bossini

BOSSINI INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Stock code: 592

ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 31 MARCH 2004

FINANCIAL RESULTS

The board of directors (the "Board") of **Bossini International Holdings Limited** (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2004, together with the comparative figures for the previous year, as follows:

Consolidated profit and loss account
Year ended 31 March 2004

	Notes	2004 HK$'000	2003 HK$'000
TURNOVER	2, 3	**1,783,418**	1,691,443
Cost of sales		**(939,858)**	(990,556)
Gross profit		**843,560**	700,887
Other revenue	3	**12,388**	8,302
Selling and distribution costs		**(508,892)**	(563,076)
Administrative expenses		**(158,123)**	(160,566)
Other operating expenses		**(42,694)**	(51,612)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	**146,239**	(66,065)
Finance costs	5	**(4,387)**	(6,712)
PROFIT/(LOSS) BEFORE TAX		**141,852**	(72,777)
Tax	6	**(23,756)**	(1,354)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**118,096**	(74,131)
DIVIDENDS			
Proposed final		**46,288**	–
EARNINGS/(LOSS) PER SHARE	7		
Basic		**15.93 cents**	(14.41 cents)
Diluted		**15.79 cents**	N/A

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 2003 except that in the current year, the Group has adopted for the first time a revised Statement of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants. SSAP 12 (Revised) "Income taxes" is effective for the first time for the current year's financial statements and prescribes new accounting measurement and disclosure practices.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The adoption of the SSAP 12 (revised) during the year has resulted in an increase in the Group's deferred tax assets as at 31 March 2004 by HK$5,360,000 and 2003 by HK$17,000,000. As a consequence, the consolidated net profit from ordinary activities attributable to shareholders for the year ended 31 March 2004 has been decreased by HK$11,640,000 and the consolidated retained profits at 1 April 2003 and 2002 have been increased by HK$17,000,000.

2. **Segment information**

Segment information is presented by way of geographical segment as the primary segment. 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	
	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000
Segment revenue										
Sales to external customers	**834,756**	767,334	**459,359**	484,449	**315,553**	287,676	**173,750**	151,984	**1,783,418**	1,691,443
Other revenue	**1,528**	3,221	**6,928**	1,398	**2,627**	1,258	**72**	163	**11,155**	6,040
Total	**836,284**	770,555	**466,287**	485,847	**318,180**	288,934	**173,822**	152,147	**1,794,573**	1,697,483
Segment results	**95,739**	(17,141)	**15,421**	(22,702)	**16,960**	(35,182)	**16,886**	6,698	**145,006**	(68,327)
Interest income									**1,233**	2,262
Profit/(loss) from operating activities									**146,239**	(66,065)
Finance costs									**(4,387)**	(6,712)
Profit/(loss) before tax									**141,852**	(72,777)
Tax									**(23,756)**	(1,354)
Net profit/(loss) from ordinary activities attributable to shareholders									**118,096**	(74,131)

3. **Turnover and revenue**

Turnover represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, and the rendering of services, but excludes intra-group transactions.

An analysis of turnover and revenue is as follows:

	2004 HK$'000	2003 HK$'000
Turnover		
Retailing and distribution of garments	**1,752,652**	1,656,943
Rendering of garment-related services	**30,766**	34,500
	1,783,418	1,691,443
Other revenue		
Interest income	**1,233**	2,262
Claims received	**1,261**	2,630
Royalty income	**1,041**	710
Gross rental income	**2,580**	895
Sample charges received	**–**	977
Recognition of negative goodwill upon liquidation of a subsidiary	**5,199**	–
Others	**1,074**	828
	12,388	8,302
Total revenue	**1,795,806**	1,699,745

4. **Profit/(loss) from operating activities**

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

	2004 HK$'000	2003 HK$'000
Cost of sales		
Cost of inventories sold	**921,573**	966,882
Inventory provision	**18,285**	23,674
Depreciation	**48,997**	60,125
Loss on disposal of fixed assets	**6,296**	6,459
Impairment of goodwill	**–**	1,541
Net rental income	**(496)**	(211)

5. **Finance costs**

	2004 HK$'000	2003 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**4,387**	6,712

6. **Tax**

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 March 2004. 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.

	2004 HK$'000	2003 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**6,636**	1,253
Over provision in prior years	**(42)**	(458)
Current – Elsewhere		
Charge for the year	**4,327**	978
Under provision in prior years	**1,381**	94
Deferred	**11,454**	(513)
Total tax charge for the year	**23,756**	1,354

7. **Earnings/(loss) per share**

The basic earnings/(loss) per share is calculated based on the net profit from ordinary activities attributable to shareholders for the year of HK$118,096,000 (2003: net loss of HK$74,131,000), and the weighted average of 741,166,854 (2003: 514,307,798) ordinary shares in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$118,096,000. The weighted average number of ordinary shares used in the calculation is the 741,166,854 ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 6,558,703 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

A diluted loss per share amount for the year ended 31 March 2003 has not been disclosed as no diluting events existed during that year.

DIVIDEND

The Board has resolved to recommend a final dividend of HK$0.06 (2003: Nil) per share for the year ended 31 March 2004 at the forthcoming annual general meeting to be held on 30 August 2004 ("AGM"). The final dividend, if approved by the members, will be paid on 21 September 2004 to members whose names appear on the principal or branch register of members of the Company in Bermuda or Hong Kong respectively (collectively referred to as the "Register of Members") as at the close of business on 30 August 2004 ("Record Date").

PROPOSED BONUS ISSUE OF SHARES

The Board has resolved to recommend a bonus issue ("Bonus Issue") of shares of HK$0.10 each in the capital of the Company ("Bonus Shares") on the basis of one Bonus Share for every one existing share held by the members of the Company whose names appear on the Register of Members as at the close of business on the Record Date, other than those members whose addresses as shown on the Register of Members on the Record Date are outside Hong Kong. Except that the Bonus Shares will not entitle their holders to the final dividend mentioned above, the Bonus Shares, when issued, will rank pari passu in all other respects with the existing issued shares of the Company. The Bonus Issue is conditional upon members' approval at the AGM and the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of, and permission to deal in, the Bonus Shares. A circular containing further details of the Bonus Issue will be sent to members of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 23 August 2004 (Monday) to 30 August 2004 (Monday), both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend and the entitlements to the Bonus Shares, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Computershare Hong Kong Investor Services Limited of Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 20 August 2004 (Friday).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The Group recorded impressive performance for the year ended 31 March 2004. The consolidated turnover amounted to approximately HK$1.8 billion, representing a year-on-year increase of 5.4%. Contributed by a series of new inventory and margin management measures, the Group's gross margin increased considerably to 47.3% (2003: 41.4%). Net profit from ordinary activities attributable to shareholders also reached a record high of approximately HK$118 million (2003: HK$74 million net loss).

The Group strategically consolidated its retail outlets, closing down under-performing stores to increase the overall retail floor usage efficiency. As a result, the total retail floor space decreased by 17.9% to 482,600 sq. ft. Customers were thus directed to remaining stores, leading to a 7.7% improvement in efficiency with a weighted average sales of HK$2,800 per sq. ft. (2003: HK$2,600 per sq. ft.) per annum.

Simultaneously, the Group's operating costs showed an improvement of 8.5% or a reduction of approximately HK$66 million, testimony to the effectiveness of cost-cutting measures and the restructuring of outlets.

Business Review

As a leading apparel brand owner, retailer, licensor and supplier, the Group has established an international business network through directly managed outlets, authorised dealer and licensed outlets in Mainland China and overseas. Setting our ultimate goals on rewards and profits rather than focusing on sales growth, the Group underwent network consolidation during the year. As of 31 March 2004, the Group's network reduced to 678 (2003: 691) outlets worldwide. The total number of directly managed outlets was cut from 392 to 314 in Hong Kong, Mainland China, Taiwan and Singapore while 34 authorised dealer outlets in Mainland China were newly established, resulting in a total of 195 authorised dealer outlets spreading all over Mainland China under the brands of "**bossini**" and "**sparkle**". The overseas brand presence was established through 169 overseas-licensed outlets operated by its business partners in 16 countries.

The encouraging performance for the year ended 31 March 2004 was the result of: (1) stringent cost control, inventory and margin management, leading to substantial profitability improvement; (2) a refined brand positioning and product offering that improved aggregate sales; and (3) the successful boost in morale and development of corporate culture, which nurtured quality and effective staff, ultimately their efficiency.

Review Of Operations

Segmental Market Performance

Headquartered in Hong Kong, the Group operates on a global platform, with Hong Kong, Mainland China, Taiwan and Singapore forming the four key revenue streams.

Hong Kong continued to form the major revenue source, accounting for 46.8% of total sales, followed by Mainland China which accounted for 25.8% of the total sales, while Taiwan and Singapore accounted for 17.7% and 9.7% respectively.

Sales by Geographical Markets:

	Hong Kong		Mainland China		Taiwan		Singapore	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003
Total sales (HK$mn)	**835**	767	**459**	484	**315**	288	**174**	152
Net retail sales (HK$mn)	**678**	639	**309**	321	**315**	288	**174**	152
Retail floor area (sq. ft.)[a]	**98,600**	112,700	**235,600**	308,100	**119,500**	135,000	**28,900**	32,200
Net sales per sq. ft. (HK$)[b]	**6,800**	5,500	**1,200**	1,300	**2,600**	2,100	**5,400**	4,700
No. of outlets	**27**	31	**189**	257	**71**	76	**27**	28

Notes:

(a) As at 31 March

(b) On weighted average basis

Hong Kong

The retail environment in Hong Kong experienced drastic change in the year. The overall market economy was affected by the SARS epidemic in April and May 2003 which led to lowered consumption and reduced purchasing power. Fortunately, the market picked up rapidly in the second half of the year. This was driven by rising tourist arrivals along with the relaxation of restrictions on the entry of mainland tourists into Hong Kong. Reformed banking regulations to allow RMB trading in Hong Kong also served as a catalyst for Mainlanders' spending in Hong Kong. As a result of these factors, the engines of retail demand in Hong Kong surged.

During the year, the Group consolidated its local network in Hong Kong to 27 outlets (2003: 31) and thus reducing the total retail floor space to 98,600 sq. ft. (2003: 112,700 sq. ft.). Despite this, with the well-established "**bossini**" brand and the prime location of its stores, the Group successfully captured the arising opportunities. Retail sales from Hong Kong increased by 6.1% to HK$678 million (2003: HK$639 million), while distribution sales to overseas licensees increased to HK$148 million (2003: HK$119 million). Total revenue from this market increased by 8.8% to HK$835 million (2003: HK$767 million).

Benefiting from a lowered rental cost and enhanced efficiency, the Group is pleased to report that the Hong Kong operations finally turned around with a highly encouraging operating profit of HK$96 million (2003: HK$17 million loss). The Group is confident of sustaining this strong growth momentum in the forthcoming years in view of much stronger economy ahead.

Mainland China

The Group's Mainland China operations also marked a turning point in the year. As the aggressive expansion plans in previous years turned out to be unfruitful, the Group has decisively consolidated its network. The total number of directly managed outlets were reduced to 189 (2003: 257) on one hand while the authorised dealer outlets was increased to 195 stores (2003: 161) on the other hand. Total floor area of directly managed outlets decreased by 23.5% to 235,600 sq. ft.

The reduced floor area resulted in a 3.7% decline in retail sales from Mainland China to HK$309 million (2003: HK$321 million), while distribution sales to authorised dealers decreased to HK$129 million (2003: HK$137 million). Total turnover from the market decreased by 5.2% to HK$459 million (2003: HK$484 million). To the contrary, the operating profit in Mainland China recorded a high level of HK$15 million (2003: HK$23 million loss).

The launch of the "**sparkle**" brand in 2002 suffered from various operational issues arising from management ineptness. After a series of rectifications and cultivation with devoted efforts, "**sparkle**" started to breakeven in the second half of the year. Driven by the combined power of the two brands, the outlook of the Mainland China market is highly promising.

Taiwan

Despite the many uncertainties that prevailed in Taiwan in the past year, the Group recorded very outstanding operational and financial performance during the year.

Sales from Taiwan amounted to HK$315 million (2003: HK$288 million), an increase of 9.4% achieved against a reduction of floor area from 135,000 sq. ft. to 119,500 sq. ft. by 11.5% as a result of the Group's swift decision of closing down 5 stores with poor performances. In addition, the intensive staff training efforts contributed to substantial improvements in operational efficiencies and productivity. The Taiwan operations, therefore, achieved a turnaround with an exhilarating result, recording an operating profit of HK$17 million (2003: HK$35 million loss).

Singapore

Singapore, as one of the major commercial hubs in Asia, is a strategic location for companies seeking regional expansion. The Group's strategy is to maintain its competitiveness in this market via a flexible and prudent approach. During the year, the total retail floor area in Singapore was reduced by 10.2% to 28,900 sq. ft.

In this highly competitive market, "**bossini**" differentiates itself from other brands with its comfortable and easy to mix-and-match products that offer good value-for-money. As such, sales in Singapore surged by 14.5% to HK$174 million (2003: HK$152 million). Together with the positive impact of the cost saving measures, an impressive operating profit growth was shown, which represented a significant improvement of 152.1% to HK$16.9 million (2003: HK$6.7 million).

Use of Rights Issue Proceeds

In May 2003, the Group has raised net proceeds (after deducting expenses) of HK$55.7 million from a rights issue. The proceeds were fully utilized and applied as follows:

- Approximately HK$10 million for financing the expansion of the Group's authorised dealer business in Mainland China;
- Approximately HK$30 million for repayment of bank borrowings;
- Approximately HK$15.7 million for general working capital of the Group.

Liquidity and Financial Resources

As at 31 March 2004, the Group's current ratio improved to 2.72 from prior year's level of 1.42. The total liability to equity ratio improved considerably to 43%, as compared to 118% in the previous year end date. The Group's total liabilities were HK$192 million (2003: HK$322 million) with shareholders' equity amounting to HK$446 million (2003: HK$274 million).

The Group had net cash balance (total cash on hand minus total bank borrowings) of HK$190 million at 31 March 2004 as compared to the net bank borrowings of HK$53 million at last year end date.

Human Capital

As at 31 March 2004, the Group employed 3,230 full-time equivalent staff in Hong Kong, Macau, Mainland China, Taiwan and Singapore. It employs a performance-based remuneration system and offers benefits such as insurance, retirement schemes as well as discretionary performance bonuses.

Outlook

Looking ahead, the Group will continue to leverage its six key competitive advantages: experienced and visionary management, profit-driven business model, worldwide distribution network, comprehensive product offering, effective retail management and an inspiring corporate culture imbued with "The Seven Habits of Highly Effective People".

The Board of Directors is optimistic of the Group's future development. Driven by envisaged rising tourist arrivals, the retail environment in Hong Kong will be characterised by rapid growth in the coming years. Moreover, many of the factors that have depressed local consumer sentiment in recent years are fading. The rebound in property prices and improvements in unemployment lead to increased local consumer spending. Capitalising on the growth opportunities, the Group plans to strategically expand its operations in prime areas in Hong Kong with the opening of five new stores this year.

The outlook of the Mainland China market is equally promising. Mainland China's retail market is the fourth largest in the world. The strong growth in retail sales in recent years has been driven by rising incomes. Bossini is well placed to leverage this trend, with its two complimentary brands targeting different markets – yet both remain quality products with wide appeal at affordable prices. On the other hand, as market competition will be increasingly severe in this huge market, the Group will adopt a prudent approach, making use of both directly operated and authorised dealer outlets to mitigate risks and capital expenditures. The Group's target is to add 100 outlets to its current network in Mainland China in the coming year.

Despite Taiwan's economic and political uncertainties in recent years, the Group has managed and will continue to grow its sales and profit in the region. Further leveraging on the effective cost management and the successful turnaround in its operation, the Group will maintain its existing business model in the area. Along with the gradual improvement of the Taiwan economy, it is believed that the Taiwan operation will show improving performance in the years ahead.

The Singapore market will continue to be characterised by keen competition. Though a saturated market, the outlook for the Singapore retail market has improved on the back of the strengthening economy, leading to an improved operating environment for the Group in the coming year. The Group will leverage its brand presence in the region to optimise productivity of existing stores through restructuring of under-performed outlets, while keeping its eyes open for synergistic expansion opportunities.

The Group will try its best endeavour to sustain and improve its profitability through further enhancements of brand image and the quality of people, product and system with clearer positioning and building up of its corporate image via:

- leverage on the growing strength of Bossini's sales and marketing resources
- prudent and diligent expansion strategies
- swift closure of unprofitable outlets
- stringent cost control
- enhanced management technique

To further hone our competitive edge, Bossini has invited management consultants to review its merchandise planning, supply chain and logistic operations. It is now considering investments in world class and enterprise wide information systems, which will enable the Group to conduct comprehensive and strategic planning in finance, merchandising, store management, in-season monitoring and timely product replenishment. This will be major infrastructure investments of the Group in the forthcoming years.

Looking ahead, a key mission of management is to deliver steady growth in the years to come. The management will focus on upholding operational efficiencies and profitability. Our strategy is to boost both turnover and profit levels by strengthening our foothold in existing markets and extending our reach to other overseas markets. Leveraging the "**bossini**" brand which has proven to be a successful apparel brand in many countries, we will explore the potential of exporting to overseas markets via licensed outlets, boosting our sales while minimising the cash outlay and capital risk involved in business expansion. Therefore, the Board has every confidence in delivering continually encouraging double-digit growth in the years ahead.

CODE OF BEST PRACTICE

In the opinion of the Board, 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 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 2003/2004 Annual Report of the Company containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules in force prior to 31 March 2004, which remain applicable to the results announcement in respect of accounting periods commencing before 1 July 2004 under the transitional arrangements, will be published on the website of the Stock Exchange in due course.

By Order of the Board
Law Ka Sing
Chairman

Hong Kong, 29 June 2004

As at the date of this announcement, Mr. Law Ka Sing, Ms. Pansy Chau Wai Man, Mr. Simon Orr Kuen Fung, Mr. Fung Ping Chuen, Mr. Dickie Fu Shing Kwan and Ms. Chan So Kuen are executive directors. Mr. David Cheung Sik Ho and Mrs. Winnie Leung Wong Wing Yue are independent non-executive directors.

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