

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 filed with the Registrar of Companies in Bermuda 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 of Hong Kong 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 (as defined herein) 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 (as defined herein) 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 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 HKSCC (as defined herein), Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC 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 HKSCC. 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 HKSCC 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 257,153,899 RIGHTS SHARES OF HK\$0.10 EACH
AT HK\$0.22 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



Celestial Capital Limited

It should be noted that the Shares have been dealt in on an ex-rights basis as from 8 April 2003 and the Rights Shares will be dealt in their nil-paid form from 22 April 2003 to 30 April 2003 (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 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 22 April 2003 to 30 April 2003 (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 9 May 2003, 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 of the Underwriting Agreement) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing), 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 material 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 and materially 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 6 May 2003. The procedure for acceptance and/or transfer of the Rights Shares is set out on pages 16 and 17 of this Prospectus.

16 April 2003

CONTENTS

	<i>Page</i>
Expected timetable	1
Summary of the Rights Issue	2
Responsibility statement	3
Termination of the Underwriting Agreement	4
Warning of the risks of dealings in Shares and nil-paid Rights Shares	5
Definitions	6
Letter from the Board	
Introduction	9
Terms of the Rights Issue	10
Undertaking	12
Underwriting arrangement	12
Shareholding structure before and after the Rights Issue	12
Termination of the Underwriting Agreement	13
Warning of the risks of dealings in Shares and nil-paid Rights Shares	14
Conditions of the Rights Issue	14
Business review and prospects of the Group	15
Use of proceeds	16
Procedure for acceptance and transfer	16
Application for excess Rights Shares	17
Jurisdictions outside Hong Kong	18
Listing of Rights Shares	19
Permission of the BMA	19
Certificates for Rights Shares	20
Further information	20
Appendix I – Financial information on the Group	21
Appendix II – General information	58

EXPECTED TIMETABLE

2003

Register of members closed (both days inclusive)	Thursday, 10 April – Tuesday, 15 April
Record Date	Tuesday, 15 April
Register of members re-opened	Wednesday, 16 April
Despatch of the Prospectus Documents to the Qualifying Shareholders and, for information only, the Prospectus to the Overseas Shareholders by ordinary post	Wednesday, 16 April
Dealing period for nil-paid Rights Shares (both days inclusive)	Tuesday, 22 April – Wednesday, 30 April
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on Friday, 25 April
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, 6 May
Latest time for the Major Shareholder to exercise his right to terminate his obligations under the Underwriting Agreement on the occurrence of force majeure events by giving written notice to the Company	4:00 p.m. on Friday, 9 May
Rights Issue and Underwriting Agreement to become unconditional at or before	4:00 p.m. on Friday, 9 May
Publication of announcement of result of acceptance of the Rights Issue	Monday, 12 May
Despatch of refund cheques in respect of wholly or partially unsuccessful excess applications by ordinary post	Tuesday, 13 May
Despatch of certificates for fully-paid Rights Shares by ordinary post	Tuesday, 13 May
Commencement of dealings in fully-paid Rights Shares on the Stock Exchange	9:30 a.m. on Friday, 16 May

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\$56.57 million, before expenses and approximately HK\$55.67 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	514,307,798 Shares
Number of Rights Shares to be issued	257,153,899 Rights Shares
Record Date	Tuesday, 15 April 2003
Subscription Price and latest time for acceptance	HK\$0.22 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, 6 May 2003
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 9 May 2003, 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 of the Underwriting Agreement) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing), 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 material 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 and materially 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 Tuesday, 8 April 2003 and the Rights Shares will be dealt in their nil-paid form from Tuesday, 22 April 2003 to Wednesday, 30 April 2003 (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 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, 22 April 2003 to Wednesday, 30 April 2003 (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 March 2003 in respect of the Rights Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“BMA”	Bermuda Monetary Authority
“Board”	the board of Directors
“Branch Registrars”	Computershare Hong Kong Investor Services 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, Hong Kong
“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 HKSCC
“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”	The Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Latest Practicable Date”	11 April 2003, 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 324,302,343 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, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“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 the Overseas Shareholders
“Record Date”	15 April 2003, 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 257,153,899 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

“SFO”	Securities and Futures Ordinance (Chapter 571 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\$0.22 per Rights Share
“Substantial Shareholder(s)”	person(s) who is/are interested in Shares comprised in the issued and unissued share capital of the Company which represent 5% or more of the issued share capital of the Company, as more particularly described in Part XV of the SFO
“Underwriting Agreement”	the underwriting agreement dated 24 March 2003 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 INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Board of Directors:

Executive:

Ka Sing LAW (*Chairman*)

Chi Kwong TO

Pansy Wai Man CHAU

Simon Kuen Fung OR

Ping Chuen FUNG

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

16 April 2003

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

Dear Sir or Madam:

**RIGHTS ISSUE
OF 257,153,899 RIGHTS SHARES OF HK\$0.10 EACH
AT HK\$0.22 PER RIGHTS SHARE
ON THE BASIS OF ONE RIGHTS SHARE
FOR EVERY TWO EXISTING SHARES HELD
PAYABLE IN FULL ON ACCEPTANCE**

INTRODUCTION

On 24 March 2003, the Board made the Announcement that, subject to the Conditions, the Company proposed to raise approximately HK\$56.57 million (before expenses) by way of issuing 257,153,899 Rights Shares at HK\$0.22 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 : 514,307,798 Shares
- Number of Rights Shares to be issued : 257,153,899 Rights Shares, representing 50% of the existing issued share capital of 514,307,798 Shares and approximately 33.33% of the enlarged issued share capital of the Company after the Rights Issue of 771,461,697 Shares
- Subscription Price : HK\$0.22 per Rights Share in cash representing:
- (a) discounts of approximately 5.17%, 6.78%, and 13.04% to the closing price of HK\$0.232 per Share as quoted on the Stock Exchange on 21 March 2003 (the last trading day immediately before the date of the Underwriting Agreement and the Announcement), the approximate average of the closing prices of the ten trading days ended thereat of HK\$0.236 per Share, and the approximate average of the closing prices of the twenty trading days ended thereat of HK\$0.253 per Share, respectively;
 - (b) a discount of approximately 3.51% to the theoretical ex-rights price of approximately HK\$0.228 per Share based on the closing price per Share on 21 March 2003; and
 - (c) premiums of approximately 20.22%, 6.28%, and 1.38% to the closing price of HK\$0.183 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the approximate average of the closing prices of the ten trading days ended thereat of HK\$0.207 per Share, and the approximate average of the closing prices of the twenty trading days ended thereat of HK\$0.217 per Share, respectively.

LETTER FROM THE BOARD

The Subscription Price was determined after arm's length negotiation between the Company and the Major Shareholder with reference to the market prices of the Shares under the prevailing market conditions at the time when the Company and the Major Shareholder entered into the Underwriting Agreement. 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.

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 the Overseas Shareholders. The Company will send this Prospectus to the Overseas Shareholders for their information only. The Company has not sent and will not send PALs and EAFs to the Overseas Shareholders.

Arrangements will be made for Rights Shares which would otherwise be provisionally allotted to the 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 the Overseas Shareholders on a pro rata basis and be sent to them, by ordinary post at their own risk, in Hong

LETTER FROM THE BOARD

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 the Qualifying Shareholders on EAFs.

UNDERTAKING

Undertaking by the Major Shareholder

As at the Latest Practicable Date, the Major Shareholder was legally and beneficially interested in 324,302,343 Shares (representing approximately 63.06% of the existing issued share capital of the Company). On 24 March 2003, the Major Shareholder undertook to the Company that all such Shares owned by him would remain registered in his name from the date of the undertaking to the Record Date. As at the Record Date and the Latest Practicable Date, such 324,302,343 Shares remained registered in the name of the Major Shareholder. The Major Shareholder has further given an irrevocable undertaking to the Company to accept his entitlement of 162,151,171 Rights Shares under the Rights Issue. There is no similar undertaking from any other Shareholder.

Other than the Major Shareholder and Mr. Raymond Ka Kui LAW who was legally and beneficially interested in 33,175,000 Shares (representing approximately 6.45% of the existing issued share capital of the Company) as at the Latest Practicable Date, so far as the Directors are aware, the Company has no Substantial Shareholder and none of the Directors and chief executive of the Company nor any of their respective associates holds Shares as at the Latest Practicable Date.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Major Shareholder has agreed with the Company to fully underwrite 95,002,728 Rights Shares (being the entitlement of all other Qualifying Shareholders). 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.

SHAREHOLDING STRUCTURE BEFORE AND AFTER THE RIGHTS ISSUE

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 581,456,242 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.

LETTER FROM THE BOARD

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Rights Issue:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming all the underwritten Rights Shares are accepted or applied for under the PALs or EAFs)		Immediately after completion of the Rights Issue (assuming none of the underwritten Rights Shares are accepted or applied for under the PALs or EAFs)	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Major Shareholder	324,302,343	63.06	486,453,514	63.06	581,456,242	75.37
Mr. Raymond Ka Kui LAW	33,175,000	6.45	49,762,500	6.45	33,175,000	4.30
Public	156,830,455	30.49	235,245,683	30.49	156,830,455	20.33
	<u>514,307,798</u>	<u>100.00</u>	<u>771,461,697</u>	<u>100.00</u>	<u>771,461,697</u>	<u>100.00</u>

The Stock Exchange has stated that, if less than 25% of the issued Shares are in public hands immediately after completion of the Rights Issue, or if the Stock Exchange believes that a false market exists or may exist in the trading in the Shares or that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

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 9 May 2003, 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 of the Underwriting Agreement) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing), 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

LETTER FROM THE BOARD

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 material 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 and materially 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 Tuesday, 8 April 2003 and the Rights Shares will be dealt in their nil-paid form from Tuesday, 22 April 2003 to Wednesday, 30 April 2003 (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 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, 22 April 2003 to Wednesday, 30 April 2003 (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 being fulfilled:

- (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 21 April 2003 (the day immediately prior to the expected date of commencement of trading of the Rights Shares in nil-paid form) and 15 May 2003 (the day immediately prior to the expected date of commencement of trading of the Rights Shares in fully-paid form), respectively;
- (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 16 April 2003, the date of despatch of this Prospectus;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders on or before 16 April 2003;

LETTER FROM THE BOARD

- (iv) the obtaining of the permission of the BMA, if necessary, for the issue of the Rights Shares by not later than 6 May 2003, the expected last date of acceptance of the Rights Shares; and
- (v) the obligations of the Major Shareholder under the Underwriting Agreement becoming unconditional and the 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 paragraph (v) not being waived by the Major Shareholder, on or before the respective dates aforesaid (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 the 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 2002 was about HK\$714,592,000. This represented an increase of approximately 2%, as compared to HK\$700,365,000 for the corresponding period in 2001. The increase was attributable to the strong growth of sales in the PRC, where the Group is currently expanding its operations, whereas sales in Hong Kong and Singapore declined during the same period. In addition, for the six months ended 30 September 2002, the Group incurred an unaudited net loss attributable to Shareholders of HK\$33,015,000, compared to a net loss of HK\$35,251,000 for the same period in 2001. These results were mainly attributable to falling consumer demand for the Group's products within a highly competitive market and a persistently adverse economic climate in Asia (excluding the PRC). The Group has refocused its product strategy to meet the needs of its core customer group by offering more basic clothing items in response to such factors. In addition, the Group has continued to reduce costs by streamlining operating processes and building up more efficient systems through the extensive application of information technology. The Group has also intensified human resources development activities by enhancing existing training programmes for frontline employees and developing training programmes for management and senior level employees.

The Directors believe that the performance of the retail sector in Hong Kong, as a result of the current difficult economic conditions, will remain soft for some time, and the Directors anticipate that the Group will maintain its current operating scale in Hong Kong for the time being. The Group instead will continue to explore avenues to increase the productivity of each outlet. The Group will also seek opportunities to increase the effectiveness of its direct marketing and targeted promotional activities, in order to stimulate consumer demand for the Group's products.

The Group has built a solid foundation in the casual wear market in the PRC by establishing an extensive sales network there. As at 28 February 2003, there were a total of 254 directly managed outlets and 147 authorised dealer outlets in the PRC. The Group will continue to expand its operations in the PRC by developing an extensive sales network and strengthening brand recognition. In particular, the Group will focus on expanding its SPARKLE brand business in the PRC, a new casual wear brand which was launched during the six months ended 30 September 2002 and which is still in its initial stages of development. As set out in the following paragraph headed "Use of proceeds", the Group intends to apply HK\$10 million out of the net proceeds from

LETTER FROM THE BOARD

the Rights Issue for the expansion of its authorised dealer business in the PRC, in particular those relating to the SPARKLE brand business, and the Group aims to establish 60 more outlets in the PRC in the coming year.

After taking into account of the resources available to the Group, including banking facilities and the net proceeds from the Rights Issue, the Directors consider the Rights Issue necessary and appropriate as it provides funds for the Company to achieve its aims for growth in the future. As the Qualifying Shareholders will be able to maintain their respective pro rata shareholdings interests in the Company under the terms of the Rights Issue, the Directors consider that it is in the interest of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

USE OF PROCEEDS

The net proceeds (after expenses) from the Rights Issue will be approximately HK\$55.67 million. The Company intends to apply such amount as follows:

- (i) as to approximately HK\$10 million to finance the expansion of the Group's authorised dealer business in the PRC;
- (ii) as to approximately HK\$30 million for repayment of bank borrowings; and
- (iii) as to approximately HK\$15.67 million as general working capital of the Group.

As mentioned in the paragraph headed "Business review and prospects of the Group" above, the Group intends to apply part of the net proceeds from the Rights Issue in the amount of about HK\$10 million for the expansion of its authorised dealer business in the PRC, in particular those relating to the SPARKLE brand business, and the Group intends to establish 60 more outlets in the PRC in the coming year.

The Group plans to apply part of the net proceeds from the Rights Issue in the amount of about HK\$30 million for repayment of bank borrowings in order to improve its financial position. As set out in the Group's interim results for the six months ended 30 September 2002, the Group's total debt to equity ratio was about 1.21 as at 30 September 2002 (calculated by dividing total liabilities of HK\$358,412,000 by the total Shareholders' equity of HK\$295,866,000). On that basis, repayment of the Group's bank borrowings in the amount of about HK\$30 million following completion of the Rights Issue will result in a decrease of the Group's total debt to equity ratio to about 0.93.

The balance of the net proceeds from the Rights Issue of approximately HK\$15.67 million will be utilised as general working capital for the Group.

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, 6 May 2003. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and**

LETTER FROM THE BOARD

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, 6 May 2003, 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 Friday, 25 April 2003 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 9 May 2003, 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 by ordinary post at the risk of such Qualifying Shareholders or such other persons on Tuesday, 13 May 2003.

APPLICATION FOR EXCESS RIGHTS SHARES

Qualifying Shareholders may apply for any unsold entitlements of the 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.

LETTER FROM THE BOARD

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, 6 May 2003. 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 thereof will be refunded to you in full without interest by means of a cheque despatched by ordinary post at your own risk on Tuesday, 13 May 2003. 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 by ordinary post at your own risk on Tuesday, 13 May 2003.

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 instructions.

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 9 May 2003, 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 by ordinary post at the risk of such applicants on Tuesday, 13 May 2003.

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

LETTER FROM THE BOARD

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 9:30 a.m. on Tuesday, 22 April 2003 and will end at the close of business of the Stock Exchange on Wednesday, 30 April 2003 (both days inclusive). The latest time for splitting of nil-paid Rights Shares will be 4:00 p.m. on Friday, 25 April 2003. 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 9:30 a.m. on Friday, 16 May 2003.

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 HKSCC 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 HKSCC. 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. None of the Rights Shares may be offered or sold in Bermuda, by means of any document, or to any person, firm or company regarded as resident of Bermuda for exchange control purposes.

LETTER FROM THE BOARD

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 Tuesday, 13 May 2003.

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>
2,000,000,000	Shares	200,000,000
<i>Issued and to be issued and fully paid:</i>		
514,307,798	Shares in issue	51,430,780
<u>257,153,899</u>	Rights Shares to be issued pursuant to the Rights Issue	<u>25,715,390</u>
<u><u>771,461,697</u></u>	Shares in issue immediately following completion of the Rights Issue	<u><u>77,146,170</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 2000, 2001 and 2002; (ii) the audited consolidated balance sheet of the Group as at 31 March 2001 and 2002; (iii) the audited consolidated cash flow statement of the Group for the two years ended 31 March 2001 and 2002; and (iv) accompanying notes thereto as extracted from the Company's annual report for the year ended 31 March 2002 (other than the audited consolidated profit and loss account for the year ended 31 March 2000 which was extracted from the Company's annual report for the year ended 31 March 2000).

Consolidated profit and loss account

	Notes	Year ended 31 March		
		2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
TURNOVER	5	1,588,473	1,554,567	1,264,605
Cost of sales		(896,886)	(887,011)	(750,060)
Gross profit		691,587	667,556	514,545
Other revenue	5	2,973	6,342	8,294
Selling and distribution costs		(506,855)	(475,792)	(307,888)
Administrative expenses		(138,084)	(117,656)	(80,463)
Other operating expenses		(79,513)	(54,646)	(39,149)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	6	(29,892)	25,804	95,339
Finance costs	9	(5,333)	(2,827)	(2,044)
Share of losses of associates		–	–	(141)
PROFIT/(LOSS) BEFORE TAXATION		(35,225)	22,977	93,154
Taxation	10	(3,544)	(6,178)	(13,958)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(38,769)	16,799	79,196
Minority interests		–	(144)	41
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	11 & 23	(38,769)	16,655	79,237
DIVIDENDS		–	–	31,544
RELEASE FROM REVALUATION RESERVE	23	404	404	404
BASIC EARNINGS/(LOSS) PER SHARE	12	(13.10 cents)	5.71 cents	28.89 cents

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

The following information was extracted from the Company's annual report for the year ended 31 March 2002. The balance sheet as at 31 March 2002 was restated in the Company's interim report for the six months ended 30 September 2002, which was extracted and set out on page 48 of this Prospectus.

Consolidated balance sheet

		As at 31 March	
		2002	2001
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	13	131,531	163,671
Intangible assets	15	–	4,291
Deposits paid		44,491	44,875
		<u>176,022</u>	<u>212,837</u>
CURRENT ASSETS			
Inventories	16	124,577	171,270
Debtors	17	41,112	16,748
Bills receivable		12,988	11,369
Deposits paid		20,790	20,075
Prepayments and other receivables		10,366	16,421
Tax recoverable		6,213	603
Cash and cash equivalents	18	173,454	76,737
		<u>389,500</u>	<u>313,223</u>
CURRENT LIABILITIES			
Creditors and accruals	19	105,313	104,640
Bills payable		12,337	22,105
Interest-bearing bank loans and overdrafts	20	60,026	31,332
		<u>177,676</u>	<u>158,077</u>
NET CURRENT ASSETS		<u>211,824</u>	<u>155,146</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		387,846	367,983
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	20	55,000	45,000
Deferred taxation	21	658	596
		<u>55,658</u>	<u>45,596</u>
		<u>332,188</u>	<u>322,387</u>
CAPITAL AND RESERVES			
Share capital	22	41,145	27,430
Reserves	23	291,043	294,957
		<u>332,188</u>	<u>322,387</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Consolidated cash flow statement**

	<i>Notes</i>	Year ended 31 March	
		2002	2001
		<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	24(a)	64,702	94,913
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,393	3,500
Interest paid		(5,333)	(2,827)
Dividends paid		–	(19,201)
Net cash outflow from returns on investments and servicing of finance		<u>(3,940)</u>	<u>(18,528)</u>
TAXATION			
Hong Kong profits tax paid		(1,534)	(10,160)
Overseas taxes paid		(7,442)	(7,669)
Taxes paid		<u>(8,976)</u>	<u>(17,829)</u>
INVESTING ACTIVITIES			
Purchases of fixed assets		(56,045)	(68,941)
Proceeds from disposal of fixed assets		101	312
Acquisition of subsidiaries/businesses	24(c)	–	(48,130)
Purchase of additional interest in a subsidiary		–	(2,370)
Net cash outflow from investing activities		<u>(55,944)</u>	<u>(119,129)</u>
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(4,158)	(60,573)
FINANCING ACTIVITIES	24(b)		
Proceeds from issue of rights shares		63,089	–
Share issue expenses		(424)	–
New bank and trust receipt loans		135,161	101,518
Repayment of bank and trust receipt loans		(95,557)	(63,112)
Net cash inflow from financing activities		<u>102,269</u>	<u>38,406</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		98,111	(22,167)
Cash and cash equivalents at beginning of year		73,664	96,079
Effect of foreign exchange rate changes, net		(468)	(248)
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>171,307</u>	<u>73,664</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		62,454	39,237
Time deposits		111,000	37,500
Bank overdrafts		(143)	(201)
Trust receipt loans repayable within three months from date of advance		(2,004)	(2,872)
		<u>171,307</u>	<u>73,664</u>

Notes to the financial statements*31 March 2002***1. CORPORATE INFORMATION**

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

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year’s financial statements:

- SSAP 9 (Revised): “Events after the balance sheet date”
- SSAP 14 (Revised): “Leases”
- SSAP 18 (Revised): “Revenue”
- SSAP 26: “Segment reporting”
- SSAP 28: “Provisions, contingent liabilities and contingent assets”
- SSAP 29: “Intangible assets”
- SSAP 30: “Business combinations”
- SSAP 31: “Impairment of assets”
- SSAP 32: “Consolidated financial statements and accounting for investments in subsidiaries”
- Interpretation 12: “Business combinations – subsequent adjustment of fair values and goodwill initially reported”
- Interpretation 13: “Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves”

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs and Interpretations, are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The adoption of this revised SSAP has had no impact on the financial statements as there was no final dividend proposed for the current and previous years.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under the SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 25 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company’s own financial statements for the year. The adoption of this revised SSAP has had no effect on the financial statements as there was no proposed final dividend from subsidiaries for the current and previous years.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group’s predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of the SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The adoption of the SSAP has had no significant effect on the financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has had no significant effect on the financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in note 23 to the financial statements. The required new additional disclosures are included in note 23 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year's financial statements:

- SSAP 10: "Accounting for investments in associates"
- SSAP 17: "Property, plant and equipment"
- SSAP 21: "Accounting for interests in joint ventures"

The only significant effect of these revisions is that SSAP 17 requires that impairment losses on fixed assets are aggregated with accumulated depreciation in note 13 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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 2002. 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 its financial and operating policies so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 April 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 April 2001, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. 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 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 the depreciation based on the revalued carrying amount of the asset and the 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 stated at cost and amortised on the straight-line basis 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. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under such operating leases are charged 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) from the 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) from the rendering of services, in the period in which 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 schemes

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' relevant income are made by each of the employer and the employees. The employer contributions are charged to the profit and loss account as they become payable.

Under the ORSO Scheme, contributions of 5% of the employees' 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 PRC, the employees of the Company's subsidiaries participate in a state-administered employee social insurance scheme and they are entitled to receiving a monthly retirement fund after their retirement.

The Company's subsidiary in Singapore participates in a Central Provident Fund Scheme which is a contribution plan established by the Central Provident Fund Board.

In Taiwan, as required by the Labour Standards Law, one of the Company's subsidiaries makes regular contributions to a Retirement Fund to meet employees' retirement and termination benefits. Currently, the contribution has been approved to be made at 2% of the employees' total salaries. The fund is administered by a committee and is deposited in the committee's name with a government approved financial institution, which acts as the trustee.

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. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Under SSAP 26, segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by geographical segment; and (b) on a secondary segment reporting basis, by business segment.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Since over 90% of the Group's revenue, results, assets and liabilities are derived from retailing and distribution of garments, no separate analysis of financial information by business segment is presented in the financial statements.

Geographical segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Elsewhere in the PRC		Taiwan		Singapore		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue:										
Sales to external customers	851,120	1,007,795	267,346	200,371	298,205	160,731	171,802	185,670	1,588,473	1,554,567
Other revenue	1,044	1,821	280	787	119	41	137	193	1,580	2,842
Total revenue	<u>852,164</u>	<u>1,009,616</u>	<u>267,626</u>	<u>201,158</u>	<u>298,324</u>	<u>160,772</u>	<u>171,939</u>	<u>185,863</u>	<u>1,590,053</u>	<u>1,557,409</u>
Segment results	<u>(34,392)</u>	<u>3,501</u>	<u>12,850</u>	<u>12,289</u>	<u>(19,984)</u>	<u>1,437</u>	<u>10,241</u>	<u>5,077</u>	<u>(31,285)</u>	<u>22,304</u>
Interest income									1,393	3,500
Profit/(loss) from operating activities									(29,892)	25,804
Finance costs									(5,333)	(2,827)
Profit/(loss) before taxation									(35,225)	22,977
Taxation									(3,544)	(6,178)
Profit/(loss) before minority interests									(38,769)	16,799
Minority interests									–	(144)
Net profit/(loss) from ordinary activities attributable to shareholders									<u>(38,769)</u>	<u>16,655</u>
Segment assets	<u>342,152</u>	<u>359,298</u>	<u>126,816</u>	<u>68,735</u>	<u>52,709</u>	<u>53,230</u>	<u>37,632</u>	<u>44,194</u>	559,309	525,457
Unallocated assets									6,213	603
Total assets									<u>565,522</u>	<u>526,060</u>
Segment liabilities	<u>60,854</u>	<u>91,904</u>	<u>37,036</u>	<u>14,044</u>	<u>10,958</u>	<u>11,510</u>	<u>8,802</u>	<u>9,287</u>	117,650	126,745
Unallocated liabilities									115,684	76,928
Total liabilities									<u>233,334</u>	<u>203,673</u>
Other segment information:										
Capital expenditure	17,651	36,045	17,983	15,181	14,721	26,836	5,690	8,145	56,045	86,207
Depreciation	33,862	34,669	8,200	9,615	9,068	3,655	5,051	3,552	56,181	51,491
Amortisation of intangible assets	4,291	4,291	–	–	–	–	–	–	4,291	4,291
Impairment of leasehold land and buildings	13,408	–	–	–	–	–	–	–	13,408	–
Stock provision	<u>16,450</u>	<u>25,035</u>	<u>5,009</u>	<u>(1,367)</u>	<u>10,176</u>	<u>1,717</u>	<u>6,788</u>	<u>5,216</u>	<u>38,423</u>	<u>30,601</u>

5. TURNOVER AND REVENUE

Turnover represents the aggregate of the net invoiced value of goods sold, after allowances 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	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover:		
Retailing and distribution of garments	1,588,473	1,552,118
Rendering of garment-related services	–	2,449
	<u>1,588,473</u>	<u>1,554,567</u>
Other revenue:		
Interest income	1,393	3,500
Royalty income	–	345
Rental income	509	549
Others	1,071	1,948
	<u>2,973</u>	<u>6,342</u>
Total revenue for the year	<u><u>1,591,446</u></u>	<u><u>1,560,909</u></u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES**

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

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of sales:		
Cost of inventories sold	858,463	856,410
Stock provision	38,423	30,601
	<u>896,886</u>	<u>887,011</u>
Staff costs (including directors' remuneration – Note 7):		
Wages and salaries	200,588	170,401
Pension scheme contributions	8,601	5,588
Less: Forfeited contributions	–	(1,360)
	<u>8,601</u>	<u>4,228</u>
Net pension contributions	<u>209,189</u>	<u>174,629</u>
Amortisation of intangible assets	4,291	4,291
Depreciation	56,181	51,491
Minimum lease payments under operating leases:		
Land and buildings	261,956	233,575
Plant and machinery	19	90
Auditors' remuneration	1,333	1,232
Compensation paid on legal cases	–	3,000
Loss on disposal of fixed assets	3,194	1,468
Foreign exchange losses, net	9,369	5,909
Impairment of leasehold land and buildings	13,408	–
Gross and net rental income	(509)	(549)
Interest income	(1,393)	(3,500)
Royalty income	–	(345)
	<u>–</u>	<u>(345)</u>

The above impairment of leasehold land and buildings of HK\$13,408,000 is included in "Other operating expenses" on the face of the consolidated profit and loss account.

As at 31 March 2002, forfeited contributions available to the Group to reduce its contributions to the ORSO Scheme in future years amounted to HK\$962,000 (2001: HK\$464,000).

7. DIRECTORS' REMUNERATION

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

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors:		
Fees	–	–
Salaries, allowances and benefits in kind	5,398	3,244
	<u>5,398</u>	<u>3,244</u>
Independent non-executive directors:		
Fees	192	192
	<u>5,590</u>	<u>3,436</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	6	6
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	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.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2001: one) director, details of whose remuneration are set out above. The details of the remuneration of the remaining four (2001: four) non-director, highest paid employees are set out below:

	Group	
	2002 HK\$'000	2001 HK\$'000
Salaries, allowances and benefits in kind	<u>5,163</u>	<u>3,351</u>

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

	Group Number of employees	
	2002	2001
Nil – HK\$1,000,000	–	3
HK\$1,000,001 – HK\$1,500,000	3	1
HK\$1,500,001 – HK\$2,000,000	1	–
	<u>4</u>	<u>4</u>

9. FINANCE COSTS

	Group	
	2002 HK\$'000	2001 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	<u>5,333</u>	<u>2,827</u>

10. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 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 tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Hong Kong	307	1,267
Elsewhere	5,242	4,315
Overprovision in prior years	(2,085)	–
	<hr/>	<hr/>
	3,464	5,582
Deferred taxation – <i>Note 21</i>	80	596
	<hr/>	<hr/>
Taxation charge for the year	<u>3,544</u>	<u>6,178</u>

11. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK\$69,000 (2001: net profit of HK\$21,068,000).

12. BASIC EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated based on the net loss attributable to shareholders for the year of HK\$38,769,000 (2001: net profit of HK\$16,655,000) and on the weighted average of 295,921,468 (2001: 291,660,524) shares in issue during the year, adjusted to reflect the rights issue during the year.

Diluted earnings/(loss) per share for the years ended 31 March 2002 and 2001 have not been calculated as no diluting events existed during these years.

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
13. FIXED ASSETS
Group

	Leasehold land and buildings	Leasehold improve- ments	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost or valuation:						
At beginning of year	82,154	188,473	5,668	75,306	5,545	357,146
Additions	–	38,013	62	17,746	224	56,045
Disposals	–	(15,023)	(51)	(2,075)	(388)	(17,537)
Exchange adjustments	–	(1,898)	1	(536)	(67)	(2,500)
At 31 March 2002	<u>82,154</u>	<u>209,565</u>	<u>5,680</u>	<u>90,441</u>	<u>5,314</u>	<u>393,154</u>
Representing:						
At cost	42,154	209,565	5,680	90,441	5,314	353,154
At valuation	40,000	–	–	–	–	40,000
	<u>82,154</u>	<u>209,565</u>	<u>5,680</u>	<u>90,441</u>	<u>5,314</u>	<u>393,154</u>
Accumulated depreciation and impairment:						
At beginning of year	11,683	122,422	2,614	53,595	3,161	193,475
Depreciation provided during the year	2,244	42,055	425	10,774	683	56,181
Impairment during the year	26,919	–	–	–	–	26,919
Disposals	–	(12,495)	(35)	(1,500)	(212)	(14,242)
Exchange adjustments	–	(508)	2	(178)	(26)	(710)
At 31 March 2002	<u>40,846</u>	<u>151,474</u>	<u>3,006</u>	<u>62,691</u>	<u>3,606</u>	<u>261,623</u>
Net book value:						
At 31 March 2002	<u>41,308</u>	<u>58,091</u>	<u>2,674</u>	<u>27,750</u>	<u>1,708</u>	<u>131,531</u>
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>

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

	At cost	At valuation	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	21,654	40,000	61,654
Elsewhere	20,500	–	20,500
	<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 2002, had the Group's revalued land and buildings been carried at cost less accumulated depreciation and impairment loss, they would have been included in the financial statements at approximately HK\$15,000,000 (2001: HK\$18,675,000).

The Group has adopted the transitional provisions of SSAP 17 "Property, plant and equipment" of not making further regular revaluations of its leasehold land and buildings which had previously been revalued.

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
14. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	193,962	193,962
Due from subsidiaries	120,727	58,242
Due to a subsidiary	–	(116)
	314,689	252,088

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>Note (a)</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>Note (a)</i>	People's Republic of China	RMB1,010,000	–	100	Retailing and distribution of garments
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
Kaono Trading Limited	British Virgin Islands	HK\$2,000	–	100	Investment holding
Key Value Trading Limited	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>Note (a)</i>	People's Republic of China	HK\$6,600,000	–	100	Garment sub-contracting
Lead Commence Limited	Hong Kong	HK\$2	–	100	Garment retailing and wholesaling

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

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	
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.

Note:

- (a) These subsidiaries were not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

15. INTANGIBLE ASSETS

	Group	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of year	4,291	8,582
Amortisation during the year	(4,291)	(4,291)
Balance at end of year	<u>–</u>	<u>4,291</u>

16. INVENTORIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Raw materials	3,046	4,422
Finished goods	121,531	166,848
	<u>124,577</u>	<u>171,270</u>

At the balance sheet date, no inventories were carried at net realisable value (2001: HK\$3,232,000).

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****17. DEBTORS**

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

An aged analysis of trade debtors is as follows:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
0 – 30 days	26,170	8,707
31 – 60 days	14,320	6,401
61 – 90 days	370	281
Over 90 days	252	1,359
Total	<u>41,112</u>	<u>16,748</u>

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Cash and bank balances	62,454	39,237	136	139
Time deposits	<u>111,000</u>	<u>37,500</u>	<u>–</u>	<u>–</u>
Cash and cash equivalents	<u>173,454</u>	<u>76,737</u>	<u>136</u>	<u>139</u>

19. CREDITORS AND ACCRUALS

Included in creditors and accruals is a balance of trade creditors of HK\$50,911,000 (2001: HK\$51,827,000).

An aged analysis of trade creditors is as follows:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
0 – 30 days	40,391	44,261
31 – 60 days	1,939	6,305
61 – 90 days	3,352	4
Over 90 days	5,229	1,257
Total	<u>50,911</u>	<u>51,827</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
20. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts repayable on demand or within one year	143	201
Trust receipt loans repayable on demand or within one year	2,004	2,872
Bank loans repayable:		
On demand or within one year	57,879	28,259
In the second year	20,000	10,000
In the third to fifth years, inclusive	35,000	35,000
	<u>112,879</u>	<u>73,259</u>
	115,026	76,332
Portion classified as current liabilities	<u>(60,026)</u>	<u>(31,332)</u>
Long term portion	<u><u>55,000</u></u>	<u><u>45,000</u></u>

21. DEFERRED TAXATION

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	596	–
Charge for the year – <i>Note 10</i>	80	596
Exchange adjustments	(18)	–
At end of year	<u><u>658</u></u>	<u><u>596</u></u>

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

22. SHARE CAPITAL

	Company	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
1,000,000,000 (2001: 500,000,000) ordinary shares of HK\$0.10 each	<u><u>100,000</u></u>	<u><u>50,000</u></u>
<i>Issued and fully paid:</i>		
411,446,239 (2001: 274,297,493) ordinary shares of HK\$0.10 each	<u><u>41,145</u></u>	<u><u>27,430</u></u>

During the year, the following movements in share capital were recorded:

- (a) 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 new shares of HK\$0.10 each, such new shares ranking pari passu in all respects with the existing issued shares of the Company.
- (b) A rights issue on the basis of one rights share for every two existing shares held by shareholders on the register of members on 18 February 2002 was made, at an issue price of HK\$0.46 per rights share, resulting in the issue of 137,148,746 shares of HK\$0.10 each for a total cash consideration, before share issue expenses, of approximately HK\$63,089,000. The proceeds of the issue of rights shares will be used to fund the expansion of the Group's business in the PRC and also for the Group's general working capital.

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

A summary of the movements of the Company's ordinary share capital during the year is as follows:

	Number of shares in issue	Issued capital HK\$'000
At 1 April 2001	274,297,493	27,430
Rights issue	137,148,746	13,715
	<u>411,446,239</u>	<u>41,145</u>

There were no changes to the carrying amount, or to the number of ordinary shares in issue during the prior year.

23. RESERVES

	Share premium account HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000 <i>Note (a)</i>	Revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000 <i>Note (b)</i>	Retained profits HK\$'000	Total HK\$'000
Group								
At 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>	<u>16,655</u>	<u>16,655</u>
At 31 March 2001 and 1 April 2001	–	740	99,175	13,915	8,281	–	172,846	294,957
Issue of rights shares	49,374	–	–	–	–	–	–	49,374
Share issue expenses	(879)	–	–	–	–	–	–	(879)
Realisation on depreciation during the year	–	–	–	(404)	–	–	404	–
Impairment of leasehold land and buildings	–	–	–	(13,511)	–	–	–	(13,511)
Exchange realignment of foreign subsidiaries	–	–	–	–	(129)	–	–	(129)
Transfer to reserve funds	–	–	–	–	–	1,183	(1,183)	–
Net loss for the year attributable to shareholders	–	–	–	–	–	–	(38,769)	(38,769)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(38,769)</u>	<u>(38,769)</u>
At 31 March 2002	<u>48,495</u>	<u>740</u>	<u>99,175</u>	<u>–</u>	<u>8,152</u>	<u>1,183</u>	<u>133,298</u>	<u>291,043</u>

Notes:

- (a) 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.
- (b) In accordance with the financial regulations applicable in the PRC, a portion of the profits of a subsidiary of the Company in the PRC has been transferred to reserve funds which are restricted as to use.

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill/negative goodwill in respect of acquisitions which occurred prior to 1 April 2001, to remain eliminated against/credited to consolidated reserves.

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. Following this assessment, the directors are of the opinion that there is no impairment of goodwill previously included in consolidated reserves.

The amounts of goodwill and negative goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries, are as follows:

	Group	
	Goodwill eliminated against capital reserve and retained profits HK\$'000	Negative goodwill included in capital reserve HK\$'000
Cost:		
At beginning of year and as at 31 March 2002	(28,174)	7,932
Accumulated impairment:		
At beginning of year and as at 31 March 2002	—	—
Net amount:		
At 31 March 2002 and 2001	<u>(28,174)</u>	<u>7,932</u>

Company	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2000	—	166,533	47,600	214,133
Net profit for the year	—	—	21,068	21,068
At 31 March 2001 and 1 April 2001	—	166,533	68,668	235,201
Issue of rights shares	49,374	—	—	49,374
Share issue expenses	(879)	—	—	(879)
Net loss for the year	—	—	(69)	(69)
At 31 March 2002	<u>48,495</u>	<u>166,533</u>	<u>68,599</u>	<u>283,627</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 shareholders out of the contributed surplus.

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Profit/(loss) from operating activities	(29,892)	25,804
Interest income	(1,393)	(3,500)
Loss on disposal of fixed assets	3,194	1,468
Depreciation	56,181	51,491
Amortisation of intangible assets	4,291	4,291
Impairment of leasehold land and buildings	13,408	–
Decrease in inventories	48,170	4,975
Increase in debtors	(28,409)	(1,555)
Increase in bills receivable	(1,619)	(2,554)
Increase in deposits paid	(1,006)	(18,793)
Decrease in prepayments and other receivables	10,538	29,446
Increase/(decrease) in creditors and accruals	1,007	(3,726)
Increase/(decrease) in bills payable	(9,768)	7,566
	<u>64,702</u>	<u>94,913</u>

(b) Analysis of changes in financing during the year

	Issued capital (including share premium account) <i>HK\$'000</i>	Bank and trust receipt loans <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
Balance at 1 April 2000	27,430	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	–
	<u>27,430</u>	<u>76,131</u>	<u>–</u>
Balance at 31 March 2001 and 1 April 2001	27,430	76,131	–
Net cash inflow from financing activities	62,665	39,604	–
Accrued share issue expenses	(455)	–	–
Decrease in short term bank and trust receipt loans classified as cash equivalents	–	(868)	–
Exchange adjustments	–	16	–
	<u>89,640</u>	<u>114,883</u>	<u>–</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****(c) Acquisition of subsidiaries/businesses**

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Net assets acquired:		
Fixed assets	–	17,266
Inventories	–	12,417
Debtors	–	4,543
Prepayments and other receivables	–	4,521
Cash and bank balances	–	1,172
Creditors and accruals	–	(13,967)
Tax payable	–	(66)
	–	25,886
Goodwill on acquisition	–	23,416
	–	49,302
Satisfied by:		
Cash	–	49,302

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries/businesses

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Cash consideration	–	(49,302)
Cash and bank balances acquired	–	1,172
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries/businesses	–	(48,130)

The subsidiaries/businesses acquired during the previous 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 for that year.

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

25. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

The Group sub-leases one of its retail properties under an operating lease arrangement, with the lease negotiated for a term of three years.

At 31 March 2002, the Group had total future minimum lease receivables under a non-cancellable operating lease with its tenant falling due as follows:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Within one year	509	297
In the second to fifth years, inclusive	806	–
	1,315	297

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****(b) As lessee**

The Group leases certain of its office, retail outlets and warehouse properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years.

At 31 March 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Within one year	195,815	220,312
In the second to fifth years, inclusive	236,493	327,051
After five years	239	1,107
	<u>432,547</u>	<u>548,470</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 could not be accurately estimated, the relevant rental commitments have not been included above.

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

26. COMMITMENTS

In addition to the operating lease commitments detailed in note 25 above, the Group and the Company had commitments under foreign exchange contracts as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Foreign exchange contracts	<u>17,940</u>	<u>–</u>

27. CONTINGENT LIABILITIES

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank guarantees given in lieu of utility and property rental deposits	<u>4,581</u>	<u>4,405</u>

The Company has given guarantees in favour of banks to the extent of HK\$400,719,000 (2001: HK\$327,851,000) in respect of banking facilities granted to certain subsidiaries. These were utilised to the extent of HK\$149,884,000 as at 31 March 2002 (2001: HK\$80,737,000).

28. LITIGATIONS

- (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 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 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 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 the costs of the Actions. As at the date of this report, no payment has been made 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 the 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 judgements against Bossini Trading or any unfavourable judgement being made against Bossini Trading upon leave of the courts being granted to WDC to continue the WDC Action.

29. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, on 27 June 2002, the directors recommend a bonus issue of new shares to be distributed to shareholders of the Company whose names appear on the register of members of the Company on 30 August 2002 in the proportion of one new share for every four existing shares held by them (the “Bonus Issue”). Based on 411,446,239 ordinary shares in issue as at 27 June 2002, a maximum of 102,861,559 new ordinary shares (the “Bonus Shares”) will be issued. This recommendation has not been incorporated in the financial statements because the Bonus Issue is conditional upon the approval by shareholders at the forthcoming annual general meeting and the granting by the Stock Exchange of the listing of and permission to deal in the Bonus Shares to be issued. Upon approval by both parties, the Bonus Shares will be issued, credited as fully paid, by capitalising the sum of up to HK\$10,286,156 standing to the credit of the share premium account of the Company and will rank *pari passu* in all respects with the existing issued shares.

30. RELATED PARTY TRANSACTIONS

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

		Group	
	<i>Notes</i>	2002 HK\$'000	2001 HK\$'000
Rental paid for warehouse premises	<i>(a)</i>	1,240	1,240
Rental paid for office premises	<i>(b)</i>	4,433	4,212
Rental paid for a retail outlet	<i>(c)</i>	–	1,293

Notes:

- (a) 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.
- (b) The rental for the period from 1 April 2000 to 30 September 2001 was paid to First On International Limited (“First On”). Mr. Ka Sing LAW, a director of the Company, had beneficial equity interest in First On. The rental for the period from 1 October 2001 to 31 March 2002 was paid to Bright City International Limited in which Mr. Ka Sing LAW has beneficial equity interests. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.
- (c) The rental for the prior year 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 year. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.

31. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation:

- (a) As further explained in note 2 to the financial statements, due to the adoption of new and revised SSAPs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements.
- (b) Credit card receivables totalling HK\$4,675,000 as at 31 March 2001 were classified under prepayments and other receivables in the previous year. To accord with the presentation adopted in the current year, which in the opinion of the directors, better reflects the underlying nature of the transactions, they have been reclassified under debtors.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2002.

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 2001 and 2002; (ii) the audited and unaudited condensed consolidated balance sheet of the Group as at 31 March 2002 and 30 September 2002 respectively; (iii) the unaudited condensed consolidated cash flow statement of the Group for the six months ended 30 September 2001 and 2002; and (iv) the explanatory notes for the six months ended 30 September 2002 as extracted from the Company's interim report 2002-2003.

Condensed consolidated profit and loss account

	<i>Notes</i>	Six months ended	
		30 September	
		2002	2001
		(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	714,592	700,365
Cost of sales		<u>(381,015)</u>	<u>(380,066)</u>
Gross profit		333,577	320,299
Other revenue	3	3,709	2,336
Selling and distribution costs		(265,171)	(255,197)
Administrative expenses		(75,558)	(66,854)
Other operating expenses		<u>(24,900)</u>	<u>(33,794)</u>
LOSS FROM			
OPERATING ACTIVITIES	4	(28,343)	(33,210)
Finance costs	5	<u>(2,556)</u>	<u>(1,840)</u>
LOSS BEFORE TAXATION		(30,899)	(35,050)
Taxation	6	<u>(2,116)</u>	<u>(201)</u>
NET LOSS ATTRIBUTABLE TO			
SHAREHOLDERS		<u>(33,015)</u>	<u>(35,251)</u>
RELEASE FROM REVALUATION RESERVE	7	<u>–</u>	<u>202</u>
BASIC LOSS PER SHARE	8	<u>(6.42 cents)</u>	<u>(9.67 cents)</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Condensed consolidated balance sheet**

		As at 30 September 2002 (Unaudited) HK\$'000	As at 31 March 2002 (Audited) HK\$'000 (Restated)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		135,727	131,531
Deposits paid		44,186	44,491
		<u>179,913</u>	<u>176,022</u>
CURRENT ASSETS			
Inventories		269,981	124,577
Debtors	9	43,971	41,112
Bills receivable		12,896	12,988
Deposits paid		23,171	20,790
Prepayments and other receivables		25,599	10,366
Tax recoverable		496	6,213
Time deposits with maturity exceeding three months		20,000	–
Cash and cash equivalents		78,251	173,454
		<u>474,365</u>	<u>389,500</u>
CURRENT LIABILITIES			
Creditors and accruals	10	205,645	109,313
Bills payable		24,606	12,337
Interest-bearing bank loans and overdrafts		82,477	60,026
		<u>312,728</u>	<u>181,676</u>
NET CURRENT ASSETS		<u>161,637</u>	<u>207,824</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		341,550	383,846
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		45,000	55,000
Deferred taxation		684	658
		<u>45,684</u>	<u>55,658</u>
		<u>295,866</u>	<u>328,188</u>
CAPITAL AND RESERVES			
Share capital	11	51,431	41,145
Reserves		244,435	287,043
		<u>295,866</u>	<u>328,188</u>

Condensed consolidated cash flow statement

	Six months ended 30 September	
	2002 (Unaudited) <i>HK\$'000</i>	2001 (Unaudited) <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(53,009)	(22,802)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(52,335)	(32,955)
NET CASH INFLOW FROM FINANCING ACTIVITIES	11,759	15,307
DECREASE IN CASH AND CASH EQUIVALENTS	(93,585)	(40,450)
Cash and cash equivalents at beginning of period	171,307	73,664
Effect of foreign exchange rate changes, net	256	(42)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>77,978</u>	<u>33,172</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	60,742	33,363
Time deposits	17,509	–
Bank overdrafts	(273)	(191)
	<u>77,978</u>	<u>33,172</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
Condensed consolidated statement of changes in equity

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Reserve funds <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002:									
As previously reported	41,145	48,495	740	99,175	-	8,152	1,183	133,298	332,188
Prior year adjustment: SSAP 34									
- recognition of unused compensated absences	-	-	-	-	-	-	-	(4,000)	(4,000)
As restated	41,145	48,495	740	99,175	-	8,152	1,183	129,298	328,188
Issue of bonus shares	10,286	(10,286)	-	-	-	-	-	-	-
Exchange realignment of foreign subsidiaries	-	-	-	-	-	693	-	-	693
Net loss for the period attributable to shareholders	-	-	-	-	-	-	-	(33,015)	(33,015)
At 30 September 2002	<u>51,431</u>	<u>38,209</u>	<u>740</u>	<u>99,175</u>	<u>-</u>	<u>8,845</u>	<u>1,183</u>	<u>96,283</u>	<u>295,866</u>
At 1 April 2001:									
As previously reported	27,430	-	740	99,175	13,915	8,281	-	172,846	322,387
Prior year adjustment: SSAP 34									
- recognition of unused compensated absences	-	-	-	-	-	-	-	(4,000)	(4,000)
As restated	27,430	-	740	99,175	13,915	8,281	-	168,846	318,387
Realisation on depreciation during the period	-	-	-	-	(202)	-	-	202	-
Exchange realignment of foreign subsidiaries	-	-	-	-	-	589	-	-	589
Net loss for the period attributable to shareholders	-	-	-	-	-	-	-	(35,251)	(35,251)
At 30 September 2001	<u>27,430</u>	<u>-</u>	<u>740</u>	<u>99,175</u>	<u>13,713</u>	<u>8,870</u>	<u>-</u>	<u>133,797</u>	<u>283,725</u>

Notes:

1. Basis of preparation and significant accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants. 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 2002, except that:

- (a) the following new or revised SSAPs have been adopted for the first time in the preparation of the current period’s unaudited condensed consolidated interim financial statements:

SSAP 1 (Revised)	:	“Presentation of financial statements”
SSAP 11 (Revised)	:	“Foreign currency translation”
SSAP 15 (Revised)	:	“Cash flow statements”
SSAP 25 (Revised)	:	“Interim financial reporting”
SSAP 34	:	“Employee benefits”

- (b) with effect from the current period, the Group has changed the provisioning policies on inventories by decelerating the rates of provision applied to slow-moving inventories. This constitutes a change in accounting estimates. In the opinion of the directors, the net realisable value of inventories is more accurately reflected by the revised rates. These changes have been applied prospectively and have resulted in a reduction in provision for slow-moving inventories of approximately HK\$13,627,000 for the period.

As a result of adopting these new and revised SSAPs, a condensed consolidated statement of changes in equity is now included in the interim financial statements and the condensed consolidated cash flow statement and the segment information are revised in accordance with the new requirements of these new and revised SSAPs. There is no impact to the financial results and the financial position of the Group by the adoption of the above new and revised SSAPs, except in relation to SSAP 34.

In accordance with SSAP 34, the cost of accumulating compensated absences is recognised as an expense and measured based on the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date. This change in accounting policy has been applied retrospectively and accordingly, the retained profits and the net assets of the Group as at 1 April 2001 and 31 March 2002 have been decreased by HK\$4,000,000. There is no significant impact on the Group’s net assets as at 30 September 2002 and its net loss attributable to shareholders for both periods presented.

Certain comparative figures in the condensed consolidated cash flow statement and the segment information have been reclassified to conform with the current period’s presentation.

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

2. Segment information

An analysis of the Group's revenue and profit/(loss) by business segment is not presented as the Group's revenue and results are predominantly derived from retailing and distribution of garments.

An analysis of the Group's revenue and profit/(loss) by geographical segment for the period ended 30 September 2002, together with the comparative figures for the corresponding period in 2001, is as follows:

	Hong Kong		Elsewhere in the PRC		Taiwan		Singapore		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	337,199	405,958	187,883	92,296	125,315	119,870	64,195	82,241	714,592	700,365
Other revenue	1,301	(265)	713	1,744	331	-	11	8	2,356	1,487
Total revenue	<u>338,500</u>	<u>405,693</u>	<u>188,596</u>	<u>94,040</u>	<u>125,646</u>	<u>119,870</u>	<u>64,206</u>	<u>82,249</u>	<u>716,948</u>	<u>701,852</u>
Segment results	<u>(18,513)</u>	<u>(32,663)</u>	<u>(2,045)</u>	<u>(1,463)</u>	<u>(9,944)</u>	<u>(5,409)</u>	<u>806</u>	<u>5,476</u>	<u>(29,696)</u>	<u>(34,059)</u>
Interest income									1,353	849
Loss from operating activities									(28,343)	(33,210)
Finance costs									(2,556)	(1,840)
Loss before taxation									(30,899)	(35,050)
Taxation									(2,116)	(201)
Net loss from ordinary activities attributable to shareholders									<u>(33,015)</u>	<u>(35,251)</u>

3. Other revenue

	Six months ended 30 September	
	2002 HK\$'000	2001 HK\$'000
Interest income	1,353	849
Royalty income	340	-
Rental income	255	254
Others	1,761	1,233
	<u>3,709</u>	<u>2,336</u>

4. Loss from operating activities

Loss from operating activities is arrived at after charging:

	Six months ended 30 September	
	2002 HK\$'000	2001 HK\$'000
Depreciation	29,505	27,942
Amortisation of intangible assets	-	2,145
	<u>-</u>	<u>2,145</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****5. Finance costs**

	Six months ended	
	30 September	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	<u>2,556</u>	<u>1,840</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 2002 (six months ended 30 September 2001: Nil). 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	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overseas taxation and taxation charge for the period	<u>2,116</u>	<u>201</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 in the prior period represented the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

8. Basic loss per share

Basic loss per share is calculated based on the net loss attributable to shareholders for the period of HK\$33,015,000 (2001: net loss of HK\$35,251,000) and on the weighted average of 514,307,798 shares (2001: 364,575,655 shares, as restated for the rights issue) in issue during the period, adjusted to reflect the bonus issue of shares during the period.

Diluted loss per share for the six months ended 30 September 2002 and 2001 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	As at
	30 September	31 March
	2002	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	31,478	26,170
31 – 60 days	11,331	14,320
61 – 90 days	440	370
Over 90 days	<u>722</u>	<u>252</u>
Total	<u>43,971</u>	<u>41,112</u>

10. Creditors and accruals

Included in creditors and accruals is a trade creditors balance of HK\$130,396,000 (31 March 2002: HK\$50,911,000).

The aged analysis of trade creditors is as follows:

	As at 30 September 2002 HK\$'000	As at 31 March 2002 HK\$'000
0 – 30 days	99,034	40,391
31 – 60 days	27,706	1,939
61 – 90 days	2,025	3,352
Over 90 days	1,631	5,229
Total	<u>130,396</u>	<u>50,911</u>

11. Share capital

	As at 30 September 2002 HK\$'000	As at 31 March 2002 HK\$'000
<i>Authorised:</i>		
2,000,000,000 (31 March 2002: 1,000,000,000) ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
514,307,798 (31 March 2002: 411,446,239) ordinary shares of HK\$0.10 each	<u>51,431</u>	<u>41,145</u>

- (a) Pursuant to an ordinary resolution passed on 30 August 2002, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$200,000,000 by the creation of an additional 1,000,000,000 shares of HK\$0.10 each, such shares ranking pari passu in all respects with the existing issued shares of the Company.
- (b) On 12 September 2002, the Company allotted 102,861,559 bonus shares, credited as fully paid, by way of capitalisation of a sum up to HK\$10,286,156 from the Company's share premium account, to shareholders entitled thereto, pursuant to a bonus issue of shares on the basis of one bonus share for every four existing shares then held. The bonus shares rank 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:

		Six months ended 30 September	
	<i>Notes</i>	2002 HK\$'000	2001 HK\$'000
Rental paid for warehouse premises	(a)	620	620
Rental paid for office premises	(b)	<u>2,272</u>	<u>2,161</u>

Notes:

- (a) The rental was paid to Laws International Group Limited ("Laws International") (formerly known as "Laws Fashion Knitters Limited"). Mr. Ka Sing LAW ("Mr. LAW"), a director of the Company, has beneficial equity interest in Laws International. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.
- (b) The rental was paid to Bright City International Limited in which Mr. LAW has beneficial equity interest. During the previous period, the rental was paid to First On International Limited ("First On"). Mr. LAW had beneficial equity interest in First On. The rental was determined by reference to open market rentals at the inception of the tenancy agreement.

13. Capital commitments

	As at 30 September 2002 <i>HK\$'000</i>	As at 31 March 2002 <i>HK\$'000</i>
Contracted for:		
acquisition of fixed assets	1,151	–
Authorised but not contracted for:		
acquisition of fixed assets	258	–
	<u>1,409</u>	<u>–</u>

14. Contingent liabilities

	As at 30 September 2002 <i>HK\$'000</i>	As at 31 March 2002 <i>HK\$'000</i>
Bank guarantees given in lieu of utility and property rental deposits	<u>4,250</u>	<u>4,581</u>

There have been no material changes in contingent liabilities in respect of the Group's litigations since 31 March 2002.

15. Approval of the interim financial statements

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 28 November 2002.

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 2002, the date to which the latest audited financial statements of the Company were 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 28 February 2003, 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\$170,790,000, which comprised bank overdrafts of approximately HK\$2,459,000, trust receipt loans of approximately HK\$51,440,000 and bank loans of approximately HK\$116,891,000. Of the foregoing outstanding borrowings, approximately HK\$135,790,000 are short term borrowings.

As at 28 February 2003, the Group had contingent liabilities in respect of bank guarantees given in lieu of utility and property rental deposits totalling approximately HK\$4,295,000.

As at 28 February 2003, the Group had commitments in respect of foreign exchange contracts entered into with a bank amounting to approximately HK\$23,365,000 to hedge against trading settlements denominated in foreign currencies.

In addition, as at 28 February 2003, 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 28 February 2003 up to the Latest Practicable Date are set out on page 63 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 exchange rates ruling at the close of business on 28 February 2003.

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 28 February 2003.

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 2002 and adjusted as described below:

	<i>HK\$'000</i>
Audited consolidated net tangible assets of the Group as at 31 March 2002, as restated	328,188
Unaudited consolidated net loss attributable to Shareholders for the six months ended 30 September 2002	(33,015)
Exchange realignment arising from translation of foreign subsidiaries as at 30 September 2002	<u>693</u>
Pro forma unaudited adjusted consolidated net tangible assets of the Group before the Rights Issue	295,866
Estimated net proceeds from the Rights Issue	<u>55,670</u>
Pro forma unaudited adjusted consolidated net tangible assets of the Group after the Rights Issue	<u><u>351,536</u></u>
Pro forma unaudited adjusted consolidated net tangible assets per Share before the Rights Issue (based on 514,307,798 Shares in issue as at the Latest Practicable Date)	<u><u>HK\$0.575</u></u>
Pro forma unaudited adjusted consolidated net tangible assets per Share after the Rights Issue (based on 771,461,697 Shares comprising 514,307,798 Shares in issue as at the Latest Practicable Date and 257,153,899 Rights Shares to be issued under the Rights Issue)	<u><u>HK\$0.456</u></u>

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

Mr. Ka Sing LAW
Mr. Chi Kwong TO
Ms. Pansy Wai Man CHAU
Mr. Simon Kuen Fung OR
Mr. Ping Chuen FUNG

Independent non-executive Directors

Mr. David Sik Ho CHEUNG
Mrs. 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 52, is the Chairman and Chief Executive Officer of the Group. Mr. Law joined the Group in 1991 and has over 23 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 41, 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 14 years' experience in auditing, finance and accounting. Mr. To is responsible for the overall financial management and internal audit function of the Group.

Ms. Pansy Wai Man CHAU, aged 40, is an executive Director of the Group. Ms. Chau holds a Higher Diploma in Fashion and Clothing Technology from Hong Kong Polytechnic. She joined the Group in 2001 and has over 16 years' experience in sales planning and buying in leading fashion retail chains. Ms. Chau is responsible for strategic product planning and buying, and for overseeing the design function of the Group.

Mr. Simon Kuen Fung OR, aged 32, is an executive Director of the Group. Mr. Or joined the Group in 2001 and has over 9 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.

Mr. Ping Chuen FUNG, aged 43, is an executive Director of the Group. Mr. Fung joined the Group in 2002 and is responsible for overall human resources and information technology management. He holds a Bachelor's Degree in Sociology from the Hong Kong Baptist College and a Master's Degree in Business Administration from the Asia International

Open University, Macau. He is a member of the Hong Kong Institute of Human Resources Management. Prior to joining the Group, Mr. Fung has over 15 years' experience in the field of human resources management and is a practitioner and trainer in knowledge management and organizational learning practices. Over the years, he has also led initiatives in information security management.

Independent non-executive Directors

Mr. David Sik Ho CHEUNG, aged 51, 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 61, 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 33 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 Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke Bermuda
Branch Registrars	Computershare Hong Kong Investor Services Limited Shops 1712-6, 17th Floor Hopewell Centre 183 Queen's Road East 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	<i>as to Hong Kong law:</i> Richards Butler 20th Floor, Alexandra House 16-20 Chater Road Central, Hong Kong <i>as to Bermuda law:</i> Appleby Spurling & Kempe 5511 The Center 99 Queen's Road Central Hong Kong

3. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests (including short positions) of each of the Directors and chief executive of the Company in the share capital of the Company and its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Sections 341, 342 and 343 of the SFO (including interests which any such Director was taken to have under Sections 344 and 345 of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:–

(a) Interests in securities

Name of Director	Nature of interest	Number of Shares	Shareholding
Mr. Ka Sing LAW	Personal	324,302,343	63.06%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests (including short positions) in the share capital of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Sections 341, 342 and 343 of the SFO (including interests which they were deemed or taken to have under Sections 344 and 345 of the SFO) or the Model Code or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein.

(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 2002, 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

As at the Latest Practicable Date, in accordance with the register kept by the Company under Section 336 of the SFO, the following persons were interested in the issued and unissued share capital of the Company (including short positions) representing 5% or more of the issued share capital of the Company:–

Name of Shareholder	Number of Shares	Shareholding
Mr. Ka Sing LAW	324,302,343	63.06%
Mr. Raymond Ka Kui LAW	33,175,000	6.45%

Save for the persons disclosed in this section, as at the Latest Practicable Date, no other person was recorded in the register kept pursuant to Section 336 of the SFO as having an interest in the issued and unissued share capital of the Company (including short positions) representing 5% or more of the issued share capital of the Company. The Directors are not aware of any person, other than the persons (including his personal, family and corporate interests) as aforesaid, who had, directly or indirectly, an interest in the issued and unissued share capital of the Company (including short positions) representing 5% or more of the issued share capital of the Company as at the Latest Practicable Date.

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) 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 of the Company (details of which were set out in the prospectus issued by the Company on 22 February 2002) (the Company did not pay any fee or underwriting commission under such underwriting agreement); and
- (b) the Underwriting Agreement (the Company will not pay any fee or underwriting commission under 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.
- (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. 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\$0.9 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 a copy of the Prospectus has been 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 to and including 9 May 2003:

- (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 2001 and 2002;
- (c) the unaudited interim financial statements of the Company for the six-month period ended 30 September 2002; and
- (d) the material contracts referred to in the section headed "Material contracts" in this appendix.