BOSSINI INTERNATIONAL HOLDINGS LIMITED

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

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 2010, together with the comparative figures for the six months ended 31 December 2009, as follows:

Condensed consolidated statement of comprehensive income

		Six months ended 31 December	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**1,315,367**	1,171,231
Cost of sales		**(652,288)**	(571,602)
Gross profit		**663,079**	599,629
Other income	*3*	**8,049**	4,737
Selling and distribution costs		**(429,637)**	(394,504)
Administrative expenses		**(140,549)**	(126,301)
Other operating expenses		**(8,989)**	(19,597)
Profit from operating activities		**91,953**	63,964
Finance costs	*4*	**(3,333)**	(2,695)
Profit before tax	*5*	**88,620**	61,269
Income tax expense	*6*	**(16,066)**	(11,214)
Profit for the period attributable to owners of the Company		**72,554**	50,055

Condensed consolidated statement of comprehensive income (continued)

		Six months ended 31 December	
		2010	2009
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Other comprehensive (loss)/income			
Exchange differences on translation of foreign operations		**(968)**	(19)
Deferred tax relating to revaluation of leasehold land and buildings		**–**	47
Other comprehensive (loss)/income for the period, net of tax		**(968)**	28
Total comprehensive income for the period attributable to owners of the Company		**71,586**	50,083
Earnings per share attributable to ordinary equity holders of the Company	*8*		
Basic		**HK4.52 cents**	HK3.14 cents
Diluted		**HK4.46 cents**	HK3.12 cents

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

Condensed consolidated statement of financial position

	Notes	At 31 December 2010 (Unaudited) HK$'000	At 30 June 2010 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**131,985**	129,248
Investment properties		**33,570**	34,454
Trademark		**1,164**	1,164
Deferred tax assets		**1,732**	1,637
Deposits paid		**79,558**	63,989
Total non-current assets		**248,009**	230,492
Current assets			
Inventories		**439,452**	300,480
Debtors	*9*	**96,915**	59,778
Bills receivable		**17,652**	11,283
Deposits paid		**26,112**	35,538
Prepayments and other receivables		**90,492**	52,338
Structured deposit		**15,761**	15,440
Derivative financial instruments		**–**	695
Tax recoverable		**582**	582
Pledged bank deposits		**1,678**	1,523
Cash and cash equivalents		**433,043**	461,068
Total current assets		**1,121,687**	938,725
Current liabilities			
Trade creditors, other payables and accruals	*10*	**298,099**	271,284
Bills payable		**69,043**	35,034
Tax payable		**40,858**	43,117
Due to related companies		**12,653**	21,458
Derivative financial instruments		**–**	256
Interest-bearing bank borrowings		**172,865**	60,655
Provision		**4,014**	3,643
Total current liabilities		**597,532**	435,447
Net current assets		**524,155**	503,278
Total assets less current liabilities		**772,164**	733,770
Non-current liabilities			
Deferred tax liabilities		**1,997**	1,997
Net assets		**770,167**	731,773
Equity			
Issued capital		**161,498**	160,192
Reserves		**608,669**	571,581
Total equity		**770,167**	731,773

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 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 2010, 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 32 Amendment	Amendment to HKAS 32 – *Financial Instruments: Presentation – Classification of Rights Issues*
HKFRS 1 Amendments	Amendments to HKFRS 1 – *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 1 Amendment	Amendment to HKFRS 1 – *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 – *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*
Improvements to HKFRSs (May 2009)	*Amendments to a number of HKFRSs*
Improvements to HKFRSs (May 2010)	*Amendments to a number of HKFRSs*

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

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

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

HKAS 12 Amendments	Amendments to HKAS 12 – *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [3]
HKAS 24 (Revised)	*Related Party Disclosures* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 – *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 – *Financial Instruments: Disclosures – Transfer of Financial Assets* [2]
HKFRS 9	*Financial Instruments* [4]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 – *Prepayments of a Minimum Funding Requirement* [1]

1 Effective for annual periods beginning on or after 1 January 2011
2 Effective for annual periods beginning on or after 1 July 2011
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2. Operating segment information

For management purposes, the Group is organised into business units that offer products to customers located in different geographical areas and has four reportable operating segments as follows:

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

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

Intersegment sales and transfer are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

2. **Operating segment information (continued)**

An analysis of the Group's revenue and profit/(loss) by geographical segment for the six months ended 31 December 2010, together with the comparative figures for the corresponding period in 2009, is as follows:

	Hong Kong		Mainland China		Taiwan		Singapore & Malaysia		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	(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	**695,646**	642,010	**336,999**	273,963	**143,473**	129,972	**139,249**	125,286	**1,315,367**	1,171,231
Other income	**4,169**	1,351	**1,968**	2,356	**428**	235	**82**	14	**6,647**	3,956
Total	**699,815**	643,361	**338,967**	276,319	**143,901**	130,207	**139,331**	125,300	**1,322,014**	1,175,187
Segment results	**117,540**	83,002	**(18,251)**	(8,520)	**(5,157)**	(3,932)	**(3,581)**	(7,367)	**90,551**	63,183
Interest income									**1,402**	781
Profit from operating activities									**91,953**	63,964
Finance costs									**(3,333)**	(2,695)
Profit before tax									**88,620**	61,269
Income tax expense									**(16,066)**	(11,214)
Profit for the period									**72,554**	50,055

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

3. **Other income**

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**1,402**	781
Claims received	**1,379**	1,693
Royalty income	**1,515**	958
Gross rental income	**1,431**	118
Others	**2,322**	1,187
	8,049	4,737

4. Finance costs

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**3,333**	2,695

5. Profit before tax

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

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Provision for inventory	**7,606**	3,940
Depreciation	**34,776**	38,708
Fair value gain on a structured deposit	**(333)**	–
Fair value losses/(gains), net on derivative financial instruments – transactions not qualifying as hedges	**452**	(3,265)

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**15,706**	13,854
Overprovision in prior periods	**(47)**	–
Current – Elsewhere		
Charge for the period	**2,790**	212
Overprovision in prior periods	**(2,289)**	(4,127)
Deferred	**(94)**	1,275
Tax charge for the period	**16,066**	11,214

7. Dividend

	Six months ended 31 December	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend declared – HK2.2 cents (2009: HK1.1 cents) per ordinary share	**35,530**	17,559

This proposed interim dividend is not reflected as a dividend payable as of 31 December 2010, but will be recorded as a distribution of retained earnings for the year ending 30 June 2011. The proposed interim dividend of HK$35,530,000 for the six months ended 31 December 2010 is calculated based on 1,614,979,394 shares of the Company in issue.

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

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the six months ended 31 December 2010 of HK$72,554,000 (2009: HK$50,055,000) and the weighted average number of ordinary shares of 1,606,042,981 (2009: 1,594,310,622) in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company for the six months ended 31 December 2010 of HK$72,554,000 (2009: HK$50,055,000). The weighted average number of ordinary shares used in the calculation is the 1,606,042,981 (2009: 1,594,310,622) 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 19,815,250 (2009: 8,051,297) 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 2010	At 30 June 2010
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Neither past due nor impaired	**84,474**	50,902
Less than 1 month past due	**7,039**	3,997
1 to 2 months past due	**1,944**	1,344
2 to 3 months past due	**1,328**	768
Over 3 months	**2,130**	2,767
	96,915	59,778

10. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK$121,765,000 (30 June 2010: HK$105,281,000).

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

	At 31 December 2010 (Unaudited) *HK$'000*	At 30 June 2010 (Audited) *HK$'000*
Current	**79,573**	57,791
0 to 30 days	**23,257**	40,548
31 to 60 days	**8,343**	2,908
61 to 90 days	**1,564**	926
Over 90 days	**9,028**	3,108
	121,765	105,281

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2.2 cents (2009: HK1.1 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 21 March 2011. The interim dividend will be paid on or before 4 April 2011.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Wednesday, 16 March 2011 to Monday, 21 March 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 15 March 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of the financial year 2010/11, the group showed encouraging improvements in its overall performance. Despite some lingering uncertainties, the global economy has fundamentally moved on from the aftermath of the economic recession. Economies in various Asian and emerging markets continued to grow steadily with supportive governmental policies and flourishing economic atmospheres, resulting in a rebound of consumer confidence and further recovery.

The Group's operations and profitability grew steadily as a result of a strong brand strategy coupled with continual improvements in overall operational efficiencies. The satisfactory operational performance and growth of profitability in our major markets were spurred on by the growth of consumer demand, with some regions recording outstanding results.

With expectations of further recovery in the global marketplace, the Group's focus remains squarely on the following strategic initiatives:

1. To further expand those markets with promising growth potential, especially focusing on the mainland China market.

2. To deepen and broaden our brand value "be happy" across the entire Group.

3. To optimise internal operational efficiencies particularly in the supply chain management.

We are pleased that these strategies continued to render positive results during the first half of the fiscal year under review.

FINANCIAL PERFORMANCE

The Group's revenue for the six months ended 31 December 2010 recorded a modest growth of 12% to HK$1,315 million (2009: HK$1,171 million). The gross profit margin showed a slight decline of 1% point to 50% (2009: 51%). Operating profit increased 44% to HK$92 million (2009: HK$64 million), while operating profit margin increased 2% points to 7% (2009: 5%). Profit for the period attributable to owners increased considerably to HK$73 million (2009: HK$50 million). Basic earnings per share was HK4.52 cents (2009: HK3.14 cents).

The Group maintained a healthy financial position with cash and bank balances of HK$435 million (30 June 2010: HK$463 million) and net cash balance of HK$262 million as of 31 December 2010 (30 June 2010: HK$402 million). As of 31 January 2011, the Group's cash and bank balances increased to HK$550 million, while net cash balance rose to HK$388 million.

Operating Efficiencies

The Group achieved decent same-store sales growth of 8% (2009: 2% growth) in the period under review, with positive growth for all regions ranging from 5% to 14%.

Total retail floor area increased to 798,400 sq. ft. (2009: 735,400 sq. ft.) as of 31 December 2010, a 9% increase or 63,000 sq. ft. more than that of 31 December 2009. Inventory turnover increased to 61 days (30 June 2010: 48 days) owing to the late arrival of winter in some of our core markets.

The Group's operating expenses for the six months ended 31 December 2010 accounted for 44% of the Group's revenue (2009: 46%). The following is a breakdown of operating costs:

Operating Costs Analysis

	For the 6 months ended 31 December				
	2010		2009		
	HK$ million	**% of revenue**	HK$ million	% of revenue	**Change (%)**
Revenue	**1,315**	**100%**	1,171	100%	**+12%**
Selling and distribution costs	**430**	**32%**	395	33%	**+9%**
Administrative expenses	**140**	**11%**	126	11%	**+11%**
Other operating expenses	**9**	**1%**	20	2%	**–54%**
Total operating expenses	**579**	**44%**	541	46%	**+7%**

BUSINESS REVIEW

Network Expansion

The Group has presence in 33 countries and regions across the globe. As of 31 December 2010, the Group had a total of 1,462 stores (30 June 2010: 1,361), an increase of 101 stores compared to 30 June 2010. Of these, 640 (30 June 2010: 611) were directly managed stores and 822 (30 June 2010: 750) were franchised stores.

During the period under review, the Group remained focus on seeking pragmatic expansion in the mainland China market and added 52 new stores, of which 24 were directly managed stores and 28 were franchised stores. As of 31 December 2010, the Group had 785 (30 June 2010: 733) stores in mainland China, of which 460 (30 June 2010: 436) were directly managed and 325 (30 June 2010: 297) were franchised stores.

The economic recovery and the growth of consumer demand were also evident in the Taiwan market. During the period under review, the number of stores in Taiwan increased by 7 to 93 (30 June 2010: 86), illustrating that our market expansion there was back on track.

As for the export franchising network, the number of franchised stores increased by 44 to 497 (30 June 2010: 453) during the period under review.

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

	31 December 2010		30 June 2010		31 December 2009	
	Directly managed stores	**Franchised stores**	Directly managed stores	Franchised stores	Directly managed stores	Franchised stores
Hong Kong	**41**	**–**	41	–	41	–
Mainland China	**460**	**325**	436	297	417	310
Taiwan	**93**	**–**	86	–	84	–
Singapore	**26**	**–**	26	–	29	–
Malaysia	**20**	**–**	22	–	21	–
Other countries and regions	**–**	**497**	–	453	–	433
Total	**640**	**822**	611	750	592	743

Marketing and Branding

During the period under review, the Group has been continuing to take initiatives in strengthening our "be happy" brand value and uplifting the brand image. In November 2010, our regional branding campaign "be happy me" was launched, featuring Janice Man, Aarif Lee and other celebrities to inspire happiness throughout the winter.

Co-branded and Licensed Products

The co-branded licensing programme is one of bossini's prominent brand-building initiatives. By working with internationally renowned licensing partners who share common values and target customer groups with bossini, we expanded our "be happy" brand value while enhancing our overall brand awareness.

bossini x Barney

Building on our existing brand value of "be happy", bossini rolled out a *bossini x Barney* Baby Collection across the Asia region in August 2010. This collection offered a wide range of colourful tee-shirts for babies, featuring Barney and his friends. This highly attractive collection was well received by the market.

bossini x M&M's

Following the successful collaboration in 2007, bossini had once again teamed up with M&M's in Fall/Winter 2010, surprising shoppers with revolutionary product designs. The first ever Pop-up store at our flagship store was launched, bringing the joyful and colourful world of M&M's to Hong Kong. Renowned Asian fashion icon Hilary Tsui served as our celebrity spokesperson, and was welcomed by fans of all ages. The campaign was highly anticipated by the market, resulting in limited edition items being sold out in a flash.

Awards and Recognition

Our brand image along with great efforts to enhance our brand have been warmly received by the market. We won The Most Popular Brand Award 2010 in "The Most Popular Apparel Brand" category from TVB Weekly and the "Best For Home Award 2011" from Hong Kong Economics Times for three consecutive years. Moreover, we also received the "Outstanding Award 2010" from TVB Weekly. All of these accolades are a testament to the success of our brand-building effort, which is poised for greater achievements in the future.

Apart from the above, we have also received recognition in the mainland China market. Our Da Chuan Bossini Flagship Store in Guangzhou was awarded as "Quality Services Model" by the Economic Trading Commission of Guangzhou Municipality in a quality-service competition to meet the 2010 Asian Games in Guangzhou in October 2010, which demonstrated that our "be happy" brand philosophy was also adopted in the mainland China market.

Operational Performance by Market

Geographically, Hong Kong in which our businesses comprise both retail and export franchising sales, remained the major revenue contributor to the Group during the period under review, accounting for 52% (2009: 55%) of consolidated revenue. This was followed by mainland China, Taiwan, Singapore and Malaysia, which accounted for 26% (2009: 23%), 11% (2009: 11%), 9% (2009: 9%) and 2% (2009: 2%), respectively of the Group's overall consolidated revenue.

Hong Kong

During the period under review, Hong Kong's economy has fully recovered from the global recession of 2009, showing overall significant growth and remaining as an important driving market for our Group. With its roots in Hong Kong, Bossini benefited from the economic recovery and achieved robust retail performance while enjoying a strong rebound in export sales. Revenues generated from the Hong Kong market increased 8% to HK$696 million (2009: HK$642 million).

The total number of directly managed stores and total retail floor area in Hong Kong were 41 (30 June 2010: 41) stores and 142,100 sq. ft. (2009: 141,700 sq. ft.), respectively, as of 31 December 2010. Same-store sales achieved a respectable growth of 9% (2009: 8% growth), while net sales per sq. ft. grew by 6% to HK$6,600 (2009: HK$6,200).

Bolstered by satisfactory sales growth, strong brand equity and effective cost management, operating profit from Hong Kong reached HK$118 million (2009: HK$84 million), with an operating profit margin of 17% (2009: 13%).

Mainland China

The mainland China's market competition remains fierce, but the country undoubtedly offers promising potential among many emerging markets. The mainland China's economy is now on a steady and healthy development track with strong consumer demand. This market is still a focus of the Group's business development. During the period under review, same-store sales in mainland China posted an 8% increase (2009: 5% decline).

The Group continues to expand its sales network in mainland China to strengthen its market position there. As of 31 December 2010, the number of the Group's directly managed stores and franchised stores reached 460 (30 June 2010: 436) and 325 (30 June 2010: 297) respectively, adding a total of 52 stores during the period under review. Total retail floor area rose to 470,100 sq. ft. (2009: 416,400 sq. ft.). Net sales per sq. ft. during the period under review increased to HK$1,100 (2009: HK$1,000), while revenue generated from mainland China increased 23% to HK$337 million (2009: HK$274 million).

The Group continued to adopt a multi-brand strategy to target different market segments in the mainland China market. A total of 611 (30 June 2010: 543) stores were operated under the "bossini" brand and 174 (30 June 2010: 190) stores were operated under the "bossinistyle" label.

Operating loss in the mainland China market amounted to HK$18 million (2009: HK$8 million loss) with an operating margin of negative 5% (2009: negative 3%).

Taiwan

Mainland China and Taiwan have further deepened their economic cooperation, which has contributed to a steady economic recovery and driving overall demand in Taiwan. Same-store sales rebounded with an increase of 5% (2009: 1% decline), while net sales per sq. ft. increased to HK$2,300 (2009: HK$2,200).

The Group's total number of stores and total retail floor area in Taiwan were 93 (30 June 2010: 86) and 126,900 sq. ft. (2009: 116,300 sq. ft.) respectively as of 31 December 2010. The Group's network expansion led to a 10% increase in revenue during the period under review to HK$143 million (2009: HK$130 million).

Operating loss in Taiwan amounted to HK$5 million (2009: HK$4 million loss) while an operating margin of negative 3% (2009: negative 3%) was recorded during the period under review.

Singapore

Singapore's economy saw improvements by various metrics in 2010. With the revival of consumer confidence and flourishing business environment, the Group achieved improving operational results for this business segment. Retail sales during the period under review increased to HK$113 million (2009: HK$103 million). Same-store sales posted an increase of 14% (2009: 2% decline) while net sales per sq. ft. rose 13% to HK$7,200 (2009: HK$6,400). There were 26 (30 June 2010: 26) directly managed stores in Singapore as of 31 December 2010 and the total retail floor area was 31,500 sq. ft. (2009: 31,300 sq. ft.).

We achieved a decrease in operating loss by 50% to HK$2 million (2009: HK$4 million loss) for the period under review. Operating margin improved to negative 2% (2009: negative 4%).

Malaysia

The Malaysia market showed a positive trend overall. Together with the local government's efforts to stimulate domestic demand and the resumption of strong export performance, the Group recorded satisfactory business results. Revenue generated from Malaysia recorded an increase to HK$26 million (2009: HK$22 million). The number of stores was 20 (30 June 2010: 22) and the total retail floor area amounted to 27,800 sq. ft. (2009: 29,700 sq. ft.). Same-store sales recorded an increase of 10% (2009: 24% decrease), while net sales per sq. ft. increased 20% to HK$1,800 (2009: HK$1,500).

The Group managed to reduce operating loss to HK$1 million (2009: HK$4 million loss) in this market. Operating margin was negative 4% (2009: negative 18%).

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2010, the Group's cash and bank balances amounted to HK$435 million (30 June 2010: HK$463 million), while the net cash balance came to HK$262 million (30 June 2010: HK$402 million). The Group's current ratio was 1.88 times (30 June 2010: 2.16 times) and the total liabilities to equity ratio was 78% (30 June 2010: 60%).

The Group had bank borrowings of HK$173 million (30 June 2010: HK$61 million) payable within one year. The gearing ratio as of 31 December 2010, calculated on the basis of bank borrowings over total equity, was 22% (30 June 2010: 8%) compared to 17% at 31 December 2009.

The Group has some exposures to foreign currency risk. Such exposures have arisen from the sales and investments in foreign operations using 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# was 61 days (30 June 2010: 48 days). The return on equity ratio was 18% (30 June 2010: 13%).

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 2010.

HUMAN CAPITAL

As of 31 December 2010, the Group employed 4,600 full-time staff or the equivalent (30 June 2010: 4,400) in Hong Kong, Macau, mainland China, Taiwan, Singapore and Malaysia. The Group has a share option remuneration system while offering benefits like insurance and retirement schemes in addition to discretionary performance bonuses.

OUTLOOK

We anticipate uncertainties in the market during the second half of the year. While we believe the overall economy will maintain a stable growth trajectory, the Group will nonetheless continue to maintain a pragmatic and proactive business development strategy particularly for the mainland China market. To this end, the Group will take full advantage of market opportunities in the near future and follow its roadmap to continuously improve its business performance.

The Group is striving to enhance its brand value, supply chain management capabilities and the "bossini kids" line and expand the mainland China market.

Mainland China is still considered as an emerging market with business potentials and is experiencing a steady rise in spending power. The Chinese government will focus in stimulating the domestic demand as part of its nation-wide economic planning for the near future. In response the Group will fully leverage its well-known brand image and extensive sales network to further expand market share across the mainland China.

The Hong Kong economy has been benefited substantially from the rapid and steady development of mainland China's economic growth, as well as steadily increasing consumer demand in its own domestic market particularly subsequent to the further relaxation of individual travel scheme. Given these facts, we are confident that the growth momentum will sustain for our businesses in Hong Kong.

The brand-building enhancements and benefits brought about by our co-branded and licensed products have been realised continuously. The Group will continue to explore other internationally renowned licensing partners who share common values and targeted customer groups with Bossini, in order to strengthen and refresh our brand regularly.

Leveraging our leading position and expertise in kids' wear in Hong Kong, the Group targets to expand and strengthen its kids' line particularly in the mainland China market and the export franchising business.

We believe that employees are our most valuable asset. Our growth and profitability are largely supported by the hard work of our staff and their effort to create and enforce our brand image. We will continue to maintain the "be happy" corporate culture and deliver better products with greater innovation, rewarding our customers for their brand loyalty. The Group will continue to take our comparative advantages of the above, while expanding its sales network and strengthening overall competitiveness 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 2010. 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 2010, except for the following deviations:

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as 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 2010.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Interim Report for the six months ended 31 December 2010 of the Company containing all the information required by the Listing Rules will be published on the website of the Company (www.bossini.com) and the Stock Exchange (www.hkex.com.hk) and despatched to shareholders in due course.

By Order of the Board
TSIN Man Kuen Bess
Chairman

Hong Kong, 22 February 2011

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