BOSSINI INTERNATIONAL HOLDINGS LIMITED

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

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2006

FINANCIAL RESULTS

The board of directors (the "Board") of **Bossini International Holdings Limited** (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group" or "Bossini") for the year ended 31 March 2006, together with the comparative figures for the previous year, as follows:

Consolidated Income Statement
Year ended 31 March 2006

	Notes	**2006** *HK$'000*	2005 *HK$'000* (Restated)
Revenue	2,3	**2,199,515**	2,016,941
Cost of sales		**(1,174,301)**	(1,019,259)
Gross profit		**1,025,214**	997,682
Other income and gains	3	**16,616**	18,058
Selling and distribution costs		**(660,924)**	(575,137)
Administrative expenses		**(202,424)**	(178,507)
Other operating expenses		**(38,939)**	(37,408)
Profit from operating activities		**139,543**	224,688
Finance costs	4	**(722)**	(635)
Profit before tax	5	**138,821**	224,053
Tax	6	**(33,786)**	(42,908)
Profit for the year attributable to equity holders		**105,035**	181,145
Dividends			
Interim		**28,240**	28,240
Proposed final		**28,240**	61,188
	7	**56,480**	89,428
Earnings per share attributable to ordinary equity holders	8		
Basic		**HK6.69 cents**	HK11.68 cents
Diluted		**HK6.52 cents**	HK11.34 cents

Consolidated Balance Sheet
31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**153,334**	115,409
Trademark		**1,164**	–
Deferred tax assets		**2,672**	2,947
Deposits paid		**48,849**	44,344
Bank deposits		**15,600**	–
Total non-current assets		**221,619**	162,700
Current assets			
Inventories		**253,591**	215,302
Debtors	9	**55,664**	60,352
Bills receivable		**11,973**	4,064
Deposits paid		**30,442**	23,820
Prepayments and other receivables		**57,621**	31,988
Derivative financial instruments		**998**	–
Tax recoverable		**35**	1
Pledged bank deposits		**787**	–
Cash and cash equivalents		**227,513**	325,895
Total current assets		**638,624**	661,422
Current liabilities			
Trade creditors and accruals	10	**196,038**	184,325
Bills payable		**22,243**	25,212
Tax payable		**28,531**	29,738
Due to related companies		**23,573**	7,398
Derivative financial instruments		**1,153**	–
Interest-bearing bank loans		**–**	15,000
Total current liabilities		**271,538**	261,673
Net current assets		**367,086**	399,749
Total assets less current liabilities		**588,705**	562,449
Non-current liabilities			
Provisions		**583**	913
Deferred tax liabilities		**701**	498
Total non-current liabilities		**1,284**	1,411
Net assets		**587,421**	561,038
Equity			
Issued capital		**156,891**	156,891
Reserves		**402,290**	342,959
Proposed final dividend		**28,240**	61,188
Total equity		**587,421**	561,038

Notes:

1.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value, and certain land and buildings as further explained below. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 27, 33, 37, 38, 40, HKFRS 5, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's financial statements.

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1 January 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1 January 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at cost or 31 July 1993 valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the consolidated income statement, retained profits and the consolidated balance sheet.

(b) HKAS 32 and HKAS 39 – Financial Instruments

Derivative financial instruments – Forward currency contracts

In prior years, gains and losses arising from forward currency contracts were recognised in the income statement on expiry/termination of respective derivative financial instruments. Upon the adoption of HKAS 39, these derivative financial instruments are initially recognised at fair value at the date at which a derivative contract is entered into and are subsequently remeasured at fair value with gains or losses being recognised in the income statement.

The effects of the above changes are summarised in note 1.2 below. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(c) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 April 2005.

As the Group has employee share options granted after 7 November 2002 that had not yet vested as at 1 April 2005, the adoption of HKFRS 2 has had an impact on the retained profits as at 31 March 2004 and 31 March 2005. The Group has also recognised the cost of share options in the current year's income statement in accordance with the revised accounting policy.

The effects of adopting HKFRS 2 are summarised in note 1.2 below.

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill and negative goodwill arising on acquisitions prior to 1 April 2001 were eliminated against the consolidated retained profits and credited to the consolidated capital reserve, respectively, in the year of acquisition and were not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 April 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 April 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill and to derecognise at 1 April 2005 the carrying amounts of negative goodwill (including that remaining in the consolidated capital reserve) against retained profits. Goodwill previously eliminated against the retained profits remains eliminated against the retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarized in note 1.2 below. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

1.2 Summary of the Impact of Changes in Accounting Policies

(a) Effect on the consolidated balance sheet

At 1 April 2005	Effect of adopting		
	HKFRS 2#	HKFRS 3*	
Effect of new policies (Increase/(decrease))	Equity-settled share option arrangements *HK$'000*	Derecognition of negative goodwill *HK$'000*	Total *HK$'000*
Liabilities/equity			
Share option reserve	1,309	–	1,309
Capital reserve	–	(2,069)	(2,069)
Retained profits	(1,309)	2,069	760
			–

At 31 March 2006	Effect of adopting		
	HKFRS 2#	HKASs 32# and 39*	
Effect of new policies (Increase/(decrease))	Equity-settled share option arrangements *HK$'000*	Recognition of fair value of forward contracts *HK$'000*	Total *HK$'000*
Assets			
Derivative financial instruments	998	–	998
Liabilities/equity			
Derivative financial instruments	1,153	–	1,153
Share option reserve	2,000	–	2,000
Retained profits	(2,000)	(155)	(2,155)
			998

(b) Effect on the balances of equity at 1 April 2004 and 1 April 2005

	Effect of adopting		
	HKFRS 2#	HKFRS 3*	
Effect of new policies (Increase/(decrease))	Equity-settled share option arrangements *HK$'000*	Derecognition of negative goodwill *HK$'000*	Total *HK$'000*
1 April 2004			
Share option reserve	324	–	324
Retained profits	(324)	–	(324)
			–
1 April 2005			
Capital reserve	–	(2,069)	(2,069)
Share option reserve	1,309	–	1,309
Retained profits	(1,309)	2,069	760
			–

(c) Effect on the consolidated income statement for the years ended 31 March 2006 and 2005

	Effect of adopting		
	HKFRS 2#	HKAS 32# and 39*	
Effect of new policies	Employee share option scheme *HK$'000*	Recognition of fair value of forward contracts *HK$'000*	Total *HK$'000*
Year ended 31 March 2006			
Increase in administrative expenses	(691)	–	(691)
Increase in other operating expenses	–	(155)	(155)
Total decrease in profit	(691)	(155)	(846)
Decrease in basic earnings per share	(0.04 cent)	(0.01 cent)	(0.05 cent)
Decrease in diluted earnings per share	(0.04 cent)	(0.01 cent)	(0.05 cent)
Year ended 31 March 2005			
Increase in administrative expenses	(985)	–	(985)
Total decrease in profit	(985)	–	(985)
Decrease in basic earnings per share	(0.06 cent)	–	(0.06 cent)
Decrease in diluted earnings per share	(0.06 cent)	–	(0.06 cent)

* *Adjustments taken effect prospectively from 1 April 2005*
# *Adjustments/presentation taken effect retrospectively*

2. **Segment information**

Segment information is presented by way of geographical segment as the primary segment. In determining the Group's geographical segments, revenue, results and assets are attributed to the segments based on the location of the assets.

Since over 90% of the Group's revenue, results, and assets and liabilities are derived from the retailing and distribution of garments, no separate analysis of financial information by business segment is presented in these financial statements.

	Hong Kong		**Mainland China**		**Taiwan**		**Singapore & Malaysia**		**Consolidated**	
	2006 ***HK$'000***	2005 *HK$'000* (Restated)	**2006** ***HK$'000***	2005 *HK$'000*	**2006** ***HK$'000***	2005 *HK$'000* (Restated)	**2006** ***HK$'000***	2005 *HK$'000* (Restated)	**2006** ***HK$'000***	2005 *HK$'000* (Restated)
Segment revenue:										
Sales to external customers	**1,129,195**	1,034,644	**489,491**	442,863	**379,404**	348,328	**201,425**	191,106	**2,199,515**	2,016,941
Other income and gains	**6,684**	8,585	**1,416**	4,456	**3,657**	3,132	**86**	96	**11,843**	16,269
Total	**1,135,879**	1,043,229	**490,907**	447,319	**383,061**	351,460	**201,511**	191,202	**2,211,358**	2,033,210
Segment results	**122,368**	151,018	**6,524**	31,873	**(11,450)**	17,469	**17,328**	22,539	**134,770**	222,899
Interest income									**4,773**	1,789
Profit from operating activities									**139,543**	224,688
Finance costs									**(722)**	(635)
Profit before tax									**138,821**	224,053
Tax									**(33,786)**	(42,908)
Profit for the year									**105,035**	181,145

	Hong Kong		**Mainland China**		**Taiwan**		**Singapore & Malaysia**		**Consolidated**	
	2006 ***HK$'000***	2005 *HK$'000*	**2006** ***HK$'000***	2005 *HK$'000*	**2006** ***HK$'000***	2005 *HK$'000*	**2006** ***HK$'000***	2005 *HK$'000*	**2006** ***HK$'000***	2005 *HK$'000*
Segment assets	**424,974**	435,813	**235,443**	236,076	**124,743**	97,222	**72,376**	52,063	**857,536**	821,174
Unallocated assets									**2,707**	2,948
Total assets									**860,243**	824,122
Segment liabilities	**134,942**	115,698	**75,033**	74,826	**27,785**	21,299	**5,830**	6,025	**243,590**	217,848
Unallocated liabilities									**29,232**	45,236
Total liabilities									**272,822**	263,084
Other segment information:										
Capital expenditure	**30,104**	19,694	**17,340**	21,650	**24,697**	4,717	**8,420**	3,985	**80,561**	50,046
Depreciation	**22,052**	16,872	**18,975**	16,612	**9,257**	10,374	**4,699**	3,742	**54,983**	47,600
Loss on disposal of items of property, plant and equipment	**679**	2,176	**1,264**	725	**593**	81	**37**	–	**2,573**	2,982
Inventory provision	**2,918**	10,004	**7,287**	9,758	**2,126**	10,480	**156**	4,403	**12,487**	34,645
Impairment losses of land and buildings reversed in the consolidated income statement	**(5,400)**	(8,000)	**–**	–	**–**	–	**–**	–	**(5,400)**	(8,000)
Impairment losses of land and buildings reversed in the asset revaluation reserve	**(10,151)**	–	**–**	–	**–**	–	**–**	–	**(10,151)**	–

3. **Revenue, other income and gains**

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, and the rendering of services, but excludes intra-group transactions.

An analysis of revenue, other income and gains is as follows:

	2006	2005
	HK$'000	*HK$'000*
Revenue:		
Retailing and distribution of garments	**2,147,499**	1,987,705
Rendering of garment-related services	**52,016**	29,236
	2,199,515	2,016,941
Other income and gains:		
Interest income	**4,773**	1,789
Claims received	**1,210**	440
Royalty income	**204**	3,573
Gross rental income	**2,447**	2,371
Impairment losses of land and buildings reversed in the consolidated income statement	**5,400**	8,000
Others	**2,582**	1,885
	16,616	18,058
	2,216,131	2,034,999

4. **Finance costs**

	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**722**	635

5. **Profit before tax**

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

	2006	2005
	HK$'000	*HK$'000*
Cost of sales:		
Cost of inventories sold	**1,161,814**	984,614
Inventory provision	**12,487**	34,645
	1,174,301	1,019,259
Depreciation	**54,983**	47,600
Loss on disposal of items of property, plant and equipment	**2,573**	2,982
Fair value gains of derivative instruments – transactions not qualifying as hedges, net	**(4,939)**	–
Net rental income	**(104)**	(421)

6. **Tax**

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006	2005
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**21,697**	22,974
Overprovision in prior years	**(324)**	(348)
Current – Elsewhere		
Charge for the year	**11,589**	16,556
Underprovision in prior years	**365**	815
Deferred	**459**	2,911
Total tax charge for the year	**33,786**	42,908

7. **Dividends**

	2006	2005
	HK$'000	*HK$'000*
Interim – HK1.8 cents (2005: HK1.8 cents) per ordinary share	**28,240**	28,240
Proposed final – HK1.8 cents (2005: HK3.9 cents) per ordinary share	**28,240**	61,188
	56,480	89,428

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. **Earnings per share attributable to ordinary equity holders**

The basic earnings per share is calculated based on the profit for the year attributable to ordinary equity holders of HK$105,035,000 (2005 restated: HK$181,145,000) and the 1,568,911,394 (2005: weighted average of 1,551,467,394) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of HK$105,035,000 (2005 restated: HK$181,145,000). The number of ordinary shares used in the calculation is the 1,568,911,394 (2005: weighted average of 1,551,467,394) ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of 41,323,712 (2005: 45,235,587) ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

9. Debtors

Other than cash and credit card sales, the Group normally grants credit periods of up to 60 days to its trade customers. Each trade customer has a maximum credit limit, except for new trade customers, where payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade customers relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade debtors are non-interest-bearing.

An aged analysis of trade debtors, based on the invoice date, is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 to 30 days	**45,364**	40,059
31 to 60 days	**8,097**	16,319
61 to 90 days	**1,250**	2,690
Over 90 days	**953**	1,284
	55,664	60,352

10. Trade creditors and accruals

Included in creditors and accruals is a trade creditors balance of HK$61,402,000 (2005: HK$54,863,000).

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

	2006	2005
	HK$'000	*HK$'000*
0 to 30 days	**52,800**	49,640
31 to 60 days	**6,223**	3,139
61 to 90 days	**1,969**	1,605
Over 90 days	**410**	479
	61,402	54,863

DIVIDEND

The Board has resolved to recommend a final dividend of HK1.8 cents (2005: HK3.9 cents) per ordinary share for the year ended 31 March 2006 at the forthcoming annual general meeting to be held on 28 August 2006 ("AGM"). The final dividend, if approved by the members, will be paid on 11 September 2006 to members 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 28 August 2006.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 23 August 2006 (Wednesday) to 28 August 2006 (Monday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final 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 4:00 p.m. on 22 August 2006 (Tuesday).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

During the year under review, the retail market in the Asian region faced an uncompromising operating environment that was marked by much intensified competition, continuous interest rates hikes, unseasonable weather and rising accommodation costs. The market competitiveness of the Group's product and overall performance were thus diminished.

During the period under review, the Group's consolidated turnover rose 9% to HK$2,200 million (2005: HK$2,017 million). Gross profit grew 3% to HK$1,025 million (2005: HK$998 million), representing a gross margin of 47% (2005: 49%). Operating profit was HK$140 million (2005 restated: HK$225 million), representing an operating margin of 6% (2005 restated: 11%). Profit attributable to equity holders for the year recorded a negative growth of 42% to HK$105 million (2005 restated: HK$181 million).

Operating Efficiencies

Same store sales posted a negative growth of 5% (2005: 11% growth) during the year under review. At the same time, the Group experienced pressure on operating costs, in particular the rental expenses which rose considerably in the year under review on the expectation of a revival of the property market and the expected influx of visitors to Hong Kong. Total operating costs increased to 41% of total revenue (2005 restated: 39%).

Operating Cost Analysis
Year ended 31 March

	2006		2005 (Restated)		**Change**
	HK$ million	**% of total revenue**	HK$ million	% of total revenue	
Revenue	**2,200**	**100%**	2,017	100%	+9%
Selling and distribution costs	**661**	**30%**	575	28%	+15%
Administrative expenses	**202**	**9%**	179	9%	+13%
Other operating expenses	**39**	**2%**	37	2%	+4%
Total operating expenses	**902**	**41%**	791	39%	+14%

Business Review

Network Expansion

The Group added a total of 241 new outlets in the year under review. As at 31 March 2006, the total number of outlets worldwide reached 1,068 (2005: 827), of which 521 (2005: 409) were directly managed outlets and 547 (2005: 418) were franchised outlets.

In terms of geographical reach, the Group added 70 directly managed and 81 franchised outlets in Mainland China; 37 directly managed outlets in Taiwan; 3 directly managed outlets in Malaysia; 1 directly managed outlet each in Hong Kong and Singapore, and 48 franchised outlets in other countries, mainly in the Middle East, Thailand and Indonesia.

Consequentially, the total retail floor space increased by 16% to 631,100 sq. ft. (2005: 542,700 sq. ft.) as at 31 March 2006.

Brand Development and Corporate Responsibilities

During the period under review, the Group took the lead to join hands with 16 retailers to foster one of the largest retail alliances in the region, including Hong Kong, Mainland China, Singapore and Taiwan. The alliance launched collaboratively a campaign entitled "bossini – surprises around the world" with the aim of uniting retailers around Asia and promoting the retail industry and tourism in Hong Kong and abroad. As a responsible corporate citizen, the Group procured donation of approximately HK$1 million in total, partly from sales generated from the promotional campaign to UNICEF for charity purposes.

Review of Operations

Regional performance analyses

For the year ended 31 March	Hong Kong 2006	Hong Kong 2005 (Restated)	Hong Kong Change	Mainland China 2006	Mainland China 2005	Mainland China Change	Taiwan 2006	Taiwan 2005 (Restated)	Taiwan Change	Singapore 2006	Singapore 2005 (Restated)	Singapore Change	Malaysia 2006	Malaysia 2005	Malaysia Change	Total 2006	Total 2005 (Restated)	Total Change
Retail																		
Net retail sales *(in HK$ million)*	**815**	803	+1%	**351**	331	+6%	**379**	348	+9%	**200**	191	+5%	**1**	–	n/a	**1,746**	1,673	+4%
Operating profit/*(loss)* *(in HK$ million)*	**51**	97	-47%	**(9)**	9	n/a	**(10)**	18	n/a	**19**	23	-17%	**(1)**	–	n/a	**50**	147	-66%
Operating margin *(%)*	**6%**	12%	-6%pts	**-3%**	3%	-6%pts	**-3%**	5%	-8%pts	**10%**	12%	-2%pts	**-100%**	n/a	n/a	**3%**	9%	-6%pts
Retail floor area *(sq. ft.)*#	**111,400**	112,000	-1%	**307,300**	276,400	+11%	**176,000**	124,100	+42%	**32,000**	30,200	+6%	**4,400**	–	n/a	**631,100**	542,700	+16%
Net sales per sq. ft. *(in HK$)*@	**7,300**	7,700	-5%	**1,200**	1,300	-8%	**2,500**	2,800	-11%	**6,400**	6,600	-3%	**1,100**	–	n/a	**2,900**	3,300	-12%
Same store sales growth*	**-5%**	+11%	-16%pts	**-9%**	+11%	-20%pts	**-11%**	+6%	-17%pts	**+3%**	+12%	-9%pts	**n/a**	n/a	n/a	**-5%**	+11%	-16%pts
No. of outlets	**33**	32	+1	**344**	274	+70	**112**	75	+37	**29**	28	+1	**3**	–	+3	**521**	409	+112
Franchise																		
Sales *(in HK$ million)*	**291**	218	+33%	**110**	97	+13%	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**401**	315	+27%
Operating profit *(in HK$ million)*	**86**	65	+32%	**15**	23	–35%	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**101**	88	+15%
Operating margin *(%)*	**30%**	30%	0%pt	**14%**	24%	-10%pts	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**25%**	28%	-3%pts
No. of outlets	**263**	215	+48	**284**	203	+81	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**547**	418	+129
Regional total																**Consolidated**		
Sales *(in HK$ million)*	**1,130**	1,035	+9%	**490**	443	+11%	**379**	348	+9%	**200**	191	+5%	**1**	–	n/a	**2,200**	2,017	+9%
Operating profit/(loss) *(in HK$ million)*	**125**	151	-17%	**7**	33	-79%	**(10)**	18	n/a	**19**	23	-17%	**(1)**	–	n/a	**140**	225	-38%
Operating margin *(%)*	**11%**	15%	-4%pts	**1%**	7%	-6%pts	**-3%**	5%	-8%pts	**10%**	12%	-2%pts	**-100%**	n/a	n/a	**6%**	11%	-5%pts
No. of outlets	**33^**	32^	+1	**628**	477	+151	**112**	75	+37	**29**	28	+1	**3**	–	+3	**1,068**	827	+241

Notes:

\# As at 31 March

@ On weighted average basis

* Same store sales growth is the comparison of sales of the same stores having full month operations in comparable periods

^ No. of export franchised outlet is not included

Key operations breakdown and analyses

Headquartered in Hong Kong, the Group operates on a global platform. The turnover composition remained unchanged with Hong Kong maintaining its position as the Group's major source of revenue and accounting for 52% (2005: 52%) of the total sales. It was followed by Mainland China, which accounted for 22% (2005: 22%) of the total sales, and Taiwan and Singapore, which accounted for 17% (2005: 17%) and 9% (2005: 9%), respectively.

Hong Kong

Retail and export franchise businesses continued to be the major revenue sources generated from the Hong Kong market. During the year under review, total revenue from Hong Kong rose by 9% to HK$1,130 million (2005: HK$1,035 million). Retail and export franchise sales accounted for 37% and 13% as a percentage of the Group's total sales respectively (2005: 40% and 11%, respectively). Export franchising accounted for a higher percentage on the back of strong sales growth momentum.

A sense of optimism pervaded the retail sector in the anticipation of the influx of tourists and the potential economic infusion in early 2005. The forecast of this development, however, never fully materialized, and the economy produced mixed messages that created a challenging environment for the sector as the year progressed. While the Group faced intense competition in the Hong Kong apparel retail market, it also had to contend with negative economic influences such as interest rate hikes and rising energy prices which contributed to the dampening of consumer sentiment. Additional challenges included rising rental costs and sluggish demand for apparel due to unseasonable weather conditions, which necessitated the running of cutthroat promotions to expedite inventory turnover.

Owing to the inhospitable market climate, the Group employed a cautious approach to expansion and opened a new directly managed outlet in Hong Kong, bringing the total to 33 outlets (2005: 32). The total retail floor area, amounting to 111,400 sq. ft. (2005: 112,000 sq. ft.), was relatively stable as compared to that of previous year. Retail sales grew 1% to HK$815 million (2005: HK$803 million). Same store sales recorded negative growth of 5% (2005: 11% growth). Operating profit declined 47% to HK$51 million (2005 restated: HK$97 million), equivalent to an operating profit margin of 6% (2005 restated: 12%).

The export franchise business continued to be a bright spot for the Hong Kong market. Revenue growth remained very strong at 33% with an addition of 48 franchised outlets to 263 (2005: 215). Total revenue reached HK$291 million (2005: HK$218 million), generating operating profit of HK$86 million (2005 restated: HK$65 million) with a 30% operating profit margin (2005 restated: 30%). This encouraging performance partially compensated for the slump of the Hong Kong retail business. The Middle East continued to account for the major source of export franchise sales with an addition of 14 outlets, while the Group's relatively new markets, namely Thailand and Indonesia, grew at a much faster pace than overall division sales with additions of 13 and 18 outlets, respectively. The Group established presence with 1 outlet each in Myanmar and Nepal for its export franchise business.

The overall operating profit for Hong Kong decreased 17% to HK$125 million (2005 restated: HK$151 million), and operating margin declined to 11% (2005 restated: 15%).

Mainland China

The Mainland China market is pivotal to the Group's continued success. To date, the Group has opened directly managed outlets in 9 first-tier cities and franchised outlets selling the "bossini" and "sparkle" brands in more than 100 second and third-tier cities. The Group has also launched a higher-end "bossini style" product line to tap opportunities in the middle to upper market segments in Mainland China.

The Group's network in Mainland China is comprised of 344 (2005: 274) directly managed outlets and 284 (2005: 203) franchised outlets, bringing the total number to 628 (2005: 477). Total retail floor area as at 31 March 2006 reached 307,300 sq. ft. (2005: 276,400 sq. ft.), which represented an increase of 11% over that as at previous year end.

For the directly managed network, 225 (2005: 177) are "bossini" outlets and 119 (2005: 97) are "sparkle" outlets. For the franchise network, 209 (2005: 160) are "bossini" outlets and 75 (2005: 43) are "sparkle" outlets.

Sales in Mainland China rose 11% to reach HK$490 million (2005: HK$443 million), of which sales from directly managed outlets and franchised outlets grew by 6% and 13%, respectively, to HK$351 million (2005: HK$331 million) and HK$110 million (2005: HK$97 million), respectively. The sales revenue from directly managed and franchised outlets in Mainland China as a percentage of the Group's consolidated turnover were 16% (2005: 16%) and 5% (2005: 5%), respectively, the same as that of the previous year. Same store sales for the retail business in Mainland China recorded a negative growth of 9% (2005: 11% growth).

Sales for the "bossini" and the newly introduced "bossini style" line continued to expand progressively. Nevertheless, 2005 saw a dramatic increase in apparel supply for the mass market and the fast penetration of local players led to intense competition in the mass casual wear sector. Sales of sparkle which positioned in this segment was especially affected.

In light of the keen competition and the unseasonable weather, the product competitiveness of the Group was notably discounted, which led to a significant decline in profitability of the Mainland China operations. The Group recorded an operating profit of HK$7 million for 2005/2006 (2005: HK$33 million) in Mainland China with an operating profit margin of 1% (2005: 7%).

Taiwan

The Group's Taiwan operation underwent considerable expansion in 2005, adding 37 new outlets. The network now comprises 112 (2005: 75) directly managed outlets with an increase of 42% in total retail floor area to 176,000 sq. ft. (2005: 124,100 sq. ft.).

Sales in Taiwan rose 9% to HK$379 million (2005: HK$348 million). Market conditions were extremely competitive and further worsened by unseasonable weather, a slowing economy, credit tightening and weak consumer sentiment. Same store sales experienced a fall of 11% (2005: 6% growth). An operating loss of HK$10 million was recorded (2005 restated: HK$18 million profit), mainly attributable to the greater incremental magnitude for operating expenses than the top-line.

Singapore

Despite the widely accepted perception that the Singapore market is saturated, the Group's performance therein was relatively consistent and stable throughout the year. There were 29 (2005: 28) directly managed outlets in Singapore as at 31 March 2006. Total retail floor area increased by 6% to 32,000 sq. ft. (2005: 30,200 sq. ft.).

During the year under review, Singapore retail sales grew 5% to reach HK$200 million (2005: HK$191 million). Same store sales depicted an increase of 3% (2005: 12%). Operating profit reached HK$19 million (2005 restated: HK$23 million) with operating profit margin decreased to 10% (2005 restated: 12%).

Malaysia

The Group leverages on the successful experience of the Singapore management team in the Singapore market and opened three directly managed outlets in Malaysia in the year under review.

Liquidity and Financial Resources

For the year ended 31 March 2006, the Group's cash and bank deposits amounted to HK$244 million (2005: HK$326 million) including long term bank deposits of HK$16 million (2005: Nil). The Group's current ratio stood at a healthy level of 2.4 (2005: 2.5). Total liabilities to equity ratio was 46% (2005: 47%).

The Group managed its inventory at a stable level. Inventory turnover was 42 days# in the period under review (2005: 39 days), a level close to that of prior year. Return on equity ratio was 18% (2005 restated: 36%).

\# Inventory held at year end divided by full year turnover times 365 days

Contingent liabilities

The Group had certain contingent liabilities with respect to business tax on sales in Taiwan. The Directors, based on the advice from the local tax representative of the Taiwan Branch, believe that the branch has a valid ground to object the claim from the tax bureau in Taiwan, and accordingly, have not made any provision for the tax claim or any potential additional profits tax liabilities as at 31 March 2006.

Human Capital

As at 31 March 2006, the Group employed full-time staff or equivalent of 4,300 in Hong Kong, Macau, Mainland China, Taiwan, Singapore and Malaysia. It employs a performance-based remuneration system and offers benefits such as insurance and retirement schemes as well as discretionary performance bonuses.

Outlook

The Group is leveled on an elevated horizon after two years of robust growth. It is anticipated that its any significant leap in the future will demand for well-defined branding strategies, marketable product design, focused product positioning, and effective facilitations for responding to its customers' needs. Equally important is a solid backend and supporting infrastructure integrating world-class systems and business processes, which will optimize operating workflows, reinforce its supply chain management, strengthen inventory management and logistic controls and expedite the market-demand-responding processes.

The Group expects the current market situation to continue in the coming year. To ensure a solid foundation from which to propel long-term growth, the Group will place strong emphasis on product, Mainland China market and people. The Group will strive to offer better products to its targeted customers, develop diligently the lucrative Mainland China businesses, and to uphold the learning culture by offering abundance of personal development opportunities, as well as creating a talented pool of quality staff.

In order to accommodate with the dynamic apparel retailing market and fashion trends, the Group will focus on achieving high performance retailing standards. It will continue to deploy its efforts in responding to its customers' demand in a proactive manner. To further enhance and enrich its product portfolio in order to satisfy more precisely the demand of its targeted segments, the Group will also extend and revitalize its product lines to include new product designs or new functional fabrics.

The Hong Kong SAR Government and certain large commercial corporations have recently advocated comfortable smart casual wear at office. The Group anticipates increasing demand for quality casual wear and expects to benefit from this growing trend.

In light of the success of the recent licensed products, particularly the "Sesame Street" product line, which rendered attractive cross-segmental (kids-to-adult) sales opportunities for the Hong Kong market, the Group will consider more of these licensing opportunities of similar arrangements in this fiscal year. The Group plans to open 5 outlets mainly in the residential area in Hong Kong to realize its strategic market penetration for the coming year.

Experienced a high and healthy growth period in the past three years, the export franchise business will continue riding on its growth momentum, but is expected to enter into the next phase of moderate sales growth at double-digit in the coming years. The Group will continue to tap opportunities into new markets. As at the end of June 2006, there were 7 outlets in 6 cities in India. It will also enter Korea in late 2006/07. The export franchise business is anticipated to remain as a major earnings component of the Group, and benefit from higher margins and higher returns as it progresses along its long-term network rollout plan and capitalizes on the economies of scale.

The Group adopts pragmatic global expansion strategies at a reasonable pace of growth. It will continue to pursue its progressive expansion plan into the Mainland China market in view of its potentially exploding market potential from sustained economic growth momentum and the improvement in the standard of living. Improving measures will be implemented for the "sparkle" products to better fit into the needs of its targeted groups. The management team remains optimistic about the medium– to long-term prospects for this fast-growing market and plans to open 100 directly managed and franchised outlets in Mainland China in the coming year.

The economy in Taiwan continued to be sluggish. As the outlook for the market remains uncertain in the near future, partly due to recent political instability, the Group will ride on the existing distribution network and minimize outlet expansion for Taiwan in the coming year.

Singapore is likely to be a steady earnings contributor going forward and the Group will open 2 more outlets therein. It is anticipated that the stable economy and healthy consumer confidence will sustain to propel future growth in earnings.

With our successful experience garnered in the Singapore market, the Group remains positive with the Malaysian market and will open around 7 outlets in Malaysia in the coming year.

Achieving sustainable growth in both turnover and profit has always been a key objective for Bossini, and it will continue to be so in the years to come. The Group's cash position remains healthy at around HK$244 million and it has planned to invest HK$100 million on capital expenditure in the coming year. This includes HK$20 million for upgrading the I.T. system, including the implementation of a world-class financial management system and a warehousing management system which will go live this year, and an upgrade of the point-of-sales system to improve inventory management, logistic controls and facilitate faster response to market needs. In addition, HK$70 million was planned for store renovation. Furthermore, a brand-building program will be launched to revamp the "bossini" brand in various aspects to enhance its competitiveness in the long run. The coming year will continue to exhibit a very difficult operating environment. Nevertheless, the Group is cautious yet optimistic about the future in medium– to long-term. The Group acknowledges the importance of operational fundamentals and backend supporting foundations to its coming developments and believes these initiatives will equip and prepare itself to overcome any market challenges in the future.

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 year.

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 – Code on Corporate Governance Practices (the "CG Code") of the Listing Rules. The audit committee has reviewed the audited financial results for the year ended 31 March 2006. The audit committee comprises four Independent Non-executive Directors of the Company, namely Ms. LEUNG Mei Han, Mr. Raymond LEE Man Chun, Mr. WONG Wai Kay 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 during the year ended 31 March 2006, except for the following deviations:

a. The Company does not have a separate Chairman and Chief Executive Officer and Mr. LAW Ka Sing currently holds both positions. The Board considers that the present structure provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies. It also enables the Group to make and implement decisions promptly and efficiently to the best benefit of the Group and its shareholders.

b. The Directors are not subject to retirement by rotation at least once every three years. Pursuant to the Bye-laws of the Company, new Directors appointed by the Board during the year shall hold office until the next annual general meeting and shall then be eligible for re-election. One-third of the Directors for the time being, or the number nearest one-third, shall retire from office by rotation at each annual general meeting. The cycle is roughly the same as once every three years stipulated by the CG Code.

c. The Chairman and the Chief Executive Officer of the Company are not subject to retirement by rotation. The Board considers that the continuity of the Chairman and Chief Executive Officer of the Company and his leadership are crucial in maintaining the stability of the Group's business operations.

In order to align with certain code provisions of the CG Code and comply with the new amendment of the Listing Rules on the provision governing the removal of directors in the Company's Bye-laws, the Board has proposed to amend the Company's Bye-laws at the forthcoming AGM and details of the proposed amendments will be contained in the notice convening the AGM.

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 of the Company's Directors, the Directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the annual report.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

2005/06 Annual Report of the Company containing all the information required by the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited and despatched to shareholders in due course.

By Order of the Board
LAW Ka Sing
Chairman

Hong Kong, 18 July 2006

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