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 2007

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 2007, together with the comparative figures for the six months ended 30 September 2006.

The financial year end date of the Company has been changed from 31 March to 30 June since the financial period 2006/07 (for details, please refer to the Company's announcement of 7 February 2007). Accordingly, this set of interim results covers the six-month period from 1 July 2007 to 31 December 2007. Due to differences in seasonal consumption patterns, the comparative amounts for the condensed consolidated income statement and related notes which covered the six months ended 30 September 2006 may not be entirely comparable.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Six months ended 31 December 2007 (Unaudited)**	Six months ended 30 September 2006 (Unaudited)
		HK$'000	*HK$'000*
Revenue	2	**1,158,926**	969,982
Cost of sales		**(579,429)**	(505,801)
Gross profit		**579,497**	464,181
Other income and gains	3	**5,313**	5,271
Selling and distribution costs		**(389,229)**	(328,197)
Administrative expenses		**(124,595)**	(106,277)
Other operating expenses		**(17,254)**	(16,382)
Profit from operating activities		**53,732**	18,596
Finance costs	4	**(897)**	–
Profit before tax	5	**52,835**	18,596
Tax	6	**(12,367)**	(12,184)
Profit for the period attributable to equity holders of the Company		**40,468**	6,412
Dividend per share		**–**	–
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic		**HK2.56 cents**	HK0.41 cent
Diluted		**HK2.54 cents**	HK0.40 cent

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 31 December 2007 (Unaudited) HK$'000	At 30 June 2007 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**173,976**	176,349
Trademark		**1,164**	1,164
Deferred tax assets		**1,594**	1,774
Deposits paid		**58,564**	61,042
Total non-current assets		**235,298**	240,329
Current assets			
Inventories		**412,160**	306,318
Debtors	8	**90,727**	70,706
Bills receivable		**3,223**	5,753
Deposits paid		**31,644**	25,367
Prepayments and other receivables		**60,782**	62,406
Derivative financial instruments		**–**	60
Tax recoverable		**107**	2,271
Pledged bank deposits		**792**	786
Cash and cash equivalents		**247,688**	131,526
Total current assets		**847,123**	605,193
Current liabilities			
Trade creditors and accruals	9	**254,170**	184,786
Bills payable		**47,336**	23,450
Tax payable		**35,713**	29,802
Due to related companies		**29,454**	19,558
Derivative financial instruments		**–**	914
Interest-bearing bank loans		**80,728**	–
Provisions		**6,628**	6,628
Total current liabilities		**454,029**	265,138
Net current assets		**393,094**	340,055
Total assets less current liabilities		**628,392**	580,384
Non-current liabilities			
Provisions		**1,136**	1,233
Deferred tax liabilities		**2,543**	2,594
Total non-current liabilities		**3,679**	3,827
Net assets		**624,713**	576,557
Equity			
Issued capital		**158,492**	157,458
Reserves		**466,221**	419,099
Total equity		**624,713**	576,557

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and changes in 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 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 15 months ended 30 June 2007, 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 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the above new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements.

2. **Segment information**

An analysis of the Group's revenue and profit/(loss) by business segment is not presented as the Group's revenue and results are predominantly derived from the retailing and distribution of garments.

An analysis of the Group's revenue and profit/(loss) by geographical segment for the six months ended 31 December 2007, together with the comparative figures for the six months ended 30 September 2006, is as follows:

	Hong Kong		**Mainland China**		**Taiwan**		**Singapore & Malaysia**		**Consolidated**	
	Six months ended 31 December 2007 (Unaudited)	Six months ended 30 September 2006 (Unaudited)	**Six months ended 31 December 2007 (Unaudited)**	Six months ended 30 September 2006 (Unaudited)	**Six months ended 31 December 2007 (Unaudited)**	Six months ended 30 September 2006 (Unaudited)	**Six months ended 31 December 2007 (Unaudited)**	Six months ended 30 September 2006 (Unaudited)	**Six months ended 31 December 2007 (Unaudited)**	Six months ended 30 September 2006 (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	**640,472**	511,685	**235,991**	201,629	**149,240**	167,054	**133,223**	89,614	**1,158,926**	969,982
Other income and gains	**1,559**	1,417	**837**	315	**867**	1,081	**69**	33	**3,332**	2,846
Total	**642,031**	513,102	**236,828**	201,944	**150,107**	168,135	**133,292**	89,647	**1,162,258**	972,828
Segment results	**67,722**	52,269	**(6,870)**	(12,617)	**(9,840)**	(20,899)	**739**	(2,582)	**51,751**	16,171
Interest income									**1,981**	2,425
Profit from operating activities									**53,732**	18,596
Finance costs									**(897)**	–
Profit before tax									**52,835**	18,596
Tax									**(12,367)**	(12,184)
Profit for the period									**40,468**	6,412

3. **Other income and gains**

	Six months ended 31 December 2007 (Unaudited)	Six months ended 30 September 2006 (Unaudited)
	HK$'000	*HK$'000*
Interest income	**1,981**	2,425
Claims received	**420**	880
Royalty income	**1,101**	19
Gross rental income	**133**	989
Others	**1,678**	958
	5,313	5,271

4. **Finance costs**

	Six months ended 31 December 2007 (Unaudited) *HK$'000*	Six months ended 30 September 2006 (Unaudited) *HK$'000*
Interest on bank loans wholly repayable within five years	**897**	–

5. **Profit before tax**

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

	Six months ended 31 December 2007 (Unaudited) *HK$'000*	Six months ended 30 September 2006 (Unaudited) *HK$'000*
Inventory provision/(write-back of inventory provision)	**(1,654)**	15,029
Depreciation	**37,655**	28,290
Impairment losses of property, plant and equipment charged to the consolidated income statement	**4,056**	–
Fair value losses/(gains) on derivative financial instruments		
– transactions not qualifying as hedges, net	**935**	(1,216)

6. **Tax**

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 September 2006: 17.5%) 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, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 31 December 2007 (Unaudited) *HK$'000*	Six months ended 30 September 2006 (Unaudited) *HK$'000*
Current – Hong Kong		
Charge for the period	**12,527**	9,269
Current – Elsewhere		
Charge for the period	**1,554**	3,090
Overprovision in prior periods	**(1,893)**	–
Deferred	**179**	(175)
Tax charge for the period	**12,367**	12,184

7. **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 ordinary equity holders of the Company for the six months ended 31 December 2007 of HK$40,468,000 (six months ended 30 September 2006: HK$6,412,000), and the weighted average of 1,582,411,144 (six months ended 30 September 2006: number of ordinary shares of 1,568,911,394) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity holders of the Company for the six months ended 31 December 2007 of HK$40,468,000 (six months ended 30 September 2006: HK$6,412,000). The number of ordinary shares used in the calculation is the weighted average of 1,582,411,144 (six months ended 30 September 2006: number of ordinary shares of 1,568,911,394) ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of 12,860,533 (six months ended 30 September 2006: 32,047,785) ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

8. **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 balance sheet date, based on invoice date, is as follows:

	At 31 December 2007 (Unaudited)	At 30 June 2007 (Audited)
	HK$'000	*HK$'000*
0 to 30 days	**72,315**	47,743
31 to 60 days	**15,094**	15,421
61 to 90 days	**1,014**	4,087
Over 90 days	**2,304**	3,455
	90,727	70,706

9. Trade creditors and accruals

Included in trade creditors and accruals is a trade creditors balance of HK$73,558,000 (30 June 2007: HK$47,584,000).

An aged analysis of trade creditors as at the balance sheet date, based on invoice date, is as follows:

	At 31 December 2007 (Unaudited) ***HK$'000***	At 30 June 2007 (Audited) *HK$'000*
0 to 30 days	**52,444**	43,013
31 to 60 days	**15,657**	2,894
61 to 90 days	**3,257**	933
Over 90 days	**2,200**	744
	73,558	47,584

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend (2006: Nil) for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

The financial year end date of the Company has been changed from 31 March to 30 June since the financial period 2006/07 (for details, please refer to the Company's announcement of 7 February 2007). Accordingly, this set of interim results covers the six-month period from 1 July 2007 to 31 December 2007. Please note that the financial data of the previous interim reporting period, i.e., from 1 April 2006 to 30 September 2006, may not fully reflect the Group's business performance change on a year-on-year basis due to differences in seasonal consumption patterns.

Financial Performance

Overall the economy across the region improved in the year 2007, which gave a boost to consumer spending. Nevertheless, competition in the mass apparel market intensified with an increasing number of international players establishing their presence in regional markets. Retailers also experienced the continual impact of escalating production, rental and overhead costs, which instilled pressure on operating profit.

During the period under review, the Group's sales regained growth momentum with encouraging performance in franchise and retail business with same store sales growth across most core markets. In addition to a better economic environment which provided a good base for a rebound, improvements were attributable to four other major factors: (1) The launch of a more competitive collection for 2007, based on trendier designs and enhanced merchandise, (2) The broadening of product offerings that appeal to a larger group of customers, especially the young line "Yb", (3) Improved retail operational productivity, and (4) The brand revamp programme.

Revenue for the six months ended 31 December 2007 was up 19%, reaching HK$1,159 million compared to the previous interim reporting period (2006: HK$970 million). Gross profit for the period increased 25% to HK$579 million (2006: HK$464 million). Gross margin rose by 2 percentage points to 50% (2006: 48%). Operating profit and operating margin were HK$54 million (2006: HK$19 million) and 5% (2006: 2%), respectively. Profit for the period attributable to equity holders was HK$40 million (2006: HK$6 million).

Operating Efficiencies

Overall same store sales of the Group recorded growth of 4% compared to a decline of 9% in the reporting period in 2006. Net sales per sq. ft. of retail space increased by 17% to HK$2,800 (2006: HK$2,400).

The Group achieved a 2-percentage-point gross margin expansion during the period under review. This is attributable to enhancement in product mix following the introduction of new product lines in early 2007. In addition, the Group continued to strengthen its product design and offering by increasing the frequency of new product rollouts from 8 collections to 12 collections a year. Quantities of each design were also reduced to enable higher flexibility in addressing market needs and therefore reducing the need for season-end stock clearance discounts.

The Group's operating expenses for the period under review reached HK$531 million (2006: HK$451 million), or 46% (2006: 46%) of the total revenue. With costing pressure from constantly escalating rental and other operating expenses, the Group was able to maintain its operating expenses as a percentage of revenue at the same level as the previous reporting period through effective cost control.

Operating Cost Analysis

	For the 6 months ended 31 December 2007		For the 6 months ended 30 September 2006		
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	*Change (%)*
Revenue	**1,159**	**100%**	970	100%	+19%
Selling and distribution costs	**389**	**34%**	328	34%	+19%
Administrative expenses	**125**	**11%**	106	11%	+17%
Other operating expenses	**17**	**1%**	17	1%	+5%
Total operating expenses	**531**	**46%**	451	46%	+18%

Business Review

Network Expansion

The Group operated on a global platform, with the "bossini" footprint in close to 30 countries and regions through directly managed and franchising outlets. Its core markets included Hong Kong, Mainland China, Taiwan, Singapore and Malaysia.

During the six months ended 31 December 2007, the Group entered 6 new markets through export franchising. As at 31 December 2007, the Group operated 1,094 outlets (2006: 1,086) globally. Of these, 534 outlets were managed directly (2006: 552), while 560 were franchised (2006: 534). The total retail floor space of the Group reached 658,400 sq. ft. at 31 December 2007 (2006: 653,900 sq. ft.). Store composition by types and geographical locations are detailed as below:

	At 31 December 2007		At 30 September 2006	
	Directly managed outlets	**Franchised outlets**	Directly managed outlets	Franchised outlets
Hong Kong	**42**	**–**	37	–
Mainland China	**358**	**194**	366	239
Taiwan	**87**	**–**	113	–
Singapore	**33**	**–**	28	–
Malaysia	**14**	**–**	8	–
Other countries	**–**	**366**	–	295
Total	**534**	**560**	552	534

Regional Performance Analyses

	Hong Kong			Mainland China			Taiwan			Singapore			Malaysia			Total		
	For the six months ended 31 December 2007	For the six months ended 30 September 2006	Change	**For the six months ended 31 December 2007**	For the six months ended 30 September 2006	Change	**For the six months ended 31 December 2007**	For the six months ended 30 September 2006	Change	**For the six months ended 31 December 2007**	For the six months ended 30 September 2006	Change	**For the six months ended 31 December 2007**	For the six months ended 30 September 2006	Change	**For the six months ended 31 December 2007**	For the six months ended 30 September 2006	Change
Retail																		
Net retail sales (in HK$ million)	**424**	342	+24%	**182**	139	+31%	**149**	167	-11%	**115**	86	+34%	**18**	4	+350%	**888**	738	+20%
Operating profit/(loss) (in HK$ million)	**19**	8	+138%	**(14)**	(19)	+26%	**(10)**	(20)	+50%	**2**	(2)	+200%	**(1)**	(1)	0%	**(4)**	(34)	+88%
Operating margin (%)	**4%**	2%	+2%pts	**–8%**	–14%	+6%pts	**–7%**	–12%	+5%pts	**2%**	–2%	+4%pts	**–6%**	–25%	+19%pts	**0%**	–5%	+5%pts
Retail floor area (sq. ft.) [a]	**152,200**	131,600	+16%	**318,800**	309,500	+3%	**130,400**	173,600	-25%	**36,700**	30,200	+22%	**20,300**	9,000	+126%	**658,400**	653,900	+1%
Net sales per sq. ft. (in HK$) [b]	**5,600**	5,700	-2%	**1,200**	900	+33%	**2,300**	1,900	+21%	**6,400**	5,700	+12%	**2,000**	1,200	+67%	**2,800**	2,400	+17%
Same store sales growth [c]	**6%**	–6%	+12%pts	**2%**	–9%	+11%pts	**2%**	–15%	+17%pts	**–1%**	–12%	+11%pts	**20%**	n/a	n/a	**4%**	–9%	+13%pts
No. of outlets	**42**	37	+5	**358**	366	-8	**87**	113	-26	**33**	28	+5	**14**	8	+6	**534**	552	-18
Franchise																		
Sales (in HK$ million)	**199**	158	+26%	**52**	47	+11%	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**251**	205	+22%
Operating profit (in HK$ million)	**60**	47	+28%	**9**	5	+80%	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**69**	52	+33%
Operating margin (%)	**30%**	30%	0%pt	**17%**	11%	+6%pts	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**27%**	25%	+2%pts
No. of outlets	**366**	295	+71	**194**	239	-45	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**560**	534	+26
Regional total																**Consolidated**		
Sales (in HK$ million)	**640**	511	+25%	**237**	202	+17%	**149**	167	-11%	**115**	86	+34%	**18**	4	+350%	**1,159**	970	+19%
Operating profit/(loss) (in HK$ million)	**70**	54	+30%	**(7)**	(12)	+42%	**(10)**	(20)	+50%	**2**	(2)	+200%	**(1)**	(1)	0%	**54**	19	+189%
Operating margin (%)	**11%**	11%	0%pt	**–3%**	–6%	+3%pts	**–7%**	–12%	+5%pts	**2%**	–2%	+4%pts	**–6%**	–25%	+19%pts	**5%**	2%	+3%pts
No. of outlets	**42**[d]	37[d]	+5	**552**	605	-53	**87**	113	-26	**33**	28	+5	**14**	8	+6	**1,094**	1,086	+8

Notes:

(a) As at period end

(b) On weighted average basis

(c) Same store sales growth is the comparison of sales of the same stores having full month operations in comparable periods (no comparison for Malaysia in financial year 2006/07 as the operation in financial year 2005/06 was not on a full year term)

(d) No. of export franchised outlets is not included (31 December 2007: 366 outlets, 30 September 2006: 295 outlets)

Launch of New Product Lines

Following the launch of its brand revamp programme, the Group continued to implement innovative marketing campaigns to refresh customers' awareness about new attributes surrounding the "bossini" brand as well as new product lines and licensed products penetrating into different market segments. Three new product lines – Maternity, Baby, and the Young line "Yb", launched in early 2007, received encouraging market response.

In the fall/winter 2007 collections, the Group introduced a brand-new limited edition "bossini X M&M's" crossover series, which had drawn wide attention in Hong Kong, Taiwan, Singapore, and Malaysia and was proven to be a success from customer feedback.

Key Operational Breakdown Analysis

The Group operated on a global platform with core markets located in Hong Kong, Mainland China, Taiwan, Singapore and Malaysia.

During the financial period under review, Hong Kong remained the major revenue contributor, accounting for 55% (2006: 53%) of the Group's consolidated revenue. This was followed by Mainland China, Taiwan, Singapore and Malaysia, which accounted for 20% (2006: 21%), 13% (2006: 17%), 10% (2006: 9%) and 2% (2006: 0%), respectively, of the Group's consolidated revenue.

Hong Kong

Revenue from Hong Kong comprises retail sales and export franchising. During the period under review, revenue generated from Hong Kong rose 25% to HK$640 million (2006: HK$511 million). The retail and export franchising businesses accounted for 37% and 17% (2006: 36% and 16%), respectively, of the Group's total revenue. The overall operating profit from Hong Kong was HK$70 million (2006: HK$54 million). Operating margin was 11% (2006: 11%).

Supported by strong Hong Kong economy, retail sales in Hong Kong grew 24% to HK$424 million (2006: HK$342 million) in the period under review following the successful brand revamp programme launched at the end of March 2007 which rejuvenated the brand and introduced refreshing and inviting store layout and furnishing. The Group continued to strengthen its presence in Hong Kong with the addition of 1 directly managed outlet during the six months ended 31 December 2007, bringing the total number of outlets to 42 on 31 December 2007 (2006: 37). Total retail floor area was 152,200 sq. ft. (2006: 131,600 sq. ft.).

As a result of strong sales performance coupled with increased operating efficiency, same store sales growth was 6% (2006: 6% decline) during the period under review. Operating profit of the retail arm was HK$19 million (2006: HK$8 million). Operating profit margin improved by 2 percentage points to 4% (2006: 2%).

The export franchising business continued to post impressive revenue growth of 26% to HK$199 million (2006: HK$158 million). Operating profit reached HK$60 million (2006: HK$47 million), while operating margin maintained at 30% (2006: 30%).

The Group took two major initiatives in further tapping export franchising opportunities. The young line "Yb" was introduced to export franchisees in the period under review to offer them opportunities to tap the youth segment and to develop a new revenue stream for the Group. In addition, the Group expanded its international footprint and commenced export franchising in South Korea, Egypt, Russia, Romania, Syria and Poland during the period under review. As of 31 December 2007, the Group had a market presence in 26 countries through 366 franchising stores (2006: 295 stores)

Mainland China

The Mainland China market remained one of the world's most lucrative markets driven by strong economic growth and increasing retail consumption. The Group's revenue generated from Mainland China for the period under review reached HK$237 million (2006: HK$202 million). Sales from directly managed outlets and franchising outlets accounted for 16% and 4% (2006: 14% and 5%), respectively, of the Group's total revenue, amounting to HK$182 million and HK$52 million (2006: HK$139 million and HK$47 million), respectively.

Same store sales recorded 2% growth in the period under review (2006: 9% decline). The Group adopted a prudent expansion strategy and focused on enhancing efficiency and improving profitability. In view of the overcrowding conditions in the low-price mass sector, which was burdened with severe competition, the Group continued to realign its retail network and closed a total of 28 directly managed and franchised outlets of "sparkle" outlets during the six months under review. The Group plan is to phase out the remaining 106 "sparkle" outlets which were still in operation as of 31 December 2007 to redeploy resources for the "bossini" and "bossinistyle" brands which have clearly defined market positions and enjoy an edge over their rivals.

With the expectation of continued growth from the "bossini" and "bossinistyle" brands, the Group added 29 directly managed outlets during the six months under review. Summing up the impact from the phase out of "sparkle", the total number of directly managed outlets decreased to 358 (2006: 366), while the number of franchised outlets was reduced to 194 (2006: 239). Total retail floor area was 318,800 sq. ft. (2006: 309,500 sq. ft.).

During the period under review, Mainland China operations posted an operating loss of HK$7 million (2006: HK$12 million loss). The operating margin was negative 3% (2006: negative 6%). Following the phasing out of the "sparkle" brand and the strengthening of the "bossini" brand, the Group expects to see further improvement in Mainland China.

Taiwan

Stagnant economic growth and political instability in Taiwan continued to hinder consumer spending during the financial period under review. The Group retrenched its operations there and closed under-performing stores. The total number of outlets and retail floor area dropped to 87 and 130,400 sq. ft., respectively, as of 31 December 2007 (2006: 113 outlets and 173,600 sq. ft.). Revenue in Taiwan for the period accordingly decreased by 11% to HK$149 million (2006: HK$167 million). Same store sales posted a growth of 2% (2006: 15% decline) as customers were redirected to the remaining stores. A mitigated operating loss amounting to HK$10 million (2006: HK$20 million loss) with operating margin of negative 7% (2006: negative 12%) was recorded for the period under review.

Singapore

Singapore is a relatively mature market characterised by intense competition. Retail sales in Singapore during the period under review increased by 34% to HK$115 million (2006: HK$86 million), while same store sales recorded a marginal decline of 1% (2006: 12% decline).

As at 31 December 2007, the total number of directly managed outlets reached 33 (2006: 28) and the total retail floor area was 36,700 sq. ft. (2006: 30,200 sq. ft.).

The Singapore operations contributed an operating profit of HK$2 million for the financial period under review (2006: HK$2 million loss). Operating margin was 2% (2006: negative 2%).

Malaysia

The Group has been actively expanding its presence in Malaysia since 2006. Sales during the period under review grew at a rapid pace of 350% to HK$18 million (2006: HK$4 million) because market development was still at an early stage with a relatively low base number. An operating loss of HK$1 million (2006: HK$1 million loss) was incurred mainly due to the economies of scale yet to be achieved.

The Group added 3 directly managed retail outlets in Malaysia during the six months under review, bringing the total number to 14 stores (2006: 8).

Liquidity and Financial Resources

At 31 December 2007, the Group's cash and bank balances amounted to HK$248 million (30 June 2007: HK$132 million) and net cash balance of HK$168 million (30 June 2007: HK$132 million). The Group's current ratio stood at a healthy level of 1.87 (30 June 2007: 2.28) and the total liabilities to equity ratio was 73% (30 June 2007: 47%). The Group had bank borrowings of HK$80 million (30 June 2007: Nil) payable within one year.

The Group's inventory turnover days[#] was 65 days (30 June 2007: 54 days) for the period under review.

[#] Inventory held at 31 December 2007 divided by annualised revenue times 365 days

Contingent Liabilities

During the period under review, the Group had no material changes in contingent liabilities since 30 June 2007.

Human Capital

At 31 December 2007, the Group employed full-time staff or equivalent of 4,300 (30 June 2007: 4,300) in Hong Kong, Macau, Mainland China, Taiwan, Singapore and Malaysia. It employs a performance-based and share option remuneration system and offers benefits such as insurance and retirement schemes as well as discretionary performance bonuses.

Outlook

The Group's key objective in the near-term is to achieve sustainable growth momentum in all core markets as the economic conditions improve in a number of countries throughout Asia. The Group will realise this objective through four major strategies:

– To enhance brand image through further implementation of the brand revamp programme in overseas markets and Mainland China

– To enrich the Group's product portfolio

– To strengthen overseas market penetration

– To realign non-performing outlets and strengthen franchise business in Mainland China

The Group has received encouraging market response to the holistic 360 degree brand revamp initiatives since its launch in Hong Kong in March 2007. The programme had been rolled out in phases globally. Implementation was completed in Hong Kong, Taiwan, Singapore and Malaysia during the period under review. For Mainland China and other export franchising markets, completion is scheduled by end of 2008. The management believes that more synergistic effect will be generated along the path and the long-term benefits of this programme will be realised in the coming years.

To increase the core competitiveness of our products, the Group will enrich product offerings on three fronts. For existing product lines we have increased the frequency of new product roll-outs from 8 collections per year to 12 since fall/winter 2007, allowing customers to find fresh and new designs whenever they visit our outlets. Amongst the three new product lines launched in 2007, namely maternity, baby and the young line "Yb", "Yb" received the highest acclaim from customers. The Group is in the midst of considering a rollout of this product line under a separate store identity to fully capture the potential of the youth apparel segment. In addition, the Group will continue to foster large-scale cooperative agreements to launch appealing licensed items with the aim of bolstering our product offerings with new attractions to stimulate demand.

While the outlook for the Hong Kong retail sector looks positive, the rising rental and operating costs are also factors to consider in defining expansion roadmaps. The Group will continue to maintain a pragmatic expansion strategy with strong emphasis on profitability and efficiency. One or two additional stores are in the pipeline in the second half of this fiscal year.

The export franchise business has consistently delivered excellent results. The Group expects to see sustainable growth for this operations segment. The launch of the new young line “Yb” to the export franchising product series has effectively broadened our revenue stream. To date, market response has been encouraging based on what we have seen on the retail front. Our plan is to add at least 5 new countries annually to our export franchising business to further bolster our market presence worldwide.

Fuelled by a rising economy, the Group is optimistic about the growth potential in the Mainland China market and expects to see improvements this fiscal year. The Group would focus its effort on further expanding its franchising business, which includes increasing the number of image/flagship stores. The Group, aiming at growth for both the top line and bottom line, has been very careful in its store expansion activities and has been selective in choosing store locations. The Group plans to add over 20 stores in Mainland China in the second half of this fiscal year, at least two of which will be new flagship stores in major cities developed to radiate their influence to other satellite cities nearby. Meanwhile, it will accelerate the restructuring of the remaining “sparkle” business. We expect some improvement in operating losses in this fiscal year.

Taking advantage of a stabilising political situation in Taiwan, our goal this fiscal year is to minimise loss. The Group plans to maintain the number of outlets at around 88 stores in the second half of this fiscal year. The management is confident that Taiwan operations will improve significantly with reduced losses.

Management expects that Singapore will provide stable performance for the near term and would maintain 33 stores in this fiscal year.

Malaysia’s operations offer a positive outlook. Our focus is to improve productivity and pragmatically expand our network to achieve better operational economies of scale. Two outlets will be added by the end of this fiscal year.

Going forward, the Group is well positioned to reap the benefits of its initiatives in revitalising its brand, enhancing product competitiveness, strengthening its distribution network and increasing operational efficiencies. While the export franchising business will remain our growth engine, management holds a positive view towards retail operations. The Group is committed to delivering sustainable growth in the long run.

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 Practices (the "CG Code") of the Listing Rules. The audit committee has reviewed the unaudited interim financial results for the six months ended 31 December 2007. The audit committee comprises four Independent Non-executive Directors of the Company, namely Mr. LEE Man Chun Raymond, Ms. LEUNG Mei Han, Prof. SIN Yat Ming and Mr. WONG Wai Kay.

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 2007, except for the following deviation:

– The Chairman and the Chief Executive Officer of the Company are not subject to retirement by rotation. The Board considers that the continuity of the Chairman and Chief Executive Officer of the Company and their 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 the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry with the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the interim report.

By Order of the Board
LAW Ka Sing
Chairman

Hong Kong, 19 March 2008

As the date of this announcement, the Board comprises four Executive Directors, namely Mr. LAW Ka Sing, Ms. CHAN So Kuen, Mr. MAK Tak Cheong Edmund and Mr. WONG Yan Sang and four Independent Non-executive Directors, namely Mr. LEE Man Chun Raymond, Ms. LEUNG Mei Han, Prof. SIN Yat Ming and Mr. WONG Wai Kay.