

Chairman's Statement



The Group faced a number of adversities during the year, and these caused quite disappointing results. Despite an increase in turnover of 6.5% compared to last year, we sustained a net loss attributable to shareholders of HK\$74.1 million.

During the year, the Group made changes in its product designs by offering more fashionable items with a younger look that were quite different in style from our usual offerings. Even though they attracted some new customers, they alienated a number of our core customers, who felt their needs were not being taken into account. As a result, our sales were seriously affected. In September 2002, our Design Department was restructured, and subsequently, the Director of Design and all newly recruited overseas designers left the group.

It was quite a painful exercise for us to have to rectify the product direction, after realising that we had taken the wrong approach. However, we completed the necessary adjustments with the launch of our 2003 Spring/Summer collection, which reverted to more easy-to-wear and basic apparel that is more appealing to our core customers and caters to their needs. As a result, the new products received positive market feedback, and our sales have improved since they were launched in March 2003.

The launch of the Sparkle brand in Mainland China was not very successful, due to management inefficiency and serious delays in the execution of our business plan, particularly the schedule of shop openings. In April 2003, the General Manager of our Mainland China operations was replaced.

As we go forward, we will continue to seek ways to improve our business practices and operations. At the same time, we will not forget the lessons we have learnt in the past months. The management team has now embarked on a process of revitalising the Group, so as to ensure that the business will continue to prosper in today's highly competitive market.

CORPORATE VISION AND MISSION SETTING

The management team believes that a shared view of the future is a necessary cornerstone for the Group's future success. In October 2002, we announced a new Vision and Mission Statement, "The Bossini Way", to our employees including those of overseas offices. Our Vision is: "To be the top-of-mind brand leader", while our Mission is: "To create incremental value for the brand everyday... in every way". A programme of training seminars was held for all our employees in Hong Kong, to ensure that they fully understand the true meaning of "The Bossini Way".

STRATEGIC PLANNING

In early 2003, our top management formulated a three-year strategic plan for the Group. The core strategy is to focus on the apparel business and on becoming a cost leader. The plan also defines our strategies for products, markets and people. The plan has been communicated to our people in every market. As a result, the Group is now better aligned and more strongly committed to its implementation in every business function, and wherever we do business.

MANAGEMENT DEVELOPMENT

A comprehensive training programme has been developed to upgrade our management team in Hong Kong. Each manager has to complete courses on a minimum of three core subjects and three elective subjects within one year. The core subjects include leadership, problem-solving and team-building skills, while the elective subjects offer a variety of choices, according to the individual needs of managers. The new focus of management intelligence such as knowledge-based management and supply chain management, are also being introduced through pilot programmes led by special task forces.

STAFF ENRICHMENT

Learning has become an important part of our culture. In the future, all our frontline staff in Hong Kong will go through systematic programmes covering customer service and professional selling skills. To keep them updated on product knowledge and fashion trends, they will attend new product briefings conducted by a store trainer known as a "Product Ambassador". The Group has also set up a Learning Resources Centre in the Hong Kong office to support the continuous learning of our employees.

SYSTEMS BUILDING

The Group has named 2003 as "The Year of Systems Building". Every employee of the Group is focusing his or her skills and energies on the goal of making our operations more efficient through continuously improving our operating systems.

In general, we will remain focused on our customers and we will continue to invest in our people and in building more efficient systems. These initiatives have been designed to help sustain the Group's growth in the years ahead.

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

Ka Sing LAW

Chairman

Hong Kong

26 June 2003