Company's directors, they have complied with the required standard set out in the Model Code, throughout the six months ended 31 December 2012.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Interim Report for the six months ended 31 December 2012 of the Company containing all the information required by the Listing Rules will be published on the website of the Company (www.bossini.com) and the Stock Exchange (www.hkex.com.hk) and despatched to shareholders in due course.

By Order of the Board
TSIN Man Kuen Bess
Chairman

Hong Kong, 26 February 2013

As at the date of this announcement, the Board comprises three Executive Directors, namely Ms. TSIN Man Kuen Bess (Chairman), Mr. MAK Tak Cheong Edmund and Mr. CHAN Cheuk Him Paul and three Independent Non-executive Directors, namely Mr. LEE Man Chun Raymond, Ms. LEUNG Mei Han and Prof. SIN Yat Ming.