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BOSSINI INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 592)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 JUNE 2010

FINANCIAL RESULTS

The board of directors (the "Board") of **Bossini International Holdings Limited** (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group" or "Bossini") for the year ended 30 June 2010, together with the comparative figures for the year ended 30 June 2009, as follows:

Consolidated statement of comprehensive income

Year ended 30 June 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000*
Revenue	*2,3*	**2,306,260**	2,254,126
Cost of sales		**(1,116,115)**	(1,141,484)
Gross profit		**1,190,145**	1,112,642
Other income	*3*	**11,497**	13,481
Selling and distribution costs		**(790,677)**	(779,144)
Administrative expenses		**(254,126)**	(235,799)
Other operating expenses		**(42,418)**	(51,368)
Profit from operating activities		**114,421**	59,812
Finance costs	*4*	**(4,939)**	(2,707)
Profit before tax	*5*	**109,482**	57,105
Income tax expense	*6*	**(19,031)**	(6,853)
Profit for the year attributable to owners of the Company		**90,451**	50,252

Consolidated statement of comprehensive income (continued)

	Notes	2010 HK$'000	2009 HK$'000
Other comprehensive loss			
Exchange differences on translation of foreign currencies		**(1,947)**	(4,972)
Deferred tax relating to revaluation of leasehold land and buildings		**95**	95
Other comprehensive loss for the year, net of tax		**(1,852)**	(4,877)
Total comprehensive income for the year attributable to owners of the Company		**88,599**	45,375
Dividends	*7*		
Interim		**17,595**	15,939
Proposed final		**36,844**	15,939
Proposed special		**4,806**	–
		59,245	31,878
Earnings per share attributable to ordinary equity holders of the Company	*8*		
Basic		**HK5.66 cents**	HK3.16 cents
Diluted		**HK5.64 cents**	HK3.15 cents

Consolidated statement of financial position
30 June 2010

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**129,248**	178,464
Investment properties		**34,454**	–
Trademark		**1,164**	1,164
Deferred tax assets		**1,637**	3,290
Deposits paid		**63,989**	62,967
Total non-current assets		**230,492**	245,885
Current assets			
Inventories		**300,480**	280,987
Debtors	*9*	**59,778**	55,143
Bills receivable		**11,283**	9,783
Deposits paid		**35,538**	33,934
Prepayments and other receivables		**52,338**	43,250
Structured deposit		**15,440**	–
Derivative financial instruments		**695**	–
Tax recoverable		**582**	269
Pledged bank deposits		**1,523**	1,486
Cash and cash equivalents		**461,068**	340,774
Total current assets		**938,725**	765,626
Current liabilities			
Trade creditors, other payables and accruals	*10*	**271,284**	185,067
Bills payable		**35,034**	4,837
Tax payable		**43,117**	50,640
Due to related companies		**21,458**	9,206
Derivative financial instruments		**256**	3,265
Interest-bearing bank borrowings		**60,655**	77,621
Provision		**3,643**	6,584
Total current liabilities		**435,447**	337,220
Net current assets		**503,278**	428,406
Total assets less current liabilities		**733,770**	674,291
Non-current liabilities			
Deferred tax liabilities		**1,997**	1,531
Net assets		**731,773**	672,760
Equity			
Issued capital		**160,192**	159,392
Reserves		**529,931**	497,429
Proposed final dividend		**36,844**	15,939
Proposed special dividend		**4,806**	–
Total equity		**731,773**	672,760

Notes to the consolidated financial statements

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

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), 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 and a structured deposit which have been measured at fair value, and certain land and buildings as further explained below. These financial statements are presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 – *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 – *Financial Instruments: Presentation* and HKAS 1 – *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HKAS 39 Amendment	Amendment to HKAS 39 – *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 – *First-time Adoption of Hong Kong Financial Reporting Standards* and HKAS 27 – *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 2 Amendments	Amendments to HKFRS 2 – *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 3 (Revised)	*Business Combinations*
HKFRS 7 Amendments	Amendments to HKFRS 7 – *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 – *Operating Segments – Disclosure of Information about Segment Assets* (early adopted)
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*
HK(IFRIC)-Int 18	*Transfer of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs
Improvements to HKFRSs (May 2009)	Amendments to HKAS 38, HKFRS 2, HK (IFRIC) – Int 9 and HK(IFRIC) – Int 16

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009)

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

Other than as further explained below regarding the impact of HKAS 1 (Revised), HKFRS 7 Amendments, HKFRS 8 and HKFRS 8 Amendment, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

(a) HKAS 1 (Revised) – *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

(b) Amendments to HKFRS 7 – *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

(c) HKFRS 8 – *Operating Segments* and Amendment to HKFRS 8 – *Operating Segments – Disclosures of Information about Segment Assets*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the geographical segments previously identified under HKAS 14. These revised disclosures are shown in note 2.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

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

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

HKAS 24 (Revised)	*Related Party Disclosures* [4]
HKAS 32 Amendment	Amendment to HKAS 32 – *Financial Instruments: Presentation – Classification of Rights Issues* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 – *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [1]
HKFRS 1 Amendment	Amendment to HKFRS 1 – *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [3]
HKFRS 2 Amendments	Amendments to HKFRS 2 – *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [1]
HKFRS 9	*Financial Instruments* [5]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 – *Prepayments of a Minimum Funding Requirement* [4]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [3]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [1]
Improvements to HKFRSs (May 2009)	Amendments to a number of HKFRSs [6]
Improvements to HKFRSs (May 2010)	Amendments to a number of HKFRSs [7]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* and *Improvements to HKFRSs 2010* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Under the *Improvements to HKFRSs 2009*, the amendments to HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5 and HKFRS 8 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation. Under the *Improvements to HKFRSs 2010*, the amendments to HKAS 27 and HKFRS 3 are effective for annual periods beginning on or after 1 July 2010 while the amendments to HKAS 1, HKAS 34, HKFRS 1, HKFRS 7 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 January 2010
[2] Effective for annual periods beginning on or after 1 February 2010
[3] Effective for annual periods beginning on or after 1 July 2010
[4] Effective for annual periods beginning on or after 1 January 2011
[5] Effective for annual periods beginning on or after 1 January 2013
[6] Effective for annual periods beginning on or after 1 January 2010, as appropriate
[7] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

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 these 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.

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

Segment liabilities exclude interest-bearing bank borrowings, 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)**

The following tables present revenue, profit and certain asset, liability and expenditure information of the Group's geographical segments for the years ended 30 June 2010 and 2009.

	Hong Kong		Mainland China		Taiwan		Singapore & Malaysia		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	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	**1,280,717**	1,279,157	**527,618**	467,885	**260,319**	275,309	**237,606**	231,775	**2,306,260**	2,254,126
Other income	**5,829**	3,735	**2,559**	4,566	**1,157**	1,248	**33**	23	**9,578**	9,572
Total	**1,286,546**	1,282,892	**530,177**	472,451	**261,476**	276,557	**237,639**	231,798	**2,315,838**	2,263,698
Segment results	**169,282**	124,212	**(38,228)**	(34,268)	**(4,031)**	(21,992)	**(14,521)**	(12,049)	**112,502**	55,903
Interest income									**1,919**	3,909
Profit from operating activities									**114,421**	59,812
Finance costs									**(4,939)**	(2,707)
Profit before tax									**109,482**	57,105
Income tax expense									**(19,031)**	(6,853)
Profit for the year									**90,451**	50,252

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

	Hong Kong 2010	Hong Kong 2009	Mainland China 2010	Mainland China 2009	Taiwan 2010	Taiwan 2009	Singapore & Malaysia 2010	Singapore & Malaysia 2009	Consolidated 2010	Consolidated 2009
Segment assets	**722,939**	589,456	**265,699**	237,304	**81,635**	81,455	**96,725**	99,737	**1,166,998**	1,007,952
Unallocated assets									**2,219**	3,559
Total assets									**1,169,217**	1,011,511
Segment liabilities	**189,840**	103,782	**109,595**	74,168	**24,185**	24,109	**8,055**	6,900	**331,675**	208,959
Unallocated liabilities									**105,769**	129,792
Total liabilities									**437,444**	338,751
Other segment information:										
Capital expenditure*	**26,145**	46,065	**19,562**	27,205	**10,531**	3,596	**3,834**	11,137	**60,072**	88,003
Depreciation	**32,798**	38,348	**24,142**	22,267	**7,807**	9,282	**8,680**	9,650	**73,427**	79,547
Loss on disposal/ write-off of items of property, plant and equipment	**181**	341	**377**	482	**712**	975	**971**	352	**2,241**	2,150
Provision/(write-back of provision) for inventory	**3,322**	(1,881)	**5,617**	6,490	**(2,410)**	1,767	**607**	8	**7,136**	6,384
Impairment/(write-back of impairment) of debtors	**11**	–	**474**	(125)	**–**	–	**5**	7	**490**	(118)
Non-current assets**	**143,538**	149,298	**33,741**	41,175	**19,996**	18,392	**31,580**	33,730	**228,855**	242,595

* Capital expenditure consists of additions of property, plant and equipment

** The non-current asset information above is based on the location of assets and excludes deferred tax assets

3. **Revenue and other income**

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.

An analysis of revenue and other income is as follows:

	2010	2009
	HK$'000	*HK$'000*
Revenue:		
Retailing and distribution of garments	**2,306,260**	2,254,126
Other income:		
Interest income	**1,919**	3,909
Claims received	**1,917**	3,014
Royalty income	**2,831**	2,296
Gross rental income	**1,543**	330
Others	**3,287**	3,932
	11,497	13,481
	2,317,757	2,267,607

4. **Finance costs**

	2010	2009
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**4,939**	2,707

5. **Profit before tax**

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

	2010	2009
	HK$'000	*HK$'000*
Cost of sales:		
Cost of inventories sold	**1,108,979**	1,135,100
Provision for inventory	**7,136**	6,384
	1,116,115	1,141,484
Depreciation	**73,427**	79,547
Loss on disposal/write-off of items of property, plant and equipment	**2,241**	2,150
Net rental income	**(1,322)**	(49)
Fair value loss on a structured deposit	**139**	–
Fair value losses/(gains), net on derivative financial instruments – transactions not qualifying as hedges	**990**	(1,929)

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2010	2009
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**22,036**	16,278
Overprovision in prior years	**(223)**	(2,661)
Current – Elsewhere		
Charge for the year	**3,405**	3,913
Overprovision in prior years	**(8,401)**	(9,107)
Deferred	**2,214**	(1,570)
Total tax charge for the year	**19,031**	6,853

7. Dividends

	2010	2009
	HK$'000	*HK$'000*
Interim – HK1.1 cents (2009: HK1.0 cent) per ordinary share	**17,595**	15,939
Proposed final – HK2.3 cents (2009: HK1.0 cent) per ordinary share	**36,844**	15,939
Proposed special – HK0.3 cent (2009: Nil) per ordinary share	**4,806**	–
	59,245	31,878

The proposed final and special dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$90,451,000 (2009: HK$50,252,000), and the weighted average number of ordinary shares of 1,596,913,569 (2009: 1,591,184,331) in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company of HK$90,451,000 (2009: HK$50,252,000). The weighted average number of ordinary shares used in the calculation is the 1,596,913,569 (2009: 1,591,184,331) ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares of 7,391,929 (2009: 3,675,137) 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 debtors that are not considered to be impaired, based on the due date, is as follows:

	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**50,902**	45,681
Less than 1 month past due	**3,997**	4,824
1 to 2 months past due	**1,344**	996
2 to 3 months past due	**768**	1,053
Over 3 months	**2,767**	2,589
	59,778	55,143

10. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK$105,281,000 (2009: HK$35,197,000).

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

	2010	2009
	HK$'000	*HK$'000*
Current	**57,791**	11,452
0 to 30 days	**40,548**	15,618
31 to 60 days	**2,908**	3,424
61 to 90 days	**926**	2,031
Over 90 days	**3,108**	2,672
	105,281	35,197

DIVIDENDS

The Board has resolved to recommend a final dividend of HK2.3 cents (2009: HK1.0 cent) per ordinary share and a special dividend of HK0.3 cent (2009: Nil) per ordinary share for the year ended 30 June 2010 at the forthcoming annual general meeting to be held on 17 November 2010 ("AGM"). The final dividend and special dividend, if approved by the members, will be paid on 1 December 2010 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 17 November 2010.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Friday, 12 November 2010 to Wednesday, 17 November 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and special 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 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 11 November 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The financial year 2009/10 continued to be a year of mixed challenges for the Group. Given the aftermath of the global financial tsunami and the recent European debt crisis remain to be two major concerns for the global economy; yet many of the countries in the Asia-Pacific region have experienced gradual recovery particularly during the second half of the year under review.

In general, 2009/10 was quite a rewarding year for Bossini, due in part to the successful implementation of our business strategies. Some of these strategies will continue to produce results over the coming years. Our strategies focused on business expansion in the mainland China market, enhancing the "be happy" brand image and optimising internal operations. We believe these strategies have produced a strong foundation that will enable us to further bolster the profitability and growth of the Group in a sustainable manner.

Financial Performance

For the year ended 30 June 2010, the Group's revenue rose by 2% to HK$2,306 million (2009: HK$2,254 million).

The Group's gross profit for the year 2009/10 has improved from HK$1,113 million to HK$1,190 million, an increment of 3% points in gross margin to 52% (2009: 49%). As a result of effective cost management, operating profit increased by 91% to HK$114 million (2009: HK$60 million), equivalent to an operating margin of 5% (2009: 3%). EBITDA for the year under review rose 37% to HK$186 million (2009: HK$135 million) and accounted for 8% (2009: 6%) of the Group's total revenue.

Benefitting from retail sales growth plus margin expansion, Bossini recorded profit attributable to owners of HK$90 million (2009: HK$50 million), up by 80% compared to the previous fiscal year. Basic earnings per share for the year under review were HK5.66 cents (2009: HK3.16 cents).

Bossini's encouraging operational performance has further strengthened its financial position. As at 30 June 2010, the Group's net cash balance recorded a substantial increase of HK$137 million to HK$402 million (2009: HK$265 million).

Operating Efficiencies

After achieving a 2% growth in same-store sales in the first half of 2009/10, the Group's retail performance further improved in the second half of the fiscal year. Overall, same-store sales for the year under review grew by 5% (2009: 3% decline). Notably, the Hong Kong market achieved a remarkable 11% (2009: 2% decline) same-store sales growth. This is attributable to high brand awareness, strong retail sales growth in the Hong Kong market, and the growing recognition of our brand value – "be happy". Our performances in Taiwan, Singapore, mainland China and Malaysia were not as satisfactory, with same-store sales decline by 4%, 1%, 1% and 12% (2009: 12% decline, 8% decline, 5% growth, 1% growth) respectively.

The Group expanded its network by adding 68,800 sq. ft. of retail area - a 10% increase to 769,300 sq. ft. (2009: 700,500 sq. ft.) as of 30 June 2010. As the newly opened stores has yet to achieve full operational efficiencies, the average net sales per sq. ft. decreased by 4% to HK$2,400 (2009: HK$2,500).

Our management team continued to maintain tight control over expenses to ensure cost effectiveness and improve productivity. Operating margin therefore increased 2% points to 5% (2009: 3%).

Operating Cost Analysis

	2010		2009		
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	***Change (%)***
Revenue	**2,306**	**100%**	2,254	100%	**+2%**
Selling and distribution costs	**791**	**34%**	779	35%	**+1%**
Administrative expenses	**254**	**11%**	236	10%	**+8%**
Other operating expenses	**42**	**2%**	51	2%	**-17%**
Total operating expenses	**1,087**	**47%**	1,066	47%	**+2%**

Business Review

Network Expansion

With our mission "To create incremental value for the brand every day … in every way", Bossini has grown since its beginnings in 1987 into an apparel enterprise with 1,361 stores in 33 markets and approximately 4,400 employees. Bossini is one of the most valued apparel brand owner, retailer and franchiser in the Asia-Pacific region.

The Group maximised opportunities during the economic downturn, using advantage of lower capital costs to expand into markets with strong potential. In the fiscal year 2009/10, a total of 183 new stores were added to the Bossini global distribution network, taking the number of stores to 1,361 (2009: 1,178). A majority of the new additions were in the mainland China market.

As of 30 June 2010, Bossini operated 611 (2009: 538) directly managed stores in five core markets in Asia, 73 stores more than the previous year. For the franchising business, the number of stores stood at 750 (2009: 640) as of 30 June 2010. Of the 110 new franchised stores added during the year, 81 stores were in mainland China and 29 stores in other export countries.

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

	2010		2009	
	Directly managed stores	**Franchised stores**	Directly managed stores	Franchised stores
Hong Kong	**41**	**–**	41	–
Mainland China	**436**	**297**	362	216
Taiwan	**86**	**–**	84	–
Singapore	**26**	**–**	31	–
Malaysia	**22**	**–**	20	–
Other countries and regions	**–**	**453**	–	424
Total	**611**	**750**	538	640

Co-branded and Licensed Products

The ongoing effort of Bossini to offer greater variety of co-branded licensed products is the cornerstone of its marketing strategy. The Group has further developed and promoted its brand value, "be happy", by injecting this concept into products used in the latest collection of casual wear which proved popular.

The Group leveraged this success by launching several co-branding programmes during the year, starting with the limited edition of our Campbell's Collection. This vintage and vibrant image was followed by the heart-warming cuddly Paddington Bear series during the Christmas holiday season. The cheerful classic English character Thomas & Friends was embraced by families and the Marvel Hero series, inspired by the growing popularity of heroic movies, proved popular with young fashion followers. These campaigns were launched in our stores in our core markets covering the first tier and second tier cities across mainland China, successfully raising the "bossini" brand profile.

Operational Performance by Markets

While the local operating environment remained highly competitive, Hong Kong remained the Group's primary market, which accounted for 55% (2009: 56%) of the Group's consolidated revenue in the year under review. Mainland China was the second largest contributor and accounted for 23% (2009: 21%) of the Group's revenue. This represented a respectable increase by 2% points despite the challenging market environment. Taiwan, Singapore and Malaysia contributed 11%, 9% and 2% (2009: 12%, 9% and 2%) respectively to the Group's total revenue.

Hong Kong

The Hong Kong market segment, being the Group's major revenue and profit contributor, delivered a steady top line for the year under review. Combining retail and export sales, the total revenues were HK$1,281 million (2009: HK$1,279 million). The decent revenue growth in Hong Kong retail market was substantially offset by the decline in export franchising sales.

The Group achieved decent results in its retail business even though the business environment was not entirely favourable during the first half of the year. As the Hong Kong economy gained steam with consumer sentiment improving and revitalised local consumption power gaining ground in the second half of the year, the Group continued to capitalise on opportunities through focused brand promotion and marketing tactics and co-branded products, as well as a broadened product offering and enhanced customer service levels. This resulted in net sales per sq. ft. in Hong Kong increasing by 13% to HK$6,200 (2009: HK$5,500). Same-store sales also regained growth momentum with 11% growth (2009: 2% decline) during the fiscal year. The total retail floor area increased to 145,300 sq. ft. (2009: 143,100 sq. ft.). Operating profit from Hong Kong reached HK$170 million (2009: HK$127 million), representing an operating margin of 13% (2009: 10%).

In view of the highly inflated and rapidly rising rental market, the Group has been selective in choosing store locations and has adopted a pragmatic approach that takes both sales and profitability into consideration in its network expansion. Hence, while certain stores were relocated, the total number of stores in Hong Kong remained at 41 (2009: 41).

To combat the macro economic uncertainties which still linger in some export markets and affect the Group's export sales to a degree, the Group continued to expand its export franchising network. As at 30 June 2010, the Group added 29 export franchising stores, bringing the total number to 453 (2009: 424) in 28 countries. Although some of the franchisees underperformed during the financial crisis due to sluggish consumer demand led by the global economic uncertainties, the network expansion has paved the way for growth once sentiment improve.

Mainland China

The continuing efforts of the Chinese government in promoting favourable policies to bolster domestic consumption and foster the recovery of both retail and export markets has turned mainland China into one of the fastest growing and highly promising apparel markets around the globe. The positive signals have motivated the Group to further expand in both the retail and franchising businesses.

For the year ended 30 June 2010, revenue generated from mainland China increased by 13% to HK$528 million (2009: HK$468 million), accounting for 23% (2009: 21%) of the Group's consolidated revenue. After experiencing a 5% decline in same-store sales in the first half of the year, the Group managed a quick recovery and reduced the decline to 1% (2009: 5% growth) for the fiscal year under review. Many stores were newly established during the year and have yet to be productive. As a result, net sales per sq. ft. during the fiscal year have declined to HK$900 (2009: HK$1,100). Operating loss in the mainland China market increased to HK$38 million (2009: HK$34 million loss), representing an operating margin of negative 7% (2009: negative 7%).

As apparel brands from all corners of the world continued to invest in mainland China, competition has intensified across the retail market. The Group also expanded its network penetration by adding a total of 155 new stores during the year under review, bringing the total number of stores in mainland China to 733 (2009: 578) as at 30 June 2010.

The Group adopted a multi-brand strategy to target different market segments in the mainland China market. In addition to the well established "bossini" brand, our other brands – "bossinistyle", "Yb" and "bossini kids" are growing with great potential.

The distribution network of Bossini in the mainland China consisted of 436 (2009: 362) directly managed stores and 297 (2009: 216) franchised stores. A total of 543 (2009: 409) stores operated under the "bossini" brand and 190 (2009: 169) stores operated under the "bossinistyle" label. Concerted efforts were also made to expand the retail floor area in the region, resulting in a remarkable increase of 19% to 445,300 sq. ft. (2009: 373,500 sq. ft.).

The substantial net increases of 81 new franchised stores illustrated the Group's determination to drive up its market share in mainland China. The rapid expansion was supported by increased marketing and promotion activities which focused on second- and third-tier cities. The majority of additional stores in these locations were franchised stores. Our current expansion strategy laid the cornerstone for future expansion and we are determined to become one of the major players in the Chinese apparel market.

The Group has extended the distribution network coverage to second- and third-tier cities in the mainland China. The flagship stores with the gross floor area of over 10,000 sq. ft. were opened in Zhengzhou, Henan and Urumqi, Xinjiang in June 2010.

Taiwan

The Group implemented a series of cost-control and restructuring activities in the Taiwan operations in the year under review. The overall performance reflected remarkable improvements despite the influences of the global economic downturn and a slow recovery in retail markets. Underperforming stores were closed, causing a reduction in total revenue by 5% to HK$260 million (2009: HK$275 million) during the year, which accounted for 11% (2009: 12%) of the Group's consolidated revenue. In spite of this, with our measures targeting on eliminating operational inefficiencies, the operating profit was driven up significantly by HK$18 million, with operating loss reduced to HK$3 million (2009: HK$ 21 million loss) in year 2009/10, equivalent to an operating margin of negative 1% (2009: negative 8%). This represents a dramatic upturn compared to the previous year.

The Group added 2 new stores in Taiwan during the year, taking the total number of stores to 86 (2009: 84). Same-store sales declined by 4% (2009: 12% decline). Retail floor area decreased by 2% to 117,900 sq. ft. (2009: 119,800 sq. ft.) and the net sales per sq. ft. remained at HK$2,200 (2009: HK$2,200), same as the prior year.

Singapore

The Group continued to face stiff challenges in Singapore during the financial year. Nevertheless, the revenue delivered from our Singapore operation has risen slightly by 2% to HK$197 million (2009: HK$194 million), accounting for 9% (2009: 9%) of the Group's consolidated revenue in the year of 2009/10.

The Group had a total of 26 (2009: 31) stores in Singapore as of 30 June 2010. The retail floor area declined by 14% to 30,600 sq. ft. (2009: 35,400 sq. ft.). At the same time, net sales per sq. ft. rose by 7% to HK$6,200 (2009: HK$5,800) during the year under review. Same-store sales declined by 1% (2009: 8% decline) during the year. Our operations in this market incurred operating loss during the year of HK$8 million (2009: HK$6 million loss), with an operating margin of negative 4% (2009: negative 3%).

Malaysia

For the Malaysia market, net sales per sq. ft. and same-store sales declined by 7% to HK$1,400 (2009: HK$1,500) and 13% points to 12% decline (2009: 1% growth) respectively in the financial year. Revenue increased 8% to HK$41 million (2009: HK$38 million), accounting for 2% (2009: 2%) of the Group's consolidated revenue. The Group added 2 new stores, bringing the total number of stores to 22 (2009: 20); and increasing the retail floor area by 5% to 30,200 sq. ft. (2009: 28,700 sq. ft.).

The region experienced an operating loss of HK$7 million (2009: HK$6 million loss) during the financial year. Operating margin was negative 17% (2009: negative 16%).

Liquidity and Financial Resources

For the past two consecutive years, the Group had a remarkable increase in cash on hand. As of 30 June 2010, the Group's cash and bank balances stood at HK$463 million (2009: HK$342 million) and further increased to HK$536 million as of 31 August 2010. The Group's net cash balance was HK$402 million (2009: HK$265 million) as of 30 June 2010 and further increased to HK$440 million as of 31 August 2010. This represented the financial strength and healthy financial position of the Group.
The Group's current ratio maintained at a healthy level of 2.16 times (2009: 2.27 times); total liabilities to equity ratio were 60% (2009: 50%).

The Group had bank borrowings of HK$61 million (2009: HK$78 million) payable within one year. The gearing ratio at 30 June 2010, calculated on the basis of bank borrowings over total equity, was 8% (2009: 12%).

Despite the economic downturn, our Group managed to maintain inventory turnover days[#] of 48 days, a level slightly off to prior year's 45 days. Return on equity ratio was 13% (2009: 8%).

Inventory held at year end divided by annualised revenue times 365 days

Contingent Liabilities

	2010	2009
	HK$'000	*HK$'000*
Bank guarantees given in lieu of utility and property rental deposits	**7,108**	6,848

The Company has given guarantees in favour of banks to the extent of HK$617 million (2009: HK$509 million) with respect to banking facilities granted to certain subsidiaries. These facilities were utilised to the extent of HK$103 million (2009: HK$89 million) as of 30 June 2010.

Human Capital

As of 30 June 2010, the Group employed a total of 4,400 (2009: 4,200) full-time equivalent employees in Hong Kong, mainland China, Taiwan, Singapore and Malaysia. To promote "the Bossini way", we continued to offer regular training and focused programmes on our unique corporate culture – "7 Habits®" and "7 Practices". This enhanced expertise, product knowledge and technical skills. Moreover, the Group has a performance-based and share option remuneration system, and offers benefits including insurance and retirement schemes as well as discretionary performance bonuses.

Outlook

The Group has three key objectives for the year 2010/11: further improving our brand equity by enhancing the value of "be happy"; focusing on expanding the mainland China market; and re-engineering the supply chain management to expedite our response to market changes. These objectives are critical to our target of delivering sustainable growth. Ultimately, our goal is to reward shareholders with fruitful long-term return and we strive to maintain our dividend payout ratio above 50%.

Looking to the future, the global economies have shown signs of gradual recovery; and in mainland China, with the strong GDP growth and rising domestic purchasing power, the demand for global branded fashion is increasingly high. The per capita income in mainland China is expected to rise continuously in the coming years. This will drive up the average spending of customers in the area of retail products. In turn, this will offer an opportunity for the Group to firmly establish a stronghold in mainland China's growing apparel market.

The Group plans to have a net addition of 254 new stores, of which over 230 stores will be located in mainland China, thereby further extending the distribution network coverage to second- and third-tier cities. We will continue to tap opportunities in different market segments through offering multi-branded products under the umbrella. The Group plans to add 3 new stores in Hong Kong in 2011.

The Group will also continue to invest and expand pragmatically and progressively in other markets, of which a total of 8 new stores will be added to the Group's export franchising network.

The export franchising business has delivered satisfactory results in recent years amid the ever-changing economic condition and operating environment around the globe. The Group believes that its solid foundation and the highly-renowned brand will ensure the export franchising business returns to a growth cycle.

Our growth and profitability is largely supported by the hard work of our staff and their effort to create and enforce our brand image. Their outstanding performance in providing quality service to our valuable customers undoubtedly contributed to our successful performance. In the years ahead, we will continue to provide the best platform from which our staff can serve our customers with great energy. We will maintain an "be happy" corporate culture and deliver better products with greater innovation, rewarding our customer for their brand loyalty.

In conclusion, management is confident and optimistic about the positive trends that accompany us into the new fiscal year. Accomplishing our key objectives will be essential to growth and profitability as well as enhancing greater values for our customers and higher returns for 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 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 financial results for the year ended 30 June 2010. The audit committee comprises three Independent Non-executive Directors of the Company, namely Ms. LEUNG Mei Han, Mr. LEE Man Chun Raymond and Prof. SIN Yat Ming.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company was in compliance with the code provisions as set out in the CG Code for the year ended 30 June 2010, except for the following deviations:

– The Chairman of the Company are not subject to retirement by rotation. The Board considers that the continuity of the Chairman of the Company and her leadership is 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 year ended 30 June 2010.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Annual Report for the year ended 30 June 2010 of the Company containing all the information required by the Listing Rules will be published on the website of the Company (www.bossini.com) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and despatched to shareholders in due course.

By order of the Board
TSIN Man Kuen Bess
Chairman

Hong Kong, 21 September 2010

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