

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



BOSSINI INTERNATIONAL HOLDINGS LIMITED

堡獅龍國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 592)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

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 2016, together with the comparative figures for the six months ended 31 December 2015, as follows:

Condensed consolidated statement of profit or loss and other comprehensive income

		Six months ended	
		31 December	
		2016	2015
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	2	1,021,976	1,146,243
Cost of sales		(502,546)	(603,589)
Gross profit		519,430	542,654
Other income and gain	3	28,815	15,144
Selling and distribution expenses		(404,244)	(407,444)
Administrative expenses		(113,878)	(119,858)
Other operating expenses		(10,210)	(5,233)
Profit from operating activities		19,913	25,263
Finance costs		–	–
Profit before tax	4	19,913	25,263
Income tax expense	5	(3,009)	(11,185)
Profit for the period attributable to owners of the Company		16,904	14,078

* For identification purposes only

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

	Six months ended	
	31 December	
	2016	2015
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
Other comprehensive loss		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Change in fair value of an available-for-sale investment	(1,760)	–
Release of exchange fluctuation reserve upon deregistration of a subsidiary	–	(889)
Exchange differences on translation of foreign operations	(7,591)	(12,651)
	<u>(9,351)</u>	<u>(13,540)</u>
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(9,351)	(13,540)
	<u>(9,351)</u>	<u>(13,540)</u>
Total comprehensive income for the period attributable to owners of the Company	7,553	538
	<u>7,553</u>	<u>538</u>
Earnings per share attributable to ordinary equity holders of the Company	<i>7</i>	
Basic	HK 1.03 cents	HK 0.86 cent
	<u>HK 1.03 cents</u>	<u>HK 0.86 cent</u>
Diluted	HK 1.03 cents	HK 0.84 cent
	<u>HK 1.03 cents</u>	<u>HK 0.84 cent</u>

Condensed consolidated statement of financial position

		At 31 December 2016 (Unaudited) HK\$'000	At 30 June 2016 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		62,304	76,118
Investment properties		22,963	23,847
Trademark		1,164	1,164
Available-for-sale investment		230,808	232,568
Note receivable		38,775	–
Deferred tax assets		10,809	9,638
Deposits paid		81,410	74,212
Total non-current assets		448,233	417,547
Current assets			
Inventories		311,814	259,803
Debtors	8	63,169	51,680
Bills receivable		21,795	12,351
Deposits paid		26,779	34,475
Tax recoverable		10,734	4,016
Prepayments and other receivables		32,553	32,434
Derivative financial instruments		1,828	18
Pledged bank deposits		719	722
Cash and cash equivalents		429,864	510,866
Total current assets		899,255	906,365
Current liabilities			
Deferred gain		23,333	23,333
Trade creditors, other payables and accruals	9	226,100	212,945
Bills payable		70,788	30,755
Tax payable		9,850	8,222
Due to related companies		894	7,865
Derivative financial instruments		175	151
Total current liabilities		331,140	283,271
Net current assets		568,115	623,094
Total assets less current liabilities		1,016,348	1,040,641
Non-current liabilities			
Deferred gain		32,554	44,221
Deferred tax liabilities		2,374	2,374
Other payables		1,558	2,308
Total non-current liabilities		36,486	48,903
Net assets		979,862	991,738
Equity			
Issued capital		163,654	163,654
Reserves		816,208	828,084
Total equity		979,862	991,738

Notes to the condensed consolidated interim financial statements

1. Basis of preparation and accounting policies

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

The basis of preparation and accounting policies adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2016, 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 Amendments	Amendments to HKAS 1 – <i>Preparation of Financial Statements – Disclosure Initiative</i>
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 – <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
HKAS 16 and HKAS 41 Amendments	Amendments to HKAS 16 and HKAS 41 – <i>Agriculture: Bearer Plants</i>
HKAS 27 (2011) Amendments	Amendments to HKAS 27 (2011) – <i>Separate Financial Statements – Equity Method in Separate Financial Statements</i>
HKAS 28 (2011), HKFRS 10 and HKFRS 12 Amendments	Amendments to HKAS 28 (2011), HKFRS 10 and HKFRS 12 – <i>Investment Entities: Applying the Consolidation Exception</i>
HKFRS 11 Amendments	Amendments to HKFRS 11 – <i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

1. Basis of preparation and accounting policies (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 7 Amendments	Amendments to HKAS 7 – <i>Cash Flow Statements – Disclosure Initiative</i> ¹
HKAS 12 Amendments	Amendments to HKAS 12 – <i>Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹
HKAS 28 (2011) and HKFRS 10 Amendments	Amendments to HKAS 28 (2011) and HKFRS 10 – <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 2 Amendments	Amendments to HKFRS 2 – <i>Classification and Measurement of Share-based Payment Transactions</i> ²
HKFRS 4 Amendments	Amendments to HKFRS 4 – <i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ²
HKFRS 9	<i>Financial Instruments</i> ²
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
HKFRS 15 Amendments	Amendments to HKFRS 15 – <i>Revenue from Contracts with Customers</i> ²
HKFRS 16	<i>Leases</i> ³

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would 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 and Macau
- (b) Mainland China
- (c) Taiwan
- (d) Singapore

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

Segment assets exclude deferred tax assets and tax recoverable as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and tax payable as these liabilities are managed on a group basis.

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

2. Operating segment information (continued)

Geographical segments

An analysis of the Group's revenue and profit/(loss) by geographical segments for the six months ended 31 December 2016, together with the comparative figures for the corresponding period in 2015, is as follows:

	Hong Kong and Macau		Mainland China		Taiwan		Singapore		Consolidated	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	710,863	808,735	151,424	158,771	79,426	82,402	80,263	96,335	1,021,976	1,146,243
Other income and gain	20,547	8,963	1,232	913	663	674	673	589	23,115	11,139
Total	731,410	817,698	152,656	159,684	80,089	83,076	80,936	96,924	1,045,091	1,157,382
Segment results	44,306	55,654	(13,831)	(14,815)	(11,100)	(15,537)	(5,162)	(4,044)	14,213	21,258
Interest income									5,700	4,005
Profit from operating activities									19,913	25,263
Finance costs									-	-
Profit before tax									19,913	25,263
Income tax expense									(3,009)	(11,185)
Profit for the period									16,904	14,078

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

The following table presents certain asset and liability information for the Group's geographical segments at 31 December 2016, together with the comparative figures at 30 June 2016.

	Hong Kong and Macau		Mainland China		Taiwan		Singapore		Consolidated	
	At 31 December 2016 (Unaudited) HK\$'000	At 30 June 2016 (Audited) HK\$'000	At 31 December 2016 (Unaudited) HK\$'000	At 30 June 2016 (Audited) HK\$'000	At 31 December 2016 (Unaudited) HK\$'000	At 30 June 2016 (Audited) HK\$'000	At 31 December 2016 (Unaudited) HK\$'000	At 30 June 2016 (Audited) HK\$'000	At 31 December 2016 (Unaudited) HK\$'000	At 30 June 2016 (Audited) HK\$'000
Segment assets	999,570	991,386	183,154	203,530	74,474	55,046	68,747	60,296	1,325,945	1,310,258
Unallocated assets									21,543	13,654
Total assets									1,347,488	1,323,912
Segment liabilities	294,734	270,952	30,832	28,873	20,314	13,299	9,522	8,454	355,402	321,578
Unallocated liabilities									12,224	10,596
Total liabilities									367,626	332,174

3. Other income and gain

	Six months ended 31 December	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest income	5,700	4,005
Royalty income	3,674	3,333
Gross rental income	4,094	3,847
Amortisation of deferred gain	11,667	–
Others	3,680	3,959
	<u>28,815</u>	<u>15,144</u>

4. Profit before tax

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

	Six months ended 31 December	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Provision/(write-back of provision) for inventories	1,233	(4,262)
Depreciation	23,397	28,945
Fair value gains, net on derivative financial instruments – transactions not qualifying as hedges	(1,954)	(3,954)
	<u>(1,954)</u>	<u>(3,954)</u>

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	3,748	11,096
Overprovision in prior periods	(321)	(230)
Current – Elsewhere		
Charge for the period	753	411
Deferred	(1,171)	(92)
	<u>3,009</u>	<u>11,185</u>
Total tax charge for the period	<u>3,009</u>	<u>11,185</u>

6. Dividend

	Six months ended	
	31 December	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Special interim dividend declared – HK1.22 cents (2015: HK1.22 cents) per ordinary share	19,966	19,962

The special interim dividend of HK\$19,966,000 (2015: HK\$19,962,000) for the six months ended 31 December 2016 is calculated based on 1,636,535,394 (2015: 1,636,195,394) shares of the Company in issue.

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

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company for the six months ended 31 December 2016 of HK\$16,904,000 (2015: HK\$14,078,000) and the weighted average number of ordinary shares of 1,636,535,394 (2015: 1,632,667,677) 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 2016 of HK\$16,904,000 (2015: HK\$14,078,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue of 1,636,535,394 (2015: 1,632,667,677) during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 3,083,111 (2015: 39,739,430) assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

8. Debtors

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

An aged analysis of debtors as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	At	At
	31 December	30 June
	2016	2016
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 1 month	54,544	44,675
1 to 2 months	3,317	3,441
2 to 3 months	1,644	845
Over 3 months	3,664	2,719
	63,169	51,680

9. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK\$81,876,000 (30 June 2016: HK\$58,248,000).

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

	At 31 December 2016 (Unaudited) <i>HK\$'000</i>	At 30 June 2016 (Audited) <i>HK\$'000</i>
Within 1 month	17,257	21,185
1 to 2 months	58,280	30,841
2 to 3 months	3,362	1,663
Over 3 months	2,977	4,559
	<hr/> 81,876 <hr/>	<hr/> 58,248 <hr/>

INTERIM DIVIDEND

The Board has declared a special interim dividend of HK1.22 cents (2015: HK1.22 cents) per ordinary share to shareholders whose names appear on the principal or branch register of members of the Company in Bermuda or Hong Kong respectively (collectively the “Register of Members”) as at the close of business on 21 March 2017. The special interim dividend will be paid on or before 5 April 2017.

CLOSURE OF REGISTER OF MEMBERS

The Company’s Register of Members will be closed from Thursday, 16 March 2017 to Tuesday, 21 March 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the special 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, 15 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the period under review, the growth of global economy tended to be divergent; some regions waned while others waxed. Global output growth was stable but masked divergent developments in different country groups. Growth accelerated faster than expected in advanced economies as manufacturing recovered modestly and inventories declined. However, this was negated by an unexpected slowdown in some emerging market economies.

The performances of the Group’s core markets including Hong Kong and Macau, mainland China, Taiwan, Singapore and the Middle East were impacted to varying degrees by several factors, including a decline in oil price. The soft global environment and a downturn in Hong Kong tourism saw Hong Kong’s economic growth slowdown as well. Hong Kong’s retail industry continued to decline in the face of this sluggish growth during the period under review. Latest Hong Kong Special Administrative Region Government’s report on Monthly Survey of Retail Sales indicated that total retail sales decreased by 7.1% in volume for 2016 compared with 2015. As a result, total retail sales value decreased by 8.1% compared with 2015. Wearing apparel sales were down 2.5% in volume and fell 4.9% in value. Mainland China’s economy continued to slow down in 2016, marking its slowest annual expansion in 26 years, as it continued its transition from an export-driven to a consumption-driven economy, yet growth picked up in the final quarter of 2016. Neighbouring regions bore the brunt of the mainland China’s slowdown. Taiwan reported its lowest annual gross domestic product expansion in 6 years. However, recovery was seen in the second half of 2016 as rebound in global demand. Singapore also suffered from the continuing moderation in growth in mainland China that is its major export market and recorded weakest annual rate of growth since 2009. But the country also showed a rebound supporting by strong improvements in the manufacturing and services sectors in the final quarter of 2016.

Further afield, low oil price since mid 2015 forced several Middle Eastern countries to implement harsh austerity measures to control soaring budget deficits, with the weakest economic performance in 2016 since the global financial crisis in 2009.

During the first half of the financial year 2016/17, the Group's overall revenue decreased 11% while profit for the period attributable to owners increased by 20%. However, gross margin improved substantially by 4% points to 51%, resulting from more effective sales and marketing strategies. The Hong Kong and Macau market, the mainland China market and the Taiwan market showed signs of having bottomed out, with same-store gross profit stopped declining after a period of negative growth for one year or more. Deteriorating economic conditions in the Middle East exemplified by low oil price affected the overall performance of the export franchising business. However, with footprint across 28 countries for this business, the Group remains optimistic in the long run, as reflected in the new shop operating maneuver of its franchisees, for adding 16 shops during the first half of the financial year 2016/17.

Financial Performance

The Group's revenue for the six months ended 31 December 2016 was HK\$1,022 million (2015: HK\$1,146 million), down by 11%. Gross profit slipped 4% to HK\$519 million (2015: HK\$543 million), with gross margin rose 4% points to 51% (2015: 47%) due to more effective sales and marketing strategies.

Operating profit for the period under review was HK\$20 million (2015: HK\$25 million), with an operating margin of 2% (2015: 2%). Profit for the period attributable to owners of the Company totalled HK\$17 million (2015: HK\$14 million), and basic earnings per share amounted to HK1.03 cents (2015: HK0.86 cent).

The Group remained in a solid financial position, with cash and bank balances of HK\$431 million (2015: HK\$340 million) and a net cash position of HK\$431 million (2015: HK\$340 million) as at 31 December 2016. Also, the Group held an investment fund of HK\$231 million (2015: Nil) and a note receivable of HK\$39 million (2015: Nil).

Operating Efficiencies

For the directly managed stores, same-store sales in Hong Kong and Macau fell 6% (2015: 14% decline), which nevertheless represented a narrowed decline on the figure for the same period of last financial year. Mainland China and Taiwan stores performed similarly, both same-store sales declined by 2% (2015: 8% decline and 14% decline, respectively). Same-store sales in Singapore dropped by 8% (2015: 1% decline). The Group's overall same-store sales slipped 6% (2015: 12% decline).

Same-store gross profit growth remained flat in both Hong Kong and Macau and mainland China (2015: 20% decline and 14% decline, respectively). 1% growth (2015: 17% decline) was recorded in Taiwan, while 5% decline (2015: 1% decline) was recorded in Singapore. The Group's overall same-store gross profit dropped by 1% (2015: 17% decline).

Total retail floor area of directly managed stores increased by 5% to 495,900 sq. ft. (2015: 473,700 sq. ft.) as of 31 December 2016, boosted by a 16% growth in mainland China space to 236,700 sq. ft. (2015: 204,700 sq. ft.). Sales per sq. ft. fell 11% to HK\$3,200 (2015: HK\$3,600).

The continuing decline in oil price resulted in a severe economic contraction in the Middle East saw a similar decline in the Group's operating profit as the export franchising business in the region slowed to a comparative crawl.

The Group's operating expenses for the period under review accounted for 52% (2015: 46%) of total revenue. The following table provides a breakdown of the operating expenses of the Group:

Operating Expenses Analysis

	For the six months ended 31 December				
	2016		2015		Change (%)
	HK\$ million	% of revenue	HK\$ million	% of revenue	
Revenue	1,022	100%	1,146	100%	-11%
Selling and distribution expenses	404	40%	408	36%	-1%
Administrative expenses	114	11%	120	10%	-5%
Other operating expenses	10	1%	5	0%	+95%
Total operating expenses	528	52%	533	46%	-1%

BUSINESS REVIEW

Distribution Network

As of 31 December 2016, the Group had a presence in 32 countries and regions around the world and the total number of stores increased to 952 (30 June 2016: 947). The number of directly managed stores grew to 287 (30 June 2016: 280), while the number of franchised stores was 665 (30 June 2016: 667).

The Hong Kong and Macau segment remained the Group's core market and major contributor to the Group's total revenue. The number of directly managed stores was 41 (30 June 2016: 42). The export franchising business added 16 stores to the global network, bringing to the total of 644 (30 June 2016: 628) stores across 28 countries.

In mainland China, the Group added 12 directly managed stores to 159 (30 June 2016: 147), while reducing franchised stores to 21 (30 June 2016: 39), the total number of stores was 180 (30 June 2016: 186). Non-performing stores in Taiwan and Singapore were consolidated and the portfolio reduced to 67 (30 June 2016: 70) and 20 (30 June 2016: 21) respectively.

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

	31 December 2016		30 June 2016	
	Directly managed stores	Franchised stores	Directly managed stores	Franchised stores
Hong Kong and Macau	41	–	42	–
Mainland China	159	21	147	39
Taiwan	67	–	70	–
Singapore	20	–	21	–
Other countries and regions	–	644	–	628
Total	287	665	280	667

Marketing and Branding

The Group continued to focus on branding, initiating various promotions that emphasised the “be happy” core brand value. Its commitment to providing all its markets with quality everyday apparel augmented by popular co-branded and licensed merchandise further reinforced its distinctive corporate identity.

Co-branded and Licensed Products

The Group continued its strategy to work with well-known licensing partners to strengthen the brand recognition and improve overall sales. Three new licensing programmes were launched in the first half of the financial year 2016/17, namely *bossini x Disney TSUM TSUM «Stack Up The Fun Together» Collection*, *bossini x Minions «GO BANANAS» Collection* and *bossini x Disney TSUM TSUM «Just Chillin’ Out» Collection*.

bossini x Disney TSUM TSUM «Stack Up The Fun Together» Collection offered bold and colourful designs with characters from Disney’s well-received movie Inside Out. These included classics like Mickey Mouse and Minnie Mouse as well as the evergreen animated movie Toy Story’s characters like Buzz Lightyear and Aliens. Clothing items included T-shirts, dresses, shorts and denim dungarees dress for teenage girls to young adults.

The Group also collaborated with Universal Studio to bring the *bossini x Minions* 《GO BANANAS》 Collection that included T-shirts, sweaters, hoodies and dungarees featuring the characters from the popular Minions film. These fun-loving Minions never fail to bring smile on everyone's face, which also echoes the Group's core brand value "be happy".

bossini x Disney TSUM TSUM 《Just Chillin' Out》 Collection was the second collaboration featuring TSUM TSUM Disney characters in a wide spectrum of different colours, from simple sweatshirts to skirts, the collection focused on creating stylish, easily matched looks.

Operational Performance by Market

The Group's Hong Kong and Macau segment continued to be the major source of revenue during the period under review. The retail and export franchising business in Hong Kong and Macau contributed 69% (2015: 71%) of total revenue for the period under review. Elsewhere, mainland China accounted for 15% (2015: 14%) of total revenue, while Taiwan and Singapore provided 8% (2015: 7%) and 8% (2015: 8%), respectively. The Group's total revenue and overall sales per sq. ft. both slipped 11% to HK\$1,022 million (2015: HK\$1,146 million) and HK\$3,200 (2015: HK\$3,600), respectively.

Hong Kong and Macau

Hong Kong and Macau retail market continued to suffer from the declining visitors especially from mainland China, with weak retail sentiment still lingering. The drop in tourist numbers coupled with the strong Hong Kong dollar and warm winter affected consumption in both Hong Kong and Macau. Nevertheless, the sign of bottoming out has been shown with same-store gross profit stopped declining during the period under review, after a period of negative growth for more than one year.

As declining oil price affected the economy in the Middle East, the Group's export franchising business deteriorated. However, the Group still showed optimism as reflected by the addition of new franchised stores in the area. The Group continued to expand internationally during the period under review, bringing the number of franchised stores to 644 (30 June 2016: 628) across 28 countries.

Total revenue for the segment, which included retail and export franchising business, was HK\$712 million (2015: HK\$809 million), representing a 12% decrease. For the retail business, same-store sales fell 6% (2015: 14% decline), yet same-store gross profit growth was flat (2015: 20% decline). Total retail floor area in Hong Kong and Macau slightly declined to 154,800 sq. ft. (2015: 155,400 sq. ft.), while sales per sq. ft. slipped 7% to HK\$6,500 (2015: HK\$7,000). The number of the directly managed stores was 41 (30 June 2016: 42). Segmental operating profit was HK\$49 million (2015: HK\$56 million), and the operating margin was 7% (2015: 7%).

Mainland China

Mainland China's economy continued to slow down during the period under review as it was in the process of optimising its structure and transforming its development model. Renminbi continued to depreciate and witnessed a significant fluctuation in the second half of 2016.

The revenue in mainland China saw a 5% decrease to HK\$151 million (2015: HK\$159 million), resulting from the warm winter in southern mainland China. Same-store sales recorded a 2% decline (2015: 8% decline), yet same-store gross profit growth was flat (2015: 14% decline). Sales per sq. ft. declined 8% to HK\$1,100 (2015: HK\$1,200). Total retail floor area increased 16% to 236,700 sq. ft. (2015: 204,700 sq. ft.) following the addition of 12 directly managed stores, boosting to 159 (30 June 2016: 147) directly managed stores. Together with 21 (30 June 2016: 39) franchised stores, there was a total of 180 (30 June 2016: 186) stores in mainland China. Operating loss was HK\$13 million (2015: HK\$12 million loss), and the operating margin was negative 9% (2015: negative 8%).

Taiwan

Taiwan witnessed its lowest gross domestic product expansion in 2016 in 6 years. Total revenue in Taiwan declined 4% to HK\$79 million (2015: HK\$82 million). The sales per sq. ft. went up by 5% to HK\$2,000 (2015: HK\$1,900) even as total retail floor area fell 8% to 76,900 sq. ft. (2015: 83,500 sq. ft.). Same-store sales recorded 2% decline (2015: 14% decline), while same-store gross profit rose 1% (2015: 17% decline). Non-performing stores were divested, reducing the number of directly managed stores to 67 (30 June 2016: 70). Operating loss was narrowed to HK\$11 million (2015: HK\$15 million loss), and the operating margin was negative 14% (2015: negative 18%).

Singapore

Singapore's economy suffered from the mediocre performance of its major export market, the mainland China, and witnessed the weakest performance in 2016 since 2009. However, strong improvements in the manufacturing and services sectors helped underpin growth in the final quarter of 2016.

During the period under review, revenue of Singapore market slipped 17% to HK\$80 million (2015: HK\$96 million). Same-store sales recorded 8% decline (2015: 1% decline), and same-store gross profit decreased by 5% (2015: 1% decline). Total retail floor area declined 9% to 27,500 sq. ft. (2015: 30,100 sq. ft.). Sales per sq. ft. decreased by 2% to HK\$5,800 (2015: HK\$5,900), while the number of directly managed stores was reduced to 20 (30 June 2016: 21) as the consolidation of non-performing stores continued. Operating loss was HK\$5 million (2015: HK\$4 million loss), and the operating margin was negative 6% (2015: negative 4%).

Liquidity and Financial Resources

As of 31 December 2016, the Group's financial position remained healthy. The cash and bank balances stood at HK\$431 million (2015: HK\$340 million) and net cash balance was HK\$431 million (2015: HK\$340 million). The Group's current ratio was 2.72 times (2015: 2.44 times), while the total liabilities to equity ratio was 38% (2015: 49%).

No bank borrowings were recorded as of 31 December 2016 (2015: Nil). The Group's gearing ratio as determined by bank borrowings divided by total equity was nil (2015: Nil).

The Group has investments and operations in countries that use currencies other than United States dollar and Hong Kong dollar. As such, the Group is exposed, to a certain extent, to foreign currency risk, which it mitigates by entering into forward currency contracts to reduce exposure to exchange rate fluctuations in material transactions denominated in currencies other than United States dollar and Hong Kong dollar.

As of 31 December 2016, the Group's inventory turnover days[#] remained at 113 days (2015: 113 days). For the period under review, the return on equity ratio was 3% (2015: 4%).

[#] *Inventory held at period end divided by annualised cost of sales times 365 days*

Contingent Liabilities

During the period under review, the Group had no material changes in contingent liabilities since 30 June 2016.

Human Capital

As of 31 December 2016, the Group employed 2,200 (30 June 2016: 2,200) full-time equivalent employees in Hong Kong and Macau, mainland China, Taiwan and Singapore.

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

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

OUTLOOK

Economic activities are projected to pick up in 2017 and 2018 after a lackluster in 2016, especially in emerging market and developing economies. The International Monetary Fund expects economic activity in both advanced economies and emerging market and developing economies to accelerate in 2017 and 2018, with global growth projected moderately higher than 2016.

Several threats persist, including potential economic downturn in mainland China with a consequent deceleration of its economy and uncertainty related to the economic policies of the new United States presidential administration. Recent United States economic data has been broadly positive, with steady gains in the labour market as well as personal disposable income and household spending. Positive prospects for oil price and somewhat improving global conditions should also help support United States manufacturing activity. The mainland China remains volatile; the property market slowdown, financial fragility and a potentially hostile approach to trade by the new United States presidential administration forecast to have an adverse effect on the economy that may result in lower growth rate. This in turn will impact Hong Kong and by extension the retail industry, which is already struggled to mitigate the effects of a continuing slide in visitor numbers from the mainland China, long the mainstay of the local tourism and retail industries.

The Group has accordingly developed a comprehensive plan and strategies to maximise its potential and profitability regardless of the prevailing economic conditions. We will expand our share of the young adult market and provide more products with an increased focus on functionality, and refined product fit and grading system to target a wider customer segment and further boost sales. The kid's line will be further developed along with the e-commerce initiative in the huge mainland China market, while our supply chain management will be reengineered to increase operational efficiencies. The Group's export franchising business will be grown by nurturing several promising markets such as Indonesia, India, Thailand and Vietnam.

The Group will also continue to launch co-branded and licensing programmes that have proved popular in the past while maintaining a close focus on expenses with various cost control initiatives, including negotiations for rental reduction particularly in Hong Kong and Macau, and improvements on shop renovation and furniture and fixtures for better cost effectiveness.

With continuous focus on our core brand value, we will carry on strengthening our competitive edge and spare no effort to enhance the value to our shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. It has formulated its written terms of reference in accordance with the provisions set out in Appendix 14 – Corporate Governance Code and Corporate Governance Report (the “CG Code”) of the Listing Rules. The Audit Committee has reviewed the unaudited interim financial results for the six months ended 31 December 2016. The Audit Committee comprises three Independent Non-executive Directors of the Company, namely Ms. LEUNG Mei Han, Dr. LEE Man Chun Raymond and Prof. SIN Yat Ming.

CORPORATE GOVERNANCE

The Company was in compliance with the code provisions as set out in the CG Code for the six months ended 31 December 2016, except for the following deviation:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry with the Company’s Directors, all the Directors have complied with the required standard set out in the Model Code, throughout the six months ended 31 December 2016.

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

The interim results announcement for the six months ended 31 December 2016 of the Company is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.bossini.com. The interim report for the six months ended 31 December 2016 of the Company, containing information required by the Listing Rules, will be despatched to shareholders and published on the above websites in due course.

By Order of the Board
TSIN Man Kuen Bess
Chairman

Hong Kong, 22 February 2017

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 Dr. LEE Man Chun Raymond, Ms. LEUNG Mei Han and Prof. SIN Yat Ming.