

BOSSINI INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2001

FINANCIAL RESULTS

The Board of Directors 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 2001, together with the comparative figures for the previous year, as follows:

Consolidated profit and loss account

	Notes	2001 HK\$'000	2000 HK\$'000
TURNOVER		1,554,567	1,264,605
Cost of sales	2	(887,011)	(750,060)
Gross profit		667,556	514,545
Other revenue		6,342	8,294
Selling and distribution costs		(475,792)	(307,888)
Administrative expenses		(117,656)	(80,463)
Other operating expenses		(54,646)	(39,149)
PROFIT FROM OPERATING ACTIVITIES	3	25,804	95,339
Finance costs		(2,827)	(2,044)
Share of losses of associates		-	(141)
PROFIT BEFORE TAXATION		22,977	93,154
Taxation	4	(6,178)	(13,958)
PROFIT BEFORE MINORITY INTERESTS		16,799	79,196
Minority interests		(144)	41
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		16,655	79,237
DIVIDENDS	5	-	31,544
RELEASE FROM REVALUATION RESERVE	6	404	404
BASIC EARNINGS PER SHARE	7	6.07 cents	28.89 cents

Notes:

1. Principal accounting policies

The financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice and accounting principles generally accepted in Hong Kong. The accounting policies and basis of preparation used in the preparation of the financial statements are the same as those used in the financial statements for the year ended 31 March 2000.

2. Turnover and segmental information

The Group's turnover and profit from operating activities were derived predominantly from retailing and distribution of garments.

An analysis of the Group's turnover and contribution to profit from operating activities by geographical area of operations for the year ended 31 March 2001, together with the comparative figures for the previous year is as follows:

	Turnover		Contribution to profit from operating activities	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
People's Republic of China:				
Hong Kong	1,007,795	963,431	2,053	49,878
Elsewhere	200,371	168,579	12,417	17,989
Others	346,401	132,595	11,334	27,472
	1,554,567	1,264,605	25,804	95,339

3. Profit from operating activities

Profit from operating activities is arrived at after charging:

	2001 HK\$'000	2000 HK\$'000
Depreciation	51,491	31,492
Amortisation of intangible assets	4,291	4,291
Amortisation of deferred pre-operating expenses	-	242

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 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 taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2001 HK\$'000	2000 HK\$'000
Group:		
Hong Kong	1,267	8,336
Elsewhere	4,315	5,622
	5,582	13,958
Deferred taxation	596	-
Taxation charge for the year	6,178	13,958

5. Dividends

	2001 HK\$'000	2000 HK\$'000
Interim - Nil (2000: 4.5 cents) per share	-	12,343
Proposed final - Nil (2000: 7 cents) per share	-	19,201
	-	31,544

6. Release from revaluation reserve

The revaluation reserve arising from revaluation of fixed assets is realised and transferred directly to retained earnings on a systematic basis, as the corresponding asset is used by the Group. The amount realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

7. Basic earnings per share

Basic earnings per share is calculated based on the net profit attributable to shareholders for the year of HK\$16,655,000 (2000: HK\$79,237,000) and on 274,297,493 (2000: 274,297,493) shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2001 and 2000 has not been calculated as no diluting events existed during these years.

DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 March 2001.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a consolidated turnover of HK\$1,554,567,000 for the year ended 31 March 2001, representing a 23% increase compared to the previous year's turnover of HK\$1,264,605,000. Net profit attributable to shareholders was HK\$16,655,000, 79% down from last year's HK\$79,237,000.

The retail and distribution business in Hong Kong remained the largest contributor to the Group's turnover, accounting for 65% (2000: 76%) of the Group's turnover for the year. The rest of the turnover was contributed by the Mainland China, Taiwan and Singapore markets.

During the year, the Group invested substantial resources to increase the value of the **bossini** brand and strengthen its market position through various measures including advertising campaigns, shop renovation and investment in human resources. In the short term, these expenditures inevitably would have an adverse impact

on profits. In the long run, however, continued improvements in brand image and service quality will further consolidate the business base of the Group, strengthening its ability to fully develop the potential of Asian markets.

Hong Kong

During the year, the local retail market remained sluggish, and there was a lack of public confidence in the economic outlook. In addition, the property market was still weak, while the unemployment rate remained high. These factors have led people to be generally prudent in their spending. The Hong Kong business of the Group recorded an operating profit of HK\$2,053,000 for the year (2000: HK\$49,878,000). In spite of a 5% increase in turnover to HK\$1,007,795,000 and a 1.6 percentage points improvement in gross margin compared to last year, the Group's strategic increase in investment in advertising programmes, shop renovation and staff recruitment and human resources during the year affected overall profits.

Operating costs in the Hong Kong market remained high, with shop rents accounting for a major share of the total. Though rents for retail premises have fallen significantly from their peak in 1997, they are still very high when compared against other countries, particularly in view of the current economic situation. The high level of rents puts considerable pressure on retailers.

The Group had gradually increased its outlets from 36 shops at the end of the previous year to 41 as at 30 September 2000. However, considering the continuous sluggishness of the retail market, the Group then adjusted its strategy by consolidating a number of outlets. Accordingly, the number of outlets run by the Group had returned to the earlier total of 36 as at 31 March 2001.

Mainland China

The investment environment in Mainland China steadily improved during the year. The retail market is growing, presenting many business opportunities. The Group believes that the pace of entry of imported brands into the China market will speed up rapidly.

During the year, the Group was proactive in expanding the market. The number of shops directly managed by the Group increased from 9 at last year end to 33 at this year end. In addition, the Group also developed its authorised dealer business. A turnover of HK\$200,371,000 was recorded, representing a 19% increase compared to last year's HK\$168,579,000. The operating profit was HK\$12,417,000, a 31% decrease compared to last year's profit of HK\$17,989,000. The reduction in profit was mainly due to the increase in expenditure on various investments such as expanding the staff team and improving operational facilities and equipment. Furthermore, the Group was still adjusting the operating structure of its business during the year, and the resulting improvement in operating efficiency has not yet been fully reflected in the Group's results at this stage.

Taiwan

The Taiwan market was served by a licensee prior to 1 September 2000, when the Group acquired the retail operations and business assets from the licensee and began running the retail business directly. At end of the year, the Group operated 55 outlets, covering the whole territory of Taiwan.

Despite the weak economic environment, the Taiwan market has contributed a profit to the Group. During the year, the Taiwan operations contributed 7 months' operating results to the Group, with a turnover of HK\$160,733,000.

Singapore

Following the remarkable recovery of the Singapore economy last year, the pace of economic growth started to slow down this year. Despite this, the Group still achieved a turnover of HK\$185,668,000, a 40% increase. The operation continued to be profitable.

In view of the slowdown of the economy, the Group strategically slowed down its shop expansion plan accordingly. The expansion plan will be reconsidered when the market rebounds. As at 31 March 2001, the Group had 24 outlets in Singapore (31 March 2000: 19 outlets).

Outlook

Looking ahead, the Group believes the forthcoming year will be a year of challenges as well as opportunities.

In response to the downturn of the Hong Kong economy, the Group will adopt a relatively more prudent approach to running its retail business in the territory, adjusting its scale of operation where appropriate.

The clothing market in Mainland China will be the major focus of expansion in the coming year. A 30% growth in turnover is expected. In addition to running directly managed shops in major cities, namely Guangzhou, Shanghai, Shenzhen and Beijing, the Group plans to open additional shops in four other major cities. Meanwhile, the Group will continue to expand its authorised dealer business.

Taiwan is now effectively a new market served directly by the Group. However, given the current adverse and unstable economic climate there, the Group will develop the market cautiously, maintaining its scale of operation at around 55 to 60 outlets. Nevertheless, the Group believes that market potential for the **bossini** brand in the Taiwan market is enormous. In the forthcoming year, Taiwan is expected to become the Group's second largest market, and business there will continue to make a solid contribution to the Group's profits.

Although economic growth in Singapore shows signs of slowing down, the Group is confident of running its business there at a profitable level, with double-digit growth in turnover next year.

With the expected substantial growth of other major markets outside Hong Kong in the coming year, the Group expects that the turnover generated by the retail and distribution business in Hong Kong will reduce to 50% of the Group's total.

Overall, the Group will continue to develop the existing Hong Kong, Mainland China, Taiwan and Singapore businesses while exploring other new markets in Asia in the coming few years. With this expansion strategy, the business of the Group will become more international, which will be beneficial to maintaining the stability and growth capability of the Group.

Financial Position

The Group has relied on its internally generated cash flows, bank borrowings, and import and export-related banking facilities to finance its business development during the year. As at 31 March 2001, the Group had unused banking facilities (including trade finance, revolving loans and guarantees) totalling HK\$276,854,000 (31 March 2000: HK\$190,365,000). To finance the acquisition of the Taiwan business, the Group obtained a long term bank loan of HK\$45,000,000 during the year.

As at 31 March 2001, the Group's total assets amounted to HK\$526,060,000 (31 March 2000: HK\$514,384,000). Goodwill of HK\$20,982,000 arising from the acquisition of the Taiwan business was written off to the Group's reserves during the year. Taking into account the effect of this write-off, shareholders' equity as at 31 March 2001 was HK\$322,387,000 (31 March 2000: HK\$330,640,000).

The Group has maintained a healthy financial position. As at 31 March 2001, the Group's current ratio was 1.98 (31 March 2000: 1.85) while its total debt to equity ratio was 0.63 (31 March 2000: 0.56). The latter was calculated by dividing the total debt of HK\$203,673,000 (31 March 2000: HK\$183,744,000) by the total shareholders' equity of HK\$322,387,000 (31 March 2000: HK\$330,640,000). In addition, there was a significant improvement in inventory turnover, with inventory days dropping from last year's 48 days to this year's 40 days.

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 2000/2001 Annual Report of the Company containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the website of the Stock Exchange in due course.

By Order of the Board
Ka Sing LAW
Director

Hong Kong, 5 July 2001

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



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Tang Room I, 3rd Floor, Sheraton Hong Kong Hotel and Towers, 20 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on 31 August 2001 (Friday) at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2001.
2. To elect directors.
3. To appoint auditors and to authorise the directors to fix their remuneration.
4. As special business, to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

“**THAT** the authorised share capital of the Company be increased from HK\$50,000,000 to HK\$100,000,000 by the creation of an additional 500,000,000 new shares of par value HK\$0.10 each, such new shares ranking pari passu in all respects with the existing issued shares of the Company.”

5. As special business, to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

“**THAT:**

(A) a general mandate be and is hereby unconditionally given to the directors of the Company to issue and dispose of and to make or grant offers, agreements or options of or in relation to such of the Company’s unissued share capital during the Relevant Period, as does not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution; and

(B) for the purposes of this resolution:

‘Relevant Period’ means the period from the passing of this resolution until whichever is the earlier of:

- (a) the conclusion of the next Annual General Meeting of the Company;
- (b) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (c) the revocation or variation of this resolution by an ordinary resolution of the members of the Company in general meeting.”

6. As special business, to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

“**THAT:**

(A) the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

(B) the aggregate nominal amount of shares of the Company purchased by the Company pursuant to the approval in paragraph (A) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval be limited accordingly; and

(C) for the purposes of this resolution:

‘Relevant Period’ means the period from the passing of this resolution until whichever is the earlier of:

- (a) the conclusion of the next Annual General Meeting of the Company;
- (b) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (c) the revocation or variation of this resolution by an ordinary resolution of the members of the Company in general meeting.”

7. As special business, to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

“**THAT** conditional upon passing of the resolution numbered 6 set out in the notice of this meeting, the general mandate granted to the directors of the Company to issue, dispose of or otherwise deal with the unissued share capital of the Company pursuant to the resolution numbered 5 set out in the notice of this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution numbered 6 set out in the notice of this meeting.”

By Order of the Board
Chi Kwong TO
Company Secretary

Hong Kong, 5 July 2001

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. To be valid, the instrument appointing a proxy, together with the power of attorney or other authority (if any), must be deposited at the principal office of the Company at 6th Floor, Hong Kong Spinners Industrial Building, Phase 1 & 2, 601-603 Tai Nan West Street, Kowloon not less than 48 hours before the time appointed for holding the Meeting or any adjourned meeting.
2. With respect to the Ordinary Resolution numbered 4 above, approval is being sought from the members for the proposed increase in authorised share capital of the Company.
3. With respect to the Ordinary Resolution numbered 5 above, approval is being sought from the members for a general mandate to authorise allotment of shares under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. However, the directors have no immediate plans to issue any new shares of the Company pursuant to such approval.
4. An explanatory statement containing further details regarding Ordinary Resolution numbered 6 above will be sent to the members together with the Annual Report of the Company.