

THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus (as defined herein) or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Bossini International Holdings Limited, you should at once hand this Prospectus and the accompanying PAL (as defined herein) and EAF (as defined herein) (together "Prospectus Documents") to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of each of the Prospectus Documents has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (as defined herein). A copy of the Prospectus has also been delivered to the Registrar of Companies in Bermuda for filing in accordance with the requirements of the Companies Act (as defined herein). The Registrar of Companies in Hong Kong, the Registrar of Companies in Bermuda and the Securities and Futures Commission take no responsibility as to the contents of any of these documents.

The Prospectus Documents have not been and will not be registered or filed under the applicable securities legislation of any jurisdictions other than Hong Kong and (in respect of the Prospectus only) Bermuda. No action has been taken in any territory other than Hong Kong to permit the offering of the Rights Shares or the distribution of the Prospectus Documents (save that copies of this Prospectus will be sent to the Overseas Shareholders (as defined herein) for their information only). Accordingly, no provisional allotment of the Rights Shares will be made to the Overseas Shareholders and no PAL or EAF will be transferable by or accepted from the Overseas Shareholders.

Dealings in the shares in Bossini International Holdings Limited may be settled through CCASS (as defined herein) and you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listings of, and permission to deal in, Rights Shares (as defined herein) in their nil-paid and fully-paid forms on the Stock Exchange (as defined herein) as well as the compliance with the stock admission requirements of Hongkong Clearing (as defined herein), Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by Hongkong Clearing. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Stock Exchange and Hongkong Clearing take no responsibility for the contents of the Prospectus Documents, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.



BOSSINI INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

RIGHTS ISSUE OF 137,148,746 RIGHTS SHARES OF HK\$0.10 EACH AT HK\$0.46 PER RIGHTS SHARE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD PAYABLE IN FULL ON ACCEPTANCE

Financial Adviser to the Company

CASH

Celestial Capital Limited

It should be noted that the Shares (as defined herein) have been dealt in on an ex-rights basis as from 7 February 2002 and the Rights Shares will be dealt in their nil-paid form from 26 February 2002 to 7 March 2002 (both days inclusive). Such dealings will take place during a period when the Conditions (as defined herein) remain unfulfilled. Any Shareholder (as defined herein) or other person dealing in the existing Shares during the period from 7 February 2002 up to the date on which all the Conditions are fulfilled and any person dealing in the nil-paid Rights Shares during the period from 26 February 2002 to 7 March 2002 (being the first and last days of dealings in nil-paid Rights Shares respectively) will accordingly bear the risk that the Rights Issue (as defined herein) may not become unconditional or may not proceed. Any Shareholder or other person contemplating selling or purchasing existing Shares on an ex-rights basis and/or Rights Shares in their nil-paid form during such periods who is in any doubt about his/her position is recommended to consult his/her professional adviser.

In particular, the Directors (as defined herein) would like to draw your attention to the fact that the Underwriting Agreement (as defined herein) contains provisions granting the Major Shareholder (as defined herein), who is also the underwriter for the Rights Issue, the right to terminate his obligations thereunder on the occurrence of force majeure events by giving written notice to the Company at any time prior to 4:00 p.m. on the second business day after the latest time for acceptance of and payment for Rights Shares, being 14 March 2002, if in the sole and absolute opinion of the Major Shareholder acting in good faith (i) the success of the Rights Issue or the taking up of the Rights Shares by the Shareholders would be adversely affected by (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially adversely affect the business or the financial or trading position or prospects of the Group as a whole; or (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic, currency or other nature or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which materially adversely affects the business or the financial or trading position or prospects of the Group as a whole or materially adversely prejudices the success of the Rights Issue or the taking up of the Rights Shares by the Shareholders or otherwise makes it inexpedient or inadvisable for the Company or the Major Shareholder to proceed with the Rights Issue; or (ii) any change in market conditions or combination of circumstances in Hong Kong or elsewhere (including without limitation suspension or material restriction or trading in securities) occurs which may adversely affect the success of the Rights Issue or the taking up of the Rights Shares by the Shareholders. If the Major Shareholder exercises such right to terminate the Underwriting Agreement, his obligations thereunder will cease and the Rights Issue will not proceed.

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on 12 March 2002. The procedure for acceptance and/or transfer of the Rights Shares is set out on page 16 of this Prospectus.

22 February 2002

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EXPECTED TIMETABLE

2002

Record Date	Monday, 18 February
Register of members re-opened	Tuesday, 19 February
Despatch of the Prospectus Documents to the Qualifying Shareholders and, for information only, the Prospectus to the Overseas Shareholders by ordinary post	Friday, 22 February
Dealing period for nil-paid Rights Shares (both days inclusive)	Tuesday, 26 February – Thursday, 7 March
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on Monday, 4 March
Latest time for acceptance of Rights Shares as well as application for excess Rights Shares and payment for consideration thereof	4:00 p.m. on Tuesday, 12 March
Rights Issue and Underwriting Agreement to become unconditional at or before	4:00 p.m. on Thursday, 14 March
Announcement of result of acceptance of the Rights Issue	Friday, 15 March
Despatch of refund cheques in respect of wholly or partially unsuccessful excess applications by ordinary post	Monday, 18 March
Despatch of certificates for fully-paid Rights Shares by ordinary post	Monday, 18 March
Commencement of dealings in fully-paid Rights Shares on the Stock Exchange	10:00 a.m. on Wednesday, 20 March

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus:

Amount to be raised by the Rights Issue	Approximately HK\$63 million, before expenses and approximately HK\$62 million, after expenses
Basis of the Rights Issue	One Rights Share for every two existing Shares held on the Record Date
Number of existing Shares in issue as at the Record Date and the Latest Practicable Date	274,297,493 Shares
Number of Rights Shares to be issued	137,148,746 Rights Shares
Record Date	Monday, 18 February 2002
Subscription Price and latest time for acceptance	HK\$0.46 per Rights Share, payable in full on acceptance of the provisional allotments of Rights Shares and, if applicable, on application for excess Rights Shares by 4:00 p.m. on Tuesday, 12 March 2002
Right of application for excess Rights Shares	Qualifying Shareholders will have the right to apply for Rights Shares in excess of their provisional allotments
Status of the Rights Shares	The Rights Shares, when fully paid, allotted and issued, will rank pari passu in all respects with the then issued Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid by reference to a record date falling on or after the date of allotment and issue of the fully-paid Rights Shares

RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

TERMINATION OF THE UNDERWRITING AGREEMENT

It should be noted that the Underwriting Agreement contains provisions granting the Major Shareholder, who is the underwriter for the Rights Issue, the right to terminate his obligations under the Underwriting Agreement on the occurrence of force majeure events by giving written notice to the Company at any time prior to 4:00 p.m. on the second business day after the latest time for acceptance of and payment for Rights Shares, being 14 March 2002, if in the sole and absolute opinion of the Major Shareholder acting in good faith:

- (i) the success of the Rights Issue or the taking up of the Rights Shares by the Shareholders would be adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic, currency or other nature or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which materially adversely affects the business or the financial or trading position or prospects of the Group as a whole or materially adversely prejudices the success of the Rights Issue or the taking up of the Rights Shares by the Shareholders or otherwise makes it inexpedient or inadvisable for the Company or the Major Shareholder to proceed with the Rights Issue; or
- (ii) any change in market conditions or combination of circumstances in Hong Kong or elsewhere (including without limitation suspension or material restriction or trading in securities) occurs which may adversely affect the success of the Rights Issue or the taking up of the Rights Shares by the Shareholders.

In the event that the Major Shareholder exercises such right to terminate the Underwriting Agreement, the obligations of the Major Shareholder thereunder will cease and the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALINGS IN SHARES AND NIL-PAID RIGHTS SHARES

Shares have been dealt in on an ex-rights basis as from Thursday, 7 February 2002 and the Rights Shares will be dealt in their nil-paid form from Tuesday, 26 February 2002 to Thursday, 7 March 2002 (both days inclusive). Such dealings will take place during a period when the Conditions remain unfulfilled. Any Shareholder or other person dealing in the existing Shares during the period from Thursday, 7 February 2002 up to the date on which all the Conditions are fulfilled and any person dealing in the nil-paid Rights Shares during the period from Tuesday, 26 February 2002 to Thursday, 7 March 2002 (being the first and last days of dealings in nil-paid Rights Shares respectively) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholder or other person contemplating selling or purchasing existing Shares on an ex-rights basis and/or Rights Shares in their nil-paid form during such periods who is in any doubt about his/her position is recommended to consult his/her professional adviser.

DEFINITIONS

In this Prospectus, the following expressions have the following meanings unless the context requires otherwise:

“Announcement”	the announcement made by the Company on 24 January 2002 in respect of the Rights Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Branch Registrars”	Central Registration Hong Kong Limited, the Hong Kong branch share registrars of the Company and whose principal place of business is at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“BMA”	Bermuda Monetary Authority
“business day”	a day, other than a Saturday, on which banks in Hong Kong are open for business
“CCASS”	the Central Clearing and Settlement System established and operated by Hongkong Clearing
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Bossini International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Conditions”	the conditions of the Rights Issue as set out in the section headed “Conditions of the Rights Issue” in the letter from the Board as set out in this Prospectus
“Directors”	the directors of the Company
“EAF(s)”	application form(s) for excess Rights Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited
“Latest Practicable Date”	18 February 2002, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information referred to in this Prospectus

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Major Shareholder”	Mr. Ka Sing LAW, a Director and the major Shareholder of the Company who was interested in 172,961,250 Shares, representing approximately 63.06% of the existing issued share capital of the Company as at the Latest Practicable Date
“Overseas Shareholders”	Shareholders whose names appear on the principal register of members of the Company in Bermuda or the branch register of members of the Company in Hong Kong as at the close of business on the Record Date and whose addresses as shown on such principal or branch registers of members of the Company are in places outside Hong Kong where, in the opinion of the Directors, it would or might be unlawful or impracticable to offer Rights Shares in such places without registration of the Prospectus Documents or compliance with any legal or regulatory requirements or special formalities in such places
“PAL(s)”	provisional allotment letter(s) in relation to the Rights Issue
“PRC”	the People’s Republic of China and for the purpose of this Prospectus excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Prospectus”	this prospectus in relation to the Rights Issue
“Prospectus Documents”	documents comprising this Prospectus, PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the principal register of members of the Company in Bermuda or the branch register of members of the Company in Hong Kong as at the close of business on the Record Date, other than Overseas Shareholders
“Record Date”	18 February 2002, being the record date for ascertaining entitlements to the Rights Issue, as described in this Prospectus
“Rights Issue”	the issue by the Company by way of rights of 137,148,746 Rights Shares in the proportion of one Rights Share for every two existing Shares held on the Record Date at the Subscription Price and subject to the terms and conditions set out in the Prospectus Documents
“Rights Share(s)”	new Share(s) to be allotted and issued under the Rights Issue

DEFINITIONS

“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.46 per Rights Share
“Underwriting Agreement”	the underwriting agreement dated 24 January 2002 entered into between the Company and the Major Shareholder in relation to underwriting and certain other arrangements in respect of the Rights Issue
“HK\$”	Hong Kong dollar currency
“%”	per cent.

LETTER FROM THE BOARD

bossini

BOSSINI INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Board of Directors:

Executive:

Ka Sing LAW (*Chairman*)

Chi Kwong TO

Irene CHEN

Pansy Wai Man CHAU

Simon Kuen Fung OR

Independent non-executive:

David Sik Ho CHEUNG

Winnie Wing Yue WONG LEUNG

Registered office:

Cedar House, 41 Cedar Avenue

Hamilton HM12

Bermuda

Principal office:

6th Floor, Hong Kong Spinners
Industrial Building

Phase 1 & 2

601-603 Tai Nan West Street

Kowloon, Hong Kong

22 February 2002

*To the Qualifying Shareholders and,
for information only, Overseas Shareholders*

Dear Sir or Madam:

**RIGHTS ISSUE
OF 137,148,746 RIGHTS SHARES OF HK\$0.10 EACH
AT HK\$0.46 PER RIGHTS SHARE
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY TWO EXISTING SHARES HELD
PAYABLE IN FULL ON ACCEPTANCE**

INTRODUCTION

On 24 January 2002, the Board made the Announcement that, subject to the Conditions, the Company proposed to raise approximately HK\$63 million (before expenses) by way of issuing 137,148,746 Rights Shares at HK\$0.46 per Rights Share. The Company will provisionally allot one Rights Share in nil-paid form for every two existing Shares held by each Qualifying Shareholder on the Record Date. The Rights Issue is not available to the Overseas Shareholders. Celestial Capital Limited has been retained as the financial adviser to the Company in respect of the Rights Issue.

The purpose of this Prospectus is to give you further details of the Rights Issue, including information on dealings and transfer of Rights Shares in their nil-paid form and the procedures for acceptance of provisional allotments of Rights Shares and application for excess Rights Shares. This Prospectus also contains certain financial and other information on the Group.

LETTER FROM THE BOARD

TERMS OF THE RIGHTS ISSUE

Rights Issue basis and Subscription Price

Basis of the Rights Issue	:	One Rights Share for every two existing Shares held on the Record Date
Number of existing Shares in issue as at the Record Date and the Latest Practicable Date	:	274,297,493 Shares
Number of Rights Shares to be issued	:	137,148,746 Rights Shares, representing approximately 50.00% of the existing issued share capital and approximately 33.33% of the enlarged issued share capital of the Company after the Rights Issue
Subscription Price	:	HK\$0.46 per Rights Share in cash representing: <ul style="list-style-type: none">(a) discounts of approximately 2.1%, 9.8%, and 13.2% respectively to the closing price of HK\$0.47 per Share as quoted on the Stock Exchange on 24 January 2002 (the date of the Underwriting Agreement and the Announcement), the average of the closing prices of the ten trading days ended thereat of HK\$0.51 per Share, and the average of the closing prices of the twenty trading days ended thereat of HK\$0.53 per Share;(b) a discount of approximately 2.1% to the theoretical ex-rights price of approximately HK\$0.47 per Share based on the closing price per Share on 24 January 2002; and(c) discounts of approximately 4.2%, 2.1% and 4.2% respectively to the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the average of the closing prices of the ten trading days ended thereat of HK\$0.47 per Share, and the average of the closing prices of the twenty trading days ended thereat of HK\$0.48 per Share.

The Subscription Price was determined after arm's length negotiation between the Company and the Major Shareholder with reference to the market price of the Shares under the prevailing market conditions. As the Rights Issue would also allow the Qualifying Shareholders to maintain their respective pro-rata shareholding in the Company, the Directors consider the terms of the Rights Issue to be fair and reasonable so far as the Shareholders are concerned.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had no share option or other securities in issue which are convertible into Shares.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares to the Qualifying Shareholders. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold on the Stock Exchange for the benefit of the Company, if a premium (net of expenses) can be achieved.

Status of the Rights Shares

When fully paid, allotted and issued, the fully-paid Rights Shares will rank pari passu in all respects with the then issued Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid by reference to a record date falling on or after the date of allotment and issue of the fully-paid Rights Shares.

Qualifying Shareholders and Overseas Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders who:

- (i) were registered as members of the Company at the close of business on the Record Date; and
- (ii) had addresses in Hong Kong on the principal or branch registers of members of the Company in Bermuda and in Hong Kong respectively at the close of business on the Record Date.

The Prospectus Documents have not been and will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong and (in respect of the Prospectus only) Bermuda. The Directors have exercised the discretion granted to them under the Bye-laws of the Company not to offer the Rights Shares to the Overseas Shareholders with registered addresses in territories outside Hong Kong where, in the opinion of the Directors, it would or might, be unlawful or impracticable to offer Rights Shares in such places without registration of the Prospectus Documents and/or compliance with any legal or regulatory requirements or special formalities in such places. Accordingly, no provisional allotment of Rights Shares has been and no allotment of Rights Shares will be made to Overseas Shareholders. The Company will send this Prospectus to Overseas Shareholders for their information only. The Company has not sent and will not send PALs and EAFs to Overseas Shareholders.

Arrangements will be made for Rights Shares which would otherwise be provisionally allotted to Overseas Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sales, less expenses, will be distributed to Overseas Shareholders on a pro rata basis and be sent to them, at their own risk, in Hong Kong dollars as soon as practicable. Individual amounts of less than HK\$100 will be retained by the Company. Entitlements not sold in the market will be available for application by Qualifying Shareholders on EAFs.

LETTER FROM THE BOARD

UNDERTAKING AND UNDERWRITING ARRANGEMENT

Undertaking by the Major Shareholder

As disclosed in the Announcement, the Major Shareholder, who was legally and beneficially interested in 172,961,250 Shares (representing approximately 63.06% of the existing issued share capital of the Company) as at the date of the Announcement, had undertaken to the Company that all such Shares owned by him would remain registered in his name from the date of undertaking to the Record Date. As at the Record Date and the Latest Practicable Date, these 172,961,250 Shares remained in the hands of the Major Shareholder. The Major Shareholder has further given an irrevocable undertaking to the Company to accept his entitlement of 86,480,625 Rights Shares under the Rights Issue.

Underwriting Agreement

Pursuant to the Underwriting Agreement entered into between the Company and the Major Shareholder on 24 January 2002, the Major Shareholder has agreed with the Company to fully underwrite the balance of the 50,668,121 Rights Shares. The Major Shareholder does not underwrite issues of securities in his ordinary course of business and will not receive any fee or underwriting commission under the Underwriting Agreement.

In the event that none of the underwritten Rights Shares is accepted or applied for under PALs or EAFs and the underwritten Rights Shares are hence taken up by the Major Shareholder pursuant to the Underwriting Agreement, the Major Shareholder will be interested in an aggregate of 310,109,996 Shares, representing approximately 75.37% of the total issued share capital of the Company as enlarged by the Rights Issue. In this regard the Company and the Major Shareholder have undertaken to the Stock Exchange that they would take appropriate steps to ensure that the public float of the Company will be resumed and maintained at a level of 25% or above in order to comply with the relevant Listing Rules requirements.

Other than the Major Shareholder, so far as the Directors are aware, the Company had no substantial shareholder (as defined in the Listing Rules) and none of the Directors nor any chief executive of the Company nor any of their respective associates (as defined in the Listing Rules) held Shares as at the Latest Practicable Date.

TERMINATION OF THE UNDERWRITING AGREEMENT

It should be noted that the Underwriting Agreement contains provisions granting the Major Shareholder the right to terminate his obligations under the Underwriting Agreement on the occurrence of force majeure events by giving written notice to the Company at any time prior to 4:00 p.m. on the second business days after the latest time for acceptance of and payment for Rights Shares, being 14 March 2002, if in the sole and absolute opinion of the Major Shareholder acting in good faith:

- (i) the success of the Rights Issue or the taking up of the Rights Shares by the Shareholders would be adversely affected by:**
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially adversely affect the business or the financial or trading position or prospects of the Group as a whole;**
or

LETTER FROM THE BOARD

- (b) **the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic, currency or other nature or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which materially adversely affects the business or the financial or trading position or prospects of the Group as a whole or materially adversely prejudices the success of the Rights Issue or the taking up of the Rights Shares by the Shareholders or otherwise makes it inexpedient or inadvisable for the Company or the Major Shareholder to proceed with the Rights Issue; or**
- (ii) **any change in market conditions or combination of circumstances in Hong Kong or elsewhere (including without limitation suspension or material restriction or trading in securities) occurs which may adversely affect the success of the Rights Issue or the taking up of the Rights Shares by the Shareholders.**

In the event that the Major Shareholder exercises such right to terminate the Underwriting Agreement, the obligations of the Major Shareholder thereunder will cease and the Rights Issue will not proceed.

WARNING OF THE RISKS OF DEALINGS IN SHARES AND NIL-PAID RIGHTS SHARES

Shares have been dealt in on an ex-rights basis as from Thursday, 7 February 2002 and the Rights Shares will be dealt in their nil-paid form from Tuesday, 26 February 2002 to Thursday, 7 March 2002 (both days inclusive). Such dealings will take place during a period when the Conditions remain unfulfilled. Any Shareholder or other person dealing in the existing Shares during the period from Thursday, 7 February 2002 up to the date on which all the Conditions are fulfilled and any person dealing in the nil-paid Rights Shares during the period from Tuesday, 26 February 2002 to Thursday, 7 March 2002 (being the first and last days of dealings in nil-paid Rights Shares respectively) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholder or other person contemplating selling or purchasing existing Shares on an ex-rights basis and/or Rights Shares in their nil-paid form during such periods who is in any doubt about his/her position is recommended to consult his/her professional adviser.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon the following Conditions:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment), and not having revoked, the listing of, and permission to deal in, the Rights Shares in their nil-paid form and fully-paid form by not later than 25 February 2002 (the day immediately prior to the expected date of commencement of trading of the Rights Shares in nil-paid form) and 19 March 2002 (the day immediately prior to the expected date of commencement of trading of the Rights Shares in fully-paid form) respectively;

LETTER FROM THE BOARD

- (ii) the filing and registration of all documents relating to the Rights Issue in accordance with the applicable laws, rules and regulations with the Stock Exchange and the respective Registrars of Companies in Hong Kong and in Bermuda by not later than 22 February 2002, the date of despatch of this Prospectus;
- (iii) the posting of the Prospectus Documents to Qualifying Shareholders on or before 22 February 2002;
- (iv) the obtaining of the permission of the BMA, if necessary, for the issue of the Rights Shares by no later than 12 March 2002, the expected last date of acceptance of the Rights Shares;
- (v) the delivery by the Company to the Major Shareholder of the documents listed in the Underwriting Agreement; and
- (vi) the obligations of the Major Shareholder under the Underwriting Agreement becoming unconditional and such Underwriting Agreement not being terminated in accordance with its terms.

In the event of the above Conditions not being fulfilled or in respect of the Conditions set out in paragraphs (v) and (vi) (with respect to the right of the Major Shareholder to terminate the Underwriting Agreement) above, waived on or before the respective dates aforesaid by the Major Shareholder (or such later date or dates as may be agreed between the Company and the Major Shareholder), or if the Underwriting Agreement shall be terminated in accordance to the terms thereof, all obligations and liabilities of the Company and the Major Shareholder will forthwith cease and determine, neither of them will have any claim against the other (save in respect of any antecedent breaches thereof) and the Rights Issue will not proceed.

As at date of this Prospectus, the Conditions set out in paragraphs (ii), (iii) and (iv) have been fulfilled.

BUSINESS REVIEW AND PROSPECTS OF THE GROUP

The Group is a fashion retailer and distributor which mainly operates in Hong Kong, the PRC, Taiwan and Singapore. The Group's unaudited consolidated turnover for the six months ended 30 September 2001 was HK\$700,365,000, representing an increase of 1.4% as compared to the unaudited figure of HK\$690,828,000 for the corresponding period in 2000. Such increase of sales fell short of the Group's expected increase of about 20%. In addition, since the operating costs were not immediately brought down in line with the disappointing level of sales, the Group recorded an unaudited net loss attributable to the Shareholders of HK\$35,251,000 during the six months ended 30 September 2001, whereas in the same period in 2000 an unaudited net profit of HK\$10,646,000 was recorded. The unsatisfactory results during the period concerned were attributable to both external forces in particular the overall economic downturn in Asia, and internal forces specific to the Group, principally a disappointing response from customers to the Group's products, advertising and promotions.

The Group has taken measures to address these issues and the Directors are confident that such measures will start to have a positive effect. Since product design is fundamental to the business of a fashion retailer and distributor, the Group has restructured its product design team. Three additional executive Directors have been appointed since September 2001, the first one is

LETTER FROM THE BOARD

now head of the product design team, the second one is responsible for overseeing the buying and image-building functions of the Group and the last one is responsible for the Group's sourcing and production activities. The Directors are confident that the experience and talents of these additional executives will stimulate the generation of new look, fashionable casual wear from the 2002 Spring season and onwards, giving the Group's customers high quality trend-setting styles at competitive prices which they expect from the Group.

The Group has also implemented various measures to control its operating costs and to reinforce operating efficiency as follows:

- (i) the establishment of a back-up office in Shenzhen to support the headquarters in Hong Kong and to further reduce operating costs;
- (ii) cutting manpower and related costs;
- (iii) actively negotiating with landlords to obtain reduced shop rentals;
- (iv) expanding the sourcing channels for the Group's products to enjoy more competitive purchasing costs;
- (v) adjusting the Group's advertising strategies and focus while heightening their effectiveness, making reasonable reductions in advertising and promotion expenditures; and
- (vi) increasing the application of information technology to improve work efficiency.

The Group's overall business strategy continues to be the development of a diversified international market. Within this strategic framework, the Group is adjusting the scale of its operations in different territories in response to changes in the economic environment, thereby improving the operational efficiency of its distribution network. Among the markets of the Group, the clothing market in the PRC will be the main focus of expansion for the Group. The Board believes that the PRC's entry into the World Trade Organisation, and the steady economic growth and rising living standards of the country will increase the demand for fashionable casual wear. In order to capture this growing demand, the Group intends to expand its retail business in the PRC, through the opening of more directly managed shops in major cities, and to continue to expand its authorised dealer business in the PRC. As at 31 December 2001, the Group had established approximately 140 outlets across the PRC, including Guangzhou, Shenzhen, Shanghai, Beijing, Nanjing, Wuhan, Tianjin and Chongqing. The Group expects to reach 150 outlets by 31 March 2002 and establish another 120 outlets in the next six months from April to September 2002. The new outlets will cover the existing locations where the Group already has presence and also new locations, such as Jinan, Fuzhou, Ningbo and Kunming. After taking into account the resources available to the Group, including banking facilities and the net proceeds from the Rights Issue, the Directors are of the opinion that the Group will have sufficient resources to achieve the expansion plan.

USE OF PROCEEDS

The net proceeds (after expenses) from the Rights Issue will be approximately HK\$62 million. The Company intends to apply such amount as follows:

- (i) as to approximately HK\$50 million for funding the expansion of the Group's retail and authorised dealer clothing business in the PRC, including the establishment of more outlets; and
- (ii) as to approximately HK\$12 million as general working capital.

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PROCEDURE FOR ACCEPTANCE AND TRANSFER

Each Qualifying Shareholder will find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholder named therein to take up the number of Rights Shares shown therein provisionally allotted to him/her/it. **If you wish to exercise your rights to take up all the Rights Shares specified in the PAL, you must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Branch Registrars by not later than 4:00 p.m. on Tuesday, 12 March 2002. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a bank in Hong Kong and made payable to "BOSSINI INTERNATIONAL HOLDINGS LIMITED – RIGHTS ISSUE ACCOUNT" and crossed "ACCOUNT PAYEE ONLY".**

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Branch Registrars so as to be received by the Branch Registrars by 4:00 p.m. on Tuesday, 12 March 2002, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and the relevant Rights Shares will be available for application for excess Rights Shares by the other Qualifying Shareholders under EAFs. The Company may (at its sole discretion but without any obligation) treat a PAL received by it as valid and binding on the person(s) by whom or on whose behalf it is lodged and is not completed within the relevant instructions.

If you wish to accept only part of your provisional allotment and/or to transfer part of your rights to subscribe for the Rights Shares provisionally allotted to you or to transfer your rights to more than one person, the PAL must be surrendered by not later than 4:00 p.m. on Monday, 4 March 2002 at the Branch Registrars which will cancel the original PAL and issue new PALs, in the denominations required. No fee will be charged for accepting only part of your provisional allotment and/or transferring part of your rights to subscribe for Rights Shares.

The PAL contains further information regarding the procedure to be followed for acceptance and/or transfer of the whole or part of your provisional allotment.

All cheques and banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and lodgement of a PAL together with a cheque or banker's cashier order in payment for the Rights Shares accepted will constitute a warranty by the subscriber that the cheque or banker's cashier order will be honoured on first presentation. Any PAL in respect of which the accompanying cheque or banker's cashier is dishonoured on first presentation is liable to be rejected, and, in any event, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled and will be available for application on EAFs.

If the Conditions are not fulfilled or waived in the manner as described in the section headed "Conditions of the Rights Issue" in this letter and/or if the Major Shareholder exercised his right to terminate his obligations under the Underwriting Agreement on the occurrence of force majeure events at any time prior to 4:00 p.m. on the second business day after the latest time for acceptance of and payment for the Rights Shares, being 14 March 2002, the monies received in respect of applications for Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the nil-paid Rights Shares shall have been validly transferred without interest by means of cheques despatched in the ordinary post at the risk of such Qualifying Shareholders or such other persons on Monday, 18 March 2002.

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APPLICATION FOR EXCESS RIGHTS SHARES

Qualifying Shareholders may apply for any unsold entitlements of Overseas Shareholders and any Rights Shares provisionally allotted but not accepted. Applications for excess Rights Shares can be made by completing the EAFs. The Directors will allocate the excess Rights Shares at their discretion but will give preference to topping-up odd lots to whole board lots and on a fair basis.

If you are a Qualifying Shareholder and you wish to apply for any Rights Shares in addition to your provisional allotment under the Rights Issue, you must complete and sign the enclosed EAF as indicated therein and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Branch Registrars by not later than 4:00 p.m. on Tuesday, 12 March 2002. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a bank in Hong Kong and made payable to "BOSSINI INTERNATIONAL HOLDINGS LIMITED – EXCESS APPLICATION ACCOUNT" and crossed "ACCOUNT PAYEE ONLY".

If no excess Rights Shares are allotted to you, it is expected that the amount tendered on application will be refunded to you in full without interest by means of a cheque despatched in the ordinary post at your own risk on Monday, 18 March 2002. If the number of excess Rights Shares allotted to you is less than that applied for, it is expected that the surplus application monies will be refunded to you without interest by means of a cheque despatched in the ordinary post at your own risk on Monday, 18 March 2002.

All cheques and banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and lodgement of an EAF together with a cheque or banker's cashier order in payment for the Rights Shares applied for will constitute a warranty by the applicant that the cheque or banker's cashier order will be honoured on first presentation. Without prejudice to its rights in respect thereof (but subject to the terms of the Underwriting Agreement), the Company reserves the right to reject any EAF in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation.

The Company may (at its sole discretion but without any obligation) treat an EAF received by it as valid and binding on the person(s) by whom or on whose behalf it is lodged and is not completed within the relevant instruction.

An EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or banker's cashier orders for amount due, will be posted at the risk of the persons entitled thereto to their addresses as appeared on the Company's principal or branch registers of members in Bermuda and Hong Kong respectively.

If the Conditions are not fulfilled or waived in the manner as described in the section headed "Conditions of the Rights Issue" in this letter and/or if the Major Shareholder exercised his right to terminate his obligations under the Underwriting Agreement on the occurrence of force majeure events at any time prior to 4:00 p.m. on the second business day after the latest time for acceptance of and payment for the Rights Shares, being 14 March 2002, the monies received in respect of applications for excess Rights Shares will be returned to the applicants in full without interest by means of cheques despatched in the ordinary post at the risk of such applicants on Monday, 18 March 2002.

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JURISDICTIONS OUTSIDE HONG KONG

No action (including registration under any applicable legislation of any territory or jurisdiction other than Hong Kong) has been taken to permit the offering of the Rights Shares, or the distribution of any of the Prospectus Documents, in any territory or jurisdiction outside Hong Kong (save that copies of this Prospectus will be sent to the Overseas Shareholders for their information only). Accordingly, no person receiving a copy of each of the documents comprising the Prospectus Documents in any territory or jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for Rights Shares or excess Rights Shares. No application for Rights Shares or excess Rights Shares will be accepted from any person whose address is outside Hong Kong. The Company reserves the right to refuse to accept any application for Rights Shares or excess Rights Shares if it believes that such acceptance would violate the applicable securities or other laws or regulations of any territory or jurisdiction.

LISTING OF RIGHTS SHARES

The Company has applied to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Rights Shares in both nil-paid and fully-paid forms.

The Rights Shares in their nil-paid and fully-paid forms will be traded in board lots of 2,000 Rights Shares. Dealings in the Rights Shares in their nil-paid form will commence at 10:00 a.m. on Tuesday, 26 February 2002 and will end at the close of business of the Stock Exchange on Thursday, 7 March 2002 (both days inclusive). The latest time for splitting of nil-paid Rights Shares will be 4:00 p.m. on Monday, 4 March 2002. Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to payment of stamp duty in Hong Kong. Dealings in the Rights Shares in their fully-paid form are expected to commence at 10:00 a.m. on Wednesday 20 March 2002.

The Rights Shares will not be listed or dealt in on any other stock exchange outside Hong Kong. None of the securities of the Company is listed or dealt in, nor is any listing of or permission to deal in securities of the Company being or proposed to be sought on any stock exchange other than the Stock Exchange.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by Hongkong Clearing. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PERMISSION OF THE BMA

Permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereunder) has been received from the BMA in respect of the issue of the Rights Shares to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the Rights Shares are listed on the Stock Exchange. In granting such permission and in accepting this Prospectus for filing, neither the BMA nor the Registrar of Companies in Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any of the statements made or opinions expressed in this Prospectus, the PALs or EAFs.

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CERTIFICATES FOR RIGHTS SHARES

Subject to the fulfillment of the Conditions, share certificates for all fully-paid Rights Shares are expected to be despatched by ordinary post to those entitled thereto (and, in the case of joint holders, to the first-named holder registered on the register of members of the Company) at their own risk to their addresses shown on the principal or branch registers of members of the Company in Bermuda and in Hong Kong respectively on Monday, 18 March 2002.

FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendices to this Prospectus.

On behalf of the Board
Ka Sing LAW
Chairman

SHARE CAPITAL**A. Share Capital**

The authorised and issued share capital of the Company before and immediately following completion of the Rights Issue, assuming that the Rights Issue becomes unconditional, and no Shares are issued or repurchased after the Latest Practicable Date and before completion of the Rights Issue, are and will be as follows:

<i>Authorised:</i>		<i>HK\$</i>
1,000,000,000	Shares	100,000,000
 <i>Issued and to be issued and fully paid:</i>		
274,297,493	Shares in issue	27,429,749
<u>137,148,746</u>	Rights Shares to be issued pursuant to the Rights Issue	<u>13,714,875</u>
<u><u>411,446,239</u></u>	Shares in issue immediately following completion of the Rights Issue	<u><u>41,144,624</u></u>

All Shares in issue rank pari passu in all respects, including in particular as to rights to dividends, voting rights and return of capital. The Rights Shares, when allotted fully paid, will rank pari passu in all respects with the then existing Shares in issue, including right to receive all future dividends and distributions which are declared, made or paid by reference to a record date falling on or after the date of allotment and issue of the fully-paid Rights Shares.

B. Options

As at the Latest Practicable Date, the Company had no share options or other securities in issue which are convertible into Shares.

AUDITED FINANCIAL INFORMATION

The following is a summary of (i) the audited consolidated profit and loss account of the Group for the three years ended 31 March 1999, 2000 and 2001; (ii) the audited consolidated balance sheet of the Group as at 31 March 2000 and 2001; (iii) the audited consolidated cash flow statement of the Group for the two years ended 31 March 2000 and 2001; and (iv) accompanying notes thereto as extracted from the Company's annual report for the year ended 31 March 2001.

Consolidated profit and loss account

	Notes	Year ended 31 March		
		2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TURNOVER	3	1,554,567	1,264,605	1,109,065
Cost of sales		<u>(887,011)</u>	<u>(750,060)</u>	<u>(667,307)</u>
Gross profit		667,556	514,545	441,758
Other revenue	3	6,342	8,294	8,636
Selling and distribution costs		(475,792)	(307,888)	(305,606)
Administrative expenses		(117,656)	(80,463)	(83,512)
Other operating expenses		<u>(54,646)</u>	<u>(39,149)</u>	<u>(39,615)</u>
PROFIT FROM OPERATING ACTIVITIES	4	25,804	95,339	21,661
Finance costs	7	(2,827)	(2,044)	(3,125)
Share of profits/(losses) of associates		<u>–</u>	<u>(141)</u>	<u>1,374</u>
PROFIT BEFORE TAXATION		22,977	93,154	19,910
Taxation	8	<u>(6,178)</u>	<u>(13,958)</u>	<u>(2,234)</u>
PROFIT BEFORE MINORITY INTERESTS		16,799	79,196	17,676
Minority interests		<u>(144)</u>	<u>41</u>	<u>(82)</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	9 & 21	<u>16,655</u>	<u>79,237</u>	<u>17,594</u>
DIVIDENDS	10	<u>–</u>	<u>31,544</u>	<u>8,229</u>
RELEASE FROM REVALUATION RESERVE	21	<u>404</u>	<u>404</u>	<u>404</u>
BASIC EARNINGS PER SHARE	11	<u>6.07 cents</u>	<u>28.89 cents</u>	<u>6.41 cents</u>

Consolidated balance sheet

	<i>Notes</i>	As at 31 March	
		2001	2000
		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	<i>12</i>	163,671	131,876
Intangible assets	<i>14</i>	4,291	8,582
Deposits paid		44,875	34,879
		<u>212,837</u>	<u>175,337</u>
CURRENT ASSETS			
Inventories	<i>15</i>	171,270	165,301
Debtors	<i>16</i>	12,073	5,972
Bills receivable		11,369	8,815
Deposits paid		20,075	11,278
Prepayments and other receivables		21,096	46,332
Tax recoverable		603	–
Time deposits		37,500	85,000
Cash and bank balances		39,237	16,349
		<u>313,223</u>	<u>339,047</u>
CURRENT LIABILITIES			
Creditors and accruals	<i>17</i>	104,640	98,135
Bills payable		22,105	14,539
Tax payable		–	11,818
Proposed final dividend	<i>10</i>	–	19,201
Bank loans and overdrafts	<i>18</i>	31,332	40,051
		<u>158,077</u>	<u>183,744</u>
NET CURRENT ASSETS		<u>155,146</u>	<u>155,303</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		367,983	330,640
NON-CURRENT LIABILITIES			
Long term bank loans	<i>18</i>	45,000	–
Deferred taxation	<i>19</i>	596	–
		<u>45,596</u>	<u>–</u>
		<u>322,387</u>	<u>330,640</u>
CAPITAL AND RESERVES			
Share capital	<i>20</i>	27,430	27,430
Reserves	<i>21</i>	294,957	303,210
		<u>322,387</u>	<u>330,640</u>

Consolidated cash flow statement

	<i>Notes</i>	Year ended 31 March	
		2001	2000
		<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	22(a)	94,913	76,225
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,500	5,509
Interest paid		(2,827)	(2,044)
Dividends paid		(19,201)	(20,572)
Net cash outflow from returns on investments and servicing of finance		(18,528)	(17,107)
TAXATION			
Hong Kong profits tax paid		(10,160)	(6,129)
Overseas taxes paid		(7,669)	(42)
Taxes paid		(17,829)	(6,171)
INVESTING ACTIVITIES			
Purchases of fixed assets		(68,941)	(48,121)
Purchases of intangible assets		–	(5,600)
Proceeds from disposal of fixed assets		312	336
Acquisition of subsidiaries/businesses	22(c)	(48,130)	1,858
Disposal of a subsidiary	22(d)	–	(297)
Proceeds from disposal of an associate		–	1,874
Purchase of additional interest in a subsidiary		(2,370)	–
Net cash outflow from investing activities		(119,129)	(49,950)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		(60,573)	2,997
FINANCING ACTIVITIES	22(b)		
New bank and trust receipt loans		101,518	81,782
Repayment of bank and trust receipt loans		(63,112)	(66,267)
Net cash inflow from financing activities		38,406	15,515
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(22,167)	18,512
Cash and cash equivalents at beginning of year		96,079	77,481
Effect of foreign exchange rate changes, net		(248)	86
CASH AND CASH EQUIVALENTS AT END OF YEAR		73,664	96,079
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		39,237	16,349
Time deposits		37,500	85,000
Bank overdrafts		(201)	(5,270)
Trust receipt loans repayable within three months from date of advance		(2,872)	–
		73,664	96,079

Notes to the financial statements*31 March 2001***1. CORPORATE INFORMATION**

The Company is incorporated in Bermuda with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited. During the year, the Group was involved in investment holding and the retailing and distribution of garments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

The financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of certain fixed assets, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting rights or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for permanent diminutions in values deemed necessary by the directors.

Goodwill/capital reserve arising on consolidation

Goodwill arising on the consolidation of subsidiaries/businesses represents the excess purchase consideration paid for subsidiaries/businesses over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. Where the fair values ascribed to the net underlying assets acquired exceed the purchase consideration paid, the excess is credited to the capital reserve in the year of acquisition.

On disposal of subsidiaries/businesses, the relevant portion of attributable goodwill or of the capital reserve previously eliminated against reserves or credited to the capital reserve, respectively, is realised and accounted for in arriving at the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4%
Leasehold improvements	15% to 33% or over the lease terms, whichever is shorter
Plant and machinery	9% to 25%
Furniture, fixtures and office equipment	15% to 33% or over the lease terms, whichever is shorter
Motor vehicles	15% to 33%

Leasehold land is amortised over the lease terms or 2% per annum, whichever is shorter.

The revaluation reserve arising from the revaluation of fixed assets is realised and transferred directly to retained earnings on a systematic basis, as the corresponding asset is used by the Group. The amount realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

Intangible assets

Intangible assets represent trademarks and are capitalised and amortised over a period of three years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs necessary to make the sale.

Deferred taxation

Deferred taxation is provided, using the liability method, on all significant timing differences to the extent that it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rendering of services, in the period in which the services are rendered;
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (d) rental income, on a time proportion basis over the lease terms; and
- (e) royalties, on a time proportion basis in accordance with the substance of the relevant agreements.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Retirement benefits scheme

The Group operates two retirement benefits schemes in Hong Kong, namely a Mandatory Provident Fund Scheme and a defined contribution retirement benefits scheme as defined in the Occupational Retirement Schemes Ordinance (the “ORSO Scheme”).

Under the Mandatory Provident Fund Scheme, contributions of 5% of the employees’ monthly salaries are made by each of the employer and the employee. The employers’ contributions are charged to the profit and loss account as they become payable.

Under the ORSO Scheme, contributions of 5% of the employees’ monthly basic salaries are made by the employer and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The rates of contributions made by the employees are either 0% or 5% of the salary of each employee at the discretion of the employee. When an employee leaves the ORSO Scheme prior to his/her interest in the Group employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

In the People’s Republic of China, the employees of the Company’s subsidiaries participate in a state-administered employee social insurance scheme and they are entitled to receive a monthly retirement fund after their retirement.

The Company’s subsidiary in Singapore participates in the Central Provident Fund scheme established by the Central Provident Fund Board.

In Taiwan, the Group participates in a central defined benefit pension scheme (the “Scheme”) providing benefits to all employees in accordance with the Labour Standards Law. Under the Scheme, contributions of 2% of the employees’ total salaries as determined and approved by the relevant government authorities are payable by the employer.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

3. TURNOVER AND REVENUE

Turnover represents the aggregate of the net invoiced value of goods sold, after allowance for returns and trade discounts, and the rendering of services, but excludes intra-group transactions.

An analysis of turnover and revenue is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Turnover:		
Retailing and distribution of garments	1,552,118	1,258,137
Rendering of garment-related services	2,449	6,468
	<u>1,554,567</u>	<u>1,264,605</u>
Other revenue:		
Interest income	3,500	5,509
Royalty income	345	772
Rental income	549	448
Others	1,948	1,565
	<u>6,342</u>	<u>8,294</u>
Total revenue for the year	<u><u>1,560,909</u></u>	<u><u>1,272,899</u></u>

4. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Cost of sales:		
Cost of inventories sold	856,410	718,429
Stock provision	30,601	31,631
	<u>887,011</u>	<u>750,060</u>
Staff costs (including directors' remuneration – note 5):		
Wages and salaries	170,401	107,984
Pension scheme contributions	5,588	3,604
Less: Forfeited contributions	(1,360)	(1,738)
	<u>4,228</u>	<u>1,866</u>
	<u>174,629</u>	<u>109,850</u>
Amortisation of deferred pre-operating expenses	–	242
Amortisation of intangible assets	4,291	4,291
Depreciation	51,491	31,492
Operating lease rentals:		
Land and buildings	233,575	173,119
Plant and machinery	90	83
Auditors' remuneration	1,232	923
Compensation paid on legal cases	3,000	–
Loss/(gain) on disposal of fixed assets, net	1,468	(232)
Foreign exchange losses/(gains), net	5,909	(1,298)
Gross and net rental income	(549)	(448)
Interest income	(3,500)	(5,509)
Royalty income	(345)	(772)
	<u><u>(3,500)</u></u>	<u><u>(5,509)</u></u>

As at 31 March 2001, forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years amounted to HK\$464,000 (2000: HK\$938,000).

5. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive:		
Fees as directors	–	–
Salaries, allowances and benefits in kind	3,244	3,204
	<u>3,244</u>	<u>3,204</u>
	3,244	3,204
Independent non-executive:		
Fees as directors	192	192
	<u>192</u>	<u>192</u>
	<u>3,436</u>	<u>3,396</u>

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil – HK\$1,000,000	6	6
HK\$2,000,001 – HK\$2,500,000	1	1
	<u>7</u>	<u>7</u>

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

6. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2000: two) director(s), details of whose remuneration are set out above. The details of the remuneration of the remaining four (2000: three) non-director, highest paid employees are set out below:

	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	<u>3,351</u>

The remuneration of the non-director, highest paid employees fell within the following bands:

	Number of employees	
	2001	2000
Nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	1	–
	<u>4</u>	<u>3</u>

7. FINANCE COSTS

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	<u>2,827</u>	<u>2,044</u>

8. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Group:		
Hong Kong	1,267	8,336
Elsewhere	4,315	5,622
	<hr/>	<hr/>
	5,582	13,958
Deferred taxation (<i>note 19</i>)	596	–
	<hr/>	<hr/>
Taxation charge for the year	<u>6,178</u>	<u>13,958</u>

9. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company is HK\$21,068,000 (2000: HK\$51,951,000).

10. DIVIDENDS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interim – Nil (2000: 4.5 cents) per share	–	12,343
Proposed final – Nil (2000: 7 cents) per share	–	19,201
	<hr/>	<hr/>
	–	31,544
	<hr/> <hr/>	<hr/> <hr/>

11. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated based on the net profit attributable to shareholders for the year of HK\$16,655,000 (2000: HK\$79,237,000) and on 274,297,493 (2000: 274,297,493) shares in issue during the year.

Diluted earnings per share for the years ended 31 March 2001 and 2000 has not been calculated as no diluting events existed during these years.

12. FIXED ASSETS

Group

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:						
At beginning of year	82,154	146,216	5,523	57,718	3,970	295,581
Additions	–	65,505	244	18,388	2,070	86,207
Disposals	–	(22,191)	(113)	(379)	(434)	(23,117)
Exchange adjustments	–	(1,057)	14	(421)	(61)	(1,525)
At 31 March 2001	<u>82,154</u>	<u>188,473</u>	<u>5,668</u>	<u>75,306</u>	<u>5,545</u>	<u>357,146</u>
Representing:						
At cost	42,154	188,473	5,668	75,306	5,545	317,146
At valuation	<u>40,000</u>	–	–	–	–	<u>40,000</u>
	<u>82,154</u>	<u>188,473</u>	<u>5,668</u>	<u>75,306</u>	<u>5,545</u>	<u>357,146</u>
Accumulated depreciation:						
At beginning of year	9,439	103,432	2,238	45,872	2,724	163,705
Provided during the year	2,244	39,952	442	8,220	633	51,491
Disposals	–	(20,737)	(74)	(343)	(183)	(21,337)
Exchange adjustments	–	(225)	8	(154)	(13)	(384)
At 31 March 2001	<u>11,683</u>	<u>122,422</u>	<u>2,614</u>	<u>53,595</u>	<u>3,161</u>	<u>193,475</u>
Net book value:						
At 31 March 2001	<u>70,471</u>	<u>66,051</u>	<u>3,054</u>	<u>21,711</u>	<u>2,384</u>	<u>163,671</u>
At 31 March 2000	<u>72,715</u>	<u>42,784</u>	<u>3,285</u>	<u>11,846</u>	<u>1,246</u>	<u>131,876</u>

The land and buildings included above are held under medium term leases and are situated in:

	At cost <i>HK\$'000</i>	At valuation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Hong Kong	21,654	40,000	61,654
Elsewhere	<u>20,500</u>	–	<u>20,500</u>
	<u>42,154</u>	<u>40,000</u>	<u>82,154</u>

Certain leasehold land and buildings were valued on 31 July 1993 by Chesterton Petty Limited, independent professional valuers, on an open market, existing use basis.

At 31 March 2001, had the Group's revalued land and buildings been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK\$18,675,000 (2000: HK\$19,357,000).

The Group has adopted the transitional provisions of SSAP No. 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants in 1995, of not making further regular revaluations of its leasehold land and buildings which had previously been revalued.

13. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	193,962	193,962
Due from subsidiaries	58,242	38,970
Due to a subsidiary	(116)	–
	<u>252,088</u>	<u>232,932</u>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Active Link Limited (<i>i</i>)	Hong Kong	HK\$5,000,000	–	100	Garment retailing and wholesaling
Bossini Advertising Agency Limited	Hong Kong	HK\$2	–	100	Advertising and promotion
Bossini Enterprises Limited	Hong Kong	HK\$2	–	100	Retailing and distribution of garments
Bossini Garment Limited	Hong Kong	HK\$2	–	100	Distribution of garment
Bossini Investment Limited	British Virgin Islands	US\$11,928	100	–	Investment holding
Burling Limited	British Virgin Islands	US\$100	–	100	Licensing of trademarks
Guangzhou Bossini Enterprises Company Limited (<i>ii</i>)	People's Republic of China	RMB1,010,000	–	100	Retailing and distribution of garment
J & R Bossini Fashion Pte. Limited	Singapore	S\$2,000,000	–	100	Garment retailing and wholesaling
J & R Bossini Holdings Limited	Hong Kong	HK\$2	–	100	Investment holding
Kacono Trading Limited	British Virgin Islands	HK\$2,000	–	100	Investment holding
Key Value Trading Limited (<i>i</i>)	British Virgin Islands	US\$100	–	100	Investment holding
Land Challenger Limited	Hong Kong	HK\$2	–	100	Garment sub-contracting
Langzhi Fashion (Shenzhen) Company Limited (<i>ii</i>)	People's Republic of China	HK\$6,600,000	–	100	Garment sub-contracting

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lead Commence Limited	Hong Kong	HK\$2	–	100	Garment retailing and wholesaling
Onmay International Limited	Hong Kong	HK\$2	–	100	Garment retailing and wholesaling
Rapid City Limited	Hong Kong	HK\$2	–	100	Property holding and letting
Sun View Properties Limited	Hong Kong	HK\$2	–	100	Property holding and letting

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

- (i) These subsidiaries were acquired during the year.
- (ii) These subsidiaries were not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

14. INTANGIBLE ASSETS

	Group	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of year	8,582	7,273
Additions	–	5,600
Amortisation during the year	(4,291)	(4,291)
Balance at end of year	<u>4,291</u>	<u>8,582</u>

15. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	4,422	1,755
Finished goods	166,848	163,546
	<u>171,270</u>	<u>165,301</u>

The carrying amount of inventories carried at net realisable value included in the above is HK\$3,232,000 (2000: Nil).

16. DEBTORS

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

The aged analysis of trade debtors is as follows:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	4,032	2,866
31-60 days	6,401	55
61-90 days	281	2,155
Over 90 days	1,359	896
	<u>12,073</u>	<u>5,972</u>
Total	<u><u>12,073</u></u>	<u><u>5,972</u></u>

17. CREDITORS AND ACCRUALS

Included in creditors and accruals is a trade creditors balance of HK\$51,827,000 (2000: HK\$43,185,000).

The aged analysis of trade creditors is as follows:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	44,261	37,588
31-60 days	6,305	3,124
61-90 days	4	1,705
Over 90 days	1,257	768
	<u>51,827</u>	<u>43,185</u>
Total	<u><u>51,827</u></u>	<u><u>43,185</u></u>

18. BANK LOANS AND OVERDRAFTS

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts	201	5,270
Trust receipt loans	2,872	–
Bank loans	73,259	34,781
	<u>76,332</u>	<u>40,051</u>
	<u><u>76,332</u></u>	<u><u>40,051</u></u>

The maturity of the above amounts is as follows:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts repayable:		
On demand or within one year	31,332	40,051
In the second year	10,000	–
In the third to fifth years, inclusive	35,000	–
	<u>76,332</u>	<u>40,051</u>
Portion classified as current liabilities	<u>(31,332)</u>	<u>(40,051)</u>
Non-current portion	<u><u>45,000</u></u>	<u><u>–</u></u>

19. DEFERRED TAXATION

	Group	
	2001	2000
	HK\$'000	HK\$'000
Charge for the year (note 8) and balance at end of year	596	–

The provision for deferred tax is in respect of accelerated capital allowances to the extent that the liability is expected to crystallise in the foreseeable future.

The revaluation of the Group's leasehold land and buildings does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

20. SHARE CAPITAL

	Company	
	2001	2000
	HK\$'000	HK\$'000
<i>Authorised:</i>		
500,000,000 ordinary shares of HK\$0.10 each	50,000	50,000
<i>Issued and fully paid:</i>		
274,297,493 ordinary shares of HK\$0.10 each	27,430	27,430

21. RESERVES

	Capital reserve	Contributed surplus	Revaluation reserve	Exchange fluctuation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group						
At 1 April 1999	5,324	99,175	14,723	7,221	128,672	255,115
Realisation on depreciation during the year	–	–	(404)	–	404	–
Exchange realignment of foreign subsidiaries	–	–	–	253	–	253
Arising on acquisition of subsidiaries	5	–	–	–	–	5
Release on disposal of a subsidiary	144	–	–	–	–	144
Net profit for the year attributable to shareholders	–	–	–	–	79,237	79,237
Dividends	–	–	–	–	(31,544)	(31,544)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2000 and 1 April 2000	5,473	99,175	14,319	7,474	176,769	303,210
Realisation on depreciation during the year	–	–	(404)	–	404	–
Exchange realignment of foreign subsidiaries	–	–	–	807	–	807
Goodwill arising on acquisition of subsidiaries/businesses	(2,434)	–	–	–	(20,982)	(23,416)
Goodwill arising on acquisition of additional interest in a subsidiary	(2,299)	–	–	–	–	(2,299)
Net profit for the year attributable to shareholders	–	–	–	–	16,655	16,655
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2001	<u>740</u>	<u>99,175</u>	<u>13,915</u>	<u>8,281</u>	<u>172,846</u>	<u>294,957</u>

The contributed surplus of the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium account of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in 1993.

	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Company			
At 1 April 1999	166,533	27,193	193,726
Net profit for the year	–	51,951	51,951
Dividends	–	(31,544)	(31,544)
	<hr/>	<hr/>	<hr/>
At 31 March 2000 and 1 April 2000	166,533	47,600	214,133
Net profit for the year	–	21,068	21,068
	<hr/>	<hr/>	<hr/>
At 31 March 2001	<u>166,533</u>	<u>68,668</u>	<u>235,201</u>

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the aggregate net asset value of the subsidiaries acquired at the date of acquisition, at the time of the Group reorganisation prior to the listing of the Company's shares in 1993. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of the contributed surplus.

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit from operating activities	25,804	95,339
Interest income	(3,500)	(5,509)
Loss/(gain) on disposal of fixed assets	1,468	(232)
Depreciation	51,491	31,492
Amortisation of deferred pre-operating expenses	–	242
Amortisation of intangible assets	4,291	4,291
Gain on disposal of a subsidiary	–	(10)
Decrease/(increase) in inventories	4,975	(16,198)
Decrease/(increase) in debtors	(1,555)	6,740
Increase in bills receivable	(2,554)	(8,815)
Increase in deposits paid	(18,793)	(15,098)
Decrease/(increase) in prepayments and other receivables	29,446	(13,654)
Decrease in creditors and accruals	(3,726)	(8,714)
Increase in bills payable	7,566	14,539
Decrease in amount due to a related company	–	(207)
Decrease in amount due to an associate	–	(7,981)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>94,913</u>	<u>76,225</u>

(b) Analysis of changes in financing during the year

	Bank and trust receipt loans	Minority interests
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 April 1999	20,877	103
Net cash inflow from financing activities	15,515	–
Share of loss for the year	–	(41)
Decrease in short term bank and trust receipt loans classified as cash equivalents	(1,649)	–
Arising on disposal of a subsidiary	–	(62)
Exchange adjustments	38	–
	<hr/>	<hr/>
Balance at 31 March 2000 and 1 April 2000	34,781	–
Net cash inflow from financing activities	38,406	–
Share of profit for the year	–	144
Increase in short term bank and trust receipt loans classified as cash equivalents	2,872	–
Arising on purchase of additional interest in a subsidiary	–	(144)
Exchange adjustments	72	–
	<hr/>	<hr/>
Balance at 31 March 2001	<u>76,131</u>	<u>–</u>

(c) Acquisition of subsidiaries/businesses

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired:		
Fixed assets	17,266	23,075
Inventories	12,417	2,003
Debtors	4,543	3,389
Prepayments and other receivables	4,521	169
Cash and bank balances	1,172	4,033
Creditors and accruals	(13,967)	(30,461)
Tax payable	(66)	(28)
	<hr/>	<hr/>
	25,886	2,180
Goodwill/(capital reserve) on acquisition	23,416	(5)
	<hr/>	<hr/>
	<u>49,302</u>	<u>2,175</u>
Satisfied by:		
Cash	<u>49,302</u>	<u>2,175</u>

Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries/businesses:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash consideration	(49,302)	(2,175)
Cash and bank balances acquired	1,172	4,033
	<hr/>	<hr/>
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries/businesses	<u>(48,130)</u>	<u>1,858</u>

The subsidiaries/businesses acquired during the year contributed approximately HK\$20,713,000 to the Group's net operating cash inflow, received approximately HK\$122,000 in respect of returns on investments and servicing of finance, paid approximately HK\$376,000 and HK\$20,789,000 in respect of taxation and investing activities, respectively, and contributed HK\$5,045,000 in respect of financing activities.

The subsidiaries/businesses acquired during the year contributed HK\$223,236,000 to turnover and HK\$12,423,000 to the consolidated profit after taxation and before minority interests for the year.

(d) Disposal of a subsidiary

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets disposed:		
Fixed assets	–	2,895
Debtors	–	720
Prepayments and other receivables	–	539
Cash and bank balances	–	719
Creditors and accruals	–	(4,275)
Tax payable	–	(124)
Minority interests	–	(62)
	<u>–</u>	<u>412</u>
Gain on disposal of a subsidiary	–	10
	<u>–</u>	<u>422</u>
Satisfied by:		
Cash received	–	422
	<u>–</u>	<u>422</u>
Analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary:		
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash consideration	–	422
Cash and bank balances disposed of	–	(719)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>–</u>	<u>(297)</u>

The subsidiary disposed of during the previous year contributed approximately HK\$275,000 to the Group's net operating cash outflow, and utilised approximately HK\$277,000 for investing activities, but had no significant impact in respect of returns on investments and servicing of finance, taxation and the financing activities.

The subsidiary disposed of during the previous year contributed HK\$11,701,000 to turnover and incurred a loss after taxation of HK\$473,000 for that year.

23. COMMITMENTS

At the balance sheet date, the Group had commitments under non-cancellable operating leases to make payments in the following year as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Land and buildings expiring:		
Within one year	40,478	23,338
In the second to fifth years, inclusive	221,791	143,388
After five years	5,503	2,451
	<u>267,772</u>	<u>169,177</u>
Plant and machinery expiring:		
Within one year	8	–
In the second to fifth years, inclusive	–	25
	<u>8</u>	<u>25</u>
	<u>267,780</u>	<u>169,202</u>

The operating lease rentals of certain retail outlets are based solely on the sales of those outlets. In the opinion of the directors, as the future sales of those retail outlets cannot be accurately estimated, the relevant rental commitments have not been included above.

The Company did not have any significant commitments at the balance sheet date.

24. CONTINGENT LIABILITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	<u>4,405</u>	<u>3,132</u>

The Company has given guarantees in favour of banks to the extent of HK\$327,851,000 (2000: HK\$233,548,000) in respect of banking facilities granted to certain subsidiaries. These were utilised to the extent of HK\$80,737,000 as at 31 March 2001 (2000: HK\$43,183,000).

25. LITIGATION

- (a) A High Court action, which commenced on 10 June 1998, was brought against J & R Bossini Trading Limited (“Bossini Trading”), a subsidiary of the Company, by Weiland Development Company Limited, for breach of lease (the “Lease”) of a property used by Bossini Trading as a warehouse. Bossini Trading is defending the action and has counter-claimed against the plaintiff for a declaration that the Lease was lawfully terminated. As at the date of this report, the directors believe that it is not practicable to estimate the possible extent of the liability of Bossini Trading, if any, in respect of this action. However, the directors are of the opinion that the claim of the plaintiff is unlikely to succeed on the merits of the case and, therefore, no material liability is likely to result therefrom.
- (b) Two High Court actions (the “Actions”), which commenced on 24 July 1998, were brought against Bossini Trading by Sano Screen Manufacturing Limited and Tri-Star Fabric Printing Works Limited (collectively called the “Plaintiffs”), for breach of leases of the properties used by Bossini Trading as warehouses. The Actions were tried on 14 June 2000 at which Bossini Trading was unrepresented. To the best of the knowledge and information of the directors, judgements in respect of the Actions were already awarded in favour of the Plaintiffs against Bossini Trading on 16 June 2000 for an amount not exceeding HK\$2,467,463, together with interest thereon from the date of the said judgements to the date of payment at the judgement rate and costs of the Actions. If Bossini Trading fails to satisfy the said judgement, it is possible that a winding up petition may be issued against Bossini Trading. However, as the Company and its subsidiaries have not provided any guarantees or sureties in respect of the liabilities of Bossini Trading, the directors consider that in the event the Plaintiffs choose to wind up Bossini Trading, this will have no significant adverse impact on the financial position of the Company and the Group.

26. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the year:

	<i>Notes</i>	Group	
		2001	2000
		<i>HK\$'000</i>	<i>HK\$'000</i>
Rental paid for warehouse premises	(i)	1,240	1,240
Rental paid for office premises	(ii)	4,212	3,645
Rental paid for a retail outlet	(iii)	1,293	1,296

Notes:

- (i) The rental was paid to Laws Fashion Knitters Limited (“Laws Fashion”). Mr. Shuk Hoi LAW, Mr. Kar Po LAW and Mr. Ka Sing LAW, directors of the Company during the year, have beneficial equity interests in Laws Fashion. Mr. Shuk Hoi LAW is also a director of Laws Fashion. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.
- (ii) The rental was paid to First On International Limited (“First On”). Mr. Shuk Hoi LAW, Mr. Kar Po LAW and Mr. Ka Sing LAW, directors of the Company during the year, have beneficial equity interests in First On. Mr. Shuk Hoi LAW is also a director of First On. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.
- (iii) The rental was paid to Yatin Development Limited (“Yatin”). Mr. Shuk Hoi LAW, Mr. Kar Po LAW and Mr. Ka Sing LAW, directors of the Company during the year, are also directors of, and have beneficial equity interests in, Yatin. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.

UNAUDITED INTERIM RESULTS

The following is a summary of: (i) the unaudited condensed consolidated profit and loss account of the Group for the six months ended 30 September 2000 and 2001; (ii) the audited and unaudited condensed consolidated balance sheet of the Group as at 31 March 2001 and 30 September 2001 respectively; (iii) the unaudited condensed consolidated cash flow statement of the Group for the six months ended 30 September 2000 and 2001; and (iv) the explanatory notes for the six months ended 30 September 2001 as extracted from the Company's interim report 2001-2002.

Condensed consolidated profit and loss account

	<i>Notes</i>	Six months ended	
		2001	2000
		(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	700,365	690,828
Cost of sales		<u>(380,066)</u>	<u>(402,687)</u>
Gross profit		320,299	288,141
Other revenue	3	2,336	7,578
Selling and distribution costs		(255,197)	(204,906)
Administrative expenses		(66,854)	(54,270)
Other operating expenses		<u>(33,794)</u>	<u>(20,641)</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	(33,210)	15,902
Finance costs	5	<u>(1,840)</u>	<u>(821)</u>
PROFIT/(LOSS) BEFORE TAXATION		(35,050)	15,081
Taxation	6	<u>(201)</u>	<u>(3,969)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(35,251)	11,112
Minority interests		<u>–</u>	<u>(466)</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		<u>(35,251)</u>	<u>10,646</u>
RELEASE FROM REVALUATION RESERVE	7	<u>202</u>	<u>202</u>
BASIC EARNINGS/(LOSS) PER SHARE	8	<u>(12.85 cents)</u>	<u>3.88 cents</u>

Condensed consolidated balance sheet

		As at 30 September 2001 (Unaudited) <i>HK\$'000</i>	As at 31 March 2001 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		166,298	163,671
Intangible assets		2,145	4,291
Deposits paid		46,876	44,875
		<u>215,319</u>	<u>212,837</u>
CURRENT ASSETS			
Inventories		265,482	171,270
Debtors	9	18,469	12,073
Bills receivable		14,782	11,369
Deposits paid		21,116	20,075
Prepayments and other receivables		18,917	21,096
Tax recoverable		3,706	603
Time deposits		–	37,500
Cash and bank balances		33,363	39,237
		<u>375,835</u>	<u>313,223</u>
CURRENT LIABILITIES			
Creditors and accruals	10	205,654	104,640
Bills payable		6,558	22,105
Bank loans and overdrafts		48,111	31,332
		<u>260,323</u>	<u>158,077</u>
NET CURRENT ASSETS		<u>115,512</u>	<u>155,146</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		330,831	367,983
NON-CURRENT LIABILITIES			
Long term bank loans		42,500	45,000
Deferred taxation		606	596
		<u>43,106</u>	<u>45,596</u>
		<u>287,725</u>	<u>322,387</u>
CAPITAL AND RESERVES			
Share capital	11	27,430	27,430
Reserves		260,295	294,957
		<u>287,725</u>	<u>322,387</u>

Condensed consolidated cash flow statement

	Six months ended	
	30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(19,577)	34,434
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(991)	1,874
TAXATION	(3,225)	(4,506)
INVESTING ACTIVITIES	<u>(33,804)</u>	<u>(50,807)</u>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(57,597)	(19,005)
FINANCING ACTIVITIES	<u>10,178</u>	<u>(6,596)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(47,419)	(25,601)
Cash and cash equivalents at beginning of period	73,664	96,079
Effect of foreign exchange rate changes, net	<u>(42)</u>	<u>(33)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>26,203</u></u>	<u><u>70,445</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	33,363	31,026
Time deposits	–	50,038
Bank overdrafts	(191)	(8,834)
Short term bank and trust receipt loans repayable within three months from date of advance	<u>(6,969)</u>	<u>(1,785)</u>
	<u><u>26,203</u></u>	<u><u>70,445</u></u>

Notes:

1. Significant accounting policies

Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting”. 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 2001, except that the Group has changed certain of its accounting policies following the adoption of new and revised SSAPs which became effective for accounting periods commencing on or after 1 January 2001.

The Group has adopted the transitional provisions of SSAP 30 “Business Combinations” such that goodwill previously eliminated against reserves need not be restated and will be charged to the profit and loss account at the time of disposal of the subsidiary/business or at such time the goodwill is determined to be impaired. Goodwill arising on acquisition after 1 April 2001 is capitalised and amortised on a straight-line basis over its estimated useful life. Any impairment of goodwill will be recognised as an expense in the profit and loss account immediately.

The adoption of the other new and revised SSAPs has no significant effect to the results of the Group in the current and prior periods.

2. Segment information

An analysis by activity is not presented as the Group is predominantly engaged in the retailing and distribution of garments.

An analysis of the Group’s turnover and contribution to profit/(loss) from operating activities by geographical area of operations for the period ended 30 September 2001, together with the comparative figures for the corresponding period in 2000, is as follows:

	Turnover		Contribution to profit/(loss) from operating activities	
	Six months ended		Six months ended	
	30 September		30 September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
People’s Republic of China				
Hong Kong	405,958	498,436	(24,752)	11,845
Elsewhere	92,296	96,563	(1,380)	(2,715)
Singapore	82,241	80,125	(1,836)	4,518
Taiwan	119,870	15,704	(5,242)	2,254
	<u>700,365</u>	<u>690,828</u>	<u>(33,210)</u>	<u>15,902</u>

3. Other revenue

	Six months ended	
	30 September	
	2001	2000
	HK\$'000	HK\$'000
Interest income	849	2,700
Royalty income	–	646
Rental income	254	254
Others	1,233	3,978
	<u>2,336</u>	<u>7,578</u>

4. Profit/(loss) from operating activities

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

	Six months ended	
	30 September	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	27,942	24,954
Amortisation of intangible assets	2,145	2,145
	<u>27,942</u>	<u>24,954</u>

5. Finance costs

	Six months ended	
	30 September	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	1,840	821
	<u>1,840</u>	<u>821</u>

6. Taxation

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period ended 30 September 2001. Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the period ended 30 September 2000. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	30 September	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	–	2,235
Elsewhere	201	1,734
	<u>201</u>	<u>1,734</u>
Taxation charge for the period	<u>201</u>	<u>3,969</u>

7. Release from revaluation reserve

The revaluation reserve arising from revaluation of fixed assets is realised and transferred directly to retained earnings on a systematic basis, as the corresponding asset is used by the Group. The amount realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

8. Basic earnings/(loss) per share

Basic loss per share is calculated based on the net loss attributable to shareholders for the period of HK\$35,251,000 (2000: net profit of HK\$10,646,000) and on 274,297,493 shares (2000: 274,297,493 shares) in issue during the period.

Diluted earnings/(loss) per share for the six months ended 30 September 2001 and 2000 has not been calculated as no diluting events existed during these periods.

9. Debtors

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

The aged analysis of trade debtors is as follows:

	As at 30 September 2001	As at 31 March 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	6,915	4,032
31 – 60 days	9,381	6,401
61 – 90 days	1,951	281
Over 90 days	222	1,359
	<u>18,469</u>	<u>12,073</u>
Total	<u>18,469</u>	<u>12,073</u>

10. Creditors and accruals

Included in creditors and accruals is a trade creditors balance of HK\$146,216,000 (31 March 2001: HK\$51,827,000).

The aged analysis of trade creditors is as follows:

	As at 30 September 2001	As at 31 March 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	109,714	44,261
31 – 60 days	31,995	6,305
61 – 90 days	3,992	4
Over 90 days	515	1,257
	<u>146,216</u>	<u>51,827</u>
Total	<u>146,216</u>	<u>51,827</u>

11. Share capital

	As at 30 September 2001	As at 31 March 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
1,000,000,000 (31 March 2001: 500,000,000) ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>50,000</u>
<i>Issued and fully paid:</i>		
274,297,493 ordinary shares of HK\$0.10 each	<u>27,430</u>	<u>27,430</u>

Pursuant to an ordinary resolution passed on 31 August 2001, the authorised share capital of the Company was increased from HK\$50,000,000 to HK\$100,000,000 by the creation of an additional 500,000,000 shares of HK\$0.10 each, such shares ranking pari passu in all respects with the existing issued shares of the Company.

12. Related party transactions

The Group had the following material transactions with related parties during the period:

	<i>Notes</i>	Six months ended	
		30 September	2000
		<i>HK\$'000</i>	<i>HK\$'000</i>
Rental paid for warehouse premises	(i)	620	620
Rental paid for office premises	(ii)	2,161	2,106
Rental paid for a retail outlet	(iii)	–	648
		<u> </u>	<u> </u>

Notes:

- (i) The rental was paid to Laws Fashion Knitters Limited (“Laws Fashion”). Mr. Ka Sing LAW, a director of the Company, has beneficial equity interest in Laws Fashion. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.
- (ii) The rental was paid to First On International Limited (“First On”). Mr. Ka Sing LAW, a director of the Company, has beneficial equity interest in First On. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.
- (iii) The rental for the prior period was paid to Yatin Development Limited (“Yatin”). Mr. Ka Sing LAW, a director of the Company, was also a director of, and had beneficial equity interest in, Yatin during the prior period. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.

13. Contingent liabilities

	As at	As at
	30 September	31 March
	2001	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank guarantees given in lieu of utility and property rental deposits	4,036	4,405
	<u> </u>	<u> </u>

MATERIAL ADVERSE CHANGES

Save as disclosed in this Prospectus, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2001, the date to which the latest audited financial statements of the Company was made up.

WORKING CAPITAL STATEMENT

The Directors are of the opinion that after taking into account the Group’s present available banking facilities and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements in the absence of unforeseeable circumstances.

INDEBTEDNESS STATEMENT

At the close of business on 31 December 2001, being the latest practicable date in relation to this indebtedness statement prior to the printing of this Prospectus, the Group had outstanding unsecured borrowings of approximately HK\$205,950,000, which comprised bank overdrafts of approximately HK\$1,228,000, trust receipt loans of approximately HK\$43,865,000 and bank loans of approximately HK\$160,857,000. Of the foregoing outstanding borrowings, approximately HK\$135,950,000 are short term borrowings.

As at 31 December 2001, the Group had contingent liabilities in respect of bank guarantees given in lieu of utility and property rental deposits totalling approximately HK\$4,585,000.

In addition, as at 31 December 2001, there were three legal actions taken against a subsidiary of the Company relating to alleged breach of leases of properties. Details of these actions and material changes since 31 December 2001 up to the Latest Practicable Date are set out on pages 53 and 54 of this Prospectus.

For the purpose of calculating the amounts given above, amounts denominated in currencies other than Hong Kong dollars have been translated at the applicable rates of exchange ruling at the close of business on 31 December 2001.

Save as aforesaid, or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts, loans or other similar indebtedness, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 31 December 2001.

STATEMENT OF PRO FORMA UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Set out below is the statement of pro forma unaudited adjusted consolidated net tangible asset value of the Group based on the audited consolidated net asset value of the Group as at 31 March 2001 and adjusted as described below:

	<i>HK\$'000</i>
Audited consolidated net asset value of the Group as at 31 March 2001	322,387
<i>Less:</i> Intangible assets as at 31 March 2001	<u>(4,291)</u>
Audited consolidated net tangible assets of the Group as at 31 March 2001	318,096
Unaudited consolidated net loss attributable to Shareholders for the six months ended 30 September 2001	(35,251)
Exchange realignment arising from transactions of foreign subsidiaries as at 30 September 2001	589
Amortisation of intangible assets charged to unaudited consolidated profit and loss account for the six months ended 30 September 2001	<u>2,145</u>
Pro forma unaudited adjusted consolidated net tangible assets of the Group before the Rights Issue	285,579
Estimated net proceeds from the Rights Issue	<u>62,000</u>
Pro forma unaudited adjusted consolidated net tangible assets of the Group after the Rights Issue	<u><u>347,579</u></u>
Pro forma unaudited adjusted consolidated net tangible assets per Share before the Rights Issue (based on 274,297,493 Shares in issue as at the Latest Practicable Date)	<u><u>HK\$1.041</u></u>
Pro forma unaudited adjusted consolidated net tangible assets per Share after the Rights Issue (based on 411,446,239 Shares comprising 274,297,493 Shares in issue as at the Latest Practicable Date and 137,148,746 Rights Shares to be issued under the Rights Issue)	<u><u>HK\$0.845</u></u>

1. PARTICULARS OF DIRECTORS**Name***Executive Directors*

Mr. Ka Sing LAW
Mr. Chi Kwong TO
Ms. Irene CHEN
Ms. Pansy Wai Man CHAU
Mr. Simon Kuen Fung OR

Independent non-executive Directors

Mr. David Sik Ho CHEUNG
Ms. Winnie Wing Yue WONG LEUNG

The business address of the executive Directors and the independent non-executive Directors is 6th Floor, Hong Kong Spinners Industrial Building, Phase 1 & 2, 601-603 Tai Nan West Street, Kowloon, Hong Kong.

Executive Directors

Mr. Ka Sing LAW, aged 51, is the Chairman and Chief Executive Officer of the Group. Mr. Law joined the Group in 1991 and has over 22 years' experience in the garment manufacturing, retailing and wholesale businesses. He is responsible for the overall management and strategic planning of the Group.

Mr. Chi Kwong TO, aged 39, is an executive Director of the Group. Mr. To holds a Master's Degree in Commerce from the University of New South Wales in Australia, and is a fellow member of the Association of Chartered Certified Accountants. He joined the Group in 1997 and has over 13 years' experience in auditing, finance and accounting. Mr. To is responsible for the overall financial management of the Group.

Ms. Irene CHEN, aged 53, was appointed as an executive Director on 3 September 2001. She is responsible for product design of the Group. Ms. Chen holds a Bachelor's Degree in Design from the California State University at San Jose, the United States of America. She has over 20 years' experience in the fashion industry, and has held senior positions in store management, buying, marketing, fashion trend analysis, product design and development, both in Hong Kong and the United States of America. Ms. Chen also developed the first Fashion Retailing Curriculum for The Hong Kong Polytechnic University, and lectured in both Higher Diploma and Master's levels.

Ms. Pansy Wai Man CHAU, aged 39, was appointed as an executive Director on 3 September 2001. She holds a Higher Diploma in Fashion and Clothing Technology from Hong Kong Polytechnic. Prior to joining the Company, Ms. Chau has over 15 years' experience in sales planning and buying in leading fashion retail chains. She is responsible for strategic product planning and buying, and for overseeing the image-building function of the Group.

Mr. Simon Kuen Fung OR, aged 31, was appointed as an executive Director on 2 January 2002. He joined the Group in 2001 and has over 8 years' experience in garment manufacturing and merchandising. Mr. Or received his Bachelor of Arts Honour Degree in Economics and Industrial Relations from the University of Toronto, Canada. He is responsible for the Group's sourcing and production activities for apparel and accessories.

Independent non-executive Directors

Mr. David Sik Ho CHEUNG, aged 49, was appointed as an independent non-executive Director in 1993. Mr. Cheung is the managing director of a consultancy firm in human potential training and executive search, and also the president of a local licensee of a California-based international firm in modern training technology in management and human potential. He has over 16 years' experience in the Hong Kong and Canadian banking industry.

Mrs. Winnie Wing Yue WONG LEUNG, aged 59, was appointed as an independent non-executive Director in 1993. Mrs. Leung is the president and managing director of a number of business enterprises. She has over 32 years' experience in trading and property development in Hong Kong and in the United States of America. In addition, she has been involved in stock brokerage, business consultancy and property investment and management in the PRC, including Hong Kong, for a number of years.

2. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	Cedar House, 41 Cedar Avenue Hamilton HM 12 Bermuda
Principal office	6th Floor, Hong Kong Spinners Industrial Building Phase 1 & 2 601-603 Tai Nan West Street Kowloon, Hong Kong
Company secretary	Mr. Chi Kwong TO <i>FCCA</i> 6th Floor, Hong Kong Spinners Industrial Building Phase 1 & 2 601-603 Tai Nan West Street Kowloon, Hong Kong
Authorised representatives	Mr. Ka Sing LAW 6th Floor, Hong Kong Spinners Industrial Building Phase 1 & 2 601-603 Tai Nan West Street Kowloon, Hong Kong
	Mr. Chi Kwong TO 6th Floor, Hong Kong Spinners Industrial Building Phase 1 & 2 601-603 Tai Nan West Street Kowloon, Hong Kong

Auditors	Ernst & Young <i>Certified Public Accountants</i> 1501 Hutchison House 10 Harcourt Road Central, Hong Kong
Underwriter	Mr. Ka Sing LAW 6th Floor, Hong Kong Spinners Industrial Building Phase 1 & 2 601-603 Tai Nan West Street Kowloon, Hong Kong
Principal share registrars and transfer office	Butterfield Corporate Services Limited Rosebank Centre 11 Bermudiana Road Pembroke Bermuda
Branch Registrars	Central Registration Hong Kong Limited Shops 1712-6, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Citibank, N.A. 47th Floor, Citibank Tower Citibank Plaza 3 Garden Road Central, Hong Kong Standard Chartered Bank 4-4A Des Voeux Road Central Hong Kong

Legal advisers*as to Hong Kong law:*

Richards Butler
 20th Floor, Alexandra House
 16-20 Chater Road
 Central, Hong Kong

as to Bermuda law:

Appleby Spurling & Kempe
 5511 The Center
 99 Queen's Road Central
 Central, Hong Kong

3. DIRECTORS' INTERESTS**(a) Interests in securities**

Name of Director	Nature of interest	Number of Shares	Shareholding
Mr. Ka Sing LAW	Personal	172,961,250	63.06%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor their respective associates had any interests in, or rights to subscribe for, any shares in, or debenture of the Company or any of its associated corporations as defined in the SDI Ordinance which required notification to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which any such Director is deemed or taken to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules or which were required to be entered into the register maintained by the Company under section 29 of the SDI Ordinance.

(b) Other Interests*(i) Interests in service contracts*

None of the Directors has entered, or is proposing to enter, into a service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

(ii) Interests in assets of the Group

Since 31 March 2001, the date to which the latest published audited accounts of the Company have been made up, none of the Directors of the Company has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

(iii) Interests in contracts or arrangements

Save for the Underwriting Agreement, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of the Group taken as a whole.

4. SUBSTANTIAL SHAREHOLDERS

Name of shareholder	Number of Shares	Shareholding
Mr. Ka Sing LAW	172,961,250	63.06%

Save as disclosed above, as at the Latest Practicable Date, no other parties were recorded in the register of interests kept by the Company pursuant to section 16(1) of the SDI Ordinance as having an interest of 10% or more of the issued share capital of the Company.

5. MATERIAL CONTRACTS

The following contracts are contracts that are or may be material, not being contracts entered into during the ordinary course of business, and have been entered into by the Company or its subsidiaries within 2 years preceding the date of this Prospectus:

- (a) an agreement dated 30 August 2000 between Active Link Limited, a subsidiary of the Company, and 東興振業股份有限公司 (Tung Hing Chun Yip Shareholdings Limited (“Tung Hing”)) in relation to the acquisition of the retail operations of and a portion of the retail business assets of Tung Hing in Taiwan for an aggregate consideration of an amount not exceeding HK\$82,281,650, details of which were disclosed in a circular issued by the Company to the Shareholders dated 20 September 2000; and
- (b) the Underwriting Agreement.

6. LITIGATION

- (a) A High Court action (the “WDC Action”), which commenced on 10 June 1998, was brought against J & R Bossini Trading Limited (“Bossini Trading”), a subsidiary of the Company, by Weiland Development Company Limited (“WDC”), for breach of a lease (the “Lease”) relating to a property used by Bossini Trading as a warehouse for a minimum amount of approximately HK\$7,247,596. Bossini Trading is defending the action and has counter-claimed against WDC for a declaration that the Lease was lawfully terminated. As at the Latest Practicable Date, the Directors believed that it was not practicable to estimate the possible extent of the liability of Bossini Trading, if any, in respect of this action. However, the Directors are of the opinion that the WDC claim is unlikely to succeed on the merits of the case and therefore, the Directors consider that no material liability is likely to result therefrom.
- (b) Two High Court actions (the “Actions”), both commenced on 24 July 1998, were brought against Bossini Trading by Sano Screen Manufacturing Limited and Tri-Star Fabric Printing Works Limited (collectively called the “Plaintiffs”), for breach of leases relating to properties used by Bossini Trading as warehouses. Judgements in respect of the Actions have been awarded in favour of the Plaintiffs against Bossini

Trading on 16 June 2000 for an amount not exceeding HK\$2,467,463, together with interest thereon from the date of the said judgements to the date of payment at the judgement rate and costs of the Actions and as at the Latest Practicable Date, such amount has not yet been settled by Bossini Trading.

A winding up order was made against Bossini Trading on 28 January 2002. So far as the Directors are aware, with a winding up order having been made against Bossini Trading, WDC would require the leave of the courts to continue the WDC Action and such leave has not been obtained.

With respect to the Actions, the Plaintiffs would likely rank as unsecured creditors in the event of any distribution of assets upon winding up of Bossini Trading.

As Bossini Trading has minimal assets and neither the Company nor any of its subsidiaries has provided any guarantees or sureties in respect of the liabilities of Bossini Trading, the Directors consider that there would be no significant adverse impact on the financial position of the Group as a result of any action taken by the Plaintiffs to enforce the judgments against Bossini Trading or any unfavourable judgment being made against Bossini Trading upon leave of the courts being granted to WDC to continue the WDC Action.

7. MISCELLANEOUS

The English text of this Prospectus shall prevail over the Chinese text.

8. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fee, printing, registration, translation, and accountancy charges are estimated to amount to approximately HK\$1 million and are payable by the Company.

9. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance, so far as applicable.

10. DOCUMENTS REGISTERED BY AND/OR FILED WITH THE REGISTRARS OF COMPANIES

A copy of each of the Prospectus Documents have been registered by the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance and filed with the Registrar of Companies in Bermuda pursuant to the Companies Act.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of Richards Butler, 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong during normal business hours on any day up and including 14 March 2002:

- (a) the Memorandum of Association and Bye-laws of the Company;
- (b) the audited financial statements of the Company for each of the two years ended 31 March 2000 and 2001;
- (c) the unaudited interim financial statements of the Company for the six-month period ended 30 September 2001; and
- (d) the material contracts referred to in section headed “Material contracts” in this appendix.