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 2018

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 2018, together with the comparative figures for the year ended 30 June 2017, as follows:

Consolidated statement of profit or loss and other comprehensive income
Year ended 30 June 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	3	**1,958,043**	2,019,890
Cost of sales		**(921,550)**	(996,471)
Gross profit		**1,036,493**	1,023,419
Other income and gain	3	**55,831**	57,918
Selling and distribution expenses		**(800,806)**	(805,883)
Administrative expenses		**(238,071)**	(230,735)
Other operating expenses		**(74,921)**	(34,955)
Profit/(loss) from operating activities		**(21,474)**	9,764
Finance cost	4	**(40)**	–
Profit/(loss) before tax	5	**(21,514)**	9,764
Income tax expense	6	**(7,458)**	(4,878)
Profit/(loss) for the year attributable to owners of the Company		**(28,972)**	4,886

* *For identification purposes only*

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

	Note	**2018** *HK$'000*	2017 *HK$'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		**(3,615)**	609
Reclassification adjustments for foreign operations deregistered during the year		**(3,783)**	129
Exchange differences on translation of foreign operations		**3,776**	(4,365)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(3,622)**	(3,627)
Total comprehensive income/(loss) for the year attributable to owners of the Company		**(32,594)**	1,259
Earnings/(loss) per share attributable to ordinary equity holders of the Company	*8*		
Basic		**(HK1.77 cents)**	HK0.30 cent
Diluted		**(HK1.77 cents)**	HK0.30 cent

Consolidated statement of financial position
30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**47,893**	52,026
Investment property		**20,311**	22,079
Trademark		**1,164**	1,164
Available-for-sale investment		**229,562**	233,177
Note receivable		**–**	38,775
Deferred tax assets		**11,600**	10,571
Deposits paid		**45,902**	78,035
Total non-current assets		**356,432**	435,827
Current assets			
Inventories		**202,781**	238,587
Debtors	*9*	**57,664**	58,956
Bills receivable		**30,397**	31,031
Deposits paid		**61,483**	28,532
Tax recoverable		**4,616**	6,189
Prepayments and other receivables		**35,055**	37,389
Derivative financial instruments		**1,188**	–
Note receivable		**38,775**	–
Pledged bank deposit		**824**	770
Cash and cash equivalents		**339,960**	395,464
Total current assets		**772,743**	796,918
Current liabilities			
Deferred gain		**20,888**	23,333
Trade creditors, other payables and accruals	*10*	**193,760**	190,611
Bills payable		**18,649**	25,878
Tax payable		**6,979**	7,287
Due to related companies		**1,879**	2,311
Derivative financial instruments		**7,224**	3,294
Total current liabilities		**249,379**	252,714
Net current assets		**523,364**	544,204
Total assets less current liabilities		**879,796**	980,031
Non-current liabilities			
Deferred gain		**–**	20,888
Deferred tax liabilities		**1,461**	1,403
Other payables		**2,510**	2,372
Total non-current liabilities		**3,971**	24,663
Net assets		**875,825**	955,368
Equity			
Issued capital	*11*	**163,894**	163,774
Reserves		**711,931**	791,594
Total equity		**875,825**	955,368

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 revised HKFRSs for the first time for the current year's financial statements.

HKAS 7 Amendments	Amendments to HKAS 7 – *Statement of Cash Flows – Disclosure Initiative*
HKAS 12 Amendments	Amendments to HKAS 12 – *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*
HKFRS 12 Amendments included in Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12 – *Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The adoption of the above 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/loss before tax except that interest income and finance cost are 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.

Certain comparative amounts have been re-presented to conform with the current year's presentation.

2. Operating segment information (continued)

Geographical segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditures information of the Group's geographical segments for the years ended 30 June 2018 and 2017.

	Hong Kong and Macau		Mainland China		Taiwan		Singapore		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	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	**1,304,091**	1,394,517	**340,454**	306,999	**175,512**	166,763	**137,986**	151,611	**1,958,043**	2,019,890
Other income and gain	**41,848**	41,947	**1,563**	2,015	**337**	917	**666**	1,217	**44,414**	46,096
Total	**1,345,939**	1,436,464	**342,017**	309,014	**175,849**	167,680	**138,652**	152,828	**2,002,457**	2,065,986
Segment results	**13,113**	58,065	**(30,840)**	(31,772)	**(12,037)**	(16,197)	**(3,127)**	(12,154)	**(32,891)**	(2,058)
Interest income									**11,417**	11,822
Profit/(loss) from operating activities									**(21,474)**	9,764
Finance cost									**(40)**	–
Profit/(loss) before tax									**(21,514)**	9,764
Income tax expense									**(7,458)**	(4,878)
Profit/(loss) for the year									**(28,972)**	4,886

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

2. Operating segment information (continued)

Geographical segments (continued)

	Hong Kong and Macau		Mainland China		Taiwan		Singapore		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**853,946**	932,656	**156,202**	174,442	**52,421**	56,191	**50,390**	52,696	**1,112,959**	1,215,985
Unallocated assets									**16,216**	16,760
Total assets									**1,129,175**	1,232,745
Segment liabilities	**174,399**	212,768	**45,512**	32,267	**15,188**	14,437	**9,811**	9,215	**244,910**	268,687
Unallocated liabilities									**8,440**	8,690
Total liabilities									**253,350**	277,377
Other segment information:										
Capital expenditure*	**12,011**	10,997	**7,245**	3,852	**3,835**	1,193	**2,436**	1,095	**25,527**	17,137
Depreciation	**22,899**	32,288	**4,262**	5,532	**2,708**	3,357	**1,379**	2,431	**31,248**	43,608
Impairment of items of property, plant and equipment	**–**	–	**–**	–	**119**	–	**–**	224	**119**	224
Loss/(gain) on disposal/write-off of items of property, plant and equipment, net	**527**	35	**19**	18	**18**	(1)	**27**	41	**591**	93
Provision/(write-back of provision) for inventories	**(11,475)**	2,087	**(1,089)**	4,487	**(409)**	2,141	**(1,769)**	(635)	**(14,742)**	8,080
Impairment/(write-back of impairment) of debtors	**288**	3	**(366)**	(254)	**–**	–	**–**	–	**(78)**	(251)
Non-current assets**	**59,211**	69,471	**3,097**	693	**4,142**	3,211	**2,918**	1,894	**69,368**	75,269

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

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

Information about a major customer:

Revenue of approximately HK$218,614,000 (2017: HK$247,979,000) was derived from sales by the Hong Kong and Macau segment to a single customer.

3. Revenue, other income and gain

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 gain is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue:		
Retailing and distribution of garments	**1,958,043**	2,019,890
Other income and gain:		
Interest income	**11,417**	11,822
Royalty income	**8,158**	8,089
Gross rental income	**8,371**	8,188
Amortisation of deferred gain	**23,333**	23,333
Others	**4,552**	6,486
	55,831	57,918
	2,013,874	2,077,808

4. Finance cost

	2018	2017
	HK$'000	*HK$'000*
Interest on a bank loan	**40**	–

5. Profit/(loss) before tax

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

	2018	2017
	HK$'000	*HK$'000*
Cost of sales:		
Cost of inventories sold	**936,292**	988,391
Provision/(write-back of provision) for inventories	**(14,742)**	8,080
	921,550	996,471
Depreciation	**31,248**	43,608
Impairment of items of property, plant and equipment	**119**	224
Loss on disposal/write-off of items of property, plant and equipment, net	**591**	93
Write-back of impairment of debtors	**(78)**	(251)
Net rental income	**(8,340)**	(8,160)
Fair value losses, net on derivative financial instruments – transactions not qualifying as hedges	**2,742**	3,424

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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.

	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**7,476**	5,216
Overprovision in prior years	**(70)**	(122)
Current – Elsewhere		
Charge for the year	**1,023**	1,694
Overprovision in prior years	**–**	(6)
Deferred	**(971)**	(1,904)
Total tax charge for the year	**7,458**	4,878

7. Dividends

	2018	2017
	HK$'000	*HK$'000*
Interim – HK1.22 cents per ordinary share (2017: Nil)	**19,995**	–
Special interim – Nil (2017: HK1.22 cents per ordinary share)	**–**	19,980
Proposed final – HK1.22 cents (2017: HK1.22 cents) per ordinary share	**19,995**	19,980
Proposed special final – Nil (2017: HK0.61 cent per ordinary share)	**–**	9,990
	39,990	49,950

The proposed final dividend of HK$19,995,000 (2017: proposed final dividend of HK$19,980,000 and proposed special final dividend of HK$9,990,000) for the year is calculated based on 1,638,935,394 (2017: 1,637,735,394) shares of the Company in issue and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. Earnings/(loss) per share attributable to ordinary equity holders of the Company

The calculation of basic earnings/loss per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK$28,972,000 (2017: profit of HK$4,886,000), and the weighted average number of ordinary shares of 1,638,514,572 (2017: 1,636,870,736) in issue during the year.

The calculation of diluted earnings/loss per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK$28,972,000 (2017: profit of HK$4,886,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue of 1,638,514,572 (2017: 1,636,870,736) during the year, as used in the basic earnings/loss per share calculation, and the weighted average number of ordinary shares of 1,852,369 (2017: 2,740,446) 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 as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**48,582**	54,250
1 to 2 months	**5,326**	2,672
2 to 3 months	**613**	741
Over 3 months	**3,143**	1,293
	57,664	58,956

10. Trade creditors, other payables and accruals

Included in trade creditors, other payables and accruals is a trade creditors balance of HK$59,829,000 (2017: HK$54,680,000).

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**45,150**	33,318
1 to 2 months	**12,986**	18,433
2 to 3 months	**1,129**	1,325
Over 3 months	**564**	1,604
	59,829	54,680

11. Share capital

Shares

	2018	2017
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
1,638,935,394 (2017: 1,637,735,394) ordinary shares of HK$0.10 each	**163,894**	163,774

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 2016	1,636,535,394	163,654	27,688	191,342
Exercise of share options (note a)	1,200,000	120	535	655
At 30 June 2017 and 1 July 2017	1,637,735,394	163,774	28,223	191,997
Exercise of share options (note a)	1,200,000	120	535	655
At 30 June 2018	1,638,935,394	163,894	28,758	192,652

Note:

(a) For the years ended 30 June 2018 and 2017, 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 (2017: a final dividend of HK1.22 cents and a special final dividend of HK0.61 cent) per ordinary share for the year ended 30 June 2018 at the forthcoming annual general meeting to be held on 13 November 2018 ("AGM"). The final dividend, if approved by the members, will be paid on 29 November 2018 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 21 November 2018.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The AGM of the Company is scheduled to be held on Tuesday, 13 November 2018. 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 2018 to Tuesday, 13 November 2018, 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 2018.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDENDS

The Company's Register of Members will be closed from Monday, 19 November 2018 to Wednesday, 21 November 2018, both days inclusive. During this period, no transfer of shares will be registered. In order to qualify for the proposed 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, 16 November 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The global economy continued to strengthen in the first half of 2018, increasing at the fastest rate since 2011. Global economy is expected to grow, largely due to the upward revision of expectations for some of the world's economies. The Asia-Pacific region benefitted from the positive international environment, with steady expansion throughout the region. Mainland China led the charge, with higher-than-expected steady economic growth, helped boost neighbouring economies in Eastern and Southern Asia. The Middle East is looking equally reassuring, growth predictions having been revised upwards. The economies of the Middle East are expected to see a recovery in Gross Domestic Product in 2018, following a challenging 2017. Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates are also expanding at a faster pace due to improved oil revenue.

The Hong Kong economy grew in tandem with mainland China. The sustained upturn that began in 2017, driven by increasing external demand as the global economy picked up pace, was mirrored by equally solid domestic demand. Local private consumption expenditure climbed as consumers took advantage of favourable job, income and asset market conditions. The strong recovery in inbound tourism bolstered by a strengthening global economy offered further impetus.

Downside risks remained, however, notably the protectionist policies espoused by the current United States government is escalating United States-mainland China trade war. Mainland China would be particularly hard hit in this scenario, and the recent fall in the value of Renminbi against the United States dollar and Hong Kong dollar is resulting to make Hong Kong less attractive for mainland China shoppers. These may pose threat to the recovery and negatively affecting Hong Kong's retail industry.

The Group saw mixed fortunes in the year under review, overall the Group's revenue decreased 3% mainly due to a decrease in sales from the export franchising business. Gross profit increased 1% and the gross margin climbed 2% points to 53%. The Group's same-store gross profit recorded 1% growth for the year under review, with an improvement from the 3% decline experienced in the first half of the financial year to 5% growth in the second half of the financial year. Mainland China and Taiwan were standout same-store sales performers, recording 6% and 3% growth for the year respectively. In addition, during the year under review, the Hong Kong export franchising portfolio added 3 new countries in Czech Republic, Laos and Rwanda, with footprint across 25 countries.

Financial Performance

During the year under review, the Group recorded revenue of HK$1,958 million (2017: HK$2,020 million), which fell by 3%. Gross profit increased by 1% to HK$1,036 million (2017: HK$1,023 million), with gross margin rising 2% points to 53% (2017: 51%).

The Group's operating loss for the year under review was HK$21 million (2017: profit of HK$10 million), with an operating margin of negative 1% (2017: 0%). Loss attributable to owners was HK$29 million (2017: profit of HK$5 million). Basic loss per share amounted to HK1.77 cents (2017: basic earnings per share of HK0.30 cent).

The operating profits from retail business in Hong Kong and Macau, mainland China, Taiwan and Singapore market recorded improvements during the year under review. Nevertheless, the Group's profit attributable to owners posted a decline mainly due to the foreign exchange fluctuation arising from Renminbi. The decrease in the profit derived from the export franchising business, as a result of the continuously weak and competitive apparel retailing environment, was another reason for the drop.

As of 30 June 2018, the Group's cash and bank balances stood at HK$341 million (2017: HK$396 million), with a healthy net cash position of HK$341 million (2017: HK$396 million). Also, the Group held an investment fund of HK$230 million (2017: HK$233 million) and a note receivable of HK$39 million (2017: HK$39 million). The inventory turnover days improved to 80 days (2017: 87 days).

Operating Efficiencies

During the year under review, the Group has recovered somewhat from the effects of the mainland China government's "one trip per week" policy, which severely impacted the number of visitors to Hong Kong and Macau market that accounted for more than 50% of the Group's total revenue. Same-store gross profit had improved gradually in Hong Kong and Macau, while our operations in mainland China benefitted from the restrictions by boosting same-store gross profit significantly.

Same-store sales in Hong Kong and Macau and Singapore declined by 2% (2017: 9% decline) and 5% (2017: 11% decline), respectively. Same-store sales in mainland China and Taiwan recorded 6% growth (2017: 5% decline) and 3% growth (2017: 7% decline), respectively. The Group's overall same-store sales slipped by 1% (2017: 8% decline).

Same-store gross profit in Hong Kong and Macau, mainland China and Taiwan grew by 2% (2017: 4% decline), 4% (2017: 4% decline) and 6% (2017: 5% decline), respectively. Singapore recorded 9% decline (2017: 8% decline) for the year under review. The overall same-store gross profit grew by 1% (2017: 5% decline).

As of 30 June 2018, the total net retail floor area for directly managed stores declined slightly to 359,100 sq. ft. (2017: 367,100 sq. ft.). Sales per sq. ft. remained flat at HK$4,200 (2017: HK$4,200). The Group's operating expenses for the year under review accounted for 57% (2017: 53%) 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				
	2018		2017		
	HK$ million	**% of revenue**	HK$ million	% of revenue	**Change (%)**
Revenue	**1,958**	**100%**	2,020	100%	**-3%**
Selling and distribution expenses	**801**	**41%**	806	40%	**-1%**
Administrative expenses	**238**	**12%**	231	11%	**+3%**
Other operating expenses	**75**	**4%**	35	2%	**+114%**
Total operating expenses	**1,114**	**57%**	1,072	53%	**+4%**

BUSINESS REVIEW

Distribution Network

As of 30 June 2018, the Group had a presence in 29 countries and regions around the world, and had 938 stores (2017: 940) comprised of 284 (2017: 284) directly managed stores and 654 (2017: 656) franchised stores.

The Hong Kong and Macau market remained the Group's core market and major contributor to the Group's total revenue, the number of stores holding steady at 40 (2017: 40).

The export franchising business maintained the Group's focus on developing international markets with footprint across 25 countries with the addition of operations in Czech Republic, Laos and Rwanda. The total number of stores increased to 654 (2017: 651).

The number of stores in mainland China was 164 (2017: 168), all (2017: 163) of which were directly managed stores with no (2017: 5) franchised stores. They were strategically located throughout key cities with solid, affluent demographics. During the year under review, the Group continued to refine its market exposure in Taiwan and Singapore, bringing the shop numbers to 64 (2017: 63) and 16 (2017: 18) respectively.

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

	30 June 2018		30 June 2017	
	Directly managed stores	**Franchised stores**	Directly managed stores	Franchised stores
Hong Kong and Macau	**40**	**–**	40	–
Mainland China	**164**	**–**	163	5
Taiwan	**64**	**–**	63	–
Singapore	**16**	**–**	18	–
Other countries and regions	**–**	**654**	–	651
Total	**284**	**654**	284	656

Marketing and Branding

Marketing and branding are vital to maintain the market profile and the Group continued to concentrate its efforts in this area.

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 "be happy" core brand value continued to exemplify the Group's philosophy, namely to work with its business partners to create and offer quality fashion apparel and related accessories that reflect the lifestyles, aims and aspirations of its customers.

Co-branded and Licensed Products

The Group strives to meet the needs and demands of its customers and accordingly develops and regularly releases a wide variety of colourful and exciting co-branded and licensed products. During the year under review, 4 new licensing programmes were launched, namely *bossini x Emoji* 《*A Day with Emoji*》, *bossini x LINE FRIENDS* 《*Happy Time with LINE FRIENDS*》, *bossini x PEANUTS*《*Live Bright*》 and *bossini x Rilakkuma* 《*Relaxing Time with Rilakkuma*》.

This year's apparel initiatives included *bossini x Emoji* 《*A Day with Emoji*》, a comical and whimsical collection found on denim jackets, sweatshirts, tunics and pants that included many emojis widely used around the globe.

The Group also collaborated with LINE to launch *bossini x LINE FRIENDS* 《*Happy Time with LINE FRIENDS*》 collection. This collection took its inspiration from the popular messaging app LINE. LINE FRIENDS characters including Brown, Cony and Choco featured on apparel and merchandise designed for men, women and kids.

The Group marked the Year of the Dog by partnering with PEANUTS to launch *bossini x PEANUTS《Live Bright》* collection that saw the iconic Snoopy character and the rest of the PEANUTS family adorned the "Live Bright" Spring 18 collection for men, women and kids.

Finally, Bossini collaborated with Rilakkuma to present the *bossini x Rilakkuma《Relaxing Time with Rilakkuma》* summer collection that highlighted the bear's lazy, leisure lifestyle and his friends Korilakkuma, Kiiroitori and Chairoikoguma in a colourful array of items for women and little ones.

The Group has become well known for the co-branded and licensed products that set it apart from its competitors and will continue to work closely with successful, high profile characters such as these in order to maintain the strong market visibility that boost the "be happy" core brand value.

Operational Performance by Market

During the year under review, the Group's Hong Kong and Macau segment remained the major source of revenue. The retail and export franchising business in Hong Kong and Macau contributed 67% (2017: 69%) of the total revenue. Mainland China contributed 17% (2017: 15%), while Taiwan and Singapore provided 9% (2017: 8%) and 7% (2017: 8%) of the total revenue respectively.

Hong Kong and Macau

Retail sales value in Hong Kong sustained double-digit growth over a year earlier in June 2018, the value of sales of wearing apparel grew, indicating the rebound of the local apparel retailing sector, as local consumer sentiment stayed favourable amid a tight labour market while visitor arrivals continued to record solid growth.

However, the escalating United States-mainland China trade war and the recent fall in the value of Renminbi against United States dollar and Hong Kong dollar may pose threat to the recovery of Hong Kong retail industry by lowering the revenue generated from mainland China visitors.

During the year under review, revenue in Hong Kong and Macau including the retail and export franchising business was HK$1,304 million (2017: HK$1,394 million), representing a 6% decline. Same-store sales for directly managed stores fell 2% (2017: 9% decline) while same-store gross profit grew 2% (2017: 4% decline). Total net retail floor area was similar to the previous year at 125,000 sq. ft. (2017: 125,200 sq. ft.), and sales per sq. ft. declined 3% to HK$7,700 (2017: HK$7,900). The number of directly managed stores remained constant at 40 (2017: 40). Operating profit was HK$24 million (2017: HK$69 million) and the operating margin was 2% (2017: 5%).

The export franchising business added 3 stores in the year under review, boosting the total number of stores to 654 (2017: 651) with footprint across 25 countries as the Group maintained its cautious international expansion programme.

Mainland China

Mainland China's economy expanded steadily as the country developed its upgraded industrial structure and increased its use of green energy. The favourable economic conditions resulted in a solid increase in retail sales of consumer goods that looks set to continue as the global economy continues to expand.

However, a trade war between the mainland China and the United States remains the key risk to deflate economic growth forecast. Growth is expected to slacken slightly as exports ease and infrastructure investment slows amid tightening monetary conditions and more rigorous assessment of local government investment policies.

Revenue in mainland China increased notably during the year under review, rising 11% to HK$340 million (2017: HK$307 million). Same-store sales climbed 6% (2017: 5% decline) and same-store gross profit registered a 4% growth (2017: 4% decline). Sales per sq. ft. lifted by 5% to HK$2,000 (2017: HK$1,900) while total net retail floor area declined by 2% to 140,700 sq. ft. (2017: 144,300 sq. ft.). There was a total of 164 (2017: 168) stores in mainland China, all (2017: 163) of which were directly managed stores with no (2017: 5) franchised stores. Operating loss was HK$30 million (2017: HK$31 million), and the operating margin was negative 9% (2017: negative 10%).

Taiwan

During the year under review, the Group's Taiwan operations posted a 3% growth (2017: 7% decline) in same-store sales, with same-store gross profit climbing 6% (2017: 5% decline). Total revenue moved up 5% to HK$176 million (2017: HK$167 million). Total net retail floor area slipped 3% to 68,800 sq. ft. (2017: 70,600 sq. ft.) but sales per sq. ft. increased 16% to HK$2,200 (2017: HK$1,900). The number of directly managed stores increased to 64 (2017: 63). Operating loss was HK$12 million (2017: HK$16 million), and the operating margin was negative 7% (2017: negative 10%).

Singapore

The revenue of Singapore operations dropped 9% to HK$138 million (2017: HK$152 million) during the year under review. Same-store sales registered a 5% decline (2017: 11% decline) compared to last year. Same-store gross profit recorded a 9% decline (2017: 8% decline). Total net retail floor area declined 9% to 24,600 sq. ft. (2017: 27,000 sq. ft.). Sales per sq. ft. increased 2% to HK$5,500 (2017: HK$5,400) despite the number of directly managed stores decreased to 16 (2017: 18) in the year under review. The operating loss was HK$3 million (2017: HK$12 million) and the operating margin was negative 2% (2017: negative 8%).

Liquidity and Financial Resources

As of 30 June 2018, the Group remained in a solid financial position with cash and bank balances stood at HK$341 million (2017: HK$396 million), resulting in a healthy net cash position of HK$341 million (2017: HK$396 million). The current ratio stood at 3.10 times (2017: 3.15 times) with a total liabilities to equity ratio of 29% (2017: 29%). No bank borrowings were recorded (2017: nil) as of 30 June 2018 and the gearing ratio determined by bank borrowings divided by total equity was nil (2017: nil), reflecting a prudent financial strategy and also conscientious risk management. The Group had banking facilities of HK$498 million (2017: HK$459 million) of which HK$20 million (2017: HK$29 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 2018, the Group's inventory turnover days[#] was 80 days, compared to 87 days in 2017. The return on equity ratio for the year under review was negative 3% (2017: positive 1%).

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

Significant Investment

The Group held an investment fund with an aggregate principal amount of HK$230 million (2017: HK$233 million) as of 30 June 2018. Interest income of HK$7 million (2017: HK$7 million) and a change in fair value of the investment fund of HK$4 million loss (2017: HK$1 million gain) have been included in the consolidated statement of profit or loss and other comprehensive income.

The management intends to hold the investment fund till the date of maturity but global economy volatility, 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 other external factors may affect their values before maturity.

Contingent Liabilities

	30 June 2018	30 June 2017
	HK$'000	*HK$'000*
Bank guarantees given in lieu of utility and property rental deposits	**3,606**	3,289

Human Capital

As of 30 June, 2018, the Group employed 2,100 (2017: 2,100) full-time equivalent employees in Hong Kong and Macau, mainland China, Taiwan and Singapore.

The Group continues to implement its proven policy of recruiting, training and retaining talented employees and providing rewarding careers in a positive and stimulating working environment. All employees benefit from regular training programmes that impart and reinforce the Group's vision, mission and core values, such as the "7 Habits®" courses that reflect the "bossini way" that lies at the heart of our corporate culture.

Employees are also remunerated based on performance and enjoy a wide range of benefits including discretionary bonuses, share options, insurance and retirement schemes.

OUTLOOK

Global growth is expected to edge down over the next two years, as trade and investment moderate, and financing conditions tighten. Several factors are likely to drag on growth, including rising protectionism, escalating political and trade tensions and waning popular support for global economic integration. The United States-mainland China trade war are expected to be a threat to the global economy.

Economic activity in mainland China remains resilient, although GDP growth is predicted to be moderate as exports ease and investment slows. The infrastructure investment that has been a major growth driver in recent years is projected to moderate further amid tightening financial, housing and fiscal measures. Consumption is currently driving growth on the back of rising real incomes and a low unemployment rate, buoyed by moderating producer price inflation and subdued consumer price inflation. However, the threat of the trade war with the United States, mainland China's growth rate is grinding to a slower pace, as mainland China's export reliance on the United States market is much greater than American dependence on mainland China. Annual gross domestic product growth of mainland China is likely to slow sharply in the next few years.

The Hong Kong economy remains in good health, buoyed by strong domestic fundamentals including steady asset growth, full employment and overall consumer confidence. Growth is expected, with general retail sales continuing to rise. Much of the anticipated growth in retail sales is due to the resurgence in tourist numbers, with visitors from the mainland China comprising majority of the total.

Management remains hopeful on future prospects, but the possibility of definite growth remains unclear given the worsening economic relations between the United States and mainland China that will impact not only the two countries but the rest of the world.

The Group plans to maximise its opportunities in order to expand its market share for young adults by developing and introducing more products with a focus on functionality. Product fit and the grading system will be refined to target a wider customer segment, while the kids' line will be developed further. Supply chain management will also be strengthened to increase operational efficiencies while further expanding the export franchising business which offers potential for future growth. The Group will continue to launch the co-branded and licensing programmes that have proven successful to date, while also implementing cost control initiatives including negotiations for rent reductions and simplifying shop renovations, furniture and fixtures. Finally, the Group is confident that maintaining and increasing the focus on core business while continuing to implement the proven strategy of developing existing and new markets will further enhance the Group's potential and profitability in the years to come.

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 2018. The Audit Committee comprises three Independent Non-executive Directors of the Company, namely Ms. LEUNG Mei Han, Mr. CHEONG Shin Keong 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 2018 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 2018, 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.

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 2018.

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

The annual results announcement for the year ended 30 June 2018 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 2018 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, 19 September 2018

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. CHEONG Shin Keong, Ms. LEUNG Mei Han and Prof. SIN Yat Ming.