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BOSSINI INTERNATIONAL HOLDINGS LIMITED

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

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 2011, together with the comparative figures for the six months ended 31 December 2010, as follows:

Condensed consolidated statement of comprehensive income

	Notes	**Six months ended 31 December 2011 (Unaudited) *HK$'000***	Six months ended 31 December 2010 (Unaudited) *HK$'000*
Revenue	*2*	**1,447,129**	1,315,367
Cost of sales		**(732,558)**	(652,288)
Gross profit		**714,571**	663,079
Other income	*3*	**9,134**	8,049
Selling and distribution costs		**(474,273)**	(429,637)
Administrative expenses		**(132,302)**	(140,549)
Other operating expenses		**(36,162)**	(8,989)
Profit from operating activities		**80,968**	91,953
Finance costs	*4*	**(4,860)**	(3,333)
Profit before tax	*5*	**76,108**	88,620
Income tax expense	*6*	**(17,520)**	(16,066)
Profit for the period attributable to owners of the Company		**58,588**	72,554

Condensed consolidated statement of comprehensive income (continued)

		Six months ended 31 December	
		2011	2010
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Other comprehensive loss			
Exchange differences on translation of foreign operations		**(5,116)**	(968)
Total comprehensive income for the period attributable to owners of the Company		**53,472**	71,586
Earnings per share attributable to ordinary equity holders of the Company	*8*		
Basic		**HK3.62 cents**	HK4.52 cents
Diluted		**HK3.59 cents**	HK4.46 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 2011 (Unaudited) HK$'000	At 30 June 2011 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**143,077**	147,634
Investment properties		**31,802**	32,686
Trademark		**1,164**	1,164
Deferred tax assets		**1,017**	1,101
Deposits paid		**65,548**	74,759
Total non-current assets		**242,608**	257,344
Current assets			
Inventories		**503,932**	412,166
Debtors	*9*	**124,580**	71,248
Bills receivable		**50,694**	7,033
Deposits paid		**47,179**	36,510
Prepayments and other receivables		**82,253**	75,992
Structured deposit		**15,858**	15,858
Tax recoverable		**2**	–
Pledged bank deposits		**769**	1,701
Cash and cash equivalents		**368,881**	458,042
Total current assets		**1,194,148**	1,078,550
Current liabilities			
Trade creditors, other payables and accruals	*10*	**355,635**	292,369
Bills payable		**68,209**	46,107
Tax payable		**40,306**	53,505
Due to related companies		**13,588**	12,734
Derivative financial instruments		**564**	1,241
Interest-bearing bank borrowings		**167,600**	127,484
Provision		**1,767**	2,747
Total current liabilities		**647,669**	536,187
Net current assets		**546,479**	542,363
Total assets less current liabilities		**789,087**	799,707
Non-current liabilities			
Deferred tax liabilities		**1,893**	1,893
Other payable		**1,349**	380
Total non-current liabilities		**3,242**	2,273
Net assets		**785,845**	797,434
Equity			
Issued capital		**162,018**	161,918
Reserves		**623,827**	635,516
Total equity		**785,845**	797,434

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

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 2011, 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 24 (Revised)	*Related Party Disclosures*
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*
HKFRS 7 Amendments	Amendments to HKFRS 7 – *Financial Instruments: Disclosures – Transfer of Financial Assets*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 – *Prepayments of a Minimum Funding Requirement*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

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

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 1 Amendments	Amendments to HKAS 1 – *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [2]
HKAS 12 Amendments	Amendments to HKAS 12 – *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [1]
HKAS 19 (2011)	*Employee Benefits* [3]
HKAS 27 (2011)	*Separate Financial Statements* [3]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [3]
HKFRS 9	*Financial Instruments* [4]
HKFRS 10	*Consolidated Financial Statements* [3]
HKFRS 11	*Joint Arrangements* [3]
HKFRS 12	*Disclosure of Interests in Other Entities* [3]
HK(IFRIC) – Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [3]

[1] Effective for annual periods beginning on or after 1 January 2012
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2015

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

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 2011, together with the comparative figures for the corresponding period in 2010, is as follows:

	Hong Kong		Mainland China		Taiwan		Singapore & Malaysia		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	(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	**819,643**	695,646	**327,827**	336,999	**158,492**	143,473	**141,167**	139,249	**1,447,129**	1,315,367
Other income	**5,029**	4,169	**1,557**	1,968	**397**	428	**129**	82	**7,112**	6,647
Total	**824,672**	699,815	**329,384**	338,967	**158,889**	143,901	**141,296**	139,331	**1,454,241**	1,322,014
Segment results	**148,911**	117,540	**(55,587)**	(18,251)	**(12,337)**	(5,157)	**(2,041)**	(3,581)	**78,946**	90,551
Interest income									**2,022**	1,402
Profit from operating activities									**80,968**	91,953
Finance costs									**(4,860)**	(3,333)
Profit before tax									**76,108**	88,620
Income tax expense									**(17,520)**	(16,066)
Profit for the period									**58,588**	72,554

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

3. Other income

	Six months ended 31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**2,022**	1,402
Claims received	**477**	1,379
Royalty income	**1,847**	1,515
Gross rental income	**2,051**	1,431
Others	**2,737**	2,322
	9,134	8,049

4. Finance costs

	Six months ended 31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**4,860**	3,333

5. Profit before tax

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

	Six months ended 31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Write-back of provision)/provision for inventories	**(3,800)**	7,606
Depreciation	**42,854**	34,776
Fair value gain on a structured deposit	**(1)**	(333)
Fair value (gains)/losses, net on derivative financial instruments		
– transactions not qualifying as hedges	**(677)**	452

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**15,613**	15,706
Overprovision in prior periods	**–**	(47)
Current – Elsewhere		
Charge for the period	**1,684**	2,790
Underprovision/(overprovision) in prior periods	**139**	(2,289)
Deferred	**84**	(94)
Tax charge for the period	**17,520**	16,066

7. Dividend

	Six months ended 31 December	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend declared – HK1.1 cents (2010: HK2.2 cents) per ordinary share	**17,822**	35,583

The interim dividend is not reflected as a dividend payable as of 31 December 2011, but will be recorded as a distribution of retained earnings for the year ending 30 June 2012. The interim dividend for the six months ended 31 December 2011 of HK$17,822,000 (2010: HK$35,583,000) is calculated based on 1,620,179,394 (2010: 1,617,379,394) 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 2011 of HK$58,588,000 (2010: HK$72,554,000) and the weighted average number of ordinary shares of 1,619,510,916 (2010: 1,606,042,981) 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 2011 of HK$58,588,000 (2010: HK$72,554,000). The weighted average number of ordinary shares used in the calculation is the 1,619,510,916 (2010: 1,606,042,981) 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 11,814,956 (2010: 19,815,250) 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 payment due date, is as follows:

	At 31 December 2011 (Unaudited) *HK$'000*	At 30 June 2011 (Audited) *HK$'000*
Neither past due nor impaired	**113,656**	53,569
Less than 1 month past due	**4,861**	5,397
1 to 2 months past due	**2,632**	2,684
2 to 3 months past due	**898**	3,362
Over 3 months past due	**2,533**	6,236
	124,580	71,248

10. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK$162,631,000 (30 June 2011: HK$83,792,000).

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 2011 (Unaudited) *HK$'000*	At 30 June 2011 (Audited) *HK$'000*
Current	**49,233**	46,573
0 to 30 days	**31,455**	22,449
31 to 60 days	**50,628**	6,091
61 to 90 days	**22,493**	1,191
Over 90 days	**8,822**	7,488
	162,631	83,792

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.1 cents (2010: HK2.2 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 19 March 2012. The interim dividend will be paid on or before 2 April 2012.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Wednesday, 14 March 2012 to Monday, 19 March 2012, 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, 13 March 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

The first half of our financial year 2011/12 saw a renewed weakening of the global economy and continued challenges to recovering consumer confidence and spending. The European debt crisis persisted as a serious threat to the Eurozone's financial stability and a nagging worry for markets worldwide. Combined with enduring weakness in investment, slowing government spending and stubbornly high unemployment, the crisis threatened to stall the nascent recovery of western economies.

Previously strong emerging markets in Asia began to prove somewhat susceptible as growth dampened and the sentiment turned less bullish. Against this global backdrop, consumer confidence softened and in many of our Asian and emerging markets the retail environment turned challenging.

However, during the period under review, the Group managed to achieve record high sales with double-digit growth in spite of these macroeconomic challenges because of its disciplined focus on brand building and operational efficiency. Hong Kong retail and export franchising markets delivered record highs in both top line and bottom line, and continued to demonstrate strong potential for further development. The Group's strategic focus will remain firmly on enhancing our core "be happy" brand value; continuously optimising operational efficiencies, particularly in strengthening supply chain capabilities; and continuing to expand the distribution network to markets with promising growth potential.

During the period under review, our marketing and branding strategies not only helped to achieve solid sales results, but also earned considerable industry recognition and accolades for the Group. Recently, we received the award for the "Best Licensed Premium Promotion" and the "Best Licensee" at the "8th Premier Asian Licensing Awards" organised by the Hong Kong Trade Development Council and the International Licensing Industry Merchandiser's Association (LIMA) for our *bossini x M&M's* campaign. This was a large-scale event in the licensing industry which attracted 263 nominees from 11 countries and regions to compete for 6 awards. The awards we received significantly proved our success in marketing strategies. Additionally, the Group also received two awards from TVB Weekly: "The Most Popular Brand Award – The Most Popular Apparel Brand" for the fourth year in a row; and the "Outstanding Award 2011" for the second consecutive year. Such continued industry recognition affirms the success of our ongoing brand building efforts, and assures that we are well poised for future achievements.

The Group will commemorate its 25th anniversary in 2012, marking a significant milestone in our colourful history. We plan to celebrate throughout the year with a series of major marketing campaigns and events designed to laud our brand, and share our excitement, our "be happy" brand value and our corporate culture with our customers.

FINANCIAL PERFORMANCE

Revenue for the Group for the six months ended 31 December 2011 was HK$1,447 million (2010: HK$1,315 million), a modest 10% increase over the same period last year. Gross profit increased by 8% to HK$715 million (2010: HK$663 million), yielding a slightly decreased gross margin of 49% (2010: 50%). Operating profit and operating margin were HK$81 million (2010: HK$92 million) and 6% (2010: 7%), respectively. Profit for the period attributable to owners was HK$59 million (2010: HK$73 million). Basic earnings per share was HK3.62 cents (2010: HK4.52 cents).

As of 31 December 2011, the Group continued to maintain a healthy financial status with cash and bank balances of HK$370 million (2010: HK$435 million) and a net cash balance of HK$202 million (2010: HK$262 million). As at 31 January 2012, cash and bank balances increased to HK$479 million with net cash balance also expanded to HK$302 million.

Operating Efficiencies

The Group's same-store sales grew at a modest 7% (2010: 8% growth) during the period under review. Our Hong Kong market outperformed the other core markets with an encouraging double-digit growth of 15% (2010: 9% growth) in same-store sales.

Total retail floor area of directly managed stores was 791,900 sq. ft. (2010: 798,400 sq. ft.). Overall net sales per sq. ft. improved by 8% to HK$2,700 (2010: HK$2,500) while inventory turnover days increased to 64 (2010: 61). However, as at 31 January 2012, inventory turnover days of the Group improved to 56.

The Group maintained a stringent policy on cost control measures. During the period under review, operating expenses for the Group accounted for 44% of total revenue (2010: 44%). The following table provides a breakdown of operating costs:

Operating Costs Analysis

	For the 6 months ended 31 December				
	2011		2010		
	HK$ million	**% of revenue**	HK$ million	% of revenue	**Change (%)**
Revenue	**1,447**	**100%**	1,315	100%	**+10%**
Selling and distribution costs	**475**	**33%**	430	32%	**+10%**
Administrative expenses	**132**	**9%**	140	11%	**–6%**
Other operating expenses	**36**	**2%**	9	1%	**+302%**
Total operating expenses	**643**	**44%**	579	44%	**+11%**

BUSINESS REVIEW

Network Expansion

Given the general economic uncertainty and consumer reticence during the period under review, the Group adjusted the pace of expansion with a more pragmatic approach. While the group maintained its presence in 36 countries and regions, the total number of stores increased to 1,478 (30 June 2011: 1,475) as of 31 December 2011, a slight increase of 3 stores as compared to 30 June 2011. Of these, 600 (30 June 2011: 639) were directly managed stores and 878 (30 June 2011: 836) were franchised stores.

Hong Kong remained the Group's most financially significant and economically robust market, adding 2 stores for a total of 41 (30 June 2011: 39). During the period under review, the Group continued to take advantage of opportunities in selected markets and maintained its mode of expansion in export franchising markets with the addition of 36 stores to the existing network, including 18 converted from directly managed stores in Malaysia, bringing the total number of export franchised stores to 557 (30 June 2011: 521). As of 31 December 2011, the Group had 752 stores (30 June 2011: 771) in mainland China, of which 431 (30 June 2011: 456) were directly managed stores and 321 (30 June 2011: 315) were franchised stores. Our Taiwan market also saw expansion with the opening of 5 stores to bring the total to 99 (30 June 2011: 94) as at 31 December 2011.

To achieve higher operational efficiencies and synergies, the Group changed the Malaysian business from directly managed to export franchising mode of operation starting from November 2011. Given the solid reputation of the "bossini" brand in Malaysia and the new franchisee's prominence and local network, the Group is confident that the new operational structure will result in mutually beneficial market development and growth.

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

	31 December 2011		30 June 2011	
	Directly managed stores	**Franchised stores**	Directly managed stores	Franchised stores
Hong Kong	**41**	**-**	39	-
Mainland China	**431**	**321**	456	315
Taiwan	**99**	**-**	94	-
Singapore	**29**	**-**	29	-
Malaysia	**-**	**18**	21	-
Other countries and regions	**-**	**539**	-	521
Total	**600**	**878**	639	836

Marketing and Branding

During the period under review, the Group continued to strengthen its "be happy" brand value while planning for the 2012 celebration of its 25th anniversary. This silver jubilee marks an important milestone in the Group's history. We have planned a series of celebration activities to share our "be happy" core brand value with our customers and business partners.

Following the appointment of Ms. Joey Yung, a renowned Asian pop artist, as our celebrity spokesperson, the Group will organise a major branding campaign and a number of major marketing events, along with a series of new product launches in celebration of this important occasion.

Co-branded and Licensed Products

The Group continues to pursue opportunities for co-branded and licensed products in partnership with internationally renowned brands and licensing partners that share common values and consumer segments. Our co-branded and licensed products are all well received by the market and these unique partnerships remain at the core of our brand-building strategy which strengthened our "be happy" brand value and enhanced overall brand awareness.

The Group launched another successful *bossini x Smurfs* product series in the second half of 2011, following the publicity surrounding the theatrical release of the Smurfs Movie in August 2011 and being generally well received by the market. In November 2011, Bossini teamed up with the formidable branding powerhouse of The Walt Disney Company to create the *bossini x Toy Story* co-branded and licensed campaign, which enjoyed instant recognition as the Toy Story Land at Hong Kong Disneyland was launched at the same time. With Ms. Joey Yung appointed as its playful spokesperson, and with stylish and colourful pieces featuring these now classic Disney characters, the campaign continues to be a resounding success.

Operational Performance by Market

Hong Kong, where the business is comprised of both directly managed retail and export franchising operations, remained our principal market and major source of revenue, and accounted for 56% (2010: 52%) of consolidated revenue of the Group during the period under review. This was followed by mainland China, Taiwan, Singapore and Malaysia, which accounted for 23% (2010: 26%), 11% (2010: 11%), 9% (2010: 9%) and 1% (2010: 2%), respectively of the Group's overall consolidated revenue.

Hong Kong

Hong Kong's economy continued its significant growth in the second half of 2011. With its healthy economic and retail environment, and as the Group's major market, the territory continued to be an important driver of our business. While retail competition was becoming fiercer with the ongoing entry of established foreign brands, the Group's strategies continued to bear results as both retail and export businesses in Hong Kong delivered record high results during the period under review. Revenue from the Hong Kong market for the six months ended 31 December 2011 increased 18% to HK$820 million (2010: HK$696 million).

As at 31 December 2011, the Group owned and managed 41 (30 June 2011: 39) retail stores in Hong Kong, an increase of 2 stores compared to 30 June 2011. In total, the stores encompassed a total retail floor area of 141,900 sq. ft. (2010: 142,100 sq. ft.), which was broadly equivalent to the same period last year. While the number and size of the Hong Kong retail stores almost remained the same, their performance improved dramatically with same-store sales increased by 15% (2010: 9%) year-on-year. Net sales per sq. ft. grew by 17% to HK$7,700 (2010: HK$6,600).

Driven by double-digit growth in both top line and bottom line results, together with our continued focus on operational excellence and ongoing efforts in brand building, operating profit from Hong Kong increased by 27% to HK$150 million (2010: HK$118 million), resulting in an operating margin of 18% (2010: 17%).

The export franchising business remained in expansion mode, having added 36 stores during the period under review, bringing the total number to 557 (30 June 2011: 521) in 32 countries, including 18 stores in Malaysia, which were converted from directly managed mode of operation. Considering the global economic environment, the Group will continue its current expansion pace with a pragmatic approach and focus on these markets.

Mainland China

Retail sector competition in mainland China remains fierce as macroeconomic efforts by the central government to control inflation and cool overheating markets took their toll on consumer confidence. Continued inflation and a sharper-than-expected contraction of the real estate and export sectors in the fourth quarter of 2011 further dampened consumer sentiment. This reversal of sentiment, combined with a late onset of winter that lowered sales of winter clothing in late 2011, has caused a softening in the retail apparel sector. Same-store sales in mainland China during the period under review declined by 1% (2010: 8% growth).

The Group has been expanding its "bossini" stores pragmatically while consolidating its "bossinistyle" stores as part of its brand revamp programme. As at 31 December 2011, 634 (30 June 2011: 615) stores were operated under the "bossini" brand and 118 (30 June 2011: 156) stores were operated under the newly revamped label "b.style de flyblue".

The total number of stores in mainland China as of 31 December 2011 was 752 (30 June 2011: 771), of which 431 (30 June 2011: 456) were directly managed and 321 (30 June 2011: 315) were franchised stores. The total retail floor area increased by 3% to 483,000 sq. ft. (2010: 470,100 sq. ft.), while net sales per sq. ft. decreased to HK$1,000 (2010: HK$1,100). Revenue generated from mainland China during the period under review declined by 3% to HK$328 million (2010: HK$337 million).

The Group's operating loss in the mainland China market amounted to HK$55 million (2010: HK$18 million loss) with an operating margin of negative 17% (2010: negative 5%).

Taiwan

Weakened global demand had a negative impact on Taiwan's export oriented economy in the fourth quarter of 2011. Total revenue generated from the Taiwan market increased by 10% to HK$158 million (2010: HK$143 million) while same-store sales declined by 2% (2010: 5% growth) during the period under review.

The number of directly managed stores in Taiwan increased by 5 to 99 (30 June 2011: 94) stores in total, while the total retail floor area increased by 3% to 131,100 sq. ft. (2010: 126,900 sq. ft.) during the period under review. Net sales per sq. ft. increased to HK$2,400 (2010: HK$2,300).

The Group recorded an operating loss in Taiwan amounted to HK$12 million (2010: HK$5 million loss) while an operating margin of negative 8% (2010: negative 3%) was recorded during the period under review.

Singapore

Economic activity in trade-dependent Singapore was widely expected to have slowed down in the second half of 2011, in line with a deterioration of global conditions. Inflation also remained stubbornly high, causing an erosion of purchasing power and consumer sentiment. The Group was able to considerably increase sales in the Singapore market in spite of these challenging trends with retail sales climbing by 11% during the period under review to HK$125 million (2010: HK$113 million). The number of directly managed stores remained the same at 29 (30 June 2011: 29), while total retail floor area increased 14% during the period under review, to 35,900 sq. ft. (2010: 31,500 sq. ft.). Same-store sales declined by 5% (2010: 14% growth). Net sales per sq. ft. was HK$7,000 (2010: HK$7,200).

The Group achieved a decrease in operating loss by 50% to HK$1 million (2010: HK$2 million loss) for the period under review. Operating margin improved to negative 1% (2010: negative 2%).

Malaysia

The Group's performance during the period under review is not directly comparable with the same period last year as the nature of the Malaysian business was changed from a directly managed to an export franchising mode of operation in November 2011.

We are confident that the new structure will benefit both the Group and its franchisee, leveraging on the already well-established "bossini" brand together with the strength and existing networks of our new franchisee partner to continue to grow our Malaysian business.

LIQUIDITY AND FINANCIAL RESOURCES

As of 31 December 2011, the Group's cash and bank balances amounted to HK$370 million (2010: HK$435 million) and the net cash balance was HK$202 million (2010: HK$262 million). The current ratio for the Group was 1.84 times (2010: 1.88 times), and the ratio of total liabilities to equity was 83% (2010: 78%).

Short-term bank borrowings (payable within one year) for the Group amounted to HK$168 million (2010: HK$173 million). The resulting gearing ratio, determined by bank borrowings over total equity, was 21% (2010: 22%).

The Group has investments and operations in countries which use currencies other than the United States dollar and the Hong Kong dollar. As such, the Group has some exposures to foreign currency risk, which it mitigates by entering into forward currency contracts and other financial instruments designed to lessen exposure to exchange rate fluctuations in material transactions denominated in currencies other than the United States dollar and Hong Kong dollar.

The Group had inventory turnover days[#] of 64 (2010: 61 days) as at 31 December 2011. The return on equity ratio was 14% (2010: 18%).

[#] *Inventory held at period 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 2011.

HUMAN CAPITAL

The Group employed 4,400 (30 June 2011: 4,400) full-time equivalent staff as of 31 December 2011 in Hong Kong, Macau, mainland China, Taiwan and Singapore. The Group has a share option remuneration system while offering benefits like insurance and retirement schemes in addition to discretionary performance bonuses.

OUTLOOK

The European debt crisis and continued sluggish economy in the United States remain a challenge to the tentative recovery from the 2008 financial crisis and recession. The potential for global economic turmoil continues to persist, with possibilities of renewed recession in continental Europe and anemic recoveries in the United Kingdom and the United States. While developing markets and the high-growth emerging economies are still generally expected to outperform the established economies of Europe, the US and Japan, spill-over effects may dampen markets in the more open, export oriented economies. Some of the Group's markets may be affected by weakening consumer sentiment and a slowing retail environment.

That said, some of the developing and emerging markets in which the Group conducts business are expected to be more insulated from the effects of a sluggish global recovery. Government fiscal and monetary policies to stimulate domestic demand in these countries are likely to continue to benefit local retail trade and therefore the Group's business there.

The mainland China market experienced an unexpectedly harsh slowdown in its real estate and export sectors as a result of contractional government policies and the sluggish world economy. While a loosening of government policies can be expected, the effects of slowing global demand will persist, resulting in a slower overall economic growth rate for the country than in previous years. A slow erosion of consumer sentiment may occur as a result.

In view of these diverse challenges and opportunities, the Group will proceed cautiously and pragmatically to achieve its business objectives in the short term. In mainland China, the Group will adjust the pace of its expansion to better meet the current market conditions, while it will continue to capture opportunities as they arise. Overall, the Group plans to focus on its rapidly growing export franchising business, especially in markets such as the Middle East and India, where demand remains buoyant. The still healthy Hong Kong retail market, bolstered by its robust tourism industry, will remain the Group's core market.

In celebration of the Group's 25th anniversary, we plan to launch numerous campaigns and events that look back at our colourful history, promote the significance of our brand, and generally share our "be happy" brand value with our customers and stakeholders. We will also launch a wide range of new products in conjunction with the celebratory mood of this very important year in our history.

The Group expects to broadly continue its current strategic focus. We will pursue opportunities to build on the success of our co-branded and licensed programmes by seeking new and appropriate internationally renowned licensing partners. We will persist with investment in our "be happy" brand value by pursuing opportunities to refresh, strengthen and expand its message. Operationally, we will maintain our efforts to enhance efficiency and expand our supply chain capabilities.

No business can thrive and prosper without the hard work and dedication of its employees, and we are fortunate to have the finest team in the industry working hard to communicate our strong brand equity and support our strategic efforts. We will continue to invest in our people, our "be happy" brand value and our ability to deliver better products in the most professional way possible.

Overall, our management team remains confident in the outlook for our business. Our presence in emerging markets that are still growing, the strength of our core market in Hong Kong, and the opportunities presented by our export franchising business all give us cause for optimism. We will continue to build "bossini" as one of the most valued apparel brands in the Asia-Pacific region, driven by industry-leading retail operations, a vibrant corporate culture and excellent franchising opportunities.

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 2011. 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 2011, 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 2011.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Interim Report for the six months ended 31 December 2011 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, 21 February 2012

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.