BOSSINI INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 MARCH 2003

FINANCIAL RESULTS

The Board of Directors (the "Board") of **Bossini International Holdings Limited** (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2003, together with the comparative figures for the previous year, as follows:

Consolidated profit and loss account
Year ended 31 March 2003

	Notes	**2003** *HK$'000*	2002 *HK$'000* (Restated)
TURNOVER	*2*	**1,691,443**	1,588,473
Cost of sales		**(990,556)**	(896,886)
Gross profit		**700,887**	691,587
Other revenue	*3*	**8,302**	2,973
Selling and distribution costs		**(563,076)**	(506,855)
Administrative expenses		**(160,566)**	(138,084)
Other operating expenses		**(51,612)**	(79,513)
LOSS FROM OPERATING ACTIVITIES	*4*	**(66,065)**	(29,892)
Finance costs	*5*	**(6,712)**	(5,333)
LOSS BEFORE TAX		**(72,777)**	(35,225)
Tax	*6*	**(1,354)**	(3,544)
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(74,131)**	(38,769)
RELEASE FROM REVALUATION RESERVE	*7*	**—**	404
BASIC LOSS PER SHARE	*8*	**(14.41 cents)**	(10.48 cents)

Consolidated statement of changes in equity

Year ended 31 March 2003

	Issued share capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2001									
As previously reported	27,430	—	740	99,175	13,915	8,281	—	172,846	322,387
Prior year adjustment - SSAP 34 "Employee benefits"	—	—	—	—	—	—	—	(4,000)	(4,000)
As restated	27,430	—	740	99,175	13,915	8,281	—	168,846	318,387
Exchange realignment and net losses not recognised in the profit and loss account	—	—	—	—	—	(129)	—	—	(129)
Issue of rights shares	13,715	49,374	—	—	—	—	—	—	63,089
Share issue expenses	—	(879)	—	—	—	—	—	—	(879)
Realisation on depreciation during the year	—	—	—	—	(404)	—	—	404	—
Impairment of leasehold land and buildings	—	—	—	—	(13,511)	—	—	—	(13,511)
Transfer to reserve funds	—	—	—	—	—	—	1,183	(1,183)	—
Net loss for the year	—	—	—	—	—	—	—	(38,769)	(38,769)
At 31 March 2002	41,145	48,495	740	99,175	—	8,152	1,183	129,298	328,188
At 1 April 2002									
As previously reported	41,145	48,495	740	99,175	—	8,152	1,183	133,298	332,188
Prior year adjustment - SSAP 34 "Employee benefits"	—	—	—	—	—	—	—	(4,000)	(4,000)
As restated	41,145	48,495	740	99,175	—	8,152	1,183	129,298	328,188
Exchange realignment and net gains not recognised in the profit and loss account	—	—	—	—	—	1,160	—	—	1,160
Issue of bonus shares	10,286	(10,286)	—	—	—	—	—	—	—
Impairment of goodwill	—	—	1,541	—	—	—	—	—	1,541
Transfer to reserve funds	—	—	—	—	—	—	567	(567)	—
Net loss for the year	—	—	—	—	—	—	—	(74,131)	(74,131)
At 31 March 2003	**51,431**	**38,209**	**2,281**	**99,175**	**—**	**9,312**	**1,750**	**54,600**	**256,758**

Notes:

1. Basis of preparation and accounting policies

The accounting policies used in the preparation of these financial statements are consistent with those in the annual financial statements for the year ended 31 March 2002 except that in the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants.

These SSAPs prescribe new accounting measurement and disclosure practices. The major SSAPs which have had a significant effect on the financial statements are:

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 11 (Revised) : "Foreign currency translation"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 34 : "Employee benefits"

2. Turnover and segment information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment. Since over 90% of the Group's revenue and results are derived from the retailing and distribution of garments, no separate analysis of financial information by business segment is presented.

In determining the Group's geographical segments, revenue and results are attributed to the segments based on the location of the customers.

The following table presents revenue and results information for the Group's geographical segments.

	Hong Kong		Mainland China		Taiwan		Singapore		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	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	**767,334**	851,120	**484,449**	267,346	**287,676**	298,205	**151,984**	171,802	**1,691,443**	1,588,473
Other revenue	**3,221**	1,044	**1,398**	280	**1,258**	119	**163**	137	**6,040**	1,580
Total	**770,555**	852,164	**485,847**	267,626	**288,934**	298,324	**152,147**	171,939	**1,697,483**	1,590,053
Segment results	**(17,141)**	(34,392)	**(22,702)**	12,850	**(35,182)**	(19,984)	**6,698**	10,241	**(68,327)**	(31,285)
Interest income									**2,262**	1,393
Loss from operating activities									**(66,065)**	(29,892)
Finance costs									**(6,712)**	(5,333)
Loss before tax									**(72,777)**	(35,225)
Tax									**(1,354)**	(3,544)
Net loss from ordinary activities attributable to shareholders									**(74,131)**	(38,769)

3. Other revenue

	2003 HK$'000	2002 HK$'000
Interest income	**2,262**	1,393
Claims received	**2,630**	412
Royalty income	**710**	—
Gross rental income	**895**	509
Sample charges received	**977**	—
Others	**828**	659
	8,302	2,973

4. Loss from operating activities

Loss from operating activities is arrived at after charging/(crediting):

	2003 HK$'000	2002 HK$'000
Cost of sales:		
Cost of inventories sold	**966,882**	858,463
Inventory provision	**23,674**	38,423
Depreciation	**60,125**	56,181
Amortisation of intangible assets	**—**	4,291
Loss on disposal of fixed assets	**6,459**	3,194
Impairment of leasehold land and buildings	**—**	13,408
Impairment of goodwill	**1,541**	—
Net rental income	**(211)**	(110)

5. Finance costs

	2003 HK$'000	2002 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**6,712**	5,333

6. Tax

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2003 HK$'000	2002 HK$'000
Group:		
Hong Kong	**1,253**	307
Elsewhere	**978**	5,242
Overprovision in prior year	**(364)**	(2,085)
	1,867	3,464
Deferred tax	**(513)**	80
Tax charge for the year	**1,354**	3,544

7. Release from revaluation reserve

The revaluation reserve arising from the revaluation of fixed assets was fully realised in the prior year.

8. Basic loss per share

The basic loss per share is calculated based on the net loss from ordinary activities attributable to shareholders for the year of HK$74,131,000 (2002: HK$38,769,000) and on the weighted average of 514,307,798 (2002: 369,901,835, as restated) shares in issue during the year, as adjusted to reflect the bonus shares issued during the year. The weighted average numbers of shares for the years ended 31 March 2003 and 2002 have not been adjusted retrospectively to reflect the rights issue after the balance sheet date.

Diluted loss per share amounts for the years ended 31 March 2003 and 2002 have not been calculated as no diluting events existed during these years.

9. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

DIVIDEND

The Board has resolved not to recommend the payment of any dividend for the year ended 31 March 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results and Business Review

For the year ended 31 March 2003, the Group recorded a consolidated turnover of HK$1,691.4 million, representing an increase of 6.5% compared to the HK$1,588.5 million for the previous year. The increase was attributable to continuous growth in sales in Mainland China as a result of the opening of new outlets and the launch of a new casual wear brand, whereas sales in other major markets declined during the year.

The Group recorded a net loss attributable to shareholders of HK$74.1 million, compared with a net loss of HK$38.8 million last year. The principal reasons for this loss were: (i) serious problems encountered with the design of products in those deliveries launched during the year which resulted in a poor response from consumers; (ii) a larger than expected loss incurred for the new brand, Sparkle; (iii) the poor performance of Taiwan operations and the writing-off of fixed assets due to the closure of 13 outlets there during the first quarter of 2003; and (iv) the impact of "SARS" on sales in Hong Kong and Singapore during March 2003.

There was a drop of 2.1 percentage points in the Group's gross margin to 41.4%, compared to last year's 43.5%. This resulted from the pressure that occurred in Mainland China to clear inventory at the end of each season, as well as the lower gross margin on sales of Sparkle brand products. A change in the Group's inventory provision policy during the year resulted in a reduction of inventory provision charged for the year of HK$16.4 million. Excluding the effect of the change in the inventory provision policy, the gross margin declined by 3 percentage points.

Operating costs for the year ended 31 March 2003 totalled HK$775.3 million, an increase of 7% compared to HK$724.5 million for the previous year. This was mainly brought about by the expansion of the Group's retail network in Mainland China, and the percentage more or less aligned with the increase in the Group's turnover.

Hong Kong

The Group maintained a conservative approach in its business activities in Hong Kong during the year, due to the weak economic conditions and intense market competition. As at 31 March 2003, the Group had a total of 31 outlets in Hong Kong and Macau, compared to last year's 32. Retail sales for the year amounted to HK$639.3 million (last year: HK$740.1 million), a decline of 13.6%. The outbreak of "SARS" began to affect business in mid-March 2003, resulting in a fall of about 30% in sales compared to last year's level. Apart from retail operations, the wholesale business contributed a turnover of HK$119.1 million, an increase of 16.7% compared to last year's figure of HK$102.1 million.

The Hong Kong operations recorded an operating loss of HK$17.1 million, mainly incurred during the first half of the year; whereas business actually turned around during the second half.

Mainland China

This market was the focus for the Group's expansion during the year. It became the Group's second largest market, with turnover of HK$484.4 million, an increase of 81.2% compared to last year's figure of HK$267.3 million. The operations in Mainland China recorded a loss of HK$22.7 million. As at 31 March 2003, the Group operated 257 directly managed outlets on the Mainland, compared with the previous year's figure of 103. Of these, 170 (last year: 103) were Bossini brand outlets, while 87 (last year: Nil) were for Sparkle brand. In addition, there were 161 outlets operating under authorised dealer arrangements as at 31 March 2003 (last year: 72).

As a newly launched venture, Sparkle required substantial initial investment, particularly in large-scale advertising and promotional activities for building brand awareness. In addition, delays were encountered in the schedule for shop openings and sales did not increase at the planned rate, resulting in an accumulation of inventory. The pressure to clear this inventory caused a substantial fall in gross margin of its sales. The operating loss on the Sparkle venture amounted to HK$29.7 million, which was much greater than expected. Excluding the operating loss from the Sparkle brand, the Bossini brand's business recorded an operating profit of HK$7 million.

Singapore

The continued economic downturn affected the results of the Group's operation in Singapore. Sales declined by 11.5%, from the previous year's figure of HK$171.8 million to HK$152 million. The operating profit was HK$6.7 million, compared to the previous year's HK$10.2 million. The business maintained approximately the same operating scale as last year.

Taiwan

During the first half of the year, the Group began to explore further business opportunities by gradually increasing the number of outlets, with the objective of building a more extensive sales network to maintain long-term growth and improve its competitive advantage. However, the economy deteriorated further and competitors aggressively marked down prices to clear inventory, which put pressure on the Group's business. An operating loss of HK$35.2 million was recorded for the year. In early 2003, the Group started to consolidate its network of outlets by closing 13 poorly performing stores. This resulted in the writing-off of fixed assets of HK$5.9 million. As at 31 March 2003, the Group had 76 outlets (last year: 68) in Taiwan.

Use of Rights Issue Proceeds

In March 2002, the Group raised HK$62.2 million from a rights issue. Of this, approximately HK$50 million was utilised to expand its business in Mainland China, while the remaining proceeds of approximately HK$12 million were used for general working capital, as planned.

Liquidity and Financial Resources

Other than the HK$62.2 million proceeds raised from the rights issue in March 2002, the Group relied on internally generated cash flows, bank borrowings and import and export-related banking facilities in order to finance its business development during the year.

Increased investment in Mainland China, the poorer than anticipated performance of the Sparkle brand and the businesses downturn increased the Group's total debt to equity ratio to 1.26 as at 31 March 2003 (31 March 2002: 0.72). The ratio was calculated by dividing total liabilities of HK$322.3 million (31 March 2002: HK$237.3 million, as restated) by the total shareholders' equity of HK$256.8 million (31 March 2002: HK$328.2 million, as restated). The current ratio dropped to 1.42 from the previous year end figure of 2.14. As at 31 March 2003, the Group had net bank borrowings (total bank borrowings minus total cash on hand) of HK$53.4 million (31 March 2002: net cash balance of HK$58.4 million).

In order to improve its financial position and achieve future growth, the Group raised another rights issue in May 2003. This generated approximately HK$55.7 million in net proceeds. The Group plans to apply about HK$30 million of the net proceeds to repay bank borrowings, and about HK$10 million to finance the expansion of its authorised dealer business in Mainland China. The balance of approximately HK$15.7 million will be utilised as general working capital for the Group.

During the year, the Group entered into forward contracts to hedge its foreign currency denominated receivables against fluctuations in exchange rates. As at 31 March 2003, the Group had commitments amounting to approximately HK$31.1 million in respect of foreign exchange contracts entered into with a bank.

Human Capital

As at 31 March 2003, the Group employed 3,425 full-time staff in Hong Kong, Macau, Mainland China, Singapore and Taiwan. It remunerates employees according to their performance, experience and prevailing industry practices. Benefits such as staff insurance, retirement schemes and discretionary bonuses are provided.

Outlook

The Group faces another tough year. The economic downturn experienced in most Asian markets where the Group has major operations (other than Mainland China) is likely to continue. The widespread outbreak of "SARS" put more pressure on its businesses.

To counteract these difficulties, the Group has taken the following actions: (i) to refocus its product strategy to meet the needs of its core customers by offering more basic clothing items; (ii) to increase sales through optimum utilisation of retail floor space and improvement in the selling skills of frontline staff; (iii) to improve gross margin by increasing the percentage of products sourced from lower-cost areas, better management of product mix, and more effective formulation of discount policies; and (iv) to reduce operating expenses through cost-cutting measures and restructuring outlets.

The Hong Kong retail market is expected to remain soft during the coming year. Unemployment figures will stay at high levels, and deflation will persist. People are concerned about the security of their jobs, and more careful about their spending. In view of these factors, it is important for the Group to continue running its business in a prudent manner. The Group will explore every avenue to reduce operating costs. Measures are being implemented to minimise staff costs and increase the variable weighting in salary structures. Two more outlets have been closed since the year end date, and the Group expects to maintain its operating scale at approximately the current level in both Hong Kong and Macau during the coming year. Even so, Hong Kong will remain the Group's largest market.

The Group's long-term focus is to expand its business in Mainland China. Its two brands (Bossini and Sparkle) will be run in parallel. Following last year's expansion, the Group is now focusing on strengthening the foundations already built for its businesses, and driving results. The locations of outlets are being consolidated to improve operational efficiency. In view of the Sparkle brand's poor performance since its launch in September 2002, the Group has started to restructure its management and operating team, and to re-position its marketing and pricing strategies. Expenditure on advertising and promotional activities will be substantially curtailed. Nevertheless, the Group began to recruit authorised dealers to develop the brand in 2003. Approximately HK$10 million from the rights issue in May 2003 has been put aside to finance the expansion of the Group's authorised dealer business.

Singapore faced similar difficulties to Hong Kong. Even so, the Group's operation there is still profitable, due to the effective cost-trimming measures it has implemented. The Group believes that its business performance in Singapore will continuously improve.

In view of the unsatisfactory results of the Taiwan operation, the Group has started to close unprofitable outlets, and to keep the operating scale at around 70 outlets. In order to reduce the cost of goods sold, the Group has adopted a local purchasing arrangement, with a target to purchase about 20% of its inventory from local suppliers by the end of next year. At the same time, local management will adopt a micro-marketing approach to increase sales, handle sales discounts and launch promotional activities.

Although 2003/04 will be a difficult year, the Group is confident that its results will substantially improve following the implementation of the above measures, which are already beginning to yield positive results.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

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.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2002/2003 Annual Report of the Company containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Ka Sing LAW
Chairman

Hong Kong, 26 June 2003

The full text of this announcement will be available on the Internet at http://www.irasia.com/listco/hk/bossini.