BOSSINI INTERNATIONAL HOLDINGS LIMITED

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

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 JUNE 2012

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 2012, together with the comparative figures for the year ended 30 June 2011, as follows:

Consolidated statement of comprehensive income
Year ended 30 June 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Revenue	*2,3*	**2,743,707**	2,641,967
Cost of sales		**(1,449,703)**	(1,287,740)
Gross profit		**1,294,004**	1,354,227
Other income	*3*	**18,839**	21,213
Selling and distribution costs		**(944,829)**	(891,841)
Administrative expenses		**(261,722)**	(284,199)
Other operating expenses		**(52,050)**	(31,833)
Profit from operating activities		**54,242**	167,567
Finance costs	*4*	**(8,798)**	(7,548)
Profit before tax	*5*	**45,444**	160,019
Income tax expense	*6*	**(29,445)**	(29,906)
Profit for the year attributable to owners of the Company		**15,999**	130,113

Consolidated statement of comprehensive income (continued)

	Note	**2012** **HK$'000**	2011 HK$'000
Other comprehensive income/(loss)			
Exchange differences on translation of foreign operations		**(4,115)**	309
Total comprehensive income for the year attributable to owners of the Company		**11,884**	130,422
Earnings per share attributable to ordinary equity holders of the Company	*8*		
Basic		**HK0.99 cent**	HK8.07 cents
Diluted		**HK0.98 cent**	HK7.97 cents

Details of the dividend paid for the year are disclosed in note 7 to the financial statements.

Consolidated statement of financial position
30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**124,066**	147,634
Investment properties		**30,918**	32,686
Trademark		**1,164**	1,164
Deferred tax assets		**3,476**	1,101
Deposits paid		**75,909**	74,759
Total non-current assets		**235,533**	257,344
Current assets			
Inventories		**364,997**	412,166
Debtors	9	**67,119**	71,248
Bills receivable		**31,852**	7,033
Deposits paid		**39,494**	36,510
Prepayments and other receivables		**59,551**	75,992
Due from a related company		**777**	–
Structured deposit		**15,779**	15,858
Derivative financial instruments		**996**	–
Pledged bank deposits		**779**	1,701
Cash and cash equivalents		**272,752**	458,042
Total current assets		**854,096**	1,078,550
Current liabilities			
Trade creditors, other payables and accruals	10	**232,680**	292,369
Bills payable		**35,038**	46,107
Tax payable		**54,251**	53,505
Due to related companies		**11,203**	12,734
Derivative financial instruments		**895**	1,241
Interest-bearing bank borrowings		**24,432**	127,484
Provision		**1,790**	2,747
Total current liabilities		**360,289**	536,187
Net current assets		**493,807**	542,363
Total assets less current liabilities		**729,340**	799,707
Non-current liabilities			
Deferred tax liabilities		**2,277**	1,893
Other payable		**1,349**	380
Total non-current liabilities		**3,626**	2,273
Net assets		**725,714**	797,434
Equity			
Issued capital		**162,018**	161,918
Reserves		**563,696**	635,516
Total equity		**725,714**	797,434

Details of the dividend paid for the year are disclosed in note 7 to the financial statements.

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. 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 24 (Revised)	*Related Party Disclosures*
HKFRS 1 Amendments	Amendments to HKFRS 1 – *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 – *Financial Instruments: Disclosures – Transfers of Financial Assets*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 – *Prepayments of a Minimum Funding Requirement*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) – *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 – *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 – *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 – *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 1 Amendments	Amendments to HKAS 1 – *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [2]
HKAS 12 Amendments	Amendments to HKAS 12 – *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [1]
HKAS 19 (2011)	*Employee Benefits* [3]
HKAS 27 (2011)	*Separate Financial Statements* [3]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [3]
HKAS 32 Amendments	Amendments to HKAS 32 – *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [4]
HKFRS 1 Amendments	Amendments to HKFRS 1 – *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* [3]
HKFRS 7 Amendments	Amendments to HKFRS 7 – *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [3]
HKFRS 9	*Financial Instruments* [5]
HKFRS 10	*Consolidated Financial Statements* [3]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance* [3]
HKFRS 11	*Joint Arrangements* [3]
HKFRS 12	*Disclosure of Interests in Other Entities* [3]
HKFRS 13	*Fair Value Measurement* [3]
HK(IFRIC) – Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [3]
Annual Improvements Project	*Annual Improvements to HKFRSs 2009-2011 Cycle* [3]

[1] Effective for annual periods beginning on or after 1 January 2012
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2014
[5] Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

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

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 July 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities.* HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 (2011) and HKAS 28 (2011) from 1 July 2013.

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

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 July 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 July 2012.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 July 2012.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 July 2013.

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 before tax except that interest income and finance costs are excluded from such measurement.

Segment assets exclude 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)

Geographical segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information of the Group's geographical segments for the years ended 30 June 2012 and 2011.

	Hong Kong		Mainland China		Taiwan		Singapore & Malaysia		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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	**1,592,578**	1,410,166	**598,638**	655,770	**297,262**	292,658	**255,229**	283,373	**2,743,707**	2,641,967
Other income	**12,013**	9,432	**1,928**	7,564	**572**	751	**398**	264	**14,911**	18,011
Total	**1,604,591**	1,419,598	**600,566**	663,334	**297,834**	293,409	**255,627**	283,637	**2,758,618**	2,659,978
Segment results	**247,686**	222,984	**(156,962)**	(58,464)	**(28,358)**	(4,895)	**(12,052)**	4,740	**50,314**	164,365
Interest income									**3,928**	3,202
Profit from operating activities									**54,242**	167,567
Finance costs									**(8,798)**	(7,548)
Profit before tax									**45,444**	160,019
Income tax expense									**(29,445)**	(29,906)
Profit for the year									**15,999**	130,113

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

	Hong Kong 2012	Hong Kong 2011	Mainland China 2012	Mainland China 2011	Taiwan 2012	Taiwan 2011	Singapore & Malaysia 2012	Singapore & Malaysia 2011	Consolidated 2012	Consolidated 2011
Segment assets	**558,909**	710,476	**330,557**	388,255	**98,932**	118,302	**97,755**	117,760	**1,086,153**	1,334,793
Unallocated assets									**3,476**	1,101
Total assets									**1,089,629**	1,335,894
Segment liabilities	**173,460**	219,493	**75,710**	90,175	**24,017**	30,878	**9,768**	15,032	**282,955**	355,578
Unallocated liabilities									**80,960**	182,882
Total liabilities									**363,915**	538,460
Other segment information:										
Capital expenditure *	**26,951**	38,784	**27,692**	23,040	**11,167**	18,297	**6,240**	9,619	**72,050**	89,740
Depreciation	**36,438**	31,301	**26,779**	24,237	**13,255**	11,204	**6,342**	8,992	**82,814**	75,734
Impairment of items of property, plant and equipment	**78**	–	**7,027**	–	**–**	–	**892**	–	**7,997**	–
Loss/(gain) on disposal/write-off of items of property, plant and equipment	**(140)**	143	**1,634**	388	**782**	210	**(1,930)**	695	**346**	1,436
Provision/(write-back of provision) for inventories	**1,515**	1,997	**8,215**	7,568	**840**	1,694	**(2,532)**	(163)	**8,038**	11,096
Impairment of debtors	**1**	203	**227**	92	**–**	–	**–**	–	**228**	295
Non-current assets **	**111,606**	118,796	**19,976**	24,339	**15,979**	24,978	**8,587**	13,371	**156,148**	181,484

* 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 and non-current portion of deposits paid

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:

	2012	2011
	HK$'000	*HK$'000*
Revenue:		
Retailing and distribution of garments	**2,743,707**	2,641,967
Other income:		
Interest income	**3,928**	3,202
Claims received	**1,060**	6,765
Royalty income	**4,873**	3,736
Gross rental income	**4,502**	3,408
Others	**4,476**	4,102
	18,839	21,213
	2,762,546	2,663,180

4. Finance costs

	2012	2011
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**8,798**	7,548

5. Profit before tax

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

	2012	2011
	HK$'000	*HK$'000*
Cost of sales:		
Cost of inventories sold	**1,441,665**	1,276,644
Provision for inventories	**8,038**	11,096
	1,449,703	1,287,740
Depreciation	**82,814**	75,734
Impairment of items of property, plant and equipment	**7,997**	–
Loss on disposal/write-off of items of property, plant and equipment	**346**	1,436
Net rental income	**(4,233)**	(3,152)
Fair value loss/(gain) on a structured deposit	**79**	(433)
Fair value losses/(gains), net on derivative financial instruments – transactions not qualifying as hedges	**(5,365)**	4,202

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

	2012	2011
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**33,171**	29,919
Underprovision/(overprovision) in prior years	**(197)**	13
Current – Elsewhere		
Charge for the year	**3,880**	4,049
Overprovision in prior years	**(5,418)**	(4,507)
Deferred	**(1,991)**	432
Total tax charge for the year	**29,445**	29,906

7. Dividends

	2012	2011
	HK$'000	*HK$'000*
Interim – HK1.10 cents (2011: HK2.20 cents) per ordinary share	**17,822**	35,583
Proposed final – Nil (2011: HK3.03 cents per ordinary share)	**–**	49,061
Proposed special – Nil (2011: HK1.20 cents per ordinary share)	**–**	19,430
	17,822	104,074

For the year ended 30 June 2011, the proposed final dividend of HK$49,061,000 and the proposed special dividend of HK$19,430,000 for the year were calculated based on 1,619,179,394 shares of the Company in issue and was approved by the Company's shareholders at the prior 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$15,999,000 (2011: HK$130,113,000), and the weighted average number of ordinary shares of 1,619,843,328 (2011: 1,611,690,901) 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$15,999,000 (2011: HK$130,113,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue of 1,619,843,328 (2011: 1,611,690,901) during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 8,214,197 (2011: 21,075,739) 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. The Group does not hold any collateral or other credit enhancements over its trade debtor balances. Trade debtors are non-interest-bearing.

An aged analysis of debtors that are not individually nor collectively considered to be impaired, based on the payment due date, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**54,000**	53,569
Less than 1 month past due	**6,648**	5,397
1 to 2 months past due	**1,548**	2,684
2 to 3 months past due	**941**	3,362
Over 3 months past due	**3,982**	6,236
	67,119	71,248

10. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK$78,839,000 (2011: HK$83,792,000).

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

	2012	2011
	HK$'000	*HK$'000*
Current	**49,627**	46,573
0 to 30 days	**19,049**	22,449
31 to 60 days	**3,557**	6,091
61 to 90 days	**3,546**	1,191
Over 90 days	**3,060**	7,488
	78,839	83,792

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2012 (2011: final dividend of HK3.03 cents per ordinary share and special dividend of HK1.20 cents per ordinary share).

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company is scheduled to be held on Tuesday, 13 November 2012 ("AGM"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 8 November 2012 to Tuesday, 13 November 2012, both days inclusive. During this period, no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, 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 Wednesday, 7 November 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The financial year 2011/12 witnessed a renewed global economic weakening and unprecedented uncertainty that weighed heavily on consumer sentiment. The European debt crisis continued to affect financial markets and the fragile western economies. Fiscal austerity throughout the Euro-Zone and persistently weak consumption slowed growth and drove numerous countries into a double-dip recession, whilst influencing the United States and the more resilient economies of the developing world at the same time. Moreover, long bullish Asian economies began to show signs of slowdown in growth as both exports and internal demand softened. On the other hand, the surged cotton price also led to a high production cost which created strong gross profit pressure for the peers in apparel retail industry during the year under review, despite the cotton price had plunged subsequently. As a result, most of our markets' operating environment remained challenging.

Faced with these exceptional circumstances and challenges, the Group's losses in mainland China, Taiwan, and Singapore widened in fiscal year 2011/12. On the other hand, the core Hong Kong retail and export franchising businesses had performed remarkably well, delivering record-high top and bottom line, and a third consecutive year of double-digit same-store sales growth in Hong Kong. While many of the Group's competitors are still experiencing inventory problems, the Group managed to improve its inventory turnover days considerably. The Group also maintained a healthy financial position with positive net cash, rendering itself a decent level of financial strength to meet challenges ahead.

Meanwhile, Bossini is celebrating its silver jubilee in 2012, a milestone that the Group is commemorating with a series of special marketing campaigns and events throughout the year. Designed to honour and revere the brand, as well as share the Group's excitement and "be happy" brand value with its customers and many stakeholders, these numerous activities are expected to push Bossini's 25th birthday celebration into the limelight.

Financial Performance

During the year under review, the Group's revenue increased 4% to HK$2,744 million (2011: HK$2,642 million). Gross profit decreased 4% to HK$1,294 million (2011: HK$1,354 million), while the gross margin declined to 47% (2011: 51%) mainly due to the intensified competition and the temporary surge in production cost. As a result, operating margin also declined to 2% (2011: 6%). Operating profit decreased by 68% to HK$54 million (2011: HK$168 million). EBITDA declined to HK$133 million (2011: HK$240 million), a 45% decrease, while profit for the year attributable to owners decreased by 88% to HK$16 million (2011: HK$130 million). This resulted in lower basic earnings per share of HK0.99 cent (2011: HK8.07 cents).

The Group ended the year with cash and bank balances of HK$274 million (2011: HK$460 million) and a net cash balance of HK$249 million (2011: HK$332 million).

Operating Efficiencies

Same-store sales for the Group grew 4% (2011: 10%) during the year. Hong Kong remained the Group's strongest performing single market with same-store sales growth at 13% (2011: 11%).

As of 30 June 2012, the Group had a total retail floor area of 728,600 sq. ft. (2011: 815,700 sq. ft.), a reduction of 87,100 sq. ft. mainly due to our network consolidation in mainland China. Sales productivity improved slightly as overall net sales per sq. ft. increased to HK$2,600 (2011: HK$2,500) during the year under review.

The Group's operating expenses for the year ended 30 June 2012 accounted for 46% (2011: 46%) of its revenue. The following table provides details of the Group's operating costs:

Operating Costs Analysis

	For the year ended 30 June				
	2012		2011		
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	***Change (%)***
Revenue	**2,744**	**100%**	2,642	100%	**+4%**
Selling and distribution costs	**945**	**34%**	892	34%	**+6%**
Administrative expenses	**262**	**10%**	284	11%	**–8%**
Other operating expenses	**52**	**2%**	32	1%	**+64%**
Total operating expenses	**1,259**	**46%**	1,208	46%	**+4%**

Business Review

Network Expansion

The global economic slowdown and its effect on the mainland China market caused the Group to retrench and consolidate its network there, where the difficult market conditions and intensified competition are continuously placing pressure on retail performance. As a result, while the Group continues to have presence in 36 countries and regions throughout the world, its number of stores declined to 1,314 (2011: 1,475) as of 30 June 2012. The majority of this reduction in store count occurred in mainland China. Of the total number of stores, 523 (2011: 639) were directly managed by the Group and 791 (2011: 836) were franchised as of 30 June 2012.

As of 30 June 2012, the Hong Kong's economy remained relatively healthy, while we have added 2 directly managed stores for a total of 41 (2011: 39). The Taiwan operation also expanded, adding 8 directly managed stores for a total count of 102 (2011: 94). In mainland China, as of 30 June 2012, the Group had a total of 598 (2011: 771) stores, a decrease of 173 stores compared to 30 June 2011. Of this total, 350 (2011: 456) were directly managed stores and 248 (2011: 315) were franchised stores.

The Group also capitalised on opportunities in certain markets to add 22 franchised stores for a total of 543 (2011: 521) by 30 June 2012, including 19 stores converted after the Group restructured its Malaysian business from a directly managed to an export franchising mode of operation.

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

	30 June 2012		30 June 2011	
	Directly managed stores	**Franchised stores**	Directly managed stores	Franchised stores
Hong Kong	**41**	**–**	39	–
Mainland China	**350**	**248**	456	315
Taiwan	**102**	**–**	94	–
Singapore	**30**	**–**	29	–
Malaysia^	**–**	**19**	21	–
Other countries and regions	**–**	**524**	–	521
Total	**523**	**791**	639	836

^ Starting from November 2011, the Malaysian business was changed from directly managed to export franchising mode of operation.

Marketing and Branding

The Group's 25th anniversary in 2012 is a remarkable milestone and provides a significant opportunity to celebrate and promote the brand and its "be happy" message and culture with numerous campaigns, events and product launches. The HA:PPY 25 Launch Party was successfully held in March 2012 with more than 200 regional media and business partners attending. At the launch event, the Group officially appointed pop diva Ms. Joey Yung as Bossini's brand ambassador in Asia-Pacific region. The HA:PPY 25 marketing promotion campaign is composed of product enhancement, promotions and a new store concept which are expected to further strengthen the brand value. We have added innovative elements to the design and certain fabrics to enhance product functionality, comfort, and the style of the new Ha:ppy collection, which complemented the Group's strategy on new product development.

Co-branded and Licensed Products

Co-branded and licensed products form an essential part of the Group's brand building strategy by creating appealing and recognisable campaigns that boost awareness of the "be happy" brand value. The Group sought partnerships with internationally renowned brands that resonate with its customer base to create mutually beneficial campaigns and brand building value.

The Group successfully launched *bossini x Smurfs* product series in the second half of 2011 to a strong market perception, following the publicity surrounding the theatrical release of the Smurfs movie in August 2011. The Group launched its very successful *bossini x Toy Story* co-branded and licensed campaign to coincide with the opening of Toy Story Land at Hong Kong Disneyland in mid November 2011. This campaign enjoyed instant recognition among consumers and received an overwhelmingly positive response from customers. The "Limited Edition" accessories and clothing that were developed together with the renowned creative studio, AllRightsReserved, topped off the campaign and provided an additional branding boost.

In March 2012, the Group released its *bossini x Rilakkuma* campaign with printed tees, slacks and body wear for women and children. The various fashion elements and vibrant colour themes embodied a "happy moment" feeling found successful reflection in the marketplace.

Operational Performance by Market

As in past years, the Hong Kong segmental operation, which includes directly managed retail and export franchising businesses, remained the Group's largest and most significant sales contributor, comprising 57% (2011: 53%) of the Group's consolidated revenue for the year ended 30 June 2012. This was followed by mainland China, Taiwan, Singapore and Malaysia, which accounted for 22% (2011: 25%), 11% (2011: 11%), 9% (2011: 9%) and 1% (2011: 2%) of the consolidated revenue for the year ended 30 June 2012 respectively.

Hong Kong

The economy has strained under the dual stresses of the ongoing European financial uncertainty and slowing global demand. However, the retail environment in Hong Kong remains strong and buoyant, as visitor numbers continue to grow, attracting overseas retailers who continue to stream into the region, driving up costs and creating a fiercely competitive marketplace. In spite of these challenges, the Group continues to perform well in its home market and once again delivered record-high top and bottom line from both its retail and export franchising businesses. During the year under review, overall revenue from the Hong Kong market increased 13% to HK$1,593 million (2011: HK$1,410 million), while operating profit increased 11% to HK$250 million (2011: HK$225 million), resulting in an operating margin of 16% (2011: 16%).

As of 30 June 2012, the Group directly owned and managed 41 (2011: 39) retail stores in Hong Kong. Overall, the Group managed a total of 140,200 sq. ft. (2011: 140,400 sq. ft.) of retail floor area in the region. During the year under review, net sales per sq. ft. increased to HK$7,700 (2011: HK$6,700). The performance of the Hong Kong stores continued to improve, with same-store sales increasing 13% during the year under review, outpacing the 11% rise recorded last year and marking the third consecutive year of double-digit growth.

During the year under review, the Group's export franchising businesses continued to seize opportunities in emerging and developing markets, adding 22 stores for a total of 543 (2011: 521) stores as of 30 June 2012.

Mainland China

Numerous factors have conspired to weaken consumer demand in mainland China during the year under review. Government policies to control inflation, which launched late in 2010, have resulted in a tighter monetary policy and a slowdown in domestic demand. Sluggish recoveries and renewed recession in major export markets have also throttled export demand, slowed employment growth, and shaken consumer confidence.

Mainland China's operation in fiscal year 2011/12 was adversely affected by the market's slowing demand and fierce competition, which caused the gross margin to be severely suppressed by the clearance of excess inventory purchased prior to the economic downturn, as part of a planned but later unexecuted network expansion. Together with the Group's continued efforts to wind down its underperforming "b.style de flyblue" stores, total revenue decreased 9% to HK$599 million (2011: HK$656 million). Operating loss amounted to HK$156 million (2011: HK$58 million loss), with an operating margin of negative 26% (2011: negative 9%).

As of 30 June 2012, the Group reduced its total number of stores in mainland China to 598 (2011: 771), down by 173 stores. Of these, 350 (2011: 456) stores were directly managed and 248 (2011: 315) stores were franchised operations. A total of 541 (2011: 615) stores were operated under the "bossini" brand and 57 (2011: 156) stores were operated under the "b.style de flyblue" label. As a result, total retail floor area also declined, amounting to 417,900 sq. ft. (2011: 486,300 sq. ft.) with net sales per sq. ft. decreased to HK$900 (2011: HK$1,000). During the year under review, the same-store sales in mainland China recorded a decline of 6% (2011: 11% growth).

Taiwan

Taiwan's predominantly export dependent economy could not escape the ravages of the Euro-zone debt crisis and the continued anemic recoveries in other developed countries. The retail environment remained challenging with consumer sentiment worsened, spending slowed, and the continued entrance of foreign brands into this market. During the year under review, total revenue in Taiwan increased 1% to HK$297 million (2011: HK$293 million) while operating loss was HK$28 million (2011: HK$4 million loss), representing an operating margin of negative 9% (2011: negative 1%).

As of 30 June 2012, the number of directly managed stores in Taiwan increased by 8 to 102 (2011: 94) stores, while the total retail floor area increased 7% to 135,000 sq. ft. (2011: 125,600 sq. ft.). During the year under review, same-store sales recorded a decline of 7% (2011: 3% growth), while net sales per sq. ft. decreased to HK$2,200 (2011: HK$2,400).

Singapore

Subject to similar economic forces as Hong Kong and Taiwan, Singapore's largely trade dependent economy also lost momentum in fiscal year 2011/12, combined with persistently high inflation, the slowdown continued to weigh on consumer confidence placing downward pressure on the retail segment. This wayward sentiment, together with an increasing presence of overseas brands, has increased competitiveness in Singapore's retail market, which has adversely affected the Group's business there. During the year under review, total revenue in Singapore slightly increased 2% to HK$239 million (2011: HK$235 million), with operating loss of HK$11 million (2011: HK$9 million profit), representing an operating margin of negative 5% (2011: positive 4%).

As of 30 June 2012, the Group operated 30 (2011: 29) directly managed stores in Singapore. Total retail floor area remained virtually unchanged at 35,500 sq. ft. (2011: 35,600 sq. ft.). During the year under review, same-store sales recorded a decline of 6% (2011: 14% growth) in Singapore, while net sales per sq. ft. decreased to HK$6,700 (2011: HK$7,100).

Malaysia

During the year under review, the Group changed its business model in the Malaysian market, shifting the directly managed stores there to a local franchisee under its export franchising operation in November 2011. The Group is confident that this change will leverage the local franchisee's advantages to the benefit of both parties and result in a great success in the marketplace going forward.

Liquidity and Financial Resources

As of 30 June 2012, the Group's cash and bank balances amounted to HK$274 million (2011: HK$460 million) and its net cash balance was HK$249 million (2011: HK$332 million). The current ratio for the Group was 2.37 times (2011: 2.01 times) and the ratio of total liabilities to equity was 50% (2011: 68%).

The Group's bank borrowings amounted to HK$24 million (2011: HK$127 million) as of 30 June 2012, resulting in the gearing ratio, as determined by bank borrowings over total equity, of 3% (2011: 16%).

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

As of 30 June 2012, the Group's operational efficiency efforts resulted in a considerable improvement in average inventory turnover days[#], which was decreased by 8 days to 49 days (2011: 57 days). The return on equity for the Group during the year under review was 2% (2011: 17%).

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

Assessment on Property, Plant and Equipment

During the year ended 30 June 2012, the Group considered that certain property, plant and equipment were subject to impairment loss because the cash generating units of those property, plant and equipment were non-performing and suffered from substantial losses for the year, particularly in mainland China. As a result, an impairment loss of HK$8 million was recorded.

Contingent Liabilities

	2012	2011
	HK$'000	*HK$'000*
Bank guarantees given in lieu of utility and property rental deposits	**7,166**	5,438

The Company has given guarantees in favour of banks to the extent of HK$769 million (2011: HK$694 million) with respect to banking facilities granted to certain subsidiaries. These facilities were utilised to the extent of HK$67 million (2011: HK$179 million) as of 30 June 2012.

Human Capital

The Group had a total of 3,800 (2011: 4,400) full-time equivalent employees in Hong Kong, Macau, mainland China, Taiwan and Singapore as of 30 June 2012. The Group ensures that its unique corporate culture permeates throughout its organisation by holding regular training and other focused programme to imbue its people with the "7 Habits®" and "7 Practices" that make up the "bossini way". The Group maintains a performance-based remuneration system that includes share options and discretionary bonuses, and offers comprehensive benefits, such as insurance and retirement schemes.

Outlook

The global economy is in a protracted period of unprecedented uncertainty and instability. This uncertainty and the accompanying worry about the global effects of a Euro-zone crisis have had far reaching impacts. In the United States, a nascent economic recovery has stalled and consumers remain reticent as unemployment refuses to improve. In Asia's developing markets, and among its export-dependent tigers, growth has slowed dramatically as global demand remains stubbornly weak. Even in mainland China, the powerhouse of global growth, weaker than expected exports and a generally tighter monetary policy have caused economic growth to slow considerably.

In such an uncertain environment, the Group intends to slow down its expansion and focus on improving operational efficiencies in its core markets, recognising that the fiscal year 2012/13 will be a challenging year for retail. Hong Kong will remain its largest market and the Group expects to achieve moderate growth there as the retail market continues to grow despite the intensifying competition. The Group will continue to consolidate its non-performing stores, wind down the remainder of its underperforming "b.style de flyblue" locations in mainland China, Hong Kong and Singapore, and strengthen its supply chain capabilities. For export franchising operation, the Group plans to take a pragmatic approach to expansion opportunities in markets less affected by the global downturn.

Operationally, the Group will introduce a brand new store concept to create a more comfortable and appealing shopping experience for customers while boosting operating efficiency at the store level. With major new features like a giant LED storefront wall, a new racking system and an eye-catching interior design, the new stores will improve product presentation and further enhance the brand image. At the same time, the Group will partner with a strategic supplier to enhance the supply chain capabilities and ensure quicker responsiveness to market trends. The Group also expects to enjoy benefits from the reduction in cotton price that will take effect in 2012/13, allowing higher flexibility in margin management.

As 2012 is the 25th anniversary year of the Bossini brand, the Group will continue to mark the occasion with various events and new product launches designed to boost awareness of the "be happy" value and celebrate this important milestone with our customers and stakeholders.

The Group relies on the hard work and dedication of its employees to thrive and prosper, never more so than during challenging economic times. With the finest team in the industry, their unwavering efforts will continue to help the Group spread its brand message and achieve its strategic goals. The Group will continue to invest in its people, its "be happy" culture, and the professionalism with which it conducts its daily business.

Overall, the Group's management team remains cautious but confident about the business outlook in the coming year. The specter of deepening global economic woes is balanced for the Group by its presence in the continuously growing Asian markets, a relatively strong core Hong Kong business, and opportunities in selected export markets. While competition is heating up across all of its markets, the Group will continue to build Bossini as one of the most valued apparel brands wherever it is present.

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 the Code on Corporate Governance Practices ("Former CG Code") contained in Appendix 14 of the Listing Rules and was amended and renamed as Corporate Governance Code and Corporate Governance Report ("New CG Code") with effect from 1 April 2012. The audit committee has reviewed the financial results for the year ended 30 June 2012. 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.

CORPORATE GOVERNANCE

On 1 April 2012, Former CG Code was amended and renamed as New CG Code. For the year ended 30 June 2012, the Company was in compliance with the code provisions as set out in the Former CG Code and New CG Code, except for the following deviation:

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

Currently, there are four Board committees, namely, audit committee, remuneration committee, nomination committee and management committee. During the year under review, the Board established the nomination committee.

The Board also reviewed and amended the terms of reference of the audit committee and remuneration committee, and adopted the terms of reference of the nomination committee and the Board pursuant to which the Board is also responsible for the corporate governance function.

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 2012.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Annual Report for the year ended 30 June 2012 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, 19 September 2012

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