# BOSSINI INTERNATIONAL HOLDINGS LIMITED

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

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

### 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 2009, together with the comparative figures for the six months ended 31 December 2008, as follows:

**Condensed consolidated statement of comprehensive income**

| | | **Six months ended 31 December** | |
|---|---|---|---|
| | | **2009** | 2008 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| **Revenue** | *2* | **1,171,231** | 1,185,600 |
| Cost of sales | | **(571,602)** | (590,784) |
| **Gross profit** | | **599,629** | 594,816 |
| Other income | *3* | **4,737** | 7,949 |
| Selling and distribution costs | | **(394,504)** | (391,205) |
| Administrative expenses | | **(126,301)** | (125,629) |
| Other operating expenses | | **(19,597)** | (27,078) |
| **Profit from operating activities** | | **63,964** | 58,853 |
| Finance costs | *4* | **(2,695)** | (790) |
| **Profit before tax** | *5* | **61,269** | 58,063 |
| Tax | *6* | **(11,214)** | (6,546) |
| **Profit for the period attributable to equity holders of the Company** | | **50,055** | 51,517 |

**Condensed consolidated statement of comprehensive income (continued)**

| | | Six months ended 31 December | |
|---|---|---|---|
| | | **2009** | 2008 |
| | | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| **Other comprehensive income** | | | |
| Exchange realignment | | **(19)** | (3,822) |
| Deferred tax relating to revaluation of leasehold land and buildings | | **47** | 47 |
| Other comprehensive income for the period, net of tax | | **28** | (3,775) |
| **Total comprehensive income for the period, net of tax** | | **50,083** | 47,742 |
| **Dividend per share** | *7* | **HK1.1 cents** | HK1.0 cent |
| **Earnings per share attributable to ordinary equity holders of the Company** | *8* | | |
| Basic | | **HK3.14 cents** | HK3.24 cents |
| Diluted | | **HK3.12 cents** | HK3.24 cents |

**Condensed consolidated statement of financial position**

| | Notes | At 31 December 2009 (Unaudited) HK$'000 | At 30 June 2009 (Audited) HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **126,415** | 178,464 |
| Investment property | | **35,338** | – |
| Trademark | | **1,164** | 1,164 |
| Deferred tax assets | | **3,115** | 3,290 |
| Deposits paid | | **53,773** | 62,967 |
| **Total non-current assets** | | **219,805** | 245,885 |
| **Current assets** | | | |
| Inventories | | **281,497** | 280,987 |
| Debtors | *9* | **82,592** | 55,143 |
| Bills receivable | | **21,934** | 9,783 |
| Deposits paid | | **41,937** | 33,934 |
| Prepayments and other receivables | | **56,845** | 43,250 |
| Tax recoverable | | **–** | 269 |
| Pledged bank deposits | | **1,526** | 1,486 |
| Cash and cash equivalents | | **447,663** | 340,774 |
| **Total current assets** | | **933,994** | 765,626 |
| **Current liabilities** | | | |
| Trade creditors, other payables and accruals | *10* | **225,054** | 185,067 |
| Bills payable | | **29,617** | 4,837 |
| Tax payable | | **44,946** | 50,640 |
| Due to related companies | | **17,954** | 9,206 |
| Derivative financial instruments | | **–** | 3,265 |
| Interest-bearing bank borrowings | | **118,341** | 77,621 |
| Provision | | **6,698** | 6,584 |
| **Total current liabilities** | | **442,610** | 337,220 |
| **Net current assets** | | **491,384** | 428,406 |
| **Total assets less current liabilities** | | **711,189** | 674,291 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **2,583** | 1,531 |
| **Net assets** | | **708,606** | 672,760 |
| **Equity** | | | |
| Issued capital | | **159,625** | 159,392 |
| Reserves | | **531,422** | 497,429 |
| Proposed dividend | | **17,559** | 15,939 |
| **Total equity** | | **708,606** | 672,760 |

## 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 2009, 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 (Revised) | *Presentation of Financial Statements* |
| HKAS 23 (Revised) | *Borrowing Costs* |
| HKAS 27 (Revised) | *Consolidated and Separate Financial Statements* |
| HKAS 32 and HKAS 1 Amendments | Amendments to HKAS 32 – *Financial Instruments: Presentation* and HKAS 1 – *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* |
| HKAS 39 Amendment | Amendment to HKAS 39 – *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* |
| HKFRS 1 and HKAS 27 Amendments | Amendments to HKFRS 1 – *First-time Adoption of HKFRSs* and HKAS 27 – *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* |
| HKFRS 1 (Revised) | *First-time Adoption of HKFRSs* |
| HKFRS 2 Amendments | Amendments to HKFRS 2 – *Share-based Payment – Vesting Conditions and Cancellations* |
| HKFRS 3 (Revised) | *Business Combinations* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 – *Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments* |
| HKFRS 8 | *Operating Segments* |
| HK(IFRIC)-Int 15 | *Agreements for the Construction of Real Estate* |
| HK(IFRIC)-Int 16 | *Hedges of a Net Investment in a Foreign Operation* |
| HK(IFRIC)-Int 17 | *Distribution of Non-cash Assets to Owners* |
| HK(IFRIC)-Int 18 | *Transfer of Assets from Customers* |
| Annual improvement project | *Improvements to HKFRSs 2008* |
| Annual improvement project | *Improvements to HKFRSs 2009* |

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

## 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 2009, together with the comparative figures for the corresponding period in 2008, is as follows:

| | **Hong Kong** | | **Mainland China** | | **Taiwan** | | **Singapore & Malaysia** | | **Consolidated** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **(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 | **642,010** | 687,732 | **273,963** | 234,534 | **129,972** | 138,871 | **125,286** | 124,463 | **1,171,231** | 1,185,600 |
| Other income | **1,351** | 1,748 | **2,356** | 2,956 | **235** | 441 | **14** | 6 | **3,956** | 5,151 |
| Total | **643,361** | 689,480 | **276,319** | 237,490 | **130,207** | 139,312 | **125,300** | 124,469 | **1,175,187** | 1,190,751 |
| **Segment results** | **83,002** | 76,150 | **(8,520)** | (7,755) | **(3,932)** | (12,596) | **(7,367)** | 256 | **63,183** | 56,055 |
| Interest income | | | | | | | | | **781** | 2,798 |
| Profit from operating activities | | | | | | | | | **63,964** | 58,853 |
| Finance costs | | | | | | | | | **(2,695)** | (790) |
| Profit before tax | | | | | | | | | **61,269** | 58,063 |
| Tax | | | | | | | | | **(11,214)** | (6,546) |
| Profit for the period | | | | | | | | | **50,055** | 51,517 |

## 3. Other income

| | Six months ended 31 December | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest income | **781** | 2,798 |
| Claims received | **1,693** | 1,088 |
| Royalty income | **958** | 948 |
| Compensation received | **230** | 771 |
| Gross rental income | **118** | 136 |
| Others | **957** | 2,208 |
| | **4,737** | 7,949 |

## 4. Finance costs

| | Six months ended 31 December | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans wholly repayable within five years | **2,695** | 790 |

## 5. Profit before tax

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

| | Six months ended 31 December | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Provision for inventory | **3,940** | 4,173 |
| Depreciation | **38,708** | 39,292 |
| Fair value gains, net on derivative financial instruments – transactions not qualifying as hedges | **(3,265)** | (4,382) |

## 6. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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, based on existing legislation, interpretations and practices in respect thereof.

| | Six months ended 31 December | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Current – Hong Kong | | |
| Charge for the period | **13,854** | 10,206 |
| Current – Elsewhere | | |
| Charge for the period | **212** | 2,208 |
| Overprovision in prior periods | **(4,127)** | (5,669) |
| Deferred | **1,275** | (199) |
| Tax charge for the period | **11,214** | 6,546 |

## 7. Dividend

| | Six months ended 31 December | |
|---|---|---|
| | **2009** | 2008 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interim dividend – HK1.1 cents (2008: HK1.0 cent) per ordinary share | **17,559** | 15,939 |

## 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 ordinary equity holders of the Company for the six months ended 31 December 2009 of HK$50,055,000 (2008: HK$51,517,000) and the weighted average number of ordinary shares of 1,594,310,622 (2008: 1,588,495,829) 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 2009 of HK$50,055,000 (2008: HK$51,517,000). The weighted average number of ordinary shares used in the calculation is the 1,594,310,622 (2008: 1,588,495,829) ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares of 8,051,297 (2008: 3,906,351) assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

## 9. Debtors

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

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

| | **At 31 December 2009 (Unaudited)** ***HK$'000*** | At 30 June 2009 (Audited) *HK$'000* |
|---|---|---|
| Neither past due nor impaired | **75,171** | 45,681 |
| Less than 1 month past due | **4,594** | 4,824 |
| 1 to 2 months past due | **1,073** | 996 |
| 2 to 3 months past due | **548** | 1,053 |
| Over 3 months | **1,206** | 2,589 |
| | **82,592** | 55,143 |

## 10. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK$66,312,000 (30 June 2009: HK$35,197,000).

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

| | **At 31 December 2009 (Unaudited)** ***HK$'000*** | At 30 June 2009 (Audited) *HK$'000* |
|---|---|---|
| Current | **31,271** | 11,452 |
| 0 to 30 days | **17,602** | 15,618 |
| 31 to 60 days | **10,915** | 3,424 |
| 61 to 90 days | **1,549** | 2,031 |
| Over 90 days | **4,975** | 2,672 |
| | **66,312** | 35,197 |

## INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.1 cents (2008: HK1.0 cent) 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 13 April 2010. The interim dividend will be paid on or before 27 April 2010.

## CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Thursday, 8 April 2010 to Tuesday, 13 April 2010, 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, 7 April 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

The first half of the financial year 2009/10 was a period of mixed challenges for the Group. While the economies in certain Asian and emerging markets have shown signs of recovery, some others are still struggling in the aftermath of the global financial tsunami where consumer confidence has yet to revive.

At the retail level, we maintained a steady growth of business in our major core markets. On the other hand, the negative impact of the financial tsunami still lingers in certain overseas markets, our export franchising businesses have been affected to a certain degree. Nevertheless, the Group's performance and competitiveness have seen slight improvements marked by positive overall same-store sales growth.

Faced with uncertainties in the global marketplace, the Group's focus remained squarely on these strategic initiatives:

1. Maintaining a steady pace of modest expansion mostly through franchising businesses in Mainland China.

2. Enhancing brand value through license programme and promotions of "be happy" brand value.

3. Optimising operational efficiencies particularly in inventory management.

We are pleased to report that these strategies yielded decent results during the first half of the fiscal year under review.

## FINANCIAL PERFORMANCE

The Group's revenue for the six months ended 31 December 2009 recorded a slight decline of 1% and stood at HK$1,171 million (2008: HK$1,186 million). Gross profit margin improved 1% point to 51% (2008: 50%). Operating profit increased 9% to HK$64 million (2008: HK$59 million), while operating profit margin stood at 5% (2008: 5%).

Profit for the period attributable to equity holders was HK$50 million (2008: HK$52 million). Basic earnings per share was HK3.14 cents (2008: HK3.24 cents).

The Group maintained a healthy financial position with an improved net cash balance of HK$331 million as of 31 December 2009 (30 June 2009: HK$265 million), approximately HK$82 million higher than the balance as of 31 December 2008. Cash and bank balances amounted to HK$449 million (30 June 2009: HK$342 million), approximately HK$126 million higher than the balance as of 31 December 2008.

As at 28 February 2010, the Group's net cash balance further increased to HK$495 million, while cash and bank balances rose to HK$577 million.

### Operating Efficiencies

The Group achieved same-store sales growth of 2% (2008: 1% growth) in the period under review, which was mainly attributable to an accelerated 8% same-store sales growth in Hong Kong (2008: 4% growth).

Total retail floor area increased to 735,400 sq. ft. as of 31 December 2009 (2008: 653,300 sq. ft.), a 13% increase or 82,100 sq. ft. higher than those as of 31 December 2008. Overall net sales per sq. ft. for the Group declined 7% to HK$2,500 (2008: HK$2,700). Inventory turnover improved to 44 days (2008: 59 days).

The Group's operating expenses for the six months ended 31 December 2009 accounted for 46% of the Group's revenue (2008: 46%). Here is the breakdown of operating cost:

**Operating Cost Analysis**

| | **For the 6 months ended 31 December** | | | | |
|---|---|---|---|---|---|
| | **2009** | | 2008 | | |
| | **HK$ million** | **% of revenue** | HK$ million | % of revenue | **Change (%)** |
| **Revenue** | **1,171** | **100%** | 1,186 | 100% | **–1%** |
| Selling and distribution costs | **395** | **33%** | 391 | 33% | **+1%** |
| Administrative expenses | **126** | **11%** | 126 | 11% | **+1%** |
| Other operating expenses | **20** | **2%** | 27 | 2% | **–28%** |
| **Total operating expenses** | **541** | **46%** | 544 | 46% | **–1%** |

## BUSINESS REVIEW

### Network Expansion

The Group has presence in 33 countries and regions across the globe. As of 31 December 2009, the Group had a total of 1,335 stores (2008: 1,090), a net increase of 245 stores compared to 31 December 2008. Of these, 592 (2008: 493) were directly managed stores and 743 (2008: 597) were globally franchised stores.

As for international business networks, in light of the prevailing weak market condition, the number of franchised stores dropped by 3 to 433 stores (2008: 436). We remained focused on seeking modest expansion in the Mainland China market during the period under review, to this end the Group added to this market 101 new directly managed stores and 149 franchised stores compared to 31 December 2008.

Following the initial launches in Mainland China, Hong Kong and Singapore markets, new "bossinistyle" shops were opened in Taiwan and Morocco during the period under review.

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

| | **31 December 2009** | | 31 December 2008 | |
|---|---|---|---|---|
| | **Directly managed stores** | **Franchised stores** | Directly managed stores | Franchised stores |
| Hong Kong | **41** | **–** | 42 | – |
| Mainland China | **417** | **310** | 316 | 161 |
| Taiwan | **84** | **–** | 87 | – |
| Singapore | **29** | **–** | 30 | – |
| Malaysia | **21** | **–** | 18 | – |
| Other countries and regions | **–** | **433** | – | 436 |
| **Total** | **592** | **743** | 493 | 597 |

**Marketing and Branding**

The Group has always been focused on innovative marketing activities to strengthen brand value. To further enhance the spirit of our "be happy" brand philosophy, in November 2009 we invited Karena Lam, one of the happiest faces in town, to display our happy winter collection.

**Co-branded and Licensed Products**

The co-branded licensing programme is one of Bossini's strongest brand-building strategies. By working with internationally renowned licensing partners who share common values and target customer groups with Bossini, we aim to bolster our "be happy" brand image and enhance our overall brand awareness.

***bossini x Campbell Soup***

Building on our brand value proposition of "be happy", Bossini rolled out a vintage limited edition of Campbell's Collection across the Asia region in September 2009. This line offers a wide range of colourful tee-shirts for men, ladies, children and babies, featuring pictures of vibrant Campbell Soup cans, tomatoes and other trendy elements. It's a highly attractive collection that appeals to customers of all age groups.

***bossini x Paddington Bear***

Paddington Bear is a famous, cuddly character from England beloved by fans of all ages. Based on this popular character, Bossini launched a line of colourful and cute items starting in November 2009. The *bossini x Paddington Bear* series adopted the classic English "Paddington Bear" icon as the main design motif and the entire line was warmly received by shoppers during the Christmas holiday season.

### Awards and Recognition

Leveraging our widely recognised brand in Hong Kong coupled with our continuing efforts to enhance the overall "bossini" brand image, we once again took top honours at the "TVB Weekly The Most Popular Brand Award 2009 – The Most Popular Apparel Brand" category from TVB Weekly for two consecutive years. It's a ringing testament to our successful business performance over the past several years.

The Group highly respects and values our people. We were awarded "People Developer" by SPRING Singapore, which recognised our team for achieving a respectable level of standards in people development.

### Operational Performance by Markets

Geographically, Hong Kong, which comprises retail and export franchising sales, remained the major revenue contributor to the Group during the period under review, accounting for 55% (2008: 57%) of consolidated revenue. This was followed by Mainland China, Taiwan, Singapore and Malaysia, which accounted for 23% (2008: 20%), 11% (2008: 12%), 9% (2008: 9%) and 2% (2008: 2%), respectively of the Group's overall consolidated revenue.

#### *Hong Kong*

During the period under review, Hong Kong's economy gained steam with consumer sentiment improving and revitalised local consumption power gaining ground. The Group, roots in Hong Kong, capitalised on opportunities and delivered decent retail sales growth. However, it could not offset the sales decline arising from the sluggish export franchising business which for the first time recorded decline after delivering years of solid growth. As a consequence, revenues generated from Hong Kong declined 7% to HK$642 million (2008: HK$687 million).

The total number of directly managed stores and total retail floor area in Hong Kong were 41 stores and 141,700 sq. ft., respectively, as of 31 December 2009 (2008: 42 and 148,600 sq. ft.). Same-store sales achieved a remarkable growth of 8% (2008: 4% growth), while net sales per sq. ft. grew by 9% to HK$6,200 (2008: HK$5,700). Bolstered by satisfactory sales growth, strong brand equity and effective cost controls, operating profit from Hong Kong reached HK$84 million (2008: HK$78 million), with an operating profit margin of 13% (2008: 11%).

#### *Mainland China*

Mainland China today is one of the world's most promising markets, and this is where the Group is focusing its future business development. However, the competitions in Mainland China remained fierce during the period under review. Same-store sales posted a 5% decline (2008: 8% growth), while we saw an improving trend towards the second half of the fiscal year.

The Group entered a new phase of expansion in the Mainland China market following the streamlining of its networks and moves toward strengthening its position over the past couple of years in this lucrative market. As of 31 December 2009, the number of the Group's directly managed stores and franchised stores reached 417 (2008: 316) and 310 (2008: 161) respectively, adding a total of 250 stores year-on-year. Total retail floor area rose to 416,400 sq. ft. (2008: 316,500 sq. ft.). Net sales per sq. ft. during the period under review declined to HK$1,000 (2008: HK$1,200), as the newly added stores needed to go through a pick-up period. As a result, revenue generated from Mainland China increased 17% to HK$274 million (2008: HK$235 million).

The Group further enriched its products offering with the expansion of stand-alone stores for "bossinistyle", "Yb" and the kids line. As of 31 December 2009, the Group had 20 "Yb" directly managed stand-alone stores and 58 stand-alone stores marketing its kids line, of which 6 are directly managed stores and 52 are franchised stores.

Operating loss in the Mainland China market amounted to HK$8 million (2008: HK$7 million loss) with operating margin of negative 3% (2008: negative 3%).

***Taiwan***

Despite an uncertain economy and the political instability, overall performance in the Taiwan market showed considerable improvement subsequent to a series of cost-controlling and restructuring activities. Same-store sales posted a smaller decline of 1% (2008: 10% decline), while net sales per sq. ft. stood at HK$2,200 (2008: HK$2,200).

The Group's total number of stores and total retail floor area in Taiwan were 84 and 116,300 sq. ft. respectively as of 31 December 2009 (2008: 87 stores and 128,500 sq. ft.). The network retraction led to a 6% drop in revenue during the period under review to HK$130 million (2008: HK$139 million).

Operating loss in Taiwan decreased 67% to HK$4 million (2008: HK$12 million loss) while an operating margin of negative 3% was recorded during the period under review (2008: negative 9%).

***Singapore***

The operating environment in Singapore still poses a host of difficulties in the aftermath of the financial tsunami together with the increasingly relentless competition there. Retail sales during the period under review maintained at HK$103 million (2008: HK$103 million). Same-store sales posted a small decline of 2% (2008: 7% decline) while net sales per sq. ft. rose 2% to HK$6,400 (2008: HK$6,300).

There were 29 directly managed stores in Singapore as of 31 December 2009 (2008: 30) and the total retail floor area was 31,300 sq. ft. (2008: 33,900 sq. ft.). We incurred an operating loss of HK$4 million for the period under review (2008: HK$1 million profit). The operating margin was negative 4% (2008: positive 1%).

### *Malaysia*

Malaysia is a relatively new market for the Group and we are still in the exploration stage, hence economies of scale have not yet been achieved. During the period under review, the local economy was still suffering from the drastic reduction in export. Revenue generated from Malaysia held steady at HK$22 million (2008: HK$22 million). The number of stores increased to 21 (2008: 18) and total retail floor area amounted to 29,700 sq. ft. (2008: 25,800 sq. ft.). Same-store sales recorded a decline of 24% (2008: 3% growth), while net sales per sq. ft. decreased 21% to HK$1,500 (2008: HK$1,900).

Malaysia incurred an operating loss of HK$4 million (2008: HK$1 million loss). Operating margin was negative 18% (2008: negative 5%).

## LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2009, the Group's cash and bank balances amounted to HK$449 million (30 June 2009: HK$342 million), approximately HK$126 million higher than those of 31 December 2008, while the net cash balance amounted to HK$331 million (30 June 2009: HK$265 million), approximately HK$82 million higher than the balance as of 31 December 2008. The Group's current ratio was lowered to 2.11 times (30 June 2009: 2.27 times), and the total liabilities-to-equity ratio was 63% (30 June 2009: 50%).

The Group had bank borrowings of HK$118 million (30 June 2009: HK$77 million) payable within one year. The gearing ratio at 31 December 2009, calculated on the basis of bank borrowings over total equity, is 17% (30 June 2009: 12%) as compared to 11% at 31 December 2008.

The Group is exposed to foreign currency risk. Such exposures arise from the sale and the investments in foreign operations in currencies other than the United States dollar and the Hong Kong dollar. It is the Group's policy to enter into forward currency contracts to mitigate foreign exchange risk arising from material transactions denominated in currencies other than the United States dollar and the Hong Kong dollar.

The Group's inventory turnover days[#] largely improved, dropping by 15 days to 44 days compared with 31 December 2008 (30 June 2009: 45 days). The return on equity ratio was 14% (30 June 2009: 8%).

# *Inventory held at period/year end 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 2009.

## HUMAN CAPITAL

As of 31 December 2009, the Group employed 4,300 full-time staff or equivalent (30 June 2009: 4,200) in Hong Kong, Macau, Mainland China, Taiwan, Singapore and Malaysia. The Group has share option remuneration system while also offering benefits like insurance and retirement schemes in addition to discretionary performance bonuses.

## OUTLOOK

The Group will remain cautious and pragmatic in terms of business development to meet the challenges ahead within the second half of the financial year. We have a clear roadmap for our future development and are confident that we are on the road to renewed growth.

Our focus will remain solid on the Mainland China market expansion, brand enhancement and optimising operational efficiencies. These will be complemented with further efforts to improve cost effectiveness and developing a pragmatic approach to expand markets.

We have seen signs of recovery in the Hong Kong market during first half of the financial year 2009/10 and are confident that the growth momentum will sustain.

Our export franchising business has delivered satisfactory results over the past few years. We believe with our solid foundation and brand equity developed over the past decade, we are in a position to revive and return to a growth track when markets eventually recover.

In Taiwan, our goal is to continue bottom line improvements and expect nearly break-even results for the full year 2009/10.

In the long run, we are optimistic with the Singapore market and anticipate island-wide economic benefits to come along with the openings of various major tourist attractions like Universal Studios and Marina Bay Sands in 2010.

Going forward, we strive to maintain our dividend payout ratio at 50% annually. With our unique brand positioning and our foundation developed over past years, we are well posted to take advantage of opportunities and tackle challenges ahead. As a result of our increasing focus on product offerings and the progressive pick-up of the economy, the Group's sales performance saw improvement in January and February 2010 with a 12% increase in gross profit. The Group will also continue with efforts to bolster its competitive edge to provide shareholders with positive results.

## 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 2009. The audit committee comprises three Independent Non-executive Directors of the Company, namely Ms. LEUNG Mei Han, Mr. LEE Man Chun Raymond and Prof. SIN Yat Ming.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was in compliance with the code provisions as set out in the CG Code for the six months ended 31 December 2009, except for the following deviations:

– 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 six months ended 31 December 2009.

## PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Interim Report for the six months ended 31 December 2009 of the Company containing all the information required by the Listing Rules will be published on the website of the Company (www.bossini.com) and the Stock Exchange (www.hkex.com.hk) and despatched to shareholders in due course.

By Order of the Board
**CHAN So Kuen**
*Deputy Chairman and Chief Executive Officer*

Hong Kong, 17 March 2010

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