

FINANCIAL RESULTS

The board of directors (the “Board”) of Bossini International Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2003. The results, together with the comparative figures for the corresponding period in 2002, are summarised below:

Condensed consolidated profit and loss account

		Six months ended	
		30 September	
		2003	2002
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
TURNOVER	2	790,681	714,592
Cost of sales		(441,829)	(381,015)
Gross profit		348,852	333,577
Other revenue	3	3,541	3,709
Selling and distribution costs		(247,865)	(265,171)
Administrative expenses		(80,051)	(75,558)
Other operating expenses		(18,351)	(24,900)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	6,126	(28,343)
Finance costs	5	(2,865)	(2,556)
PROFIT/(LOSS) BEFORE TAX		3,261	(30,899)
Tax	6	(228)	(2,116)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		3,033	(33,015)
BASIC EARNINGS/(LOSS) PER SHARE	7	0.43 cents	(6.73 cents)

Condensed consolidated balance sheet

	As at 30 September 2003 (Unaudited) <i>Notes</i> HK\$'000	As at 31 March 2003 (Audited) <i>HK\$'000</i> (Restated)
NON-CURRENT ASSETS		
Fixed assets	116,886	127,709
Deposits paid	43,814	42,238
Deferred tax assets	17,000	17,000
	177,700	186,947
CURRENT ASSETS		
Inventories	255,613	230,050
Debtors	8 42,249	49,300
Bills receivable	8,895	11,592
Deposits paid	16,767	25,020
Prepayments and other receivables	13,330	16,086
Tax recoverable	–	959
Cash and cash equivalents	88,727	76,134
	425,581	409,141
CURRENT LIABILITIES		
Creditors and accruals	9 132,984	151,057
Bills payable	47,951	41,521
Tax payable	879	–
Interest-bearing bank loans and overdrafts	64,707	94,576
	246,521	287,154
NET CURRENT ASSETS	179,060	121,987
TOTAL ASSETS LESS CURRENT LIABILITIES	356,760	308,934
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	25,000	35,000
Deferred tax liabilities	179	176
	25,179	35,176
	331,581	273,758
CAPITAL AND RESERVES		
Share capital	10 77,146	51,431
Reserves	254,435	222,327
	331,581	273,758

Condensed consolidated statement of changes in equity

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Reserve funds <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003:								
As previously reported	51,431	38,209	2,281	99,175	9,312	1,750	54,600	256,758
Prior year adjustment:								
SSAP 12								
– restatement of deferred tax	–	–	–	–	–	–	17,000	17,000
As restated	51,431	38,209	2,281	99,175	9,312	1,750	71,600	273,758
Issue of rights shares	25,715	30,020	–	–	–	–	–	55,735
Exchange realignment and net losses not recognised in the profit and loss account	–	–	–	–	(945)	–	–	(945)
Net profit for the period attributable to shareholders	–	–	–	–	–	–	3,033	3,033
At 30 September 2003	<u>77,146</u>	<u>68,229</u>	<u>2,281</u>	<u>99,175</u>	<u>8,367</u>	<u>1,750</u>	<u>74,633</u>	<u>331,581</u>
At 1 April 2002:								
As previously reported	41,145	48,495	740	99,175	8,152	1,183	129,298	328,188
Prior year adjustment:								
SSAP 12								
– restatement of deferred tax	–	–	–	–	–	–	17,000	17,000
As restated	41,145	48,495	740	99,175	8,152	1,183	146,298	345,188
Issue of bonus shares	10,286	(10,286)	–	–	–	–	–	–
Exchange realignment and net gains not recognised in the profit and loss account	–	–	–	–	693	–	–	693
Net loss for the period attributable to shareholders	–	–	–	–	–	–	(33,015)	(33,015)
At 30 September 2002	<u>51,431</u>	<u>38,209</u>	<u>740</u>	<u>99,175</u>	<u>8,845</u>	<u>1,183</u>	<u>113,283</u>	<u>312,866</u>

Condensed consolidated cash flow statement

	Six months ended	
	30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	13,011	(53,009)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(16,493)	(52,335)
NET CASH INFLOW FROM FINANCING ACTIVITIES	15,828	11,759
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	12,346	(93,585)
Cash and cash equivalents at beginning of period	76,134	171,307
Effect of foreign exchange rate changes, net	205	256
CASH AND CASH EQUIVALENTS AT END OF PERIOD	88,685	77,978
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	88,727	60,742
Time deposits	–	17,509
Bank overdrafts	(42)	(273)
	88,685	77,978

Notes:

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2003 except for the adoption of SSAP 12 (Revised) "Income Taxes".

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax was provided using the income statement liability method on all significant timing differences to the extent it was probable that the liability would crystallise in the foreseeable future. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

This change in accounting policy has resulted in an increase in the deferred tax assets, net assets and retained profits of the Group as at 1 April 2002 and 31 March 2003 by HK\$17,000,000. There is no significant impact on the Group's net assets as at 30 September 2003 and its net profit/(loss) attributable to shareholders for both periods presented.

2. Segment information

An analysis of the Group's revenue and profit/(loss) by business segment is not presented as the Group's revenue and results are predominantly derived from retailing and distribution of garments.

An analysis of the Group's revenue and profit/(loss) by geographical segment for the six months ended 30 September 2003, together with the comparative figures for the corresponding period in 2002, is as follows:

	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	369,309	337,199	213,785	187,883	131,942	125,315	75,645	64,195	790,681	714,592
Other revenue	937	1,301	851	713	1,346	331	30	11	3,164	2,356
Total	370,246	338,500	214,636	188,596	133,288	125,646	75,675	64,206	793,845	716,948
Segment results	12,663	(18,513)	(16,468)	(2,045)	5,638	(9,944)	3,916	806	5,749	(29,696)
Interest income									377	1,353
Profit/(loss) from operating activities									6,126	(28,343)
Finance costs									(2,865)	(2,556)
Profit/(loss) before tax									3,261	(30,899)
Tax									(228)	(2,116)
Net profit/(loss) from ordinary activities attributable to shareholders									3,033	(33,015)

3. Other revenue

	Six months ended	
	30 September	
	2003	2002
	HK\$'000	HK\$'000
Interest income	377	1,353
Royalty income	426	340
Rental income	1,289	255
Others	1,449	1,761
Total	3,541	3,709

4. Profit/(loss) from operating activities

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

	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Depreciation	<u>25,388</u>	<u>29,505</u>

5. Finance costs

	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	<u>2,865</u>	<u>2,556</u>

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2003. No provision for Hong Kong profits tax was made for the six months ended 30 September 2002 as the Group had no assessable profits arising in Hong Kong in that period. 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.

	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	1,150	–
Elsewhere	54	2,116
Overprovision in prior periods	<u>(976)</u>	<u>–</u>
Tax charge for the period	<u>228</u>	<u>2,116</u>

7. Basic earnings/(loss) per share

The basic earnings per share is calculated based on the net profit from ordinary activities attributable to shareholders for the period of HK\$3,033,000 (2002: net loss of HK\$33,015,000) and on the weighted average of 705,454,366 shares (2002: 490,546,931 shares, as restated) in issue during the period, as adjusted to reflect the rights issue during the period.

Diluted earnings/(loss) per share for the six months ended 30 September 2003 and 2002 has not been calculated as no diluting events existed during these periods.

8. Debtors

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

An aged analysis of trade debtors, based on invoice date, is as follows:

	As at 30 September 2003 HK\$'000	As at 31 March 2003 HK\$'000
0 – 30 days	32,522	39,899
31 – 60 days	7,758	9,255
61 – 90 days	119	26
Over 90 days	1,850	120
Total	<u>42,249</u>	<u>49,300</u>

9. Creditors and accruals

Included in creditors and accruals is a trade creditors balance of HK\$46,213,000 (31 March 2003: HK\$75,975,000).

An aged analysis of trade creditors, based on invoice date, is as follows:

	As at 30 September 2003 HK\$'000	As at 31 March 2003 HK\$'000
0 – 30 days	37,579	68,856
31 – 60 days	4,135	3,403
61 – 90 days	2,866	847
Over 90 days	1,633	2,869
Total	<u>46,213</u>	<u>75,975</u>

10. Share capital

	As at 30 September 2003 HK\$'000	As at 31 March 2003 HK\$'000
<i>Authorised:</i>		
2,000,000,000 (31 March 2003: 2,000,000,000) ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
771,461,697 (31 March 2003: 514,307,798) ordinary shares of HK\$0.10 each	<u>77,146</u>	<u>51,431</u>

During the period, a rights issue on the basis of one rights share for every two existing shares held by shareholders on the register of shareholders on 15 April 2003 was made, at an issue price of HK\$0.22 per rights share, resulting in the issue of 257,153,899 shares of HK\$0.10 each for a total cash consideration, before share issue expenses, of approximately HK\$56,574,000. The proceeds from the issue of rights shares have partly been used to finance the expansion of the Group's authorised dealer business in Mainland China, for repayment of bank borrowings and also for the Group's general working capital.

11. Related party transactions

The Group had the following material transactions with related parties:

	Six months ended 30 September 2003 HK\$'000	
	2003	2002
	HK\$'000	HK\$'000
Rental paid for warehouse premises	–	620
Rental paid for office premises	<u>–</u>	<u>2,272</u>

In the prior period, the rentals of HK\$620,000 and HK\$2,272,000 for the period from 1 April 2002 to 30 September 2002 were paid to Laws International Group Limited and Bright City International Limited, respectively. Mr. Ka Sing LAW ("Mr. LAW"), a director of the Company, had beneficial equity interest in these two companies during that period. Mr. LAW's interest in these two companies was ceased before the commencement of the current period.

12. Commitments

	As at 30 September 2003 HK\$'000	As at 31 March 2003 HK\$'000
Foreign exchange contracts	<u>77,220</u>	<u>31,113</u>

13. Capital commitments

	As at 30 September 2003 HK\$'000	As at 31 March 2003 HK\$'000
Contracted for: acquisition of fixed assets	4,532	–
Authorised but not contracted for: acquisition of fixed assets	<u>1,662</u>	<u>–</u>
	<u>6,194</u>	<u>–</u>

14. Contingent liabilities

	As at 30 September 2003 HK\$'000	As at 31 March 2003 HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	<u>2,520</u>	<u>2,520</u>

There have been no material changes in contingent liabilities in respect of the Group's litigations since 31 March 2003.

15. Approval of the interim financial statements

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 1 December 2003.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 September 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Satisfactory Turnover Growth

The consolidated turnover of the Group for the six months ended 30 September 2003 was HK\$790,681,000, representing an increase of 11% on the level of HK\$714,592,000 for the same period last year. The satisfactory growth witnessed the success of the refocusing strategy offering more basic clothing items to meet core customers' needs, the effort in increasing sales through optimum utilisation of retail floor space and the improvement in the selling techniques of frontline staff. Despite the stringency of Severe Acute Respiratory Syndrome ("SARS") during April and May this year, the Group's turnover for the period recorded a growth, rather than a drop. This was attributed to the unity and strong team spirit of the Group's employees. Under its initial investment and development stage in Mainland China, the newly launched clothing brand, Sparkle, also helped to sustain the growth of turnover during the period.

The Group's gross profit for the current period was HK\$348,852,000 which was 5% better than that of the prior period's HK\$333,577,000, albeit the double-digit growth in turnover. Gross profit margin of 44.1% was lower than the 46.7% same period prior year as a result of inducing appropriate alternative pricing strategy to mitigate the impact of elevating inventory pressure brought by SARS during April and May this year.

Effective Cost Control

The Group's operating costs for the six months ended 30 September 2003 amounted to HK\$346,267,000 while that of the same period last year was HK\$365,629,000, showing an improvement of 5%. This evidenced the effectiveness of various cost-cutting measures and the restructuring of outlets in Mainland China and Taiwan.

Turnaround of Business

The consolidated net profit from ordinary activities attributable to shareholders amounted to HK\$3,033,000, signifying a turnaround of the Group's business after two consecutive years of losses. It also denoted substantial improvements over the net loss of HK\$33,015,000 for the same period last year.

The encouraging results were contributed by the collective endeavours of the Group's management and employees as a whole with their decisiveness in continuously improving the efficiency of the Group's operations plus the implementation of appropriate strategies such as refocusing on core customer needs, enhancing the quality of both management team and staff through various training, restructuring, team and system building programmes.

Outlook

Notwithstanding the slow rebound of the world's economy and keen competition in the retail market, the Group's management is vigilantly optimistic on the Group's prospect.

External

With the support provided by the central government to Hong Kong, the signing of the Closer Economic Partnership Arrangement, the relaxed freedom to travel to Hong Kong by Mainland China visitors, the relaxation to deal in RMB business in Hong Kong, surging visitors from Mainland China to Hong Kong together with much higher tourist spending are envisaged. All these ignite the revival of local consumption and Hong Kong's economy. This is helpful to the retail business in Hong Kong.

With the "World's Factory" status, the economy of Mainland China is expected to gradually prosper together with the purchasing power of its people. This is beneficial to the Group's expansion in Mainland China upon which the growth of the Group's business will rely in the coming years.

The recent rebound of the global manufacturing cycle especially within the electronics sphere helped to revitalise Taiwan's export sector. The Taiwan government's efforts in helping prop up asset prices in real estate and the stock market in spite of the upcoming election also helped to improve unemployment rate and personal consumption. Taiwan's economy and its private consumption activity are thus revamped. This provides good opportunities for further enhancement of the Group's business in Taiwan.

Singapore's domestic economy will remain stagnant under the competition from Mainland China at the lower-value-added end of the technology industry, and from South Korea and Taiwan at the higher end. It is hard to see quick restoration of Singapore's economy. The Group's business there is thus facing fierce competition as market players are under tremendous burden to maintain and sustain their business in the country. Having said that, the Group would try to preserve its competitiveness within the country with flexible and prudent approach.

SARS was a nightmare for businesses and individuals. With the painful experience still fresh, most individuals and corporations are well prepared psychologically and operationally. It is thus generally expected that if SARS were to return in the forthcoming seasons, its impact will not be as disastrous as before.

Internal

The Group's management is determined in enhancing the "Bossini culture" through the top-down communication and promotion of the Group's vision, "To be the top-of-mind brand leader", and the mission, "To create incremental value for the brand everyday.....in every way", plus "the Bossini way". This will help to lay a strong foundation for the Group's long-term expansion and healthy growth in its future business.

Emphasis has also been put on supply chain management and knowledge sharing for further strengthening the Group's ability in the system building aspect. Improvements in margin management through increasing the percentage of products sourced from lower-cost areas, better management of product mix, and more effective formulation of discount policies will be continued. Furthermore, with effective cost control measures and restructuring of sales network, operating expenses can be reduced. All these would foster the Group's profitability.

With the gradually improving economic conditions but stringent competition ahead, the Group will take cautious steps in growing its business. Nevertheless, based on the strong belief in "Continuous Improvement" and the continuing effort in establishing the Group into a learning organisation, management is looking forward to seeing great achievements of the Group's business in the near future so that investors of the Group can enjoy reasonable returns.

Use of Rights Issue Proceeds

In May 2003, the Group raised net proceeds (after expenses) of HK\$55,700,000 from a rights issue. HK\$5,700,000 was utilised to finance the expansion of the Group's authorised dealer business in Mainland China. Approximately HK\$30,000,000 and HK\$15,700,000 were utilised for repayment of bank borrowings and as general working capital of the Group, respectively, as planned. The remaining proceeds of approximately HK\$4,300,000 were retained in bank accounts and will be utilised for financing the expansion of the Group's authorised dealer business in Mainland China as planned.

Financial Position

Apart from the proceeds raised from the rights issue in May 2003, the Group relied on internally generated cash flows, bank borrowings and import and export-related banking facilities to finance its business development during the period under review.

As at 30 September 2003, the Group's current ratio was 1.73, showing some improvement from the 1.42 as at 31 March 2003. The total debt to equity ratio improved considerably from 1.18 as at 31 March 2003 to 0.82. The ratio was calculated by dividing total liabilities of HK\$271,700,000 (31 March 2003: HK\$322,330,000) by the total shareholders' equity of HK\$331,581,000 (31 March 2003: HK\$273,758,000, as restated).

As at 30 September 2003, the Group's total credit facilities provided by banks amounted to HK\$337,845,000 (31 March 2003: HK\$337,845,000). It is believed that there are adequate financial resources to fund the Group's current business growth and future requirements in the coming year.

Human Capital

As at 30 September 2003, the Group employed 3,373 full-time equivalent 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.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2003, the interests of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of director	Nature of interest	Number of shares held	Percentage of issued share capital
Mr. Ka Sing LAW	Personal	566,545,549	73.44%
Ms. Pansy Wai Man CHAU	Personal	2,000,000	0.26%
Mr. Simon Kuen Fung OR	Family	3,400,000	0.44%
Mr. Ping Chuen FUNG	Personal	2,000,000	0.26%
Mr. Dickie Shing Kwan FU	Personal	1,000,000	0.13%
Ms. So Kuen CHAN	Personal	2,000,000	0.26%

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at 30 September 2003, none of the directors, chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, the register kept by the Company pursuant to Section 336 of the SFO showed that the following shareholder was interested in 5% or more of the issued share capital of the Company:

Name of shareholder	Number of shares held	Percentage of issued share capital
Mr. Ka Sing LAW	566,545,549	73.44%

The interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, the Company had not been notified of any other person who had an interest or a short position in the shares and underlying shares as recorded in the register required to be kept pursuant to Section 336 the SFO as at 30 September 2003.

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 period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2003, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of the Stock Exchange, except that the independent non-executive directors of the Company are not appointed for any specific terms, but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's Bye-laws.

By Order of the Board
Ka Sing LAW
Chairman

Hong Kong, 1 December 2003