



Bossini International Holdings Limited
堡獅龍國際集團有限公司



***Bossini in transition
Going from strength to strength...***

2004/05 Interim Results

For the six months ended 30 September 2004

**Corporate Presentation
November 2004**

Agenda

- Results Highlights
- Review of Operations
- Future Plans and Strategies








RESULTS HIGHLIGHTS

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Financial Highlights

	2004 <i>HK\$ mn</i>	2003 <i>HK\$ mn</i>	Change
Turnover	879	791	 11%
Gross profit	448	349	 28%
Operating profit	81	6	 12 times
Net profit attributable to shareholders	63	3	 20 times
Basic EPS (HK cents)	4.07 cents	0.21 cents	 18 times
Interim dividend per share (HK cents)	1.8 cents	Nil	N/A

Enhanced Cost Effectiveness

- Widening margin, clear evidence of substantial improvement in operating efficiency and cost effectiveness

	<i>2004</i>	<i>2003</i>
Gross margin	51%	44%
Operating margin	9%	1%
Net margin	7%	0.4%

For the six months ended 30 September

Key Financial Indicators

	<i>As at 30 Sep 2004</i>	<i>As at 31 Mar 2004</i>	<i>Change</i>
Inventory turnover (days)	63	37	+69%
Inventory level (HK\$ mn)	304	182	+67%
Percentage of coming season stock	88%	78%	+13%
Current ratio (times)	2.05	2.72	-25%
Payout ratio (%)	44%	39%	+13%
Cash and bank balances (HK\$ mn)	200	225	-11%
Total liabilities to equity ratio (%)	62%	43%	+45%
Capital expenditure (HK\$ mn)	29	34	-15%

Cost Breakdown

- Effective cost control measures, with total operating costs reduced to 42% of total turnover (1H03/04: 44%)
- A mild increase of 7%, well below the 11% turnover growth

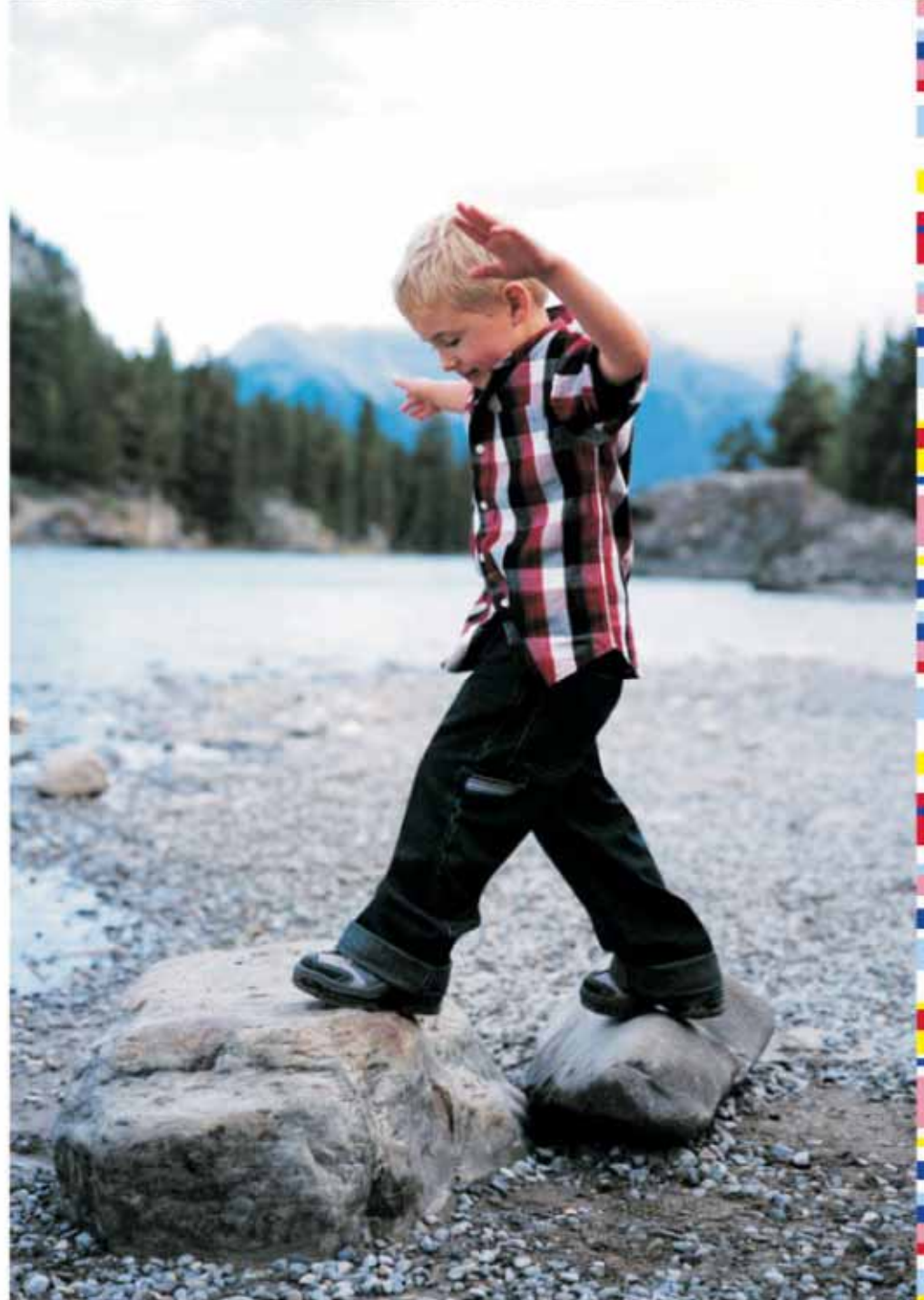
HK\$ mn	2004		2003	
Turnover	879	100%	791	100%
Selling and distribution costs	266	30%	248	32%
Administrative expenses	88	10%	80	10%
Other operating expenses	18	2%	18	2%
Total operating expenses	372	42%	346	44%

For the six months ended 30 September



REVIEW OF OPERATIONS

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Impressive Turnover and Profit Growth

- **Turnover posted double-digit growth of 11% in 1H04/05**
 - Revitalization in local consumption power
 - Multi-faceted promotion strategies
- **Overall same store sales recorded a 16% growth**
 - Double-digit same store sales growth in all core markets
- **Profit attributable to shareholders surged by 20 times to HK\$63 mn**
 - Low comparison base due to SARS impact
 - Continuing momentum of successful reforms



* Same store sales is the comparison of sales of stores having full month operations in comparable periods.

Turnover by Geographical Market

Hong Kong

Domestic
Retail Sales
77% (81%)

Export Sales
23% (19%)

1H04/05

Hong Kong*
52% (47%)

PRC
21% (27%)

Taiwan
17% (17%)

Singapore
10% (9%)

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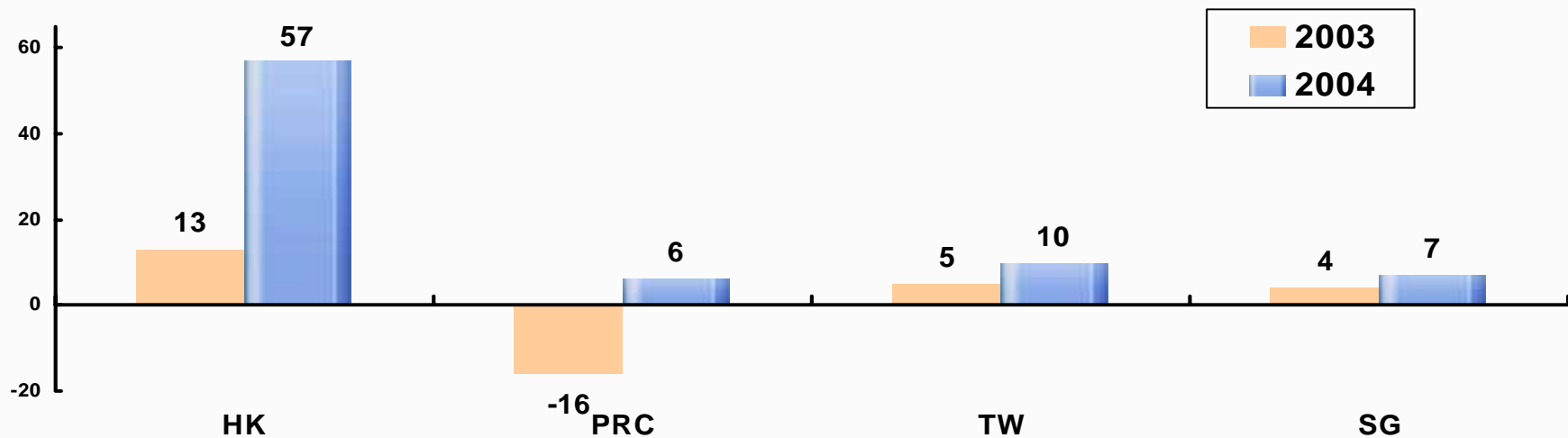
1H03/04 figures are shown in brackets
For the six months ended 30 September 2004

Segmental Results

Segmental Operating Profit

- Significant improvement in all four core markets
- Successful turnaround in Mainland China

HK\$m



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For the six months ended 30 September

Retail Performance by Region

- Optimized floor usage to increase efficiency and productivity
- Double-digit growth in net sales per sq. ft. across all core markets despite reduction in total floor area

Gross Sales Area (Sq. Ft.)

	1H04/05	1H03/04	Change (%)
Hong Kong	106,100	98,500	+8
Mainland China	249,100	269,100	-7
Taiwan	121,400	124,600	-3
Singapore	28,100	32,600	-14
Total	504,700	524,800	-4

Net Sales Per Sq. Ft.

In HK\$	1H04/05	1H03/04	Change (%)
Hong Kong	6,900	5,800	+19
Mainland China	1,100	900	+20
Taiwan	2,500	2,100	+17
Singapore	5,800	4,700	+23
Average	2,900	2,300	+25

Review of Operations Hong Kong

- Hong Kong continued to be the major source of revenue
 - Turnover : HK\$460 mn, +25%
 - Operating profit : HK\$57 mn, +3 times
 - Operating margin : 13% (2003: 3%)

Review of Operations Hong Kong Retail Sales

- **Retail operating environment continued to improve**
 - Continued to benefit from the relaxation of travel restrictions for Mainlanders
 - Improved economy led to increased local consumption
- **Sustainable retail sales growth**
 - Revenue from retail sale : HK\$348 mn, +18%
 - Same store sales growth : +19%
- **Capitalized on growth opportunities with the opening of 3 new outlets in prime areas**
 - Flagship store in Causeway Bay opened to further strengthen brand image
- **Strengthened brand promotion and advertising activities**
 - Multi-faceted promotion strategies

Review of Operations Export Business

- High potential business leveraging on the “*bossini*” brand, posting a turnover increase of 56% to HK\$106 mn
- Strengthened partnership with existing franchisees to support their business growth
- Distribution network coverage expanded to about 20 countries worldwide



352 directly managed outlets
358 franchised outlets worldwide

Review of Operations Mainland China

- A transitional period of restructuring and further consolidation

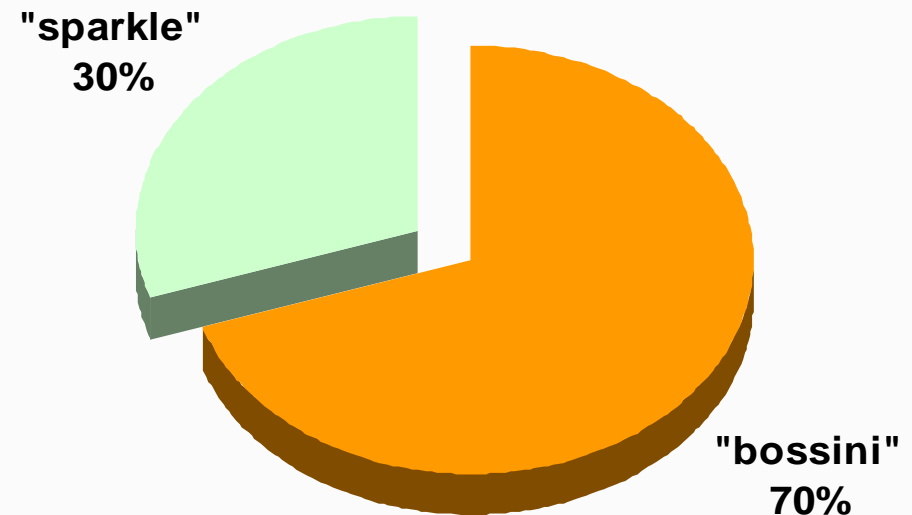
Number of outlets as at	30 Sep 2004	31 Mar 2004	30 Sep 2003
Directly managed outlets	224	189	218
Franchised outlets	182	195	217

- Enhanced inventory management and cost effectiveness compensated turnover decline
 - Turnover : HK\$186 mn, -13%
 - Operating profit : HK\$6 mn (2003: HK\$16 mn loss)
 - Operating margin : 3% (2003: -8%)
 - Same store sales growth : +11%

Review of Operations Mainland China

- Dual brands – “*bossini*” and “*sparkle*” to target different groups of customers
- “*sparkle*” performance improved with a narrowed loss, target to breakeven in the coming year

**Mainland China Retail Turnover
Composition by Brand**



Review of Operations Taiwan and Singapore

Taiwan

- Mild growth after SARS
- Continual improvement
 - Sales : HK\$150 mn, +14%
 - Operating profit : HK\$10 mn, +77%
 - Operating margin : 7% (2003: 4%)
 - Same store sales growth : +14%

Singapore

- A competitive and saturated market but with steady growth
- Optimization of floor usage
 - Retail floor area reduced by 14% and total number of stores reduced to 26 (2003: 30)
- Enhanced effectiveness and efficiencies
 - Sales : HK\$83 mn, +10%
 - Operating profit : HK\$7 mn, +73%
 - Operating margin : 8% (2003: 5%)
 - Same store sales growth : +12%



FUTURE PLANS AND STRATEGIES

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Competitive Strengths

- A strong foothold in core markets
- Well recognized “*bossini*” brand
- Full product offering with abundant choices in style and colour
- Good value for money
- An established global distribution platform
- Strong management team
- Effective strategies in cost management

Future Outlook

- Positive impact of corporate reforms largely reflected in the performance in 2H03/04 and 1H04/05
- Future growth will be driven by organic growth and market expansion
- Envisage continual revival of economy, offering improved operating environment
- Mild inflation to resume, implying operating costs and product costs to go up
- Committed to increasing sales and improving efficiency to offset the increase in costs, targeting to maintain the full year operating expenses at 40% of total turnover

Future Plans

Franchising as the growth engine in medium to long term

Mainland China

- Revise the full year target to opening a total of 70 stores in FY04/05, a fair combination of directly managed and franchised outlets
- More aggressive expansion of franchise business in coming years

Export Business

- New franchise outlets to be opened in Indonesia and Nepal in 2H04/05
- Continue to look for business partners in Eastern Europe and Asia Pacific Region

Future Plans

- Further enhancement of effectiveness and efficiencies
 - Implement a world-class system to enhance internal operations, inventory management, merchandise planning and budgeting
 - Improve supply chain and logistics management
 - Enrich existing product offerings and develop new product lines
 - Intensify marketing and branding activities to enhance the image of “*bossini*”, further increasing its competitiveness

Ultimate Goal

- Achieve sustainable double-digit growth in both turnover and profitability
- Reward shareholders with consistent dividend payout ratio with a minimum of 30%
- Become a high performance retailer in the industry



OPEN FORUM

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