



CHAIRMAN'S STATEMENT

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The financial year 2000/01 was a difficult time for the Group. Although the Group achieved a 23% increase in turnover compared to last year, the net profit attributable to shareholders was HK\$16,655,000, a drop of 79% from last year. The decrease was mainly due to a substantial reduction in profit derived from our business in the Hong Kong market, as a result of high operating costs and the increased investment in improving the value of **bossini** brand during the year.

In spite of the fall in profit this year, the Group is still full of confidence for the future. To face up to the unfavourable economic conditions in Hong Kong, the Group will adjust its business strategy accordingly and implement appropriate measures to improve profitability. Such measures will include optimising the scale of our operations in the local retail market and broadening our sourcing channels to lower purchasing costs and thereby improve gross margins. In parallel with this, the Group will maintain a high level of product quality, make effective use of information technology both to shorten product development and replenishment times and to simplify operational work flow. To stimulate customer demand in the current sluggish Hong Kong market, the Group will introduce a wider and more varied range of products and will inject more creative elements into the shop window displays to attract customer attention. Furthermore, the Group understands that our people are the key to our success. Accordingly, we have substantially increased our investment in human resources development in order to achieve improved work quality, and to enable the frontline team to provide a better and more professional service to our customers.

International expansion is a key element in the Group's strategy. To ensure success in this strategy, the Group believes that building up an effective distribution network is vital. Over the years, the Group has accumulated a wealth of valuable experience in Hong Kong which provides a solid foundation for further expansion into overseas markets. Following the successful acquisition of the Taiwan business last year, the Group took a major stride towards geographical diversification. During the year, the turnover contributed by the Hong Kong market has reduced from last year's 76% to this year's 65%. With the Group's expansion of existing overseas markets and plans to enter into new markets in the coming years, a gradual increase in contribution from overseas markets is expected.

The management is committed to achieving business growth and improving profitability, which will in turn give a better return to our shareholders.

On behalf of the Board of Directors, I extend my sincere thanks to our shareholders, customers, suppliers and employees. We look forward to their continued support of our endeavours to create a brighter tomorrow for the Group.

Ka Sing LAW
Chairman

Hong Kong
5 July 2001

