BOSSINI INTERNATIONAL HOLDINGS LIMITED

堡獅龍國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 592)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 JUNE 2017

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 2017, together with the comparative figures for the year ended 30 June 2016, as follows:

Consolidated statement of profit or loss and other comprehensive income

Year ended 30 June 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Revenue	*3*	**2,019,890**	2,319,265
Cost of sales		**(996,471)**	(1,212,364)
Gross profit		**1,023,419**	1,106,901
Other income and gains	*3*	**57,918**	297,974
Selling and distribution expenses		**(805,883)**	(828,234)
Administrative expenses		**(230,735)**	(230,999)
Other operating expenses		**(34,955)**	(41,336)
Profit from operating activities		**9,764**	304,306
Finance costs		**–**	–
Profit before tax	*4*	**9,764**	304,306
Income tax expense	*5*	**(4,878)**	(12,185)
Profit for the year attributable to owners of the Company		**4,886**	292,121

* *For identification purposes only*

Consolidated statement of profit or loss and other comprehensive income (continued)

	Note	**2017** **HK$'000**	2016 HK$'000
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Change in fair value of an available-for-sale investment		**609**	(427)
Reclassification adjustment for a foreign operation deregistered during the year		**129**	(889)
Exchange differences on translation of foreign operations		**(4,365)**	(14,316)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(3,627)**	(15,632)
Total comprehensive income for the year attributable to owners of the Company		**1,259**	276,489
Earnings per share attributable to ordinary equity holders of the Company	*7*		
Basic		**HK0.30 cent**	HK17.87 cents
Diluted		**HK0.30 cent**	HK17.80 cents

Consolidated statement of financial position

30 June 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**52,026**	76,118
Investment property		**22,079**	23,847
Trademark		**1,164**	1,164
Available-for-sale investment		**233,177**	232,568
Note receivable		**38,775**	–
Deferred tax assets		**10,571**	9,638
Deposits paid		**78,035**	74,212
Total non-current assets		**435,827**	417,547
Current assets			
Inventories		**238,587**	259,803
Debtors	*8*	**58,956**	51,680
Bills receivable		**31,031**	12,351
Deposits paid		**28,532**	34,475
Tax recoverable		**6,189**	4,016
Prepayments and other receivables		**37,389**	32,434
Derivative financial instruments		**–**	18
Pledged bank deposits		**770**	722
Cash and cash equivalents		**395,464**	510,866
Total current assets		**796,918**	906,365
Current liabilities			
Deferred gain		**23,333**	23,333
Trade creditors, other payables and accruals	*9*	**190,611**	212,945
Bills payable		**25,878**	30,755
Tax payable		**7,287**	8,222
Due to related companies		**2,311**	7,865
Derivative financial instruments		**3,294**	151
Total current liabilities		**252,714**	283,271
Net current assets		**544,204**	623,094
Total assets less current liabilities		**980,031**	1,040,641
Non-current liabilities			
Deferred gain		**20,888**	44,221
Deferred tax liabilities		**1,403**	2,374
Other payables		**2,372**	2,308
Total non-current liabilities		**24,663**	48,903
Net assets		**955,368**	991,738
Equity			
Issued capital	*10*	**163,774**	163,654
Reserves		**791,594**	828,084
Total equity		**955,368**	991,738

Notes to the consolidated financial statements

1. Basis of preparation and accounting policies

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 the available-for-sale investment 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 1 Amendments	Amendments to HKAS 1 – *Preparation of Financial Statements – Disclosure Initiative*
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation*
HKAS 16 and HKAS 41 Amendments	Amendments to HKAS 16 and HKAS 41 – *Agriculture: Bearer Plants*
HKAS 27 (2011) Amendments	Amendments to HKAS 27 (2011) – *Separate Financial Statements – Equity Method in Separate Financial Statements*
HKAS 28 (2011), HKFRS 10 and HKFRS 12 Amendments	Amendments to HKAS 28 (2011), HKFRS 10 and HKFRS 12 – *Investment Entities: Applying the Consolidation Exception*
HKFRS 11 Amendments	Amendments to HKFRS 11 – *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above new and revised HKFRSs has had no significant financial effect on these financial statements.

2. Operating segment information

For management purposes, the Group is organised into business units that offer products to customers located in different geographical areas and has four reportable operating segments as follows:

(a) Hong Kong and Macau
(b) Mainland China
(c) Taiwan
(d) Singapore

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

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

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

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

2. Operating segment information (continued)

Geographical segments

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 2017 and 2016.

	Hong Kong and Macau		Mainland China		Taiwan		Singapore		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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	**1,394,517**	1,625,354	**306,999**	325,567	**166,763**	181,791	**151,611**	186,553	**2,019,890**	2,319,265
Other income and gains	**41,947**	288,300	**2,015**	1,476	**917**	698	**1,217**	1,527	**46,096**	292,001
Total	**1,436,464**	1,913,654	**309,014**	327,043	**167,680**	182,489	**152,828**	188,080	**2,065,986**	2,611,266
Segment results	**58,065**	349,979	**(31,772)**	(22,970)	**(16,197)**	(23,062)	**(12,154)**	(5,614)	**(2,058)**	298,333
Interest income									**11,822**	5,973
Profit from operating activities									**9,764**	304,306
Finance costs									**–**	–
Profit before tax									**9,764**	304,306
Income tax expense									**(4,878)**	(12,185)
Profit for the year									**4,886**	292,121

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

	Hong Kong and Macau 2017	Hong Kong and Macau 2016	Mainland China 2017	Mainland China 2016	Taiwan 2017	Taiwan 2016	Singapore 2017	Singapore 2016	Consolidated 2017	Consolidated 2016
Segment assets	**932,656**	991,386	**174,442**	203,530	**56,191**	55,046	**52,696**	60,296	**1,215,985**	1,310,258
Unallocated assets									**16,760**	13,654
Total assets									**1,232,745**	1,323,912
Segment liabilities	**212,768**	270,952	**32,267**	28,873	**14,437**	13,299	**9,215**	8,454	**268,687**	321,578
Unallocated liabilities									**8,690**	10,596
Total liabilities									**277,377**	332,174
Other segment information:										
Capital expenditure*	**10,997**	46,856	**3,852**	3,346	**1,193**	4,536	**1,095**	1,408	**17,137**	56,146
Depreciation	**32,288**	45,441	**5,532**	6,422	**3,357**	3,055	**2,431**	2,455	**43,608**	57,373
Impairment of items of property, plant and equipment	**–**	16,659	**–**	–	**–**	–	**224**	600	**224**	17,259
Loss/(gain) on disposal/write-off of items of property, plant and equipment, net	**35**	(265,148)	**18**	2	**(1)**	125	**41**	218	**93**	(264,803)
Provision/(write-back of provision) for inventories	**2,087**	(4,268)	**4,487**	3,642	**2,141**	376	**(635)**	(1,979)	**8,080**	(2,229)
Impairment/(write-back of impairment) of debtors	**3**	1	**(254)**	1	**–**	–	**–**	–	**(251)**	2
Non-current assets**	**341,423**	321,971	**693**	2,810	**3,211**	4,933	**1,894**	3,983	**347,221**	333,697

2. **Operating segment information (continued)**

Geographical segments (continued)

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

** The non-current asset information above is based on the locations of assets and excludes deferred tax assets and the non-current portion of deposits paid.

Information about a major customer:
Revenue of approximately HK$247,979,000 (2016: HK$333,735,000) was derived from sales by the Hong Kong and Macau segment to a single customer.

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

Revenue represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	2017	2016
	HK$'000	*HK$'000*
Revenue:		
Retailing and distribution of garments	**2,019,890**	2,319,265
Other income and gains:		
Interest income	**11,822**	5,973
Claims received	**58**	134
Royalty income	**8,089**	6,937
Gross rental income	**8,188**	7,579
Gain on disposal of items of property, plant and equipment, net	**–**	264,803
Amortisation of deferred gain	**23,333**	2,446
Others	**6,428**	10,102
	57,918	297,974
	2,077,808	2,617,239

4. Profit before tax

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

	2017	2016
	HK$'000	*HK$'000*
Cost of sales:		
Cost of inventories sold	**988,391**	1,214,593
Provision/(write-back of provision) for inventories	**8,080**	(2,229)
	996,471	1,212,364
Depreciation	**43,608**	57,373
Impairment of items of property, plant and equipment	**224**	17,259
Loss/(gain) on disposal/write-off of items of property, plant and equipment, net	**93**	(264,803)
Impairment/(write-back of impairment) of debtors	**(251)**	2
Net rental income	**(8,160)**	(7,552)
Fair value losses/(gains), net on derivative financial instruments – transactions not qualifying as hedges	**3,424**	(2,555)

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

	2017	2016
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**5,216**	11,106
Overprovision in prior years	**(122)**	(265)
Current – Elsewhere		
Charge for the year	**1,694**	2,694
Underprovsion/(overprovision) in prior years	**(6)**	24
Deferred	**(1,904)**	(1,374)
Total tax charge for the year	**4,878**	12,185

6. **Dividends**

	2017	2016
	HK$'000	*HK$'000*
Special interim – HK1.22 cents (2016: HK1.22 cents) per ordinary share	**19,980**	19,962
Proposed final – HK1.22 cents per ordinary share (2016: Nil)	**19,980**	–
Proposed special final – HK0.61 cent (2016: HK1.22 cents) per ordinary share	**9,990**	19,966
	49,950	39,928

The proposed final dividend of HK$19,980,000 (2016: Nil) and the proposed special final dividend of HK$9,990,000 (2016: HK$19,966,000) for the year are calculated based on 1,637,735,394 (2016: 1,636,535,394) shares of the Company in issue and are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

7. **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 ordinary equity holders of the Company of HK$4,886,000 (2016: HK$292,121,000), and the weighted average number of ordinary shares of 1,636,870,736 (2016: 1,634,430,257) in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$4,886,000 (2016: HK$292,121,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue of 1,636,870,736 (2016: 1,634,430,257) during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 2,740,446 (2016: 6,854,611) assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

8. **Debtors**

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

8. **Debtors (continued)**

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**54,250**	44,675
1 to 2 months	**2,672**	3,441
2 to 3 months	**741**	845
Over 3 months	**1,293**	2,719
	58,956	51,680

9. **Trade creditors, other payables and accruals**

Included in trade creditors, other payables and accruals is a trade creditors balance of HK$54,680,000 (2016: HK$58,248,000).

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**33,318**	21,185
1 to 2 months	**18,433**	30,841
2 to 3 months	**1,325**	1,663
Over 3 months	**1,604**	4,559
	54,680	58,248

10. Share capital

Shares

	2017	2016
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 (2016: 2,000,000,000) ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
1,637,735,394 (2016: 1,636,535,394) ordinary shares of HK$0.10 each	**163,774**	163,654

During the year, the movement in share capital was as follows:

	Number of shares in issue	**Issued capital**	**Share premium account**	**Total**
		HK$'000	*HK$'000*	*HK$'000*
At 1 July 2015	1,629,595,394	162,960	22,770	185,730
Exercise of share options (note a)	6,940,000	694	4,918	5,612
At 30 June 2016 and 1 July 2016	1,636,535,394	163,654	27,688	191,342
Exercise of share options (note b)	1,200,000	120	535	655
At 30 June 2017	1,637,735,394	163,774	28,223	191,997

Notes:

(a) The subscription rights attaching to 6,000,000 and 940,000 share options were exercised at the subscription prices of HK$0.530 per share and HK$0.333 per share, respectively, resulting in the issue of 6,940,000 shares of HK$0.10 each for a total cash consideration, before expenses, of HK$3,493,000, and the related share option reserve of HK$2,119,000 was transferred to the share premium account upon the exercise of these share options.

(b) The subscription rights attaching to 1,200,000 share options were exercised at the subscription price of HK$0.370 per share, resulting in the issue of 1,200,000 shares of HK$0.10 each for a total cash consideration, before expenses, of HK$444,000, and the related share option reserve of HK$211,000 was transferred to the share premium account upon the exercise of these share options.

DIVIDENDS

The Board has resolved to recommend a final dividend of HK1.22 cents (2016: Nil) and a special final dividend of HK0.61 cent (2016: HK1.22 cents) per ordinary share for the year ended 30 June 2017 at the forthcoming annual general meeting to be held on 14 November 2017 ("AGM"). The final dividend and special final dividend, if approved by the members, will be paid on 30 November 2017 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 22 November 2017.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The AGM of the Company is scheduled to be held on Tuesday, 14 November 2017. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 9 November 2017 to Tuesday, 14 November 2017, 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, 8 November 2017.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDENDS

The Company's Register of Members will be closed from Monday, 20 November 2017 to Wednesday, 22 November 2017, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the proposed final dividend and special final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 17 November 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The global economy is picking up steadily as the cyclical recovery continues. Global growth is estimated to strengthen in 2017 amid a pickup in manufacturing and trading, rising market confidence, favourable global financing conditions, and stabilising commodity prices. Much depends, however, on the United States trade policies under President Donald Trump's protectionist government, as well as the Federal Reserve Bank's implementation of its rate hike cycle, this in turn will influence economic developments in other major economies.

The Asia-Pacific region continues to deliver strong growth, in the face of widespread concerns about growing protectionism, a rapidly aging society and slow productivity growth. The Association of Southeast Asian Nations economies continued to jog along in the second quarter of 2017, still on track for a steady annual growth even though a number of economies does not appear to be growing at full speed.

The Middle East countries, where we have a significant number of franchised stores, are struggling with the reduction in crude oil production required to comply with the November 2016 deal among members and non-members of the Organisation of the Petroleum Exporting Countries and lower-than-expected prices for oil. This put a lid on the Middle East countries' economic growth for the year under review together with the quickly escalating political unrest.

Hong Kong's economy sustained the improving trend that began in the second quarter of 2016. External demand has continued to strengthen as the global economic environment further improved. Domestic demand also held up well, supported by favourable employment conditions and more positive business sentiment. These positive signs notwithstanding, Hong Kong's retail industry continued to decline in the year under review – a reflection of the volatile global economy, mainland China's "one trip per week" policy, weaker Renminbi, and changes in tourist spending patterns continued to affect the number of visitors from mainland China.

Facing these challenges, along with continuous weak consumer sentiment and severe competition in our core markets, the Group's overall revenue and gross profit decreased 13% and 8% respectively, and same-store sales and gross profit recorded an 8% decline and 5% decline respectively for the year under review.

The Group launched several licensing programmes in conjunction with its partners, all of which have received enthusiastic responses. In addition, the Group continued to expand the export franchising business by adding 23 stores net with footprint across 26 countries.

Despite the obstacles, the Group took active measures to improve its performance by implementing operational efficiencies, adopting various proven cost control initiatives, and prioritising the development of the promising markets for the export franchising business, which holds promise for the future. Meanwhile, Bossini is celebrating its 30th anniversary in 2017, a milestone that the Group is commemorating with massive campaigns and events throughout the year, aiming to spread excitement, smiles, and happiness. The Group launched the "30th Anniversary – MOVE ON n' BEYOND" campaign with "On-The-Go" collection which targets at the continuously expanding market for travelling and outdoor apparels.

Financial Performance

During the year under review, the Group recorded revenue of HK$2,020 million (2016: HK$2,319 million), which fell by 13%. Gross profit decreased by 8% to HK$1,023 million (2016: HK$1,107 million), with gross margin rising 3% points to 51% (2016: 48%).

Operating profit for the year under review was HK$10 million (2016: HK$304 million), with an operating margin of 0.5% (2016: 13.1%). EBITDA was HK$42 million (2016: HK$356 million) and profit attributable to owners of the Company was HK$5 million (2016: HK$292 million). Basic earnings per share amounted to HK0.30 cent (2016: HK17.87 cents).

The decrease in profit attributable to owners was primarily due to two reasons. Firstly, there was a non-recurring gain of approximately HK$265 million on the disposal of property recognised in profit or loss of the Group for the year ended 30 June 2016. No similar item was recorded for the year under review. Besides, there was a significant decrease in revenue by 13% from HK$2,319 million for the year ended 30 June 2016, which was attributable to the continuous weak consumer sentiment and severe competition in several core markets where the Group operates.

As of 30 June 2017, the Group remained in a healthy financial position, with cash and bank balances stood at HK$396 million (2016: HK$512 million), and net cash balance was HK$396 million (2016: HK$512 million). Also, the Group held an investment fund of HK$233 million (2016: HK$233 million) and a note receivable of HK$39 million (2016: Nil).

Operating Efficiencies

During the year under review, the Group recorded a reduction in operating profit owing to several external uncertainties and challenges, such as the decline in the number of and length of stay of mainland China tourists due to more diversified travel destinations. Coupled with the changes in tourist consumption pattern and the impact of warm winter weather, these led to a lower level of in-store consumption and hence our retail sales in Hong Kong and Macau, which accounted for over 50% of the Group's consolidated revenue.

Same-store sales in Hong Kong and Macau, mainland China, Taiwan, and Singapore declined by 9% (2016: 9% decline), 5% (2016: 5% decline), 7% (2016: 6% decline), and 11% (2016: 6% growth) respectively. The Group's overall same-store sales slipped 8% (2016: 6% decline) and same-store gross profit declined by 5% (2016: 11% decline).

Total retail floor area increased by 2% to 503,300 sq. ft. (2016: 491,400 sq. ft.) as of 30 June 2017. Sales per sq. ft. fell 11% to HK$3,200 (2016: HK$3,600). The operating expenses for the year under review accounted for 53% (2016: 48%) of the total revenue.

The following table provides a breakdown of the operating expenses of the Group:

Operating Expenses Analysis

	For the year ended 30 June				
	2017		2016		
	HK$ million	**% of revenue**	HK$ million	% of revenue	**Change (%)**
Revenue	**2,020**	**100%**	2,319	100%	**-13%**
Selling and distribution expenses	**806**	**40%**	829	36%	**-3%**
Administrative expenses	**231**	**11%**	231	10%	**0%**
Other operating expenses	**35**	**2%**	41	2%	**-15%**
Total operating expenses	**1,072**	**53%**	1,101	48%	**-3%**

BUSINESS REVIEW

Distribution Network

As of 30 June 2017, the Group had a presence in 30 countries and regions around the world and operated a total of 940 (2016: 947) stores, comprised of 284 (2016: 280) directly managed stores and 656 (2016: 667) franchised stores.

The Group's export franchising business added 23 stores net during the year under review, with storecount increased to 651 compared to 628 as of 30 June 2016 as the Group continued to implement its strategy of identifying and penetrating promising international markets.

The Hong Kong and Macau market remained the Group's core market and major contributor to the Group's total revenue, with 40 (2016: 42) stores strategically located throughout the cities.

Further afield, in mainland China, the Group added 16 directly managed stores to a total of 163 (2016: 147) stores, while reducing franchised stores to 5 (2016: 39) stores. The total number of stores was 168 (2016: 186).

Non-performing stores in Taiwan and Singapore were consolidated and the portfolio reduced to 63 (2016: 70) and 18 (2016: 21) stores respectively.

Overall, the Group had further reviewed and refined its market exposure and position to ensure it is well prepared to identify and seize further development opportunities.

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

	30 June 2017		30 June 2016	
	Directly managed stores	**Franchised stores**	Directly managed stores	Franchised stores
Hong Kong and Macau	**40**	**–**	42	–
Mainland China	**163**	**5**	147	39
Taiwan	**63**	**–**	70	–
Singapore	**18**	**–**	21	–
Other countries and regions	**–**	**651**	–	628
Total	**284**	**656**	280	667

Marketing and Branding

The Group maintained a firm focus on its "be happy" core brand value by continuing to provide quality everyday apparels and associated accessories, while simultaneously developing and organising various initiatives to share the "be happy" brand philosophy with its customers and business partners.

The year of 2017 marks Bossini's 30th anniversary. The Group has specially launched a series of advertising campaigns to celebrate this major milestone.

Adopting "MOVE ON n' BEYOND" and "Stretch Your Potential" as the main themes, the Group heads in a more refreshing and dynamic direction giving a younger and more stylish look for meeting consumers' on-the-go lifestyle. To celebrate, a temporary pop-up store with the "Dear Future Me" customised T-shirt workshop was set up in Causeway Bay in February 2017, a photo competition was held in March and a series of new TV commercial together with online campaigns was launched as a kick off of the 30th anniversary campaign.

Co-branded and Licensed Products

Colourful and easily identifiable co-branded and licensed products continued to be a crucial element of the Group's product portfolio. During the year under review, 5 new licensing programmes were launched, namely *bossini x Disney TSUM TSUM《Stack Up The Fun Together》, bossini x Minions《Go Bananas》, bossini x Disney TSUM TSUM《Just Chillin' Out》, bossini x The Smurfs《Follow the Smurfs》* and *bossini x Disney Cars 3《Friendship for The Win》*.

The *bossini x Disney TSUM TSUM《Stack Up The Fun Together》* collection offered numerous bold and colourful T-shirts, dresses, shorts, and even denim dungarees dresses featuring characters ranging from Disney movie Inside Out, classic characters such as Mickey Mouse and Minnie Mouse, and evergreen animated movie, Toy Story characters like Buzz Lightyear and Aliens.

The Group also collaborated with Universal Studios to bring the *bossini x Minions《Go Bananas》* collection, offering everything from T-shirts to sweaters and hoodies to dungarees for men, women and kids, as well as accessories ranging from foldable tote bags to caps, all featuring brainy Kevin, carefree Stuart and adorable Bob from the hit Minions movie. To maximise campaign awareness, a launch event was held and Minions Game Booths were set up in Plaza Hollywood.

With the success of the initial Disney TSUM TSUM offerings, the Group launched the *bossini x Disney TSUM TSUM《Just Chillin' Out》* collection that featured fun prints on graphic tees and sweaters for modern women who love fashion as much as popular Disney characters like Minnie Mouse, Sulley from Monsters Inc. and Toy Story's Lotso.

The Group's another collection was *bossini x The Smurfs《Follow the Smurfs》*, an extensive collaboration with Sony Pictures Animation that spotlighted Smurfs: The Lost Village movie iconic characters, including Papa Smurf, Smurfette, and Brainy on graphic tees and tunics to dresses and shorts for everyone.

Finally, the *bossini x Disney Cars 3《Friendship for The Win》* collection showed young boys' eternal fascination with motor vehicles. The bright and colourful T-shirts, shorts, and caps featured a myriad of sporty vehicles and related automotive designs and logos.

The licensing programmes received enthusiastic responses and served as not only a key product differentiator but also an important driver to boost the "be happy" core brand value across the Group's various markets.

Operational Performance by Market

During the year under review, the Group's Hong Kong and Macau segment continued to be the major source of revenue. The retail and export franchising business in Hong Kong and Macau contributed 69% (2016: 70%) of the total revenue for the year under review. Elsewhere, mainland China accounted for 15% (2016: 14%) of the total revenue, while Taiwan and Singapore contributed 8% (2016: 8%) and 8% (2016: 8%) respectively.

Hong Kong and Macau

The Hong Kong economy started to recover gradually. Domestic demand will continue to be driven by stable income and favourable employment conditions. Macau, meanwhile, is expected to grow in 2017 following the contraction in the past 3 years based on increased gambling revenues and an improving economic climate, which leads to a direct increase in household consumption.

Nevertheless, it is questionable whether the long-slackened retail market has reached the bottom as the value of retail sales constantly fluctuated drastically in the first half of 2017, reflecting an uncertain pace of adjustment.

Our revenue in Hong Kong and Macau, included retail and export franchising business, was HK$1,394 million (2016: HK$1,625 million), representing a 14% decrease. Same-store sales for directly managed stores fell 9% (2016: 9% decline), yet same-store gross profit recorded a 4% decline (2016: 14% decline). Total retail floor area in Hong Kong and Macau slightly declined to 153,000 sq. ft. (2016: 157,200 sq. ft.), while sales per sq. ft. slipped 10% to HK$6,500 (2016: HK$7,200). The number of directly managed stores was 40 (2016: 42). Operating profit was HK$69 million (2016: HK$353 million, including the non-recurring gain of approximately HK$265 million on the disposal of property), and the operating margin was 5% (2016: 22%).

During the year under review, export franchising business of the Group added 23 stores net, bringing the total number of stores up to 651 (2016: 628) across 26 countries.

Mainland China

Mainland China's economy expansion just reached the official target, yet it is believed to be "a blip amid a growth deceleration", as the growth in property development investment continued to decelerate in the first half of 2017. The market showed signs of cooling as the government is taking actions and measures to quash potential asset bubbles. Meanwhile, mainland Chinese consumers are not spending as fast as their wages rise, supposing many more are financially strapped because of high property prices.

During the year under review, the revenue in mainland China saw a 6% decrease to HK$307 million (2016: HK$326 million). Same-store sales recorded a 5% decline (2016: 5% decline) and same-store gross profit recorded a 4% decline (2016: 10% decline). Sales per sq. ft. declined 8% to HK$1,100 (2016: HK$1,200). Total retail floor area increased 12% to 254,000 sq. ft. (2016: 226,300 sq. ft.) following the addition of 16 directly managed stores, boosting to a total of 163 (2016: 147) directly managed stores. Together with 5 (2016: 39) franchised stores, there was a total of 168 (2016: 186) stores in mainland China. Operating loss was HK$31 million (2016: HK$20 million loss), and the operating margin was negative 10% (2016: negative 6%).

Taiwan

The Group's operations in Taiwan recorded a 7% decline (2016: 6% decline) in same-store sales, while same-store gross profit recorded a 5% decline (2016: 10% decline) for the year under review. Total retail floor area decreased 12% to 70,600 sq. ft. (2016: 80,000 sq. ft.) while sales per sq. ft. kept flat at HK$2,100 (2016: HK$2,100). Total revenue declined by 8% to HK$167 million (2016: HK$182 million) as non-performing stores were divested, reducing the number of directly managed stores to 63 (2016: 70). Operating loss was HK$16 million (2016: HK$23 million loss), and the operating margin was negative 10% (2016: negative 13%).

Singapore

During the year under review, revenue of Singapore market slipped 19% to HK$152 million (2016: HK$187 million). Same-store sales recorded a 11% decline after a rise of 6% in last year. Same-store gross profit was 8% decline (2016: 2% growth). Total retail floor area declined by 8% to 25,700 sq. ft. (2016: 27,900 sq. ft.). Sales per sq. ft. decreased by 7% to HK$5,600 (2016: HK$6,000), while the number of directly managed stores was reduced to 18 (2016: 21) as the consolidation of non-performing stores continued. Operating loss was HK$12 million (2016: HK$6 million loss) and the operating margin was negative 8% (2016: negative 3%).

Liquidity and Financial Resources

As of 30 June 2017, the Group remained in a healthy financial position with cash and bank balances of HK$396 million (2016: HK$512 million) and net cash balance of HK$396 million (2016: HK$512 million). The current ratio was 3.15 times (2016: 3.20 times), while the total liabilities to equity ratio was 29% (2016: 33%). No bank borrowings were recorded as of 30 June 2017 (2016: Nil). The gearing ratio determined by bank borrowings divided by total equity was nil (2016: Nil). The Group had banking facilities of HK$459 million (2016: HK$438 million) of which HK$29 million (2016: HK$35 million) had been utilised.

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

As of 30 June 2017, the Group's inventory turnover days[#] was 87 days, compared to 78 days in 2016. The return on equity ratio for the year under review was 1% (2016: 33%).

Inventory held at year end divided by cost of sales times 365 days

Significant Investment

As of 30 June 2017, the Group held an investment fund in an aggregate principal amount of HK$233 million (2016: HK$233 million). During the year under review, an interest income of HK$7 million (2016: Nil) and a change in fair value of the investment fund of HK$0.6 million gain (2016: HK$0.4 million loss) have been recognised in the consolidated statement of profit or loss and other comprehensive income by the Group.

The performance of the investment fund before maturity may be affected by the degree of volatility in the global economy and the return of the underlying bonds depending on the performance of the business sectors, issuers and countries to which the underlying bonds belong to, and it will also be susceptible to other external factors that may affect their values before maturity, while the management intends to hold the investment fund till the date of maturity.

Contingent Liabilities

	30 June 2017	30 June 2016
	HK$'000	*HK$'000*
Bank guarantees given in lieu of utility and property rental deposits	**3,289**	4,439

Human Capital

The Group's key asset is its dedicated workforce, which stood at a total 2,100 (2016: 2,200) full-time equivalent employees in Hong Kong and Macau, mainland China, Taiwan and Singapore as of 30 June 2017.

The successful policy of developing, training, and retaining talented employees in order to provide an enjoyable working environment continued, with regular training programmes such as the "7 Habits®" and the "7 Practices" courses.

These programmes expound the "bossini way" that comprise the vision, mission and core values, epitomise the corporate culture and ensure seamless integration across all levels.

Employees continued to be remunerated based on performance, including discretionary bonuses, share options, and wide-ranging employee benefits such as insurance and retirement schemes to build and strengthen the enthusiastic and friendly workforce.

OUTLOOK

Global economic activity is picking up with a long-awaited cyclical recovery, and the world growth is expected to rise accordingly. Stronger activity, expectations of a more robust global demand, reduced deflationary pressures, and optimistic financial markets are all upside developments that offer enormous opportunities, but structural impediments to a stronger recovery and a balance of risks remain tilted to the downside.

Economic growth in mainland China is projected to hold up in 2017 and 2018 as infrastructure investment picks up on the back of regional development initiatives. Private investment growth has bottomed out and consumption growth will remain stable. Recovering global demand will in turn spur exports, but surging tourism imports will limit the upside effect.

Gradual improvement in the overall Hong Kong economy has been noted since the second quarter of 2016, and external demand continues to strengthen as the global economy recovers. While the long-term weak market sentiment may take a certain period of time for full recovery, the slowly improving domestic demand, employment conditions and number of visitor arrivals boost the Group's confidence for its upcoming performance in the long run.

The Group has accordingly developed a comprehensive plan and strategies to take maximum advantage of the anticipated change in economic conditions. We will continue to expand and develop our share of the affluent young adult market while developing and offering more products with a focus on functionality. The product fit and grading system will also be further refined to target a wider customer segment. The kids' line will be further developed by expanding size choices in the mainland China market, which remains our core focus as the end of one-child policy led to a surge of demand for kids' clothing. Operational efficiency will be increased by strengthening our supply chain management. Further promising export franchising markets will be identified, nurtured and developed to build on the current wave of success. The Group will also continue to launch innovative, attractive and customer-engaging co-branded and licensing programmes, further amplifying our "be happy" core brand value. Finally, a variety of cost control initiatives such as negotiations for rental reduction, simplifying shop renovation, furniture and fixtures will help reduce overheads, thus boosting the Group's earnings and profitability in the years ahead.

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 – Corporate Governance Code and Corporate Governance Report (the "CG Code") of the Listing Rules. The Audit Committee has reviewed the financial results for the year ended 30 June 2017. The Audit Committee comprises three Independent Non-executive Directors of the Company, namely Ms. LEUNG Mei Han, Dr. LEE Man Chun Raymond and Prof. SIN Yat Ming.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2017 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

CORPORATE GOVERNANCE

The Company was in compliance with the code provisions as set out in the CG Code for the year ended 30 June 2017, except for the following deviations:

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

– Dr. LEE Man Chun Raymond, an Independent Non-executive Director, did not attend the annual general meeting of the Company held on 15 November 2016 due to his other business engagement.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry with the Company's Directors, the Directors have complied with the required standard set out in the Model Code, throughout the year ended 30 June 2017.

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

The annual results announcement for the year ended 30 June 2017 of the Company is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at www.bossini.com. The annual report for the year ended 30 June 2017 of the Company, containing information required by the Listing Rules, will be despatched to shareholders and published on the above websites in due course.

By Order of the Board
TSIN Man Kuen Bess
Chairman

Hong Kong, 20 September 2017

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