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BOSSINI INTERNATIONAL HOLDINGS LIMITED

堡獅龍國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 592)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

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 2017, together with the comparative figures for the six months ended 31 December 2016, as follows:

Condensed consolidated statement of profit or loss and other comprehensive income

		Six months ended 31 December	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**974,109**	1,021,976
Cost of sales		**(461,939)**	(502,546)
Gross profit		**512,170**	519,430
Other income and gain	*3*	**27,950**	28,815
Selling and distribution expenses		**(393,189)**	(404,244)
Administrative expenses		**(117,611)**	(113,878)
Other operating expenses		**(38,836)**	(10,210)
Profit/(loss) from operating activities		**(9,516)**	19,913
Finance costs	*4*	**(40)**	–
Profit/(loss) before tax	*5*	**(9,556)**	19,913
Income tax expense	*6*	**(2,266)**	(3,009)
Profit/(loss) for the period attributable to owners of the Company		**(11,822)**	16,904

* *For identification purposes only*

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

		Six months ended 31 December	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Change in fair value of an available-for-sale investment		**(585)**	(1,760)
Reclassification adjustment for a foreign operation deregistered during the period		**(831)**	–
Exchange differences on translation of foreign operations		**5,803**	(7,591)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**4,387**	(9,351)
Total comprehensive income/(loss) for the period attributable to owners of the Company		**(7,435)**	7,553
Earnings/(loss) per share attributable to ordinary equity holders of the Company	*8*		
Basic		**(HK0.72 cent)**	HK1.03 cents
Diluted		**(HK0.72 cent)**	HK1.03 cents

Condensed consolidated statement of financial position

	Notes	**At 31 December 2017 (Unaudited)** ***HK$'000***	At 30 June 2017 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**52,116**	52,026
Investment property		**21,195**	22,079
Trademark		**1,164**	1,164
Available-for-sale investment		**232,592**	233,177
Note receivable		**–**	38,775
Deferred tax assets		**12,099**	10,571
Deposits paid		**46,400**	78,035
Total non-current assets		**365,566**	435,827
Current assets			
Inventories		**265,707**	238,587
Debtors	*9*	**82,347**	58,956
Bills receivable		**8,183**	31,031
Deposits paid		**61,280**	28,532
Tax recoverable		**6,189**	6,189
Prepayments and other receivables		**38,326**	37,389
Note receivable		**38,775**	–
Pledged bank deposit		**843**	770
Cash and cash equivalents		**352,905**	395,464
Total current assets		**854,555**	796,918
Current liabilities			
Deferred gain		**23,333**	23,333
Trade creditors, other payables and accruals	*10*	**214,846**	190,611
Bills payable		**41,639**	25,878
Tax payable		**4,298**	7,287
Due to related companies		**917**	2,311
Derivative financial instruments		**3,919**	3,294
Total current liabilities		**288,952**	252,714
Net current assets		**565,603**	544,204
Total assets less current liabilities		**931,169**	980,031
Non-current liabilities			
Deferred gain		**9,221**	20,888
Deferred tax liabilities		**1,403**	1,403
Other payables		**814**	2,372
Total non-current liabilities		**11,438**	24,663
Net assets		**919,731**	955,368
Equity			
Issued capital		**163,894**	163,774
Reserves		**755,837**	791,594
Total equity		**919,731**	955,368

Notes to the condensed consolidated interim financial statements

1. Basis of preparation and accounting policies

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

The basis of preparation and accounting policies adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2017, 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 7 Amendments	Amendments to HKAS 7 – *Statement of Cash Flows – Disclosure Initiative*
HKAS 12 Amendments	Amendments to HKAS 12 – *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The adoption of the above revised HKFRSs has had no significant impact on the Group's result 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 and Macau
(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 and tax recoverable 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

An analysis of the Group's revenue and profit/(loss) by geographical segments for the six months ended 31 December 2017, together with the comparative figures for the corresponding period in 2016, is as follows:

	Hong Kong and Macau		Mainland China		Taiwan		Singapore		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	(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	**646,415**	710,863	**171,076**	151,424	**86,663**	79,426	**69,955**	80,263	**974,109**	1,021,976
Other income and gain	**21,234**	20,547	**622**	1,232	**185**	663	**323**	673	**22,364**	23,115
Total	**667,649**	731,410	**171,698**	152,656	**86,848**	80,089	**70,278**	80,936	**996,473**	1,045,091
Segment results	**7,060**	44,306	**(12,592)**	(13,831)	**(5,603)**	(11,100)	**(3,967)**	(5,162)	**(15,102)**	14,213
Interest income									**5,586**	5,700
Profit/(loss) from operating activities									**(9,516)**	19,913
Finance costs									**(40)**	–
Profit/(loss) before tax									**(9,556)**	19,913
Income tax expense									**(2,266)**	(3,009)
Profit/(loss) for the period									**(11,822)**	16,904

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

The following table presents certain asset and liability information for the Group's geographical segments at 31 December 2017, together with the comparative figures at 30 June 2017.

	Hong Kong and Macau		Mainland China		Taiwan		Singapore		Consolidated	
	At 31 December 2017	At 30 June 2017	**At 31 December 2017**	At 30 June 2017	**At 31 December 2017**	At 30 June 2017	**At 31 December 2017**	At 30 June 2017	**At 31 December 2017**	At 30 June 2017
	(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	**890,253**	932,656	**169,192**	174,442	**69,384**	56,191	**73,004**	52,696	**1,201,833**	1,215,985
Unallocated assets									**18,288**	16,760
Total assets									**1,220,121**	1,232,745
Segment liabilities	**227,722**	212,768	**38,032**	32,267	**18,061**	14,437	**10,874**	9,215	**294,689**	268,687
Unallocated liabilities									**5,701**	8,690
Total liabilities									**300,390**	277,377

3. Other income and gain

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**5,586**	5,700
Royalty income	**4,291**	3,674
Gross rental income	**4,155**	4,094
Amortisation of deferred gain	**11,667**	11,667
Others	**2,251**	3,680
	27,950	28,815

4. Finance costs

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loan wholly repayable within five years	**40**	–

5. Profit/(loss) before tax

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

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Provision/(write-back of provision) for inventories	**(10,263)**	1,233
Depreciation	**16,292**	23,397
Fair value losses/(gains), net on derivative financial instruments		
– transactions not qualifying as hedges	**2,774**	(1,954)

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**3,715**	3,748
Overprovision in prior periods	**–**	(321)
Current – Elsewhere		
Charge for the period	**79**	753
Deferred	**(1,528)**	(1,171)
Total tax charge for the period	**2,266**	3,009

7. Dividend

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend declared – HK1.22 cents per ordinary share (2016: Nil)	**19,995**	–
Special interim dividend declared – Nil (2016: HK1.22 cents per ordinary share)	**–**	19,966
	19,995	19,966

The interim dividend of HK$19,995,000 (2016: special interim dividend of HK$19,966,000) for the six months ended 31 December 2017 is calculated based on 1,638,935,394 (2016: 1,636,535,394) shares of the Company in issue.

8. Earnings/(loss) per share attributable to ordinary equity holders of the Company

The calculation of basic loss per share is based on the loss attributable to ordinary equity holders of the Company for the six months ended 31 December 2017 of HK$11,822,000 (2016: profit of HK$16,904,000) and the weighted average number of ordinary shares of 1,638,100,611 (2016: 1,636,535,394) in issue during the period.

The calculation of diluted loss per share is based on the loss attributable to ordinary equity holders of the Company for the six months ended 31 December 2017 of HK$11,822,000 (2016: profit of HK$16,904,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue of 1,638,100,611 (2016: 1,636,535,394) during the period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares of 2,075,820 (2016: 3,083,111) 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 2017 (Unaudited) ***HK$'000***	At 30 June 2017 (Audited) *HK$'000*
Within 1 month	**69,724**	54,250
1 to 2 months	**8,761**	2,672
2 to 3 months	**855**	741
Over 3 months	**3,007**	1,293
	82,347	58,956

10. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK$78,158,000 (30 June 2017: HK$54,680,000).

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

	At 31 December 2017 (Unaudited) *HK$'000*	At 30 June 2017 (Audited) *HK$'000*
Within 1 month	**40,950**	33,318
1 to 2 months	**31,886**	18,433
2 to 3 months	**3,677**	1,325
Over 3 months	**1,645**	1,604
	78,158	54,680

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.22 cents (2016: a special interim dividend of HK1.22 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 20 March 2018. The interim dividend will be paid on or before 4 April 2018.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Thursday, 15 March 2018 to Tuesday, 20 March 2018, 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 Wednesday, 14 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The global economy currently presents a mixed picture, with relatively strong growth in some areas counter-balanced by weak performance in others and below-target inflation in most advanced economies. The medium-term outlook is brighter, however, as growth is projected to continue to rise in emerging market and developing economies, supported by a favourable global financial environment and a concomitant recovery in advanced economies.

The regional picture is particularly encouraging as expansion in mainland China and other parts of Asia remains solid, reflecting the strength of a broad-based upturn that saw global growth reaching its strongest rate since 2011. This cyclical widespread recovery is projected to continue in 2018, aided by favourable financing conditions, generally accommodative policies, improved confidence and the dissipating impact of the earlier commodity price collapse.

Mainland China is spearheading this long-overdue regional expansion, its economy having grown in 2017 – courtesy of extensive public infrastructure investment and a solid lift in foreign trade following two years of decline. Mainland China's economy is predicted to grow further as consumption demand is expected to remain steady, and the burgeoning hi-tech sectors are expected to solidify their resurgence.

Hong Kong's apparel retailing industry seemed to have bottomed out by the end of 2017, after shrinking for consecutive years, hurt by the general economic downturn and changes in tourist consumption patterns.

Nonetheless, various downside risks remain evident, including geopolitical tensions, sudden capital outflows, policy indecisiveness and a sharp adjustment in mainland China.

The decrease in profit attributable to owners was mainly due to the decrease in the profit derived from the retail and export franchising business in Hong Kong and Macau segment, which was a result of the continuously weak and competitive apparel retailing environment and foreign exchange fluctuation. The Group saw 5% decline in overall revenue and 2% decline in same-store sales for the period under review. However, the same-store sales showed a rebound with positive growth in the second quarter of the financial year 2017/18. Gross margin improved by 2% points to 53% due to effective sales and marketing strategies. The performance of the mainland China market and the Taiwan market was improving with positive growth in same-store sales. The Group's export franchising business added 5 stores net during the first half of the financial year 2017/18, with footprint across 25 countries.

Financial Performance

The Group's revenue for the six months ended 31 December 2017 fell by 5% to HK$974 million (2016: HK$1,022 million). Gross profit slipped 1% to HK$512 million (2016: HK$519 million). Gross margin climbed to 53% (2016: 51%).

The Group recorded an operating loss of HK$10 million (2016: profit of HK$20 million) and an operating margin of negative 1% (2016: positive 2%). Loss for the period attributable to owners was HK$12 million (2016: profit of HK$17 million), while basic loss per share was HK0.72 cent (2016: basic earnings per share of HK1.03 cents).

As of 31 December 2017, the Group's cash and bank balances stood at HK$354 million (2016: HK$431 million), with net cash position of HK$354 million (2016: HK$431 million). Also, the Group held an investment fund of HK$233 million (2016: HK$231 million) and a note receivable of HK$39 million (2016: HK$39 million). The inventory turnover days improved to 105 days (2016: 113 days).

Operating Efficiencies

During the period under review, the Group has weathered economic backlash due to the mainland China government's "one trip per week" policy, more in-depth travel instead of retail shopping and changes in tourist consumption patterns. These unfavourable factors brought about a reduction in in-store consumption and hence affected our retail sales in Hong Kong and Macau, which accounted for over 50% of the Group's consolidated revenue.

Same-store sales in Hong Kong and Macau and Singapore declined by 4% (2016: 6% decline) and 8% (2016: 8% decline) respectively. Same-store sales in mainland China and Taiwan recorded 9% growth (2016: 2% decline) and 5% growth (2016: 2% decline) respectively. The Group's overall same-store sales slipped by 2% (2016: 6% decline).

As of 31 December 2017, the total net retail floor area for directly managed stores remained flat at 366,400 sq. ft. (2016: 366,700 sq. ft.). Sales per sq. ft. fell 5% to HK$4,100 (2016: HK$4,300). The Group's operating expenses for the period under review accounted for 56% (2016: 52%) of the total revenue.

The following table provides a breakdown of the operating expenses of the Group:

Operating Expenses Analysis

	For the six months ended 31 December				
	2017		2016		
	HK$ million	**% of revenue**	HK$ million	% of revenue	**Change (%)**
Revenue	**974**	**100%**	1,022	100%	**–5%**
Selling and distribution expenses	**393**	**40%**	404	40%	**–3%**
Administrative expenses	**118**	**12%**	114	11%	**+3%**
Other operating expenses	**39**	**4%**	10	1%	**+280%**
Total operating expenses	**550**	**56%**	528	52%	**+4%**

BUSINESS REVIEW

Distribution Network

As of 31 December 2017, the Group had a presence in 29 countries and regions around the world and the total number of stores was 940 (30 June 2017: 940). The number of directly managed stores slightly decreased to 282 (30 June 2017: 284), while the number of franchised stores was 658 (30 June 2017: 656).

The Hong Kong and Macau market remained the Group's core market and major contributor to the total revenue. Another new local store lifted the overall total number of stores to 41 (30 June 2017: 40) as of 31 December 2017. The export franchising business added 5 stores net to the global network, bringing to a total of 656 (30 June 2017: 651) stores across 25 countries.

The number of stores in mainland China was 166 (30 June 2017: 168), which comprised 164 (30 June 2017: 163) directly managed stores and 2 (30 June 2017: 5) franchised stores. The Group consolidated non-performing stores in Taiwan and Singapore, reducing the numbers of stores in these two regions to 61 (30 June 2017: 63) and 16 (30 June 2017: 18) respectively.

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

	31 December 2017		30 June 2017	
	Directly managed stores	**Franchised stores**	Directly managed stores	Franchised stores
Hong Kong and Macau	**41**	**–**	40	–
Mainland China	**164**	**2**	163	5
Taiwan	**61**	**–**	63	–
Singapore	**16**	**–**	18	–
Other countries and regions	**–**	**656**	–	651
Total	**282**	**658**	284	656

Marketing and Branding

The Group marked its 30th anniversary celebrations by increasing the number of marketing campaign as part of the extensive promotion of its "be happy" core brand value.

The Group's 30th anniversary celebration programme featured the first-in-the-market "stretch seamless down" starring renowned Korea longboard KOL Ko Kyojoo. The programme had not only rejuvenated our brand image, but also given customers a pleasant surprise – it was well received among younger generations, which was in line with our strategy to expand the young adult market segment.

Our positive "be happy" brand philosophy to life and living is evident throughout the extensive range of quality everyday apparels and associated accessories, which have become our competitive advantage in the casual apparel industry.

During the period under review, the Group continued to launch the "on-the-go" collection to ride on the athleisure trend, which has raised our profile among customers. This ongoing product development programme has led the Group's customers and business partners to continue benefitting from the self-explanatory "be happy" brand philosophy, which fully reflects the Group's ethos.

Co-branded and Licensed Products

Bright, cheerful and easily recognisable co-branded and licensed products have long been a staple element of the Group's various product portfolio, and its latest collections are proving no exception.

The comical and whimsical *bossini x Emoji* collection featured many of the iconic emojis which are widely used around the globe. Fun emoji trivia guaranteed to brighten any garment included denim jackets, sweatshirts, tunics and pants.

The Group collaborated with a popular messaging app, LINE, in October 2017 to launch the *bossini x LINE FRIENDS* collection which featured the ever-popular LINE FRIENDS characters Brown, Cony and Choco. The apparel for men, women and kids included the matching family graphic tees, sweaters and jackets, as well as on-the-go items such as foldable tote bags, neck pillows and fleece blankets.

These collections have generated an enthusiastic response and encouraged the continued development of the fun-filled clothing that inevitably enhanced the "be happy" core brand value.

Operational Performance by Market

The Group's Hong Kong and Macau segment continued to be the major source of revenue during the period under review. The retail and export franchising business in Hong Kong and Macau contributed 66% (2016: 69%) of the total revenue. For other regions, mainland China accounted for 18% (2016: 15%) of the total revenue, while Taiwan and Singapore provided 9% (2016: 8%) and 7% (2016: 8%).

The Group's total revenue and overall sales per sq. ft. both slipped by 5% to HK$974 million (2016: HK$1,022 million) and HK$4,100 (2016: HK$4,300) respectively.

Hong Kong and Macau

Led by the brisk expansion of private consumption that flowed from a favourable employment and income scenario, domestic demand was similarly stimulated, which showed steady expansion. As a result, Hong Kong's retail industry appeared to have finally turned the corner after three years of decline. There are encouraging signs of a gradual, ongoing recovery in the overall number of visitors and bode well for a sustained increase in the year ahead.

However, mainland China's "one trip per week" policy, more in-depth travel instead of retail shopping, and changes in tourist spending patterns continued to affect the revenue generated from mainland China visitors.

Total revenue for the segment, which included retail and export franchising business, was HK$646 million (2016: HK$712 million), representing a 9% decrease. For the retail business, same-store sales declined by 4% (2016: 6% decline). Total net retail floor area in Hong Kong and Macau remained steady at 125,800 sq. ft. (2016: 126,600 sq. ft.), while sales per sq. ft. slipped 5% to HK$7,600 (2016: HK$8,000). The number of the directly managed stores was 41 (30 June 2017: 40). Operating profit was HK$12 million (2016: HK$49 million) and the operating margin was 2% (2016: 7%).

The Group continued to expand internationally during the period under review, bringing the number of export franchised stores up to 656 (30 June 2017: 651) across 25 countries.

Mainland China

Mainland China experienced an increase in revenue by 13% to HK$171 million (2016: HK$151 million). Same-store sales recorded a 9% growth (2016: 2% decline). Sales per sq. ft. remained flat at HK$1,900 (2016: HK$1,900). Total net retail floor area increased by 9% to 147,000 sq. ft. (2016: 134,400 sq. ft.). There were 166 (30 June 2017: 168) stores in total, including 164 (30 June 2017: 163) directly managed stores and 2 (30 June 2017: 5) franchised stores. Operating loss was HK$12 million (2016: HK$13 million), and the operating margin was negative 7% (2016: negative 9%).

Taiwan

Total revenue in Taiwan rose 10% to HK$87 million (2016: HK$79 million). The sales per sq. ft. went up significantly by 17% to HK$2,100 (2016: HK$1,800) even as total net retail floor area slipped 10% to 69,400 sq. ft. (2016: 76,900 sq. ft.). Same-store sales recorded 5% growth (2016: 2% decline). The Group continued to divest the non-performing stores in the region and reduce the number of directly managed stores to 61 (30 June 2017: 63). Operating loss was HK$6 million (2016: HK$11 million), and the operating margin was negative 7% (2016: negative 14%).

Singapore

The revenue of Singapore market slipped 13% to HK$70 million (2016: HK$80 million). Same-store sales recorded 8% decline (2016: 8% decline). Total net retail floor area declined 16% to 24,200 sq. ft. (2016: 28,800 sq. ft.). Sales per sq. ft. decreased by 2% to HK$5,400 (2016: HK$5,500), while the number of directly managed stores was reduced to 16 (30 June 2017: 18) as the consolidation of non-performing stores continued. Operating loss was HK$4 million (2016: HK$5 million), and the operating margin was negative 6% (2016: negative 6%).

Liquidity and Financial Resources

As of 31 December 2017, the Group remained in a solid financial position with cash and bank balances stood at HK$354 million (2016: HK$431 million) and net cash balance was HK$354 million (2016: HK$431 million). The current ratio stood at 2.96 times (2016: 2.72 times) with a total liabilities to equity ratio of 33% (2016: 38%).

No bank borrowings were recorded (2016: Nil) as of 31 December 2017 and the gearing ratio determined by bank borrowings divided by total equity was nil (2016: Nil), reflecting a prudent financial strategy and also conscientious risk management.

The Group has investments and operations in countries that use currencies other than United States and Hong Kong dollar, and therefore mitigates its foreign currency risk by entering into forward currency contracts to reduce exposure to exchange rate fluctuations in material transactions denominated in those currencies.

Inventory turnover days[#] was reduced to 105 days (2016: 113 days) as of 31 December 2017 as supply chain refinements were implemented. The return on equity ratio was negative 3% (2016: positive 3%) during the period under review.

[#] *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 2017.

Human Capital

As of 31 December 2017, the Group employed 2,200 (30 June 2017: 2,100) full-time equivalent employees in Hong Kong and Macau, mainland China, Taiwan and Singapore.

We maintained a policy of developing, training and retaining talented employees within the Group, and offered rewarding careers in a positive working environment. Throughout the period under review, we offered regular training programmes, including the "7 Habits®" and the "7 Practices" courses. These two programmes define our vision, mission and core values in the "bossini way" and help to guide our operations and anchor our corporate culture across all levels.

We also continued to remunerate employees based on performance, including discretionary bonuses, share options and wide-ranging employee benefits such as insurance and retirement schemes.

OUTLOOK

The global outlook is expected to improve markedly with a forecasted global economic growth in 2018 after a much stronger-than-expected 2017. The recovery in investment, manufacturing, and trade that made 2017 the strongest economic year since 2011 is expected to continue as an ongoing recovery in emerging market and developing economies more than offsets a slight moderation in advanced economies and other downside risks include the possibility of financial stress, increased protectionism, and rising geopolitical tensions.

Mainland China's economy is expected to cool this year as the government tightens policies to combat a variety of financial, environmental and social problems. The authority has signalled less emphasis on growth to shift focus to cracking down on financial risk, pollution and poverty in the coming years. The country's strong growth in 2017 has given policymakers a perfect window to accelerate debt reduction, which is likely to come at the cost of slower Gross Domestic Product growth in the near term but will improve mainland China's long-term economic prospects.

Hong Kong retail sales have already accelerated to show appreciable year-on-year growth, reflecting the visible increase in visitor arrivals and optimistic consumer sentiment during the period under review. The near-term outlook for Hong Kong retail sales thus remains broadly positive as consumer sentiment is buttressed by the favourable employment and income situation and the continued recovery of inbound tourism.

In view of the positive growth in same-store sales in the second quarter of the financial year 2017/18 in Hong Kong and Macau, mainland China and Taiwan, the Group is in hope of having rebound in the financial performance.

The Group will accelerate several initiatives, including launching more products with a focus on functionality, expanding market share for young adults, continuing its focus on the mainland China market, where the healthy increase in revenue and its e-commerce platform offered high potential for further development. In addition, the Group will also nurture growing and promising export markets, further develop the kids' line, strengthen supply chain management to increase operational efficiencies, continue to launch co-branded and licensing programmes and develop a new generation of shop concept to enhance branding and encourage traffic flow.

Close and constant control of these essential business elements coupled with a remitting focus on the steady development of existing and new markets will ensure the Group's enjoyment of a successful and profitable future.

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 2017. The Audit Committee comprises three Independent Non-executive Directors of the Company, namely Ms. LEUNG Mei Han, Mr. CHEONG Shin Keong and Prof. SIN Yat Ming.

CORPORATE GOVERNANCE

The Company was in compliance with the code provisions as set out in the CG Code for the six months ended 31 December 2017, except for the following deviation:

– 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.

Currently, there are four Board committees, namely, Audit Committee, Remuneration Committee, Nomination Committee and Management Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry with the Company's Directors, all the Directors have complied with the required standard set out in the Model Code, throughout the six months ended 31 December 2017.

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

The interim results announcement for the six months ended 31 December 2017 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 interim report for the six months ended 31 December 2017 of the Company, containing information required by the Listing Rules, will be despatched to shareholders and published on the above websites in due course.

By Order of the Board
TSIN Man Kuen Bess
Chairman

Hong Kong, 21 February 2018

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. CHEONG Shin Keong, Ms. LEUNG Mei Han and Prof. SIN Yat Ming.