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 2013

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 2013, together with the comparative figures for the six months ended 31 December 2012, as follows:

Condensed consolidated statement of profit or loss and other comprehensive income

		Six months ended 31 December	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**1,272,568**	1,334,102
Cost of sales		**(644,975)**	(698,042)
Gross profit		**627,593**	636,060
Other income	*3*	**9,660**	9,747
Selling and distribution costs		**(388,934)**	(440,056)
Administrative expenses		**(129,938)**	(129,520)
Other operating expenses		**(28,105)**	(25,725)
Profit from operating activities		**90,276**	50,506
Finance costs	*4*	**–**	(81)
Profit before tax	*5*	**90,276**	50,425
Income tax expense	*6*	**(15,753)**	(16,334)
Profit for the period attributable to owners of the Company		**74,523**	34,091

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

	Note	Six months ended 31 December 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**1,978**	5,348
Total comprehensive income for the period attributable to owners of the Company		**76,501**	39,439
Earnings per share attributable to ordinary equity holders of the Company	*8*		
Basic		**HK4.60 cents**	HK2.10 cents
Diluted		**HK4.59 cents**	HK2.10 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 2013 (Unaudited) *HK$'000*	At 30 June 2013 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**98,330**	103,197
Investment properties		**28,267**	29,150
Trademark		**1,164**	1,164
Deferred tax assets		**6,745**	6,658
Deposits paid		**85,240**	78,715
Total non-current assets		**219,746**	218,884
Current assets			
Inventories		**351,227**	305,309
Debtors	*9*	**81,060**	59,618
Bills receivable		**76,403**	48,361
Deposits paid		**30,802**	34,575
Prepayments and other receivables		**77,472**	78,071
Derivative financial instruments		**483**	946
Pledged bank deposits		**781**	776
Cash and cash equivalents		**351,477**	337,807
Total current assets		**969,705**	865,463
Current liabilities			
Trade creditors, other payables and accruals	*10*	**272,237**	240,124
Bills payable		**86,839**	50,255
Tax payable		**15,856**	39,491
Due to related companies		**24,305**	23,617
Derivative financial instruments		**17**	73
Total current liabilities		**399,254**	353,560
Net current assets		**570,451**	511,903
Total assets less current liabilities		**790,197**	730,787
Non-current liabilities			
Deferred tax liabilities		**2,182**	2,183
Other payable		**1,874**	–
Total non-current liabilities		**4,056**	2,183
Net assets		**786,141**	728,604
Equity			
Issued capital		**162,078**	162,078
Reserves		**624,063**	566,526
Total equity		**786,141**	728,604

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 2013, except in relation to the following new and 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 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKFRS 1 Amendments	Amendments to HKFRS 1 – *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 – *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The adoption of the above new and 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 Amendments	Amendments to HKAS 19 – *Employee Benefits – Defined Benefit Plans: Employee Contributions* [2]
HKAS 32 Amendments	Amendments to HKAS 32 – *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [1]
HKAS 36 Amendments	Amendments to HKAS 36 – *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* [1]
HKAS 39 Amendments	Amendments to HKAS 39 – *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* [1]
HKFRS 9	*Financial Instruments* [3]
HKAS 39, HKFRS 7 and HKFRS 9 Amendments	*Hedge Accounting* and amendments to HKAS 39, HKFRS 7 and HKFRS 9 [3]
HKAS 27 (2011), HKFRS 10 and HKFRS 12 Amendments	Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12 – *Investment Entities* [1]
HK(IFRIC)-Int 21	*Levies* [1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] No mandatory effective date yet determined but is available for adoption

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 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

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.

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 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 2013, together with the comparative figures for the corresponding period in 2012, is as follows:

	Hong Kong		Mainland China		Taiwan		Singapore		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	(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	**888,545**	842,441	**153,568**	223,293	**108,533**	133,579	**121,922**	134,789	**1,272,568**	1,334,102
Other income	**6,291**	5,822	**580**	1,565	**675**	613	**218**	235	**7,764**	8,235
Total	**894,836**	848,263	**154,148**	224,858	**109,208**	134,192	**122,140**	135,024	**1,280,332**	1,342,337
Segment results	**106,114**	120,134	**(5,375)**	(52,200)	**(9,049)**	(20,047)	**(3,310)**	1,107	**88,380**	48,994
Interest income									**1,896**	1,512
Profit from operating activities									**90,276**	50,506
Finance costs									**–**	(81)
Profit before tax									**90,276**	50,425
Income tax expense									**(15,753)**	(16,334)
Profit for the period									**74,523**	34,091

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

The following table presents certain asset and liability information for the Group's geographical segments at 31 December 2013, together with the comparative figures at 30 June 2013.

	Hong Kong		Mainland China		Taiwan		Singapore		Consolidated	
	At 31 December 2013	At 30 June 2013	**At 31 December 2013**	At 30 June 2013	**At 31 December 2013**	At 30 June 2013	**At 31 December 2013**	At 30 June 2013	**At 31 December 2013**	At 30 June 2013
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**733,211**	621,866	**264,688**	285,290	**79,857**	78,346	**104,950**	92,187	**1,182,706**	1,077,689
Unallocated assets									**6,745**	6,658
Total assets									**1,189,451**	1,084,347
Segment liabilities	**311,263**	233,556	**42,711**	49,511	**19,738**	21,542	**11,560**	9,460	**385,272**	314,069
Unallocated liabilities									**18,038**	41,674
Total liabilities									**403,310**	355,743

3. Other income

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**1,896**	1,512
Claims received	**–**	600
Royalty income	**2,486**	2,334
Gross rental income	**2,643**	2,484
Others	**2,635**	2,817
	9,660	9,747

4. Finance costs

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**–**	81

5. Profit before tax

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

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Write-back of provision for inventories	**(25,155)**	(4,984)
Depreciation	**28,781**	35,844
Fair value losses, net on derivative financial instruments – transactions not qualifying as hedges	**407**	57

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**13,668**	16,818
Current – Elsewhere		
Charge/(credit) for the period	**2,227**	(502)
Overprovision in prior periods	**(55)**	–
Deferred	**(87)**	18
Tax charge for the period	**15,753**	16,334

7. Dividends

	Six months ended 31 December	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend declared – HK2.30 cents (2012: HK0.63 cent) per ordinary share	**37,278**	10,211
Special interim dividend declared – Nil (2012: HK1.05 cents per ordinary share)	**–**	17,018
	37,278	27,229

The interim dividend is not reflected as a dividend payable as of 31 December 2013, but will be recorded as a distribution of retained earnings for the year ending 30 June 2014. The interim dividend of HK$37,278,000 (2012: interim dividend of HK$10,211,000 and special interim dividend of HK$17,018,000) for the six months ended 31 December 2013 are calculated based on 1,620,779,394 (2012: 1,620,779,394) 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 2013 of HK$74,523,000 (2012: HK$34,091,000) and the weighted average number of ordinary shares of 1,620,779,394 (2012: 1,620,179,394) 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 2013 of HK$74,523,000 (2012: HK$34,091,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue of 1,620,779,394 (2012: 1,620,179,394) during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 3,979,006 (2012: 2,649,191) 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 as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	At 31 December 2013 (Unaudited) ***HK$'000***	At 30 June 2013 (Audited) *HK$'000*
Within 1 month	**64,934**	42,635
1 to 2 months	**6,763**	7,228
2 to 3 months	**2,446**	2,809
Over 3 months	**6,917**	6,946
	81,060	59,618

10. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK$101,611,000 (30 June 2013: HK$80,110,000).

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

	At 31 December 2013 (Unaudited) ***HK$'000***	At 30 June 2013 (Audited) *HK$'000*
Within 1 month	**48,974**	37,978
1 to 2 months	**39,037**	30,204
2 to 3 months	**7,636**	6,282
Over 3 months	**5,964**	5,646
	101,611	80,110

INTERIM DIVIDENDS

The Board has declared an interim dividend of HK2.30 cents (2012: interim dividend of HK0.63 cent and special interim dividend of HK1.05 cents) 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 24 March 2014. The interim dividend will be paid on or before 7 April 2014.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Wednesday, 19 March 2014 to Monday, 24 March 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the 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, 18 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Five years after the financial crisis, the global economy is at last showing signs of a modest rebound and an improvement in consumer sentiment. The gradual but steady upswing has been powered by high-income economies including the United States, the Eurozone and Japan, with America leading the charge following ten consecutive quarters of GDP growth. Nonetheless, while there is a long-term shift in global economic power from the developed to the developing world, emerging markets have conversely experienced a slowdown, with Asia in particular being tormented by haphazard growth.

A slew of fiscal problems are still troubling the region's economic stalwart – mainland China – leading to a deceleration in growth throughout Asia. In spite of government stimulus measures, Taiwan's economy is besieged by uncertainty and Singapore's has been marred by falling exports, leaving Hong Kong as one of Asia's brighter stars.

Deteriorating conditions in the apparel retailing industry are also exerting pressure on many brands. As more players enter the Group's core markets, we have witnessed increased competitive activities. Moreover, some competitors are still struggling to destock, resulting in pervasive discounts and intensifying price pressures. While consumers are faced with a plethora of choice, retailers are left vying for footfall. Combined with the structural changes in the market – the growth of e-tailing and a more value-conscious consumer base – the industry is still fraught with difficulties.

Faced with erratic micro and macroeconomic challenges and a turbulent retail environment, the Group's sales experienced a minor decrease, which was largely driven by the consolidation of the Group's non-performing stores in mainland China and Taiwan. However, the upside of these store closures is gradually being realised as the Group's profit for the period attributable to owners increased 119% year-on-year. Furthermore, the Hong Kong segment business delivered record-high sales and the Hong Kong retail operation enjoyed a double-digit increase in same-store sales. The productivity of our stores in mainland China also improved considerably both in terms of same-store sales and gross margin. The export franchising unit renewed efforts to expand its footprint by adding 30 stores and 3 countries in the first half of the financial year 2013/14. The Group retained its strong financial position with positive net cash and a slightly improved inventory turnover days year-on-year.

To mitigate the ongoing challenges of the current economic climate, the Group is focusing on promoting and enhancing our "be happy" brand value and creating joyful shopping experiences through the new store concept, which are gradually being rolled out across the network. These dynamic, attractive and lively stores enhance the experience for customers and reinforce our "be happy" brand value, which are further amplified by the Group's popular co-branded and licensed product programmes – a boon to our brand value. In conjunction with the development of the Group's network, we also strive to enhance the timeliness and efficiency of our supply chain, simultaneously increasing productivity and performance to retain our competitive edge.

FINANCIAL PERFORMANCE

Revenue for the Group for the six months ended 31 December 2013 decreased to HK$1,273 million (2012: HK$1,334 million). Gross profit for the period under review was HK$628 million (2012: HK$636 million), with a slightly improved gross margin of 49% (2012: 48%). Operating profit was HK$90 million (2012: HK$51 million), which thus led to a widened operating margin of 7% (2012: 4%). Profit for the period attributable to owners was HK$75 million (2012: HK$34 million), while basic earnings per share was HK4.60 cents (2012: HK2.10 cents).

The Group's financial position remained strong with cash and bank balances of HK$352 million (2012: HK$344 million) and a net cash balance of HK$352 million (2012: HK$344 million) as of 31 December 2013. As of 31 January 2014, cash and bank balances increased to HK$457 million while the net cash balance also expanded to HK$457 million.

Operating Efficiencies

Overall same-store sales for the Group during the period under review grew by 7% (2012: 0%). The Hong Kong retail operation achieved record-high sales, with same-store sales growth of 11% (2012: 5% growth) during the period under review. The mainland China market experienced a substantial reduction in operating loss, with double-digit same-store sales growth of 12% (2012: 5% decline). The Taiwan market also enjoyed a substantial reduction in operating loss, with 5% increment in sales per sq. ft..

The total retail floor area of the Group's directly managed stores decreased to 470,000 sq. ft. (2012: 608,600 sq. ft.) due to the ongoing consolidation of non-performing stores. This propelled an increase in shop productivity, with overall sales per sq. ft. reaching HK$4,100 (2012: HK$3,200).

The Group's operating expenses for the period under review accounted for 43% (2012: 45%) of total revenue. The following table provides a breakdown of the operating costs:

Operating Costs Analysis

	For the six months ended 31 December				
	2013		2012		
	HK$ million	**% of revenue**	HK$ million	% of revenue	**Change (%)**
Revenue	**1,273**	**100%**	1,334	100%	**–5%**
Selling and distribution costs	**389**	**31%**	439	33%	**–12%**
Administrative expenses	**130**	**10%**	130	10%	**0%**
Other operating expenses	**28**	**2%**	26	2%	**+9%**
Total operating expenses	**547**	**43%**	595	45%	**–8%**

BUSINESS REVIEW

Distribution Network

Given the global uncertainty and uneven regional performance during the period under review, the Group maintained a cautious approach to expansion. The Group expanded its footprint in 3 countries during the period under review and had presence in 40 countries and regions worldwide as of 31 December 2013. The store count decreased by 22 to 995 (30 June 2013: 1,017) due to the progressive consolidation and closure of non-performing stores in mainland China and Taiwan. Of the existing stores, 278 (30 June 2013: 300) were directly managed and 717 (30 June 2013: 717) were franchised.

The Hong Kong segment retained its position as the Group's core market and chief contributor to the Group's total revenue. The store count in Hong Kong remained stable at 41 (30 June 2013: 41). The export market for the franchising business was promising, and the Group took advantage of this opportunity by adding 30 stores in selected markets for a total of 591 (30 June 2013: 561).

The mainland China apparel market was more subdued. To combat this, the Group continued to close non-performing shops, particularly in the country's northern and central regions. Consequently, the Group's store count in mainland China fell to 253 (30 June 2013: 300). This was in tandem with the Group's consolidation of non-performing stores in Taiwan, another challenging apparel market facing low demand and poor consumer confidence, which saw the number of stores further reduced to 78 (30 June 2013: 85). In Singapore, the number of stores increased slightly to 32 (30 June 2013: 30).

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

	31 December 2013		30 June 2013	
	Directly managed stores	**Franchised stores**	Directly managed stores	Franchised stores
Hong Kong	**41**	**–**	41	–
Mainland China	**127**	**126**	144	156
Taiwan	**78**	**–**	85	–
Singapore	**32**	**–**	30	–
Other countries and regions	**–**	**591**	–	561
Total	**278**	**717**	300	717

Marketing and Branding

As the Group entered its 26th year of operations, we continually promote and reinforce our core brand value "be happy" with our customers and business partners.

The Group has gained a recognisable position in the market by producing attractive and quality every day wear, complemented by popular co-branded and licensed merchandise with renowned brands. During the period under review, the Group partnered with Sesame Street and Ocean Park to successfully reach out to new audiences with ranges that appeal to shoppers of all ages. The Group also continued to implement a new store concept across the region, combining vibrant design and natural features in a single destination.

Co-branded and Licensed Products

Working with internationally-renowned licensing partners to create co-branded and licensed merchandise is a key strategy for the Group. These products form a significant part of the store mix and play an important role in stimulating public awareness, offering customers a point of differentiation while enhancing our own "be happy" brand value. Building on the success of previous years, once again the Group collaborated with two recognisable and popular companies to develop lively promotions and heighten brand awareness.

During the period under review, the Group worked with Sesame Street to release the *bossini x Sesame Street* crossover series featuring the show's famous characters on clothing for men, women and children alongside a range of accessories and premiums including blanket cushions, backpacks, packable tote bags and more. Bossini's flagship store in Mongkok was transformed into a *bossini x Sesame Street* pop-up store offering customers the chance to meet the warm and friendly characters.

To capture the excitement of Halloween, the Group collaborated with Ocean Park Halloween Bash and presented a variety of holiday-themed costumes. In addition, a special Halloween-themed collection was sold at bossini stores around Hong Kong and in Ocean Park's popular souvenir shop. Such a win-win partnership was well-received by the market.

The co-branding and licensing programme continues to be popular among our target audience, while also extending our brand visibility and driving sales. This initiative will remain a cornerstone of our mission to create appealing, competitive and quality every day wear for our customers.

Awards and Recognition

The Group gained recognition for its commitment to customer service, marketing and social responsibility endeavours during the period under review. For the sixth consecutive year, our marketing and branding activities were recognised by TVB Weekly and we received the "Most Popular Brand Award 2013 – The Most Popular Apparel Brand". This was complemented by the TVB Weekly "Outstanding Corporate Image Award 2013", which we have been granted for the third time in four years. In customer service, the Group was honoured to receive the "Merit QTS Merchant Award (Retail Category) 2013" from the Hong Kong Tourism Board. For the ninth consecutive year since 2004, the Group has been named a "Caring Company" by The Hong Kong Council of Social Service in recognition of our commitment to good corporate citizenship.

Operational Performance by Market

The Hong Kong segment includes directly managed retail operation and the export franchising business. As in previous years, this segment was the Group's major source of revenue, accounting for 69% (2012: 63%) of the Group's consolidated revenue for the period under review. Mainland China market comprised 12% (2012: 17%) of consolidated revenue, Taiwan 9% (2012: 10%) and Singapore the remaining 10% (2012: 10%).

At the same time, the Hong Kong segment delivered record-high sales with same-store sales accomplishing double-digit growth of 11% (2012: 5% growth), an increase of 6% points compared to prior period. Same-store sales in mainland China grew 12% (2012: 5% decline), matched by a year-on-year increase in sales per sq. ft.. Operating loss reduced for the Taiwan business following the closure of non-performing stores, with an upswing in productivity further demonstrated by higher sales per sq. ft..

Hong Kong

Hong Kong enjoyed a year of moderate growth bolstered by domestic demand and strong tourist arrivals. Discretionary spending remains buoyant, local consumption was propelled by relatively stable labour market conditions and encouraged a general sense of optimism and comparatively high levels of consumer confidence. This encouraged an increase in apparel sales year-on-year and accelerated retail sales growth towards the end of 2013.

During the period under review, the Group seized the opportunity to expand its export franchising business, adding 30 stores to a total of 591 (30 June 2013: 561) across 36 countries.

Total revenue for the period under review broke records with sales of HK$888 million (2012: HK$842 million), an increase of 5%. The total retail floor area in Hong Kong amounted to 134,400 sq. ft. (2012: 141,000 sq. ft.) while the number of directly managed stores remained stable at 41 (30 June 2013: 41). During the period under review, same-store sales jumped 11% (2012: 5% growth) over the previous period. Sales per sq. ft. grew 10% to HK$8,900 (2012: HK$8,100). Operating profit reduced to HK$107 million (2012: HK$122 million), a decrease of 12% over the previous period, with an operating margin of 12% (2012: 14%).

Mainland China

Following the targeted fiscal stimulus deployed by the mainland Chinese government to stabilise growth in the middle of 2013, the country's production, retail sales and GDP picked up for the first time in three quarters. However, negative sentiment, growing uncertainty and a cautious atmosphere infect the economic landscape. Mainland China is still suffering from relatively slow growth due to an overdependence on fixed asset investment, particularly construction, and a sustained lack of consumer appetite for spending. Accompanied by intensely fierce competition in the apparel retail sector and the growth of e-commerce, which is increasingly taking a share from offline channels, the situation in mainland China remains challenging.

To tackle these issues, the Group progressively closed its underperforming stores, implemented stringent cost cutting measures and focused on boosting productivity of the promising stores. Consequentially, total revenue was reduced to HK$154 million (2012: HK$223 million) with a total retail floor area of 201,100 sq. ft. (2012: 312,800 sq. ft.). The total number of stores experienced a concurrent decrease to 253 (30 June 2013: 300), of which 127 (30 June 2013: 144) were directly managed stores and 126 (30 June 2013: 156) were franchised. Same-store sales recorded double-digit growth of 12% (2012: 5% decline), an increase of 17% points year-on-year. Sales per sq. ft. increased 17% to HK$1,400 (2012: HK$1,200). The operating loss was substantially reduced to HK$5 million (2012: HK$52 million loss), resulting in an operating margin of negative 3% (2012: negative 23%).

Taiwan

Taiwan continued to suffer despite the tentative global recovery. Its growth is now being throttled by the slowdown in Asian markets, as evidenced by a sharp deceleration in exports. A stagnant labour market and conditions are further dampening the lukewarm domestic climate and depressed state of private consumption. Moreover, the full impact of the government's stimulus announced in May 2013 has yet to be fully realised. Nevertheless, in spite of this troubling backdrop, the Group saw a significant reduction in operating loss following the closure of non-performing stores and stringent cost control measures in 2013.

The total revenue for Taiwan during the period under review was HK$109 million (2012: HK$134 million). The directly managed store count decreased by 7 to 78 (30 June 2013: 85) together with a fall in total retail floor area of 23,600 sq. ft. to 97,100 sq. ft. (2012: 120,700 sq. ft.), driven by the closure of underperforming stores. Sales per sq. ft. grew 5% to HK$2,100 (2012: HK$2,000) while same-store sales declined 6% (2012: 19% decline). The operating loss shrunk to HK$9 million (2012: HK$20 million loss), resulting in an operating margin of negative 8% (2012: negative 15%).

Singapore

Total revenue for Singapore during the period under review was HK$122 million (2012: HK$135 million) while the number of directly managed stores increased slightly to 32 (30 June 2013: 30). Total retail floor area increased by 10% to 37,400 sq. ft. (2012: 34,100 sq. ft.). Same-store sales dipped compared to the same period last year with a 3% decline (2012: 5% growth). Sales per sq. ft. decreased 9% to HK$7,100 (2012: HK$7,800). The operating loss was HK$3 million (2012: HK$1 million profit) with a decrease in the operating margin to negative 2% (2012: positive 1%).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances as of 31 December 2013 were HK$352 million (2012: HK$344 million) and its net cash balance was HK$352 million (2012: HK$344 million). The current ratio for the Group was 2.43 times (2012: 2.35 times) and the ratio of total liabilities to equity was 51% (2012: 54%).

No short-term bank borrowings (payable within one year) was recorded as of 31 December 2013 (2012: nil). The Group's gearing ratio as determined by bank borrowings divided over total equity was nil (2012: nil).

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 exposure 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 the Hong Kong dollar.

As of 31 December 2013, the Group had inventory turnover days[#] of 99 days (2012: 100 days). The Group's return on equity ratio for the period under review was 19% (2012: 9%).

[#] *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 2013.

HUMAN CAPITAL

The Group employed 2,500 (30 June 2013: 2,700) full-time equivalent employees in Hong Kong, Macau, mainland China, Taiwan and Singapore as of 31 December 2013.

The Group is committed to attracting, developing and retaining talented employees, providing a dynamic career and a positive working environment. To this end, we invest in regular training and offer a performance-based remuneration package, which includes a discretionary bonus, share options, and comprehensive benefits including insurance and retirement schemes.

At Group level, we have made a conscious effort to develop and cultivate the "bossini way", which comprises our vision, mission and core values. Combined with the "7 Habits®" and "7 Practices" of Bossini, these principles help guide the organisation as a whole and promote our corporate culture across all levels of the Group.

OUTLOOK

After a protracted and painstaking recession, the global economy finally appears to have reached a turning point with a renewed sense of cautious optimism in 2014. The outlook is more upbeat as high-income countries, particularly the United States and those in the Eurozone, are primed for a pickup in growth and to make an exit from their punishing recessions.

Despite an improved outlook in the west, emerging markets in Asia-Pacific remain lethargic, weighed down by sluggish exports and poor consumer confidence. In this regard, however, fears of an imminent hard landing in mainland China have been overblown. Officials have made it clear that sweeping reforms affecting broad swathes of the economy will be a priority in 2014 as they attempt to rebuild the country's growth fundamentals, boost domestic consumption and reduce reliance on exports and heavy investments in infrastructure. While these measures may help to foster domestic consumption, sustainable growth and a mixed-ownership economy in the long term, the short term impact remains a concern upon implementation.

Throughout the region, the retail environment is still highly competitive as some of the world's renowned brands, sensing an opportunity to capture a share of the Asian consumer's wallet, have been drawn to invest in new markets. We see an increasing number of foreign and local brands expanding their operations, which has increased competition, stifled sales and prolonged the extensive discounting taking place in some markets. Additionally, we foresee that the inventory adjustments and destocking process undertaken by some apparel retailers could linger for some time as apparel retailers cut back on their inventories to reflect the reduction in consumer spending.

The Group is taking active steps to mitigate these challenges. Firstly, the Group intends to continue its targeted expansion into export markets that have been identified as possessing a good potential for growth. Secondly, the Group will persist with initiatives to enhance store productivity, particularly in mainland China and Taiwan. This includes unveiling progressively our new store concept across the region and providing our customers with a memorable and pleasant shopping experience as part of the ongoing enhancement of our brand image. With regards to the Group's sales and marketing initiatives, we will continue to partner with well-known brands to launch co-branded and licensed clothing and merchandise to extend and enhance our brand visibility. Operationally, the Group will maintain its focus on enhancing our supply chain capability to optimise efficiency and agility.

As the Group advances, we recognise and appreciate the enthusiastic, committed efforts of our people – our most important asset – as they drive the growth and profitability of the business. Looking ahead, we will focus on enhancing our "be happy" brand value, competitiveness and attractive range of products. At the same time, we will endeavour to maintain our positive dividend payout ratio above 50% to provide our shareholders with steady returns.

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 of Hong Kong Limited (the "Listing Rules") for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. It has formulated its written terms of reference in accordance with the provisions set out in Appendix 14 – Corporate Governance Code 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 2013. 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.

CORPORATE GOVERNANCE

The Company was in compliance with the code provisions as set out in the CG Code for the six months ended 31 December 2013, 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, all the Directors have complied with the required standard set out in the Model Code, throughout the six months ended 31 December 2013.

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

The interim results announcement and Interim Report for the six months ended 31 December 2013 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 of Hong Kong Limited (www.hkex.com.hk) and despatched to shareholders in due course.

By Order of the Board
TSIN Man Kuen Bess
Chairman

Hong Kong, 25 February 2014

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.