



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

# Corporate Presentation

## Interim Results 2006/07

December 2006

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# Agenda



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

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# Results Highlights

200420052006072  
1999200020012002  
1994199519961997  
1989199019911992



# Results Highlights



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<i>For the six months ended 30 September</i>	<b>2006 (HK\$ mn)</b>	<b>2005 (HK\$ mn)</b>	<b>Change</b>
<b>Revenue</b>	<b>970.0</b>	997.1	<b>- 3%</b>
<b>Gross profit</b>	<b>464.2</b>	478.5	<b>- 3%</b>
<b>EBITDA</b>	<b>45.6</b>	84.9	<b>- 46%</b>
<b>Operating profit</b>	<b>18.6</b>	61.3	<b>- 70%</b>
<b>Profit attributable to equity holders</b>	<b>6.4</b>	45.2	<b>- 86%</b>
<b>Basic EPS (HK cents)</b>	<b>0.41</b>	2.88	<b>- 86%</b>
<b>Interim dividend per share (HK cents)</b>	<b>Nil</b>	1.80	<b>-100%</b>

*Note: Adjustment due to the change in stock provision policy taken into account.*

- **Revenue decline impacted profitability**
- **Intensified market competition due to increased number of players in mass casual apparel segment**
- **Unsatisfactory retail performance offset growth in export franchising**

# Operational Indicators



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*For the six months  
ended 30 September*

	2006	2005	Change
<b>Gross margin (%)</b>	<b>48</b>	<b>48</b>	<b>-</b>
<b>EBITDA margin (%)</b>	<b>5</b>	<b>9</b>	<b>- 4 pts</b>
<b>Operating margin (%)</b>	<b>2</b>	<b>6</b>	<b>- 4 pts</b>
<b>Net margin (%)</b>	<b>1</b>	<b>5</b>	<b>- 4 pts</b>
<b>Inventory turnover (days)</b>	<b>66</b>	<b>72</b>	<b>- 6 days</b>

# Solid Financial Position



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<i>As at 30 September</i>	2006	2005
<b>Current ratio</b> ( <i>times</i> )	<b>1.99</b>	2.09
<b>Cash and bank balances</b> ( <i>HK\$ mn</i> )	<b>172</b>	167
<b>Net cash*</b> ( <i>HK\$ mn</i> )	<b>133</b>	167
<b>Total liabilities to equity ratio</b> (%)	<b>60%</b>	62%
<b>Return on equity</b>	<b>2%</b>	16%
<b>Capital expenditure</b> ( <i>HK\$ mn</i> )	<b>35</b>	43

\* Time deposit, cash and bank balances less bank loans

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# Review of Operations

200420052006072  
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# Distribution Network in 2006/07



## ➤ Pragmatic network expansion

- 1,086 outlets (Mar 2006: 1,068) in more than 20 countries
- Entered India with 14 franchised outlets in 11 cities



As at 30 September 2006 (Comparative figures as at 31 March 2006 in brackets)



# Revenue Analysis



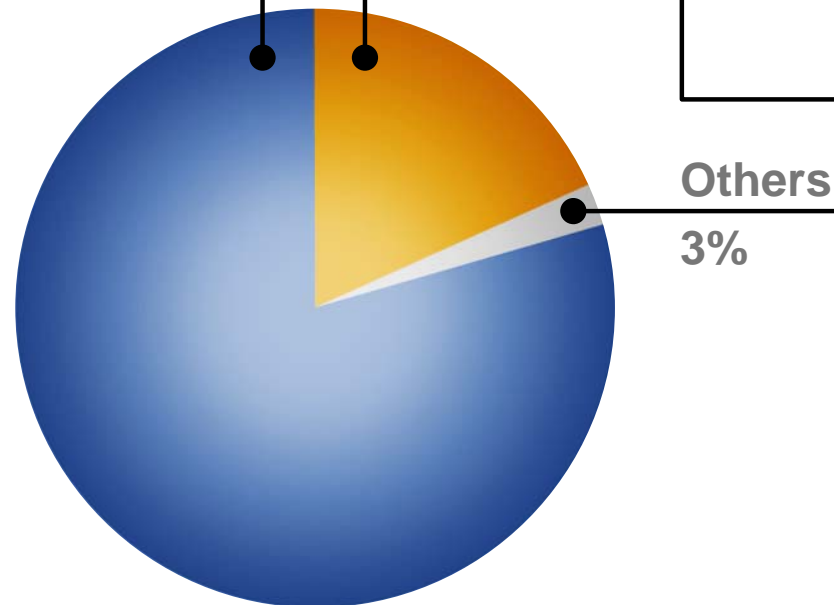
*As a percentage of Consolidated Revenue*

Hong Kong	36%
Mainland China	14%
Taiwan	17%
Singapore and Malaysia	9%

**Retailing**  
76%

**Franchising**  
21%

Mainland China	5%
Overseas (19 countries)	16%



*For six months ended 30 September 2006*

# Retail Performance by Region



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- Highly competitive retail operating environment across regions

## Retail Sales (HK\$ mn)

## No. of Retail Outlets

<i>For six months ended 30 September</i>	2006	2005	Change	Same store sales growth 2006	2006	2005	Change
Hong Kong	342	371	- 8%	- 6%	37	33	+ 4
Mainland China	139	147	- 5%	- 9%	366	332	+ 34
Taiwan	167	166	+ 1%	- 15%	113	99	+ 14
Singapore	86	92	- 7%	- 12%	28	28	0
Malaysia	4	–	n/a	n/a	8	1	+7
<b>Total</b>	<b>738</b>	<b>776</b>	<b>- 5%</b>	<b>- 9%</b>	<b>552</b>	<b>493</b>	<b>+59</b>

# Franchise Performance



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## ➤ Satisfactory export franchising sales



### Franchise Sales (HK\$ mn)

### No. of Franchise Outlets

For six months  
ended 30 September

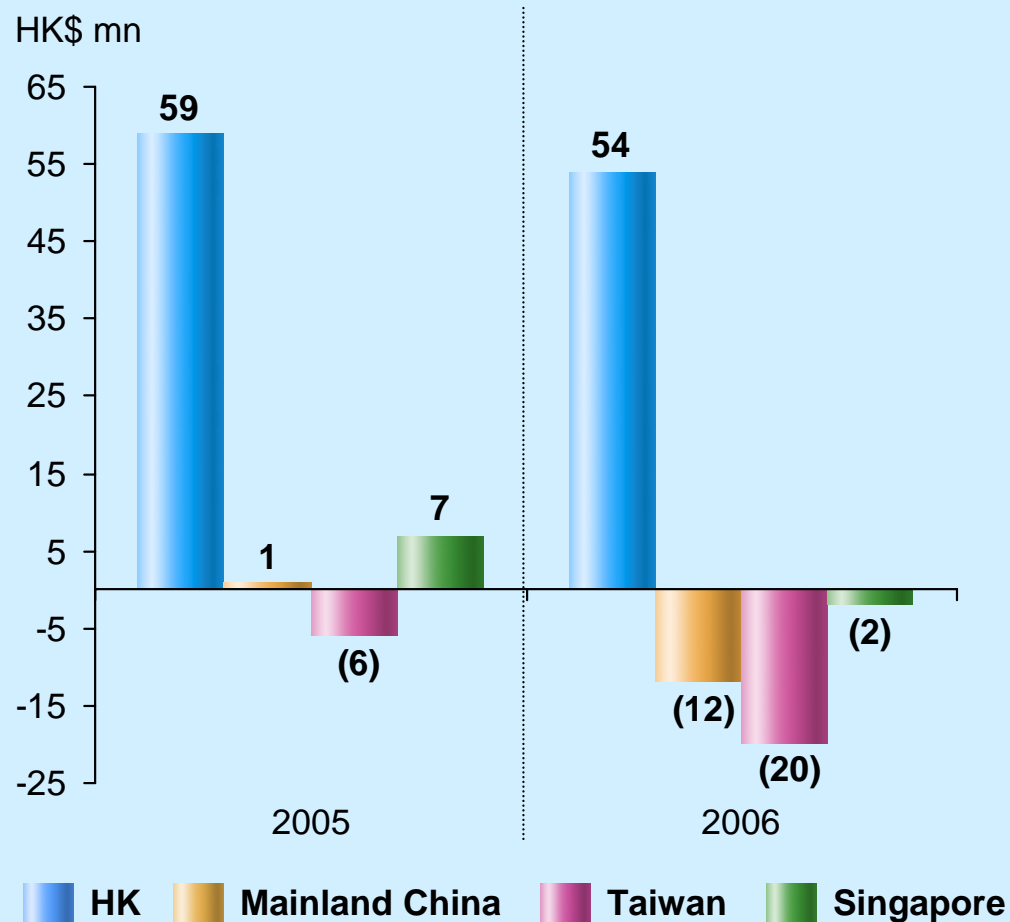
	2006	2005	Change	2006	2005	Change
<b>Overseas</b> (19 countries)	<b>158</b>	142	<b>+ 11%</b>	<b>295</b>	232	<b>+ 63</b>
<b>Mainland China</b>	<b>47</b>	52	<b>- 10%</b>	<b>239</b>	234	<b>+ 5</b>
<b>Total</b>	<b>205</b>	194	<b>+ 6 %</b>	<b>534</b>	466	<b>+ 68</b>

# Operating Profit by Segment



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## Segmental Performance



For the six months ended 30 September

## Operating Margins

For the six months ended 30 September

	2006	2005
Hong Kong	11%	11%
Mainland China	- 6%	0%
Taiwan	- 12%	- 4%
Singapore	- 2%	8%
<b>Consolidated</b>	<b>2%</b>	<b>6%</b>

# Cost Breakdown



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- Total operating expenses increased mildly by 7% mainly as a result of increased rental and staff costs
- As a percentage of consolidated revenue, it expanded by 4 percentage points to 46% since revenue did not grow in line with the operating expenses

<i>(HK\$ mn)</i> <i>For the six months ended 30 September</i>	2006		2005		Change
<b>Revenue</b>	<b>970</b>	<b>100%</b>	997	100%	- 3%
<b>Selling and distribution costs</b>	<b>328</b>	<b>34%</b>	306	30%	+ 7%
<b>Administrative expenses</b>	<b>106</b>	<b>11%</b>	99	10%	+ 7%
<b>Other operating expenses</b>	<b>17</b>	<b>1%</b>	18	2%	- 5%
<b>Total operating expenses</b>	<b>451</b>	<b>46%</b>	423	42%	+ 7%

# Marketing and Brand Building



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## Marketing

- Creative marketing and joint promotion programs
  - “Little Models Contest”
  - Sesame Street in-store events

## Brand building

- Appointed a renowned international designer as the Chief Consultant to spearhead the brand-building program



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# Future Plans and Strategies

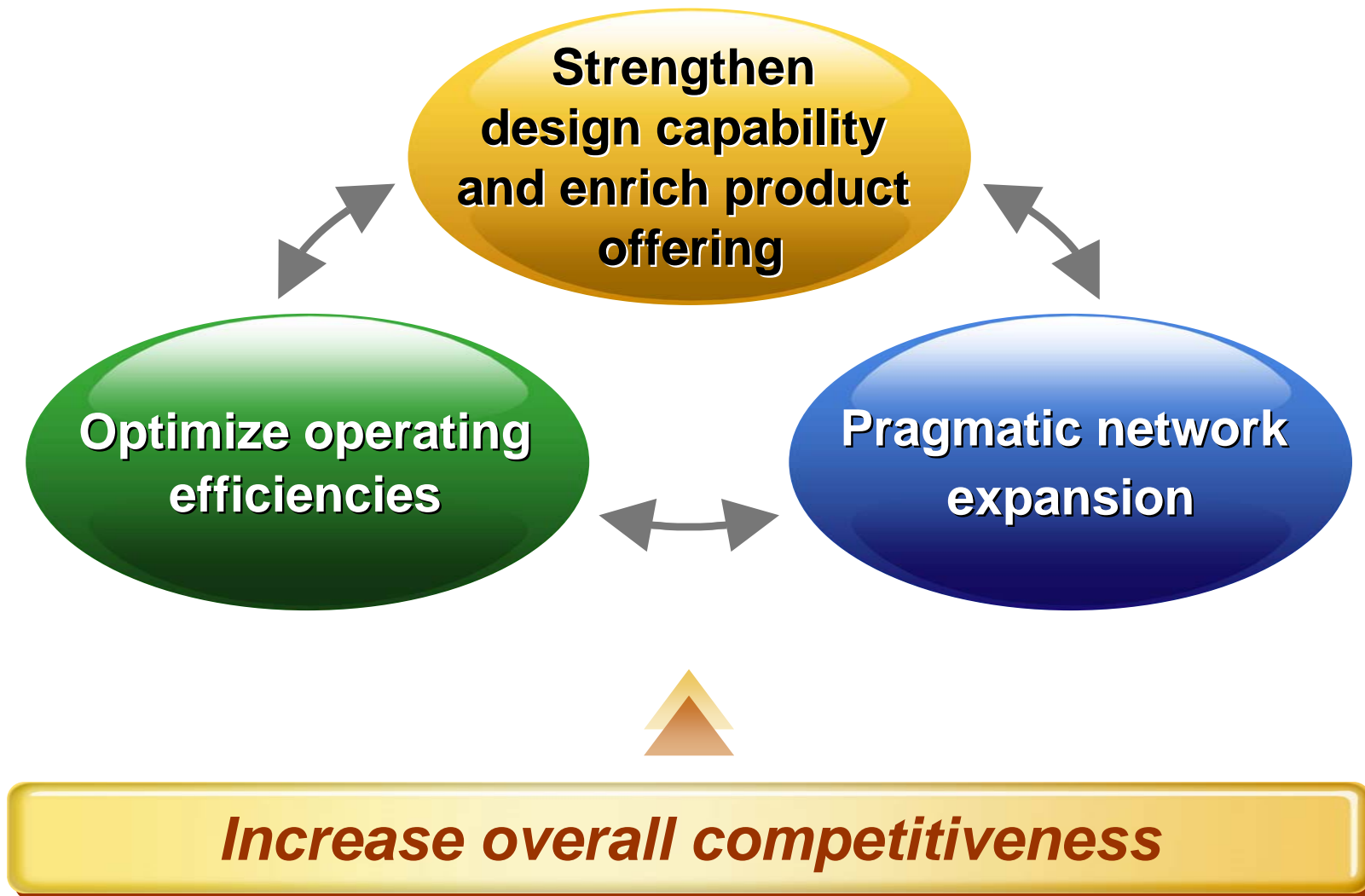
200420052006072  
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# Business Focuses



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# Strengthen Design Capability



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- Strengthen design team with the addition of experienced designers
- Continue to focus on the existing “basic”, “easy-to-carry” and value-for-money products, with appropriate but not excessive fashion touch
- Extend and revitalize product lines to enrich product offering by new designs and fabrics
- Increase the number of collections from 8 to 12 per annum to enable new product launch every month in next fiscal year

# Pragmatic Network Expansion



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## Expansion Plan in 2H 2006/07

	No. of Outlets
<b>Hong Kong</b>	<b>3</b>
<b>Mainland China</b>	
<i>Directly managed</i>	
– “bossini”	5
– “sparkle”	- 6
<i>Franchised outlets</i>	
– “bossini”	- 1
– “sparkle”	- 2
<b>Total</b>	<b>- 4</b>
<b>Taiwan</b>	<b>- 8</b>
<b>Singapore</b>	<b>2</b>
<b>Malaysia</b>	<b>2</b>
<b>Overseas franchised outlets</b>	<b>25</b>
<b>TOTAL</b>	<b>20</b>

- Emphasis on both profitability and efficiency
- Tap opportunities in India and the Middle East markets
- Continue to explore synergistic expansion opportunities

# Brand Building



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- Implement a comprehensive brand revamp program by injecting revolutionary shop décor concept to provide more enjoyable shopping experience
- A four-storey flagship store target to be opened in Mongkok in around end of this fiscal year

# Efficiency Optimization



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**Strengthen  
supply chain  
management**

**Implement  
world-class  
financial  
management  
system**

**Install  
powerful  
warehouse  
management  
system**

**Upgrade  
POS  
system**

- Improve operation efficiency, inventory management and logistic controls
- Expedite demand-responding processes and time-to-market
- Re-engineered in-store operational process to increase productivity
- Shorten production cycle through closer collaboration with suppliers
- Strengthen internal control

# Capex Plan



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*Items (In HK\$ mn)*

*FY2006/07*

*2H2006/07*

➤ Shop renovation	72	46
➤ I.T. investment	23	17
➤ Others	14	11

**Total**

**109**

**74**

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# OPEN FORUM

200420052006072  
1999200020012002  
1994199519961997  
1989199019911992

