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## IMPORTANT

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*If you are in any doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.*

# LINMARK

## LINMARK GROUP LIMITED

### 林麥集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

### NEW ISSUE AND OFFER FOR SALE

### LISTING ON THE MAIN BOARD OF

### THE STOCK EXCHANGE OF HONG KONG LIMITED

### BY WAY OF

### PUBLIC OFFER AND PLACING

**Number of Offer Shares : 156,000,000 Shares subject to  
Over-allotment Option**

**Number of Public Offer Shares : 15,600,000 New Shares, subject  
to re-allocation**

**Number of Placing Shares : 109,200,000 New Shares and 31,200,000 Sale  
Shares, subject to Over-allotment Option  
and re-allocation**

**Offer Price : HK\$1.68 per Offer Share, payable in full  
upon application**

**Nominal value : US\$0.02 each**

**Stock code : 915**

*Sponsor*



DBS ASIA CAPITAL LIMITED

*Co-Sponsor*



SBI E2-Capital (HK) Limited

*Joint International Coordinators and Joint Bookrunners*

DBS ASIA CAPITAL LIMITED

SBI E2-Capital Securities Limited

*Joint Lead Managers*

DBS Asia Capital Limited

SBI E2-Capital Securities Limited

Cazenove Asia Limited

*Co-Managers*

DBS Vickers (Hong Kong) Limited

GC Securities Limited

ICEA Capital Limited

Kingsway SW Securities Limited

OpenOffering Capital Limited

Phillip Securities (HK) Ltd.

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*The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its 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 this prospectus.*

*A copy of this prospectus, having attached thereto the documents specified under "Documents delivered to the Registrars of Companies" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong. A copy of this prospectus, together with copies of the related application forms, has also been filed with the Registrar of Companies in Bermuda as required under the Companies Act 1981 of Bermuda. The Securities and Futures Commission, the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of this prospectus or any other documents referred to above.*

*Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to the Company given by DBS Asia and SBI E2-Capital acting as the sponsor and the co-sponsor, respectively, for themselves and on behalf of other Underwriters, upon the occurrence of any of the events set forth under "Grounds for termination" in the section headed "Underwriting arrangements of the Share Offer" in this prospectus at any time prior to 6:00 p.m. on Thursday, 9 May 2002. Such events include, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out.*

\* For identification purpose only

30 April 2002

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## EXPECTED TIMETABLE

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Latest time for lodging **PINK** application forms . . . . . 4:00 p.m. on Friday, 3 May 2002

Application lists of the Public Offer open (*Note 2*) . . . . . 11:45 a.m. on Monday, 6 May 2002

Latest time for lodging **WHITE** and **YELLOW**  
application forms . . . . . 12:00 noon on Monday, 6 May 2002

Application lists of the Public Offer close (*Note 2*) . . . . . 12:00 noon on Monday, 6 May 2002

Announcement of the level of indication of interests  
in the Placing and the results of applications and the basis of  
allotment of the Public Offer Shares (with successful and  
partially successful applicants' Hong Kong identity card  
number/passport number/Hong Kong business registration  
certificate number, where appropriate) to be published in  
South China Morning Post (in English) and  
Hong Kong Economic Times and Sing Tao Daily (in Chinese) on . . . . . Thursday, 9 May 2002

Posting of the Share certificates on (*Note 3*) . . . . . Thursday, 9 May 2002

Posting of refund cheques to wholly or  
partially unsuccessful applicants on (*Note 3*) . . . . . Thursday, 9 May 2002

Dealings in the Shares on the Main Board commence on . . . . . Friday, 10 May 2002

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*Notes:*

1. All times refer to Hong Kong local time.
2. If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Monday, 6 May 2002 in Hong Kong, the application lists of the Public Offer will not open and close on that day. Particulars of the arrangements are set forth under "Effect of bad weather on the opening of the application lists of the Public Offer" in the section headed "How to apply for the Public Offer Shares" in this prospectus.
3. Applicants who apply on **WHITE** application forms for 1,000,000 Public Offer Shares or more may collect their Share certificates and/or refund cheque (if any) in person from the Company's branch share registrar in Hong Kong, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong between 9:00 a.m. and 1:00 p.m. on Thursday, 9 May 2002 or on such other date as notified by the Company in the newspapers. In order to do so, the applicant must indicate in the appropriate box on the **WHITE** application form. Identification documents and authorisation documents (where applicable) acceptable to Standard Registrars Limited must be produced at the time of collection of Share certificates and/or refund cheque (if any).

Applicants who apply on **YELLOW** application forms for 1,000,000 Public Offer Shares or more may collect their refund cheques (if any) in person from the Company's branch share registrar in Hong Kong, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong between 9:00 a.m. and 1:00 p.m. on Thursday, 9 May 2002 or on such other date as notified by the Company in the newspapers. In order to do so, the applicant must indicate in the appropriate box on the **YELLOW** application form. The procedure for collection of refund cheques (if any) for applicants who apply on **YELLOW** application forms is the same as those for applicants who apply on **WHITE** application forms.

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## EXPECTED TIMETABLE

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Uncollected Share certificates and/or refund cheques (if any) will be despatched by ordinary post to the addresses specified in their respective application forms at the applicants' own risk promptly after the expiry of the time for their collection, particulars of which are set forth under "Collection/posting of Share certificates/refund cheques and deposit of Share certificates into CCASS" in the section headed "How to apply for the Public Offer Shares" in this prospectus.

For applicants who have *not* indicated on their application forms that they will collect their Share certificates and/or refund cheques (if any) in person, their Share certificates and/or refund cheques (if any) will be despatched by ordinary post to the addresses specified in their respective application forms at the applicants' own risk on Thursday, 9 May 2002.

For applicants who apply on **PINK** application forms, Share certificates and/or refund cheques (if any) will be despatched by ordinary post at the applicants' own risk to the address specified in the relevant application forms on Thursday, 9 May 2002.

Particulars of the structure of the Share Offer, including the conditions thereto, are set forth in the sections headed "Information about this prospectus and the Share Offer" and "Structure of the Share Offer" in this prospectus.

**Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to the Company given by DBS Asia and SBI E2-Capital acting as the sponsor and the co-sponsor, respectively, for themselves and on behalf of other Underwriters, upon the occurrence of any of the events set forth under "Grounds for termination" in the section headed "Underwriting arrangements of the Share Offer" in this prospectus at any time prior to 6:00 p.m. on Thursday, 9 May 2002 (the "Termination Time"). Such events include, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out. Accordingly, Share certificates do not constitute evidence of title to the Offer Shares until the Termination Time.**

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*You should rely only on the information contained in this prospectus and the related application forms to make your investment decision.*

*The Company and RGS Holdings have not authorised anyone to provide you with information that is different from what is contained in this prospectus.*

*Any information or representation not made in this prospectus and the related application forms must not be relied on by you as having been authorised by the Company, RGS Holdings, any of the Sponsors, the Underwriters, the directors, officers, employees, agents or representatives of any of them or any other parties involved in the Share Offer.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW OF THE BUSINESS OF THE GROUP

#### Introduction

The Group is principally engaged in the sourcing business and the business of provision of supply chain management solutions to retail chain operators, brands, wholesalers, mail order houses and department stores in various countries. The Group specialises in sourcing a wide range of softgoods and hardgoods for its customers. Softgoods sourced by the Group include apparel, footwear and related accessories. Hardgoods sourced by the Group include toys, furniture, sporting goods, home decorations, houseware, seasonals, home textiles, giftware, hardware, electronic appliances, tableware and lawn and garden products. Most of the Group's customers are located in North America and Europe.

To provide its customers with merchandise according to their requirements at competitive prices, the Group maintains a global sourcing network which extended to approximately 1,900 vendors in 15 countries and territories during the Track Record Period. All these vendors are Independent Third Parties. The performance of the vendors is monitored and coordinated by 14 sourcing offices of the Group in 11 countries and territories, namely the PRC, Hong Kong, India, Thailand, Bangladesh, South Africa, Pakistan, Indonesia, South Korea, Singapore and Taiwan.

It is the Group's policy to promote information transparency between its customers and their vendors with the objective of providing efficient and cost-effective supply chain management solutions to its customers. To this end, the Group also provides different types of value-added services at various stages of the supply chain management, which include design and trend services, information on the latest product design and development, selection of vendors, production planning and management, quality assurance, social compliance and logistics management.

As at the Latest Practicable Date, certain major sourcing offices of the Group and its headquarters in Hong Kong were connected to LOGON system via the Internet. It is expected that LOGON system will connect all sourcing offices of the Group from June 2002 onwards. One of the features of LOGON system is to provide on-line order tracking and monitoring functions, through which the Group may track performance of the vendors of its customers to ensure that the merchandise sourced by the Group for its customers is delivered on time.

#### Modular business model of the Group

Apart from providing one-stop supply chain management solutions to its customers, the Group also offers individual modules of its value-added services on a stand-alone basis to suit the individual needs of its customers. Customers of the Group may engage a particular type of supply chain

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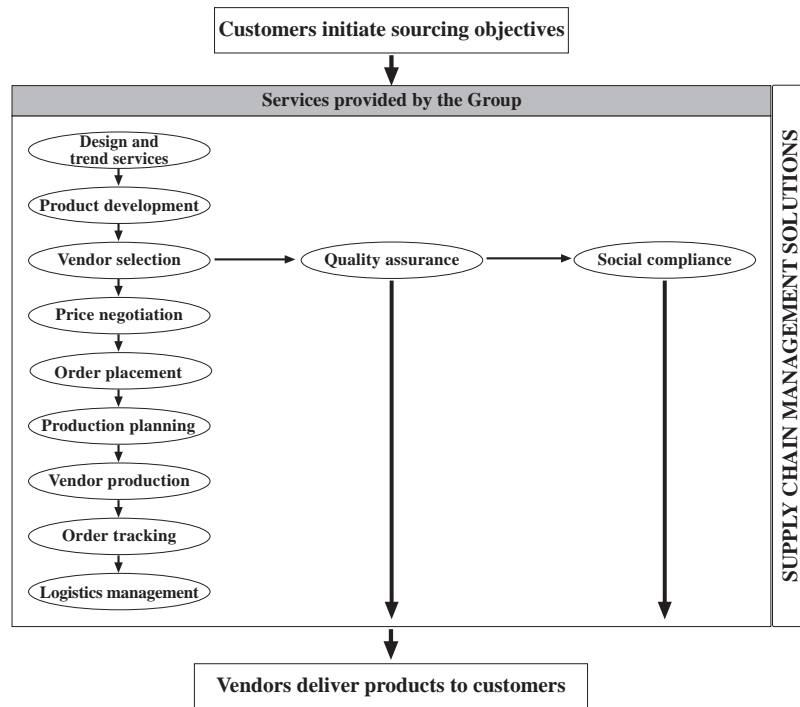
## SUMMARY

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management service from different members of the Group in different geographical regions. The Directors believe that the Group’s modular business model not only meets the individual needs of its customers, but also provides additional sources of income to the Group.

The following diagram illustrates the modular business model of the Group:

### Modular business model of the Group



*Design and trend services* — The Group provides fashion and trend reports and customised strategies for product and brand developments to its customers.

*Product development* — The Group provides fabric trends and product ideas on a seasonal basis to its customers through emails, art portfolios and presentations. The Group has established a specialised team that works closely with its sourcing offices to gather information on the latest trends and products.

*Vendor selection* — All vendors are evaluated and audited by the compliance and quality assurance team of the Group before they are recommended to the Group’s customers. The Group uses a set of criteria and benchmarks to rate the service and the product quality of vendors.

*Quality assurance* — The responsibility of the Group’s quality assurance team is to ensure that customers’ quality expectations are met by the appropriate selection of vendors and to implement an appropriate quality assurance management programme.

*Social compliance* — The Group’s social compliance team conducts field audits during the production process on the vendors’ production facilities to monitor compliance of these facilities with codes of conducts specified by the Group’s customers. The team also provides advisory services on social compliance standards of the vendors.

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## SUMMARY

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*Price negotiation* — Another function of the Group's sourcing activities is to ensure that products sourced are of the quality specified by its customers at competitive prices. Price negotiation is an integral part of the business model of the Group in acting as a supply chain management solutions provider for its customers.

*Order placement* — The customers place orders with the vendors, following which the Group will issue a confirmation to the relevant vendors on production and shipment details.

*Production planning* — Production capacity is reserved by the Group with vendors for serving the Group's customers promptly.

*Vendor production* — The Group works closely with the vendors of its customers in purchasing the required raw materials for production.

*Order tracking* — All purchase orders placed by the Group's customers will be managed by a critical path system designed to ensure on-time delivery. Each process is measured by the length of time required and an electronic alert system is engaged should any critical time path is not met.

*Logistics management* — The Group coordinates with the vendors of its customers and freight forwarders to track receipt of goods from delivery to arrival to assure on-time delivery. The Group also ensures that all shipments are effected with the timely submission of all customs clearance documents.

### **Major customers of the Group**

Most of the Group's major customers are retail chain operators, brands, wholesalers, mail order houses and department stores in North America and Europe. Examples of these major customers are Hudson's Bay Company, Brylane L.P., Federated Department Stores Inc., Jockey International, Inc., J.C. Penney Purchasing Corporation, Mothercare UK Limited, and Oxford Industries Inc. All of these major customers are Independent Third Parties.

Hudson's Bay Company, being the largest customer of the Group during the Track Record Period, has engaged the sourcing agency services provided by the Group and its predecessors since July 1989 on an exclusive basis (except in circumstances as contemplated under the Hudson's Bay Buying Agency Agreement) in such territories as designated in its agreements with the Group or its predecessors. The Group has renewed the term of the Hudson's Bay Buying Agency Agreement to 2009.

In December 2001, the Group entered into an agreement whereby it was appointed the exclusive buying agent of Warnaco Inc. to source apparel items in Asia and certain other countries for certain brands marketed by Warnaco Inc., including "Calvin Klein<sup>®</sup> Jeans", "Calvin Klein<sup>®</sup> Kids", "Chaps by Ralph Lauren<sup>®</sup>" and "Speedo<sup>®</sup>". The appointment is for a three-year term subject to earlier termination in the event of, among other matters, a change in control of either party. The Group is also in discussion with selected retailers in North America for sourcing arrangements and the provision of supply chain management solutions for other brands. The Directors believe that the Group is able to leverage on its existing global sourcing network, the quality and the scope of the services provided and the Group's well-established business reputation to continue to broaden its customer base and to provide one-stop supply chain management solutions to meet increasing sourcing demands from retailers, wholesalers and department stores.

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## SUMMARY

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### COMPETITIVE ADVANTAGES OF THE GROUP

The Directors believe that the principal competitive advantages of the Group are as follows:

#### **Extensive and well-coordinated global sourcing network**

The Group maintains a global sourcing network which extended to approximately 1,900 vendors in 15 countries and territories during the Track Record Period. The performance of the vendors is monitored and coordinated by 14 sourcing offices of the Group in 11 countries and territories. All of these vendors are Independent Third Parties. The Directors believe that such global sourcing network enables the Group to source the required products for its customers in a cost effective manner.

#### **Modular business model**

The Group's modular business model provides flexible and customised services to its customers. The Directors believe that such modular business model differentiates the Group from other sourcing agents and demonstrates the Group's capability to provide value-added services to different customers based on their individual needs.

#### **One-stop supply chain management solutions**

The Group places strong emphasis on developing customer-oriented services, such as design and trend services, product development, order placement, quality assurance and social compliance services. These services are integrated into one-stop supply chain management solutions provided by the Group to its customers.

#### **De-centralised management with hands-on approach**

The Directors and the senior management of the Group adopt a hands-on approach whereby key senior management staff are stationed at different regions to provide guidance to the vendors of the Group's customers and to respond to the customers' requirements promptly. In addition, most members of the senior management of the Group have approximately 12 years of experience in the supply chain management and related industry. The Directors believe that the Group has an experienced management team with a proven ability to execute its business plans.

#### **Established business relationships with its major customers**

The Group has established business relationships with its major customers which include renowned retail chain operators, brands, wholesalers, mail order houses and department stores in North America and Europe. The Directors believe that by leveraging on its established customer base, the Group will maintain and further enhance its competitiveness in the industry.

#### **Quality assurance and social compliance services**

The Directors believe that one of the factors contributing to the Group's success is its reliability in meeting the individual needs of its customers. The Directors believe that such achievement is attributable to, among other things, the Group's policy to implement stringent quality assurance throughout the supply chain process. Based on its experience in providing quality assurance services,

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## SUMMARY

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the Group has developed comprehensive quality assurance and social compliance services for its customers. The Directors believe that the Group is one of the few global supply chain management solutions providers offering such services.

### **Advanced information system**

As at the Latest Practicable Date, certain major sourcing offices of the Group were connected to LOGON system via the Internet. It is expected that LOGON system will connect all sourcing offices of the Group from June 2002 onwards. The Directors believe that LOGON system, which can automate and simplify the order tracking process, will increase the efficiency of the Group and will facilitate the Group to capture additional business opportunities.

### **FUTURE PLANS AND GROWTH STRATEGIES OF THE GROUP**

#### **Future plans**

The Directors believe that an increasing number of retail chain operators, brands, wholesalers, mail order houses and department stores are outsourcing all or a significant part of their sourcing function in order to reduce their operating cost. The Directors expect that retail chain operators, brands, wholesalers, mail order houses and department stores, particularly those in North America and Europe, will continue to focus on sourcing goods from low-cost countries and to improve the efficiency of their supply chain management activities. All these developments are expected to accelerate the demand for effective sourcing and supply chain management solutions.

With the PRC's accession to the WTO, the abundant supply of low-cost labour and the anticipated gradual abolishment of trade barriers, the Directors believe that the PRC will become one of the major production bases for consumer products. In addition to the PRC, the Directors believe that other developing countries, such as India and Thailand, will provide additional business opportunities for the supply chain management industry.

In addition, the Directors anticipate that, with the growing affluence and sophistication of the PRC consumers, demand for quality products will increase. This trend, coupled with increasing competition between domestic and overseas retailers as a result of the gradual market opening measures in the retail and distribution sectors following the PRC's accession into the WTO, will drive demand for supply chain management services and sourcing of quality products. As a result, retailers, wholesalers and department stores in the PRC are expected to seek ways to enhance the supply of quality products and merchandise to satisfy consumers and to expand into existing and new markets. The Group plans to capture these growing business opportunities by providing supply chain management solutions for quality products and forming strategic alliances with selected leading retailers and department stores in the PRC.

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## SUMMARY

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### **Growth strategies of the Group**

The Group's business objective is to further enhance its position as a supply chain management solutions provider, not only for customers in established markets, such as North America and Europe, but also for retailers, department stores and specialty chain stores in developing countries, such as the PRC and countries in the Indian sub-continent. To achieve this business objective, the Directors plan to implement the following growth strategies:

#### *To expand the customer base*

Most of the Group's major customers are retail chain operators, brands, wholesalers, mail order houses and department stores in North America and Europe. The Group will continue to broaden its customer base by increasing its marketing presence in other European and Asian countries. In this connection, the Group is in discussion with selected retailers in North America for sourcing arrangements and the provision of supply chain management solutions for other brands.

#### *To broaden the scope of services*

Currently, most of the major customers of the Group require various customer-oriented supply chain management services that include not only the sourcing of the appropriate products but also the provision of design and trend services, quality assurance and social compliance services and logistics management. The Directors believe that one of the competitive advantages of the Group is its capability to provide one-stop supply chain management solutions to its customers. The Group will continue to broaden the scope of services in relation to social compliance, market intelligence and fabric and trims sourcing. The Group also plans to charge a separate service fee for these services to broaden its sources of revenue.

#### *To expand the global sourcing network*

The Directors consider that maintaining an extensive global sourcing network is crucial to the Group's success. The Group will further enhance its global sourcing network in developing countries, such as the PRC and countries in the Indian sub-continent, where the labour cost is relatively low compared to that in developed countries. In order to implement this strategy, the Group plans to streamline its sourcing and merchandising operations into two main hubs, namely the Greater China region and the Indian sub-continent, as the Directors anticipate that these regions will become the major production bases for consumer products.

#### *To strengthen the information technology*

The Directors believe that advanced information technology is crucial to the Group's supply chain management solutions. The Group plans to use LOGON system as a platform of information exchange between its major customers and their vendors via the Internet to improve the communication process between the Group, its major customers and their vendors, promote the Group's policy on information transparency and enhance the quality and the responsiveness of its services. The Group also plans to enhance LOGON system by incorporating an online "request for quotation" feature which enables its customers to make requests for quotation via the Internet, to monitor the status of their purchase orders on a real-time basis and to receive the latest market information provided by the Group.

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## SUMMARY

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### *To pursue strategic acquisitions and investments*

The Group plans to pursue strategic acquisitions of and/or investments in complementary businesses in the future if such opportunities arise. Although the Group will continue to focus on its core business, the Group will implement strategic acquisitions and/or investments if the subject matter of the acquisitions and/or investments is considered to be capable of strengthening or complementing its existing business. Currently, the Group has not entered into any agreement or memorandum of understanding for any strategic acquisitions or investments.

### TRADING RECORD

The following table sets forth a summary of the audited combined results of the Group for the Track Record Period prepared on the assumption that the current structure of the Group had been in existence throughout the period under review and is extracted from, and has been prepared in accordance with the basis set forth in section 1 of, the accountants' report, the text of which is set forth in Appendix I to this prospectus:

		<b>Year ended 30 April</b>			<b>Six months ended 31 October</b>
		<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2001</b>
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Turnover	(a)	19,576	27,192	32,491	15,973
Cost of sales		<u>—</u>	<u>(460)</u>	<u>(1,352)</u>	<u>(353)</u>
Gross profit		19,576	26,732	31,139	15,620
Other revenue		560	512	1,349	500
Administrative expenses		<u>(16,798)</u>	<u>(17,740)</u>	<u>(20,042)</u>	<u>(10,265)</u>
Profit from operations		3,338	9,504	12,446	5,855
Gain on disposal/ dissolution of a subsidiary		<u>—</u>	<u>—</u>	<u>911</u>	<u>37</u>
Profit before taxation		3,338	9,504	13,357	5,892
Taxation	(b)	<u>(220)</u>	<u>(451)</u>	<u>(490)</u>	<u>(175)</u>
Profit for the year/period		<u><u>3,118</u></u>	<u><u>9,053</u></u>	<u><u>12,867</u></u>	<u><u>5,717</u></u>
Dividend		<u><u>2,700</u></u>	<u><u>—</u></u>	<u><u>8,000</u></u>	<u><u>3,800</u></u>
Earnings per Share					
— basic	(c)	<u><u>0.62 US cent</u></u>	<u><u>1.81 US cents</u></u>	<u><u>2.58 US cents</u></u>	<u><u>1.15 US cents</u></u>

## SUMMARY

Notes:

### (a) Turnover

Turnover represents proceeds received and receivable from commission income and sales of garment by the Group to customers during the Track Record Period and is analysed as follows:

	Year ended 30 April			Six months ended 31 October
	1999 <i>US\$'000</i>	2000 <i>US\$'000</i>	2001 <i>US\$'000</i>	2001 <i>US\$'000</i>
Commission income	19,576	26,634	30,866	15,592
Sales of garment	<u>—</u>	<u>558</u>	<u>1,625</u>	<u>381</u>
	<u>19,576</u>	<u>27,192</u>	<u>32,491</u>	<u>15,973</u>

### (b) Taxation

	Year ended 30 April			Six months ended 31 October
	1999 <i>US\$'000</i>	2000 <i>US\$'000</i>	2001 <i>US\$'000</i>	2001 <i>US\$'000</i>
The charge comprises:				
Hong Kong profits tax				
— current year/period	46	50	122	—
Income tax in other jurisdictions				
— current year/period	174	398	679	175
— overprovision in prior years	—	—	(330)	—
Deferred taxation	<u>—</u>	<u>3</u>	<u>19</u>	<u>—</u>
	<u>220</u>	<u>451</u>	<u>490</u>	<u>175</u>

Hong Kong profits tax is calculated at a rate of 16 per cent. of the estimated assessable profit during the Track Record Period.

Taxation arising in other jurisdictions, including the PRC, Thailand, Pakistan, Bangladesh, South Africa, South Korea, Taiwan, Singapore, Indonesia and Mauritius, is calculated at the rates prevailing in the respective jurisdictions.

There was no material unprovided deferred taxation during the Track Record Period.

### (c) Earnings per Share

The calculation of the basic earnings per Share is based on the profit during the Track Record Period and on the 499,200,000 Shares in issue and issuable comprising 2,000,000 Shares in issue as at the date of this prospectus and 497,200,000 Shares to be issued pursuant to the Capitalisation Issue.

Subsequent to 31 October 2001 and up to the Latest Practicable Date, the Group declared and paid special dividends in aggregate of approximately US\$7.0 million (equivalent to approximately HK\$54.6 million). Such dividends have been paid in cash out of the Group's internal resources.



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## SUMMARY

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A detailed discussion of the results of the Group during the Track Record Period is set forth under “Management’s discussion and analysis of the results of operations” in the section headed “Financial information of the Group” in this prospectus.

### PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 30 APRIL 2002

Forecast combined profit after taxation but before

extraordinary items (*Note 1*) . . . . . not less than US\$8.0 million (HK\$62.4 million)

Forecast earnings per Share

pro forma fully diluted (*Note 2*) . . . . . approximately 10.30 HK cents (1.32 US cents)

weighted average (*Note 3*) . . . . . approximately 12.48 HK cents (1.60 US cents)

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*Notes:*

1. The bases and assumptions on which the forecast combined profit after taxation but before extraordinary items has been prepared and set forth in Appendix II to this prospectus. The Directors are not aware of any extraordinary items which have arisen or are likely to arise during the financial year ending 30 April 2002.
2. The calculation of the forecast earnings per Share on a pro forma fully diluted basis is based on the forecast combined profit after taxation but before extraordinary items of the Group for the financial year ending 30 April 2002 assuming that the Company had been listed on the Main Board since 1 May 2001 and a total of 624,000,000 Shares had been in issue during that financial year, but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to under “Written resolutions of the sole shareholder of the Company passed on 22 April 2002” in Appendix V to this prospectus. For the purpose of this calculation, the forecast combined profit after taxation but before extraordinary items for the financial year ending 30 April 2002 has been adjusted to take into account the interest income that would have been earned if the net proceeds of the New Issue (based on the assumption that the Over-allotment Option is not exercised) were received on 1 May 2001 and held on deposit thereafter, based on an interest rate (net of tax) of one per cent. per annum for the entire financial year.
3. The calculation of the forecast earnings per Share on a weighted average basis is based on the forecast combined profit after taxation but before extraordinary items of the Group for the financial year ending 30 April 2002 and the weighted average number of 499,200,000 Shares in issue during that financial year, but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to under “Written resolutions of the sole shareholder of the Company passed on 22 April 2002” in Appendix V to this prospectus.

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## SUMMARY

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### STATISTICS OF THE SHARE OFFER

Offer Price . . . . .	HK\$1.68
Market capitalisation ( <i>Note 1</i> ). . . . .	approximately HK\$1,048.32 million
Adjusted net tangible asset value per Share ( <i>Note 2</i> ) . . . . .	approximately 41.50 HK cents (5.32 US cents)
Prospective price/earnings multiple	
— pro forma fully diluted ( <i>Note 3</i> ). . . . .	approximately 16.31 times
— weighted average ( <i>Note 4</i> ) . . . . .	approximately 13.46 times

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*Notes:*

1. The market capitalisation takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
2. The adjusted net tangible asset value per Share is arrived at after making the adjustment set forth under “Adjusted net tangible assets” in the section headed “Financial information of the Group” in this prospectus and on the basis of a total of 624,000,000 Shares in issue and expected to be issued immediately following completion of the Share Offer and the Capitalisation Issue but does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to under “Written resolutions of the sole shareholder of the Company passed on 22 April 2002” in Appendix V to this prospectus.
3. The prospective price/earnings multiple on a pro forma fully diluted basis is based on the estimated forecast per Share on a pro forma fully diluted basis of 1.32 US cents (approximately 10.30 HK cents) for the financial year ending 30 April 2002 and the assumptions set forth under “Profit forecast, dividends and working capital” in the section headed “Financial information of the Group” in this prospectus.
4. The prospective price/earnings multiple on a weighted average basis is based on the forecast earnings per Share on a weighted average basis of 1.60 US cents (approximately 12.48 HK cents) for the financial year ending 30 April 2002 and the assumptions set forth under “Profit forecast, dividends and working capital” in the section headed “Financial information of the Group” in this prospectus.

**If the Over-allotment Option is exercised in full or in part, the adjusted net tangible asset value per Share will be increased, while earnings per Share on a pro forma fully diluted basis will be diluted correspondingly. The Directors believe that such increase and dilution will not be material.**

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## SUMMARY

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### REASONS FOR THE NEW ISSUE AND PROPOSED USE OF PROCEEDS OF THE NEW ISSUE

The Group intends to use the net proceeds of the New Issue to implement its growth strategies. Assuming that the Over-allotment Option is not exercised, the net proceeds of the New Issue, after deduction of underwriting commission and estimated expenses of approximately US\$2.7 million (equivalent to approximately HK\$21.1 million) payable by the Group, are estimated to be approximately US\$24.2 million (equivalent to approximately HK\$188.8 million). The Directors currently plan to use such net proceeds as follows:

- approximately US\$9.0 million (equivalent to approximately HK\$70.2 million) will be used for marketing and business development including new clients and business acquisitions;
- approximately US\$2.5 million (equivalent to approximately HK\$19.5 million) will be used to enhance LOGON system;
- approximately US\$1.5 million (equivalent to approximately HK\$11.7 million) will be used to enhance its sourcing network and to establish additional sourcing offices in developing countries, such as the PRC and countries in the Indian sub-continent;
- approximately US\$2.0 million (equivalent to approximately HK\$15.6 million) will be used to finance the expansion of the Group's sourcing and related supply chain management business to retailers, particularly in the PRC; and
- the remaining balance of approximately US\$9.2 million (equivalent to approximately HK\$71.8 million) will be used for future business development and general working capital of the Group.

**In the event that the Over-allotment Option is exercised in full, the Group will receive additional net proceeds of approximately US\$4.8 million (equivalent to approximately HK\$37.4 million) which the Directors intend to use as additional general working capital of the Group.**

To the extent that the net proceeds of the New Issue are not immediately required for the above purposes or if the Group is unable to effect any part of its development plan as intended, it may hold such funds in short-term deposits with banks and/or financial institutions in Hong Kong for so long as it deems to be in the best interests of the Group. The Directors may re-allocate the use of the net proceeds should any of the above plans not be implemented. In such event, the Company will comply with the appropriate disclosure requirements under the Listing Rules.

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## SUMMARY

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### **RISK FACTORS**

The Directors consider that the business and operations of the Group are subject to a number of risk factors which can be categorised into (i) risks relating to the business and operations of the Group; (ii) risk relating to the industry in which the Group operates; (iii) political and economic considerations; (iv) risks relating to the Shares; and (v) issues to consider in relation to certain statements in this prospectus, which are summarised as follows:

#### **Risks relating to the business and operations of the Group**

- Reliance on certain major customers
- Reliance on the North American market
- Reliance on key personnel
- Sustainability of profit margins
- Dividend policy
- Legal considerations
- Changes in the interpretation of tax rules applicable to the Group

#### **Risk relating to the industry in which the Group operates**

- Competition

#### **Political and economic considerations**

- Possible impact arising from the terrorist attack on the US on 11 September 2001
- Political, social and economic considerations

#### **Risks relating to the Shares**

- Liquidity and possible price volatility of the Shares
- Control by the Substantial Shareholders

#### **Issues to consider in relation to certain statements in this prospectus**

- Reliability of statistics
- Forward-looking statements contained in this prospectus may not materialise

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:*

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Bye-laws”	the bye-laws of the Company
“Capitalisation Issue”	the issue of 497,200,000 Shares to be made upon the capitalisation of certain sum standing to the credit of the share premium account of the Company referred to under “Written resolutions of the sole shareholder of the Company passed on 22 April 2002” in the section headed “Further information about the Company” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Linmark Group Limited (林麥集團有限公司*), an exempted company incorporated in Bermuda with limited liability on 25 January 2002
“DBS Asia”	DBS Asia Capital Limited, an investment adviser and a dealer registered under the Securities Ordinance, the sponsor to the listing of the Shares on the Main Board and the joint international coordinator, joint bookrunner and joint lead manager of the Share Offer
“Director(s)”	the director(s) of the Company
“Greater China”	for the purpose of this prospectus, the region comprising Hong Kong, the PRC and Taiwan
“Group”	the Company and its subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company and the business carried on by such subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hudson’s Bay Company”	Hudson’s Bay Company, one of the largest retail stores groups in Canada and one of the major customers of the Group and an Independent Third Party

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\* For identification purpose only

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## DEFINITIONS

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“Hudson’s Bay Buying Agency Agreement”	a buying agency agreement dated 4 June 1998 made between Hudson’s Bay Company and Linmark (Barbados) as amended by an amending agreement dated 7 September 2001 and as may be further amended from time to time
“IGCS”	IGCS Group Limited, a company incorporated in BVI with limited liability on 14 January 2002 and a wholly-owned subsidiary of the Company
“Independent Third Party” or “Independent Third Parties”	a person(s) or company(ies) which is/are independent of any member of the Group, the directors, the chief executives and the substantial shareholders of the Company and its subsidiaries and their respective associates
“Indian sub-continent”	for the purpose of this prospectus, includes India, Bangladesh, Pakistan and Sri Lanka
“Latest Practicable Date”	26 April 2002, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained herein
“Linmark (BVI)”	Linmark Westman Investments Limited, a company incorporated in BVI with limited liability on 16 July 1999 and a wholly-owned subsidiary of the Company
“Linmark (Barbados)”	Linmark Westman International Ltd. (formerly known as Linmark Westman Acquisition Corp.), a company incorporated in Barbados and a wholly-owned subsidiary of Roly International
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market (“GEM”) of the Stock Exchange. For the avoidance of doubt, the Main Board excludes GEM
“New Issue”	the issue of the New Shares for subscription at the Offer Price for cash under the Public Offer and the Placing
“New Shares”	the 124,800,000 Shares to be issued at the Offer Price under the Public Offer and the Placing and, where relevant, any additional Shares to be issued pursuant to the Over-allotment Option
“Offer for Sale”	the offer for sale of the Sale Shares by RGS Holdings for cash at the Offer Price under the Placing
“Offer Price”	the price for each Offer Share (excluding the Stock Exchange trading fee, transaction levy imposed by the Securities and Futures Commission and brokerage payable thereon) of HK\$1.68

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## DEFINITIONS

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“Offer Shares”	the Public Offer Shares and the Placing Shares
“Over-allotment Option”	the option granted by the Company to the Placing Underwriters, exercisable by DBS Asia at any time prior to the date falling 30 days after the date of this prospectus to require the Company to issue up to an aggregate of 23,400,000 new Shares at the Offer Price to cover over-allocations in the Placing and/or the obligations of DBS Asia to return securities borrowed under the Stock Borrowing Agreement, particulars of which are described in the section headed “Structure of the Share Offer” in this prospectus
“Placing”	the placing of the Placing Shares to professional, institutional and individual investors as described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Shares”	the 109,200,000 New Shares and the 31,200,000 Sale Shares being offered for subscription or purchase under the Placing, subject to the Over-allotment Option and re-allocation as described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Underwriters”	DBS Asia, SBI E2-Capital Securities and Cazenove Asia Limited
“Placing Underwriting Agreement”	the conditional international placing underwriting agreement dated 26 April 2002 entered into between the Company, the executive Directors, RGS Holdings, the Substantial Shareholders, the Sponsors and the Placing Underwriters relating to the Placing, particulars of which are summarised in the section headed “Underwriting arrangements of the Share Offer” in this prospectus
“PRC”	the People’s Republic of China which, for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Public Offer”	the issue of the Public Offer Shares for subscription by members of the public in Hong Kong at the Offer Price payable in full on application, on and subject to the terms and conditions set out in this prospectus and the related application forms
“Public Offer Shares”	the 15,600,000 New Shares initially offered for subscription under the Public Offer subject to re-allocation as described in the section headed “Structure of the Share Offer” in this prospectus
“Public Offer Underwriters”	DBS Asia, SBI E2-Capital Securities, Cazenove Asia Limited, DBS Vickers (Hong Kong) Limited, GC Securities Limited, ICEA Capital Limited, Kingsway SW Securities Limited, OpenOffering Capital Limited and Phillip Securities (HK) Ltd.

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## DEFINITIONS

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“Public Offer Underwriting Agreement”	the conditional Hong Kong public offer underwriting agreement dated 29 April 2002 entered into between the Company, the executive Directors, RGS Holdings, the Substantial Shareholders, the Sponsors and the Public Offer Underwriters relating to the Public Offer, particulars of which are summarised in the section headed “Underwriting arrangements of the Share Offer” in this prospectus
“Reorganisation”	the corporate reorganisation of the Group in preparation for the listing of the Shares on the Stock Exchange, details of which are set forth under “Corporate reorganisation” in the section headed “Further information about the Company” in Appendix V to this prospectus
“RGS Holdings”	RGS Holdings Limited (formerly known as Vigor International Holdings Limited), a company incorporated in BVI with limited liability on 25 August 1999 and a wholly-owned subsidiary of Roly International and one of the Substantial Shareholders
“Roly International”	Roly International Holdings Ltd., an exempted company incorporated in Bermuda with limited liability on 27 January 1995, the shares of which are listed on the Singapore Exchange Securities Trading Limited, being one of the Substantial Shareholders
“Sale Shares”	the 31,200,000 Shares being offered for sale by RGS Holdings at the Offer Price under the Offer for Sale by way of Placing
“SBI E2-Capital”	SBI E2-Capital (HK) Limited, an investment adviser and a dealer registered under the Securities Ordinance and the co-sponsor to the listing of the Shares on the Main Board
“SBI E2-Capital Securities”	SBI E2-Capital Securities Limited, a dealer registered under the Securities Ordinance and the joint international coordinator, joint bookrunner and joint lead manager of the Share Offer
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Securities Ordinance”	Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 22 April 2002, a summary of the terms of which are set forth in the section headed “Share Option Scheme” in Appendix V to this prospectus
“Share(s)”	ordinary share(s) of US\$0.02 each in the share capital of the Company



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## DEFINITIONS

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“Shareholder(s)”	holder(s) of Shares
“Sponsors”	DBS Asia, the sponsor to the listing of the Shares on the Main Board, and SBI E2-Capital, the co-sponsor to the listing of the Shares on the Main Board
“Stock Borrowing Agreement”	the stock borrowing agreement dated 26 April 2002 entered into between RGS Holdings and DBS Asia
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholders”	has the meaning ascribed to it under the Listing Rules and in the context of the Company, means RGS Holdings, Roly International and Mr. WANG Lu Yen
“Track Record Period”	the period comprising the three financial years ended 30 April 2001 and the six months ended 31 October 2001
“Trend Xpress”	Trend Xpress, Inc., a company incorporated in BVI with limited liability on 4 January 2002 and a wholly-owned subsidiary of the Company
“UK”	United Kingdom of Great Britain and Northern Ireland
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“US” or “United States”	United States of America
“HK\$” and “HK cent(s)”	Hong Kong dollars and cent(s), respectively, the lawful currency of Hong Kong
“S\$”	Singapore dollars, the lawful currency of Singapore
“US\$” and “US cent(s)”	United States dollars and cent(s), respectively, the lawful currency of the US
“sq.ft.”	square feet
“sq.m.”	square metres

*Unless the context requires otherwise, translations of US\$ into HK\$ and S\$ into HK\$ are made in this prospectus, for illustration purpose only, at the rate of US\$1.00 = HK\$7.8 and S\$1.00 = HK\$4.31, respectively.*

*No representation is made that any amounts in HK\$ or US\$ could have been or could be converted at the above rates or at any other rates or at all.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains definitions or explanations of certain terms used in this prospectus in connection with the business of the Group. As such, these terms and their meanings may not correspond to standard industry meaning or usage of these terms:*

“CAGR”	compound annual growth rate
“GDP”	gross domestic product
“hardgoods”	include toys, furniture, sporting goods, home decorations, houseware, seasonals, home textiles, giftware, hardware, electronic appliances, tableware and lawn and garden products
“Internet”	a network of interconnected computers that links computers together and allows data to be transmitted between each computer using prescribed communication protocols
“Intranet”	an internal network of an enterprise that uses the same methodology and techniques as the Internet. An Intranet is not necessarily connected to the Internet and is commonly secured from it using firewalls. Intranets are often used within organisations
“lab-dip”	a laboratory procedure to test the compliance of fabric samples with customers’ colour specifications
“LOGON”	acronym for “Linmark Online Global Operating Network”, an Internet-ready application system developed by an independent software and system developer for the Group, particulars are set forth under the section headed “Business of the Group” in this prospectus
“softgoods”	include apparel, footwear and related accessories
“supply chain”	generally encompasses all activities associated with the flow and transformation of goods from the raw material stage (extraction), through to the end user, as well as the associated information flows
“supply chain management”	the integration and coordination of activities, including order generation, order taking, and order fulfillment/distribution of products, services or information
“WTO”	World Trade Organisation

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## RISK FACTORS

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*Prospective investors of the Offer Shares should consider carefully all of the information set forth in this prospectus and, in particular, the following risks in connection with an investment in the Company. The information in this prospectus includes forward-looking statements which involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth in this section and the section headed "Business of the Group" in this prospectus and those under "Management's discussion and analysis of the results of operations" in the section headed "Financial information of the Group" in this prospectus.*

### **RISKS RELATING TO THE BUSINESS AND OPERATIONS OF THE GROUP**

#### **Reliance on certain major customers**

For the Track Record Period, the Group's five largest customers, who are Independent Third Parties, accounted for in aggregate approximately 73.7 per cent., approximately 67.7 per cent., approximately 65.0 per cent. and approximately 66.4 per cent. of its turnover, respectively. For the Track Record Period, the Group's largest customer, Hudson's Bay Company, who is an Independent Third Party, accounted for in aggregate approximately 54.6 per cent., approximately 49.4 per cent., approximately 43.3 per cent. and approximately 44.7 per cent. of its turnover, respectively. Whilst the Directors believe that the Group has established business relationships with its major customers, there is no assurance that any of the major customers of the Group will continue to engage the services provided by the Group in the future, nor the income generated therefrom will increase or be maintained in the future. Any unexpected cessation of, or substantial reduction in, the volume of business with any of the major customers of the Group could adversely affect the performance, profitability and prospects of the Group.

#### **Reliance on the North American market**

The North American market, including the US and Canada, is the principal market of the existing major customers of the Group. For the Track Record Period, approximately 77.8 per cent., approximately 70.7 per cent., approximately 69.8 per cent. and approximately 67.8 per cent. of the Group's turnover, respectively, was derived from customers whose principal businesses are based in North America. Any significant change in the political, economic or social conditions in the North American market could adversely affect the performance, profitability and prospects of the Group.

#### **Reliance on key personnel**

The Group's success is, to a significant extent, attributable to the experience and expertise and the continued efforts of the executive Directors and the senior management of the Group. Each of the executive Directors has entered into a service contract with the Company whereby each has agreed to serve the Group for an initial term of three years from the commencement date of the relevant service contract. Each of the service contracts is automatically extendable for an indefinite period after the initial term unless and until terminated by either the Company or the relevant Director in accordance with the terms of such service contract. Most of the senior management of the Group have approximately 12 years of experience in the supply chain management and related industry. Although

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## RISK FACTORS

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the Directors believe that the management of the Group is relatively stable, should any of the executive Directors or the senior management of the Group cease to serve the Group, the performance, profitability and prospects of the Group could be adversely affected.

### **Sustainability of profit margins**

The profit margins of the Group depend, to a certain extent, on the total shipment volume of the Group's customers and the commission rate charged by the Group. Given that a significant part of the Group's income during the Track Record Period was commission income, the gross profit margin achieved by the Group during such period was maintained at approximately 100.0 per cent., approximately 98.3 per cent., approximately 95.8 per cent. and approximately 97.8 per cent., respectively. The net profit margin of the Group amounted to approximately 15.9 per cent., approximately 33.3 per cent., approximately 39.6 per cent. and approximately 35.8 per cent., respectively, during the Track Record Period. Nevertheless, there is no assurance that such high gross and net profit margins of the Group would continue in the future or would apply to any non-commission based income of the Group.

### **Dividend policy**

**For the Track Record Period, the Group had declared and paid dividends in the amounts of US\$2.7 million (equivalent to approximately HK\$21.1 million, representing approximately 86.6 per cent. of the net profit for the financial year ended 30 April 1999), nil, US\$8.0 million (equivalent to approximately HK\$62.4 million, representing approximately 62.2 per cent. of the net profit for the financial year ended 30 April 2001) and US\$3.8 million (equivalent to approximately HK\$29.6 million, representing approximately 66.5 per cent. of the net profit for the six months ended 31 October 2001), respectively. Subsequent to 31 October 2001 and up to the Latest Practicable Date, the Group had declared and paid special dividends in aggregate of approximately US\$7.0 million (equivalent to approximately HK\$54.6 million). Such dividends have been paid in cash out of the Group's internal resources.**

**Investors should note that payment of the above dividends should not be used as an indication of the Company's future dividend policy and that there is no assurance that any dividends would be paid in future.**

### **Legal considerations**

As at the Latest Practicable Date, the Group had business presence in 17 jurisdictions, namely, India, Hong Kong, the PRC, Thailand, Bangladesh, South Africa, Pakistan, Indonesia, South Korea, Singapore, Taiwan, Turkey, Mauritius, Sri Lanka, the Philippines, the US and the UK. Each of these jurisdictions has its own laws and regulations governing the existing business of the Group. These laws and regulations may be subject to legislative or regulatory enactment or changes and any such enactment or changes of laws and regulations may affect the business of the Group.

In particular, the operational structures of the Group may be affected in the event of misunderstanding or misinterpretation of the applicable law or practice, or any changes in such law or practice or a change in its interpretation or enforcement policy, resulting in the operational structure of the Group becoming or being considered to be in breach of law or subject to new or additional

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## **RISK FACTORS**

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requirements. If, in such event, the operational structure cannot be modified to conform to the prevailing law or practice or its interpretation, the Group may not be able to conduct the whole or some part of its business in the jurisdiction concerned.

In addition, in the event that the Group misinterpreted the applicable laws and/or regulations governing the production, quality assurance and/or other aspects of the products sourced by or vendors used by the Group resulting in the customers of the Group rejecting such products or vendors, the performance and profitability of the Group could also be adversely affected.

The imposition of any restrictions on foreign exchange remittance or the import or export of raw materials or finished products in any jurisdiction may affect the operations of vendors in that jurisdiction and the Group's ability to source products from them and this may, in turn, affect the performance, profitability and prospects of the Group.

### **Changes in the interpretation of tax rules applicable to the Group**

The Group has business establishments in various countries and territories as part of its global sourcing network in carrying out the sourcing business. The Directors consider that the operations of such establishments were properly carried out during the Track Record Period and all the local tax requirements in which the establishments were located were properly complied with according to the relevant local legislation or available preferential tax arrangements. During the Track Record Period, the Group experienced low effective tax rates as certain members of the Group had no taxable profits under the existing operation mode. Nevertheless, in the event that there is any change in the interpretation or enforcement of the applicable tax rules, the tax liability of the Group could increase, thereby affecting the profitability of the Group.

## **RISK RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES**

### **Competition**

The Directors believe that the industry in which the Group operates is highly fragmented and entry of new competitors is not difficult. The Group faces competition for business from international trading companies, sourcing agents and buying associations which may have stronger financial resources and comparable technical expertise and global sourcing network. Based on the Directors' experience, customers are less likely to change their supply chain management solutions providers unless their current providers have repeatedly failed to perform the services or have merged with others that serve competing customers. Nevertheless, the Group may not be able to secure new customers or retain its existing customers and this could adversely affect the performance and the prospects of the Group.

## **POLITICAL AND ECONOMIC CONSIDERATIONS**

### **Possible impact arising from the terrorist attack on the US on 11 September 2001**

The business of the Group is, to a large extent, subject to general economic conditions of the US and European markets as well as global economic conditions. The terrorist attack on the US on 11 September 2001 and the retaliatory action in response thereto exert considerable direct and indirect influence on the global and Asian economies. The economy of the US plunged into recession

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## **RISK FACTORS**

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according to the US National Bureau of Economic Research, albeit there are recent indications of economic recovery. If the global economic slow-down persists, it is likely to have an adverse impact on the overall demand of consumer products sold by the customers of the Group, and the performance and the prospects of the Group could be adversely affected.

### **Political, social and economic considerations**

The business of the Group involves sourcing of different types of products from various countries and territories and the major customers of the Group are located in North America and Europe. Hence, the business of the Group is dependent on the level of international trade and is subject to political and social stability of the countries where the Group sources the products and where the businesses of its customers are located. If there occurs any serious social, political, economic (including foreign exchange) turbulence in a particular country in which the Group sources products for its customers or the principal businesses of the Group's customers are located, it could adversely affect the trading activities of the Group's customers and their vendors, as the case may be, which in turn could affect the performance and the prospects of the Group.

### **RISKS RELATING TO THE SHARES**

#### **Liquidity and possible price volatility of the Shares**

An active trading market for the Shares may not develop and the trading price for Shares may fluctuate significantly. Prior to the Share Offer, there has been no open market for any of the Shares. The Offer Price may not be indicative of the price at which Shares will trade on the Main Board following completion of the Share Offer and the Capitalisation Issue. In addition, there is no assurance that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following completion of the Share Offer and the Capitalisation Issue, or that the market price of the Shares will not decline below the Offer Price.

The trading price of the Shares could also be subject to significant volatility in response to, among other factors:

- investors' perceptions of the Group and the Group's business plans;
- variations in operating results of the Group;
- technological innovations;
- changes in pricing policy made by the Group and its competitors;
- changes in senior management personnel of the Group; and
- general economic and other factors.

#### **Control by the Substantial Shareholders**

Upon completion of the Share Offer and the Capitalisation Issue, the Substantial Shareholders will beneficially own or be deemed to be interested in 75 per cent. of the issued Shares, without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option.

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## **RISK FACTORS**

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Hence, the Substantial Shareholders will have decisive influence on certain matters which require shareholders' approval, including election of Directors and approval of the Company's major transactions. The Substantial Shareholders can also exercise their voting power against any action of the minority Shareholders or in favour of matters subject to the approval of simple majority votes. Certain actions by the Company or its subsidiaries may, in addition to any applicable requirement for shareholders' approval under the Listing Rules, also require approval by the shareholders of Roly International, one of the Substantial Shareholders, and/or the compliance with other requirements under the listing manual and/or other rules of the Singapore Exchange Securities Trading Limited, on which the shares of Roly International are listed.

### **ISSUES TO CONSIDER IN RELATION TO CERTAIN STATEMENTS IN THIS PROSPECTUS**

#### **Reliability of statistics**

Both the statistics and the industry information contained in this prospectus are gathered from various official and unofficial publications. Although reasonable actions have been taken by the Directors to procure the statistics are extracted accurately from those sources, the Company, the Directors and all other parties involved in the Share Offer have not carried out any independent review of the statistics or the methodology in the gathering, compilation or presentation of such statistics. Accordingly, the Company, the Directors and all other parties involved in the Share Offer make no representation as to the accuracy of such statistics, and are not able to give any assurance that the statistics are intrinsically consistent. As the Company, the Directors and all other parties involved in the Share Offer cannot ascertain the data collecting method and the accuracy involved, the statistics contained in this prospectus may be inaccurate, or may not be comparable with the statistics obtained in other economies, and therefore cannot be relied on. Accordingly, there is no assurance that such facts and statistics have been stated or prepared to the same standard or level of accuracy as those in other publications.

#### **Forward-looking statements contained in this prospectus may not materialise**

Included in this prospectus are various forward-looking statements which can be identified by the use of forward-looking terminology such as "aims", "believes", "expects", "will", "should", "could", "seeks", "anticipates", "plans" or "intends" or by the negative of any of these terms or comparable terminology, or by discussions of strategy or intentions.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on assumptions regarding the Group's present and expected future business strategies and the environment in which the Group will operate in the future. Important factors that could cause the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the loss of key personnel of the Group and changes relating to the Asian and global economic and business conditions. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed above in this section. These forward-looking statements are made as of the Latest Practicable Date.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities (Stock Exchange Listing) Rules 1989 and the Listing Rules for the purpose of giving information to the public with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

**The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the related application forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, RGS Holdings, the Sponsors, the Underwriters, their respective directors, officers, employees, agents or representatives or any other parties involved in the Share Offer.**

### **CONSENT OF THE BERMUDA MONETARY AUTHORITY**

The Bermuda Monetary Authority has given its consent to, among other matters, the issue of the New Shares (which include any Shares which are required to be issued pursuant to the exercise of the Over-allotment Option) on the terms of this prospectus and the related application forms, the issue of Shares pursuant to the Capitalisation Issue and the issue of Shares upon the exercise of options that may be granted under the Share Option Scheme and the issue by the Company of all unissued Shares within the authorised share capital from time to time determined by the Company to persons regarded as non-resident of Bermuda for exchange control purposes subject to the requirement that the Shares are listed on the Main Board or such other recognised stock exchange. In granting such permission and in accepting this prospectus for filing, neither the Bermuda Monetary Authority 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 or in the related application forms.

### **OFFER SHARES ARE FULLY UNDERWRITTEN**

This prospectus is published solely in connection with the Share Offer. The listing of the Shares on the Main Board is sponsored by the Sponsors. DBS Asia and SBI E2-Capital Securities are the joint international coordinators and joint bookrunners of the Share Offer. Subject to the terms of the Underwriting Agreements, the Public Offer Shares are fully underwritten by the Public Offer Underwriters and the Placing Shares are fully underwritten by the Placing Underwriters. Particulars of the Underwriters and the underwriting arrangements are set forth in the section headed "Underwriting arrangements of the Share Offer" in this prospectus.

### **THE OFFER PRICE**

The Offer Price, together with one per cent. brokerage, 0.005 per cent. Stock Exchange trading fee and 0.007 per cent. transaction levy imposed by the Securities and Futures Commission amounting to a total of HK\$3,394 for every board lot of 2,000 Shares, is payable in full upon application.



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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### OFFER SHARES TO BE OFFERED IN CERTAIN JURISDICTIONS ONLY

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and the related application forms in any jurisdiction other than Hong Kong. The distribution of this prospectus and the related application forms and the offering or sale of the Offer Shares in certain jurisdictions is restricted by law. This prospectus is not an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction in which it is not authorised, and is not an offer or invitation to any person to whom it is unlawful to make an unauthorised offer or invitation.

#### US

This prospectus has not been and will not be registered or published in the US, its territories, possessions or areas subject to its jurisdiction under the US Securities Act 1933 (as amended), and the Placing Shares may not be offered, sold or delivered in the US or to, or for the account or benefit of, any US persons (as defined in Regulation S of the US Securities Act 1933 (as amended)) except in certain transactions which are exempted from the registration requirements of the US Securities Act 1933 (as amended).

#### UK

This prospectus has not been approved by an authorised person in the UK and has not been registered with the Registrar of Companies in the UK. The Offer Shares may not be offered or sold in the UK except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the UK for the purpose of the Public Offers of Securities Regulations 1995. In addition, this prospectus is being distributed only to and is directed at (a) persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the “Order”) or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Articles 49(1) of the Order (all such persons together being referred to as “relevant persons”). The Offer Shares are available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this prospectus or any of its contents.

#### Singapore

This prospectus has not been registered with the Registrar of Companies and Businesses in Singapore. Accordingly, this prospectus may not be issued, circulated or distributed in Singapore nor may any of the Offer Shares be offered for subscription or sold, directly or indirectly, nor may an invitation or offer to subscribe for any Offer Shares be made (i) to persons in Singapore other than under circumstances in which such offer or sale does not constitute an offer or sale of the Offer Shares to the public in Singapore or (ii) to the public or any member of the public in Singapore other than pursuant to, and in accordance with the conditions of, an exemption invoked under Division 5A of Part IV of the Companies Act, Chapter 50 of Singapore and to persons to whom the Offer Shares will be offered or sold under such exemption. Furthermore, no advertisement may be made offering or calling attention to an offer or intended offer of the Offer Shares to the public in Singapore.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### Malaysia

This prospectus has not been registered with the Securities Commission of Malaysia. Accordingly, the Offer Shares shall not be offered for subscription or sold, directly or indirectly, nor may an invitation or offer to subscribe for or sell, any Offer Shares be made, to persons in Malaysia other than pursuant to, and in accordance with the conditions of, any exemption invoked under Schedules 2 and 3 of the Securities Commission Act, 1993 of Malaysia and to persons to whom the Offer Shares will be offered or sold under such exemption. Furthermore no advertisement may be made offering or calling attention to an offer or intended offer of the Offer Shares to the public in Malaysia.

### Japan

The Shares Offer has not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”). The Offer Shares which are being offered hereby may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an applicable exemption from the registration requirements of the Securities and Exchange Law and any other applicable Japanese law.

### Bermuda

No offer of the Offer Shares may be made to members of the public in Bermuda.

**Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.**

### APPLICATION FOR LISTING OF THE SHARES ON THE MAIN BOARD

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, on the Main Board, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares that may be issued pursuant to the exercise of the Over-allotment Option), and any Shares which fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme.

No part of the Shares or the Company’s loan capital is listed or dealt in on any other stock exchange. At present, the Company is not seeking or proposing to seek listing of or permission to deal in its securities on any other stock exchange.

### STABILISATION

In connection with the Share Offer, DBS Asia may over-allocate up to 23,400,000 Shares and/or effect transactions to stabilise or maintain the market price of the Shares at levels other than those which might otherwise prevail in the open market. The stabilisation price will not be higher than the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Such transactions, if commenced, may be discontinued at any time.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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In Hong Kong, stabilisation activities on the Stock Exchange are restricted to cases where the underwriters purchase shares in the secondary market genuinely and solely for the purpose of covering over-allocations in the relevant offer. Relevant provisions of the Securities Ordinance prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealing in the Offer Shares, you should consult an expert.

The Company, RGS Holdings, the Sponsors, the Underwriters, their respective directors and other parties involved in the Share Offer do not accept responsibility for any tax effects on, or liability of, any person resulting from subscribing for, or purchasing, holding or disposing of or dealing in the Offer Shares.

### **STAMP DUTY AND ESTATE DUTY**

The Company's principal register of members will be maintained by its principal registrar in Bermuda, The Bank of Bermuda Limited, and the Company's branch register of members will be maintained by its branch share registrar in Hong Kong, Standard Registrars Limited.

Dealings in the Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

The Shares on the Hong Kong branch register of members of the Company constitute Hong Kong property. Hong Kong estate duty may be payable upon the passing of any interests in the Shares on the Hong Kong branch register of members of the Company upon the death of a person, whether or not a Hong Kong resident.

### **PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES**

The procedure for application for the Public Offer Shares is set forth under the section headed "How to apply for the Public Offer Shares" in this prospectus and in the related application forms.

### **STRUCTURE OF THE SHARE OFFER**

Details of the structure of the Share Offer, including the conditions to which the Share Offer is subject, are set forth under the section headed "Structure of the Share Offer" in this prospectus.

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**DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER**

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**EXECUTIVE DIRECTORS**

<b>Name</b>	<b>Residential address</b>	<b>Nationality</b>
WANG Lu Yen <i>(Chairman)</i>	Flat No. 57, 8th Floor Tower 9 of Parkview Crescent Hong Kong Parkview 88 Tai Tam Reservoir Road Hong Kong	Chinese
Steven Julien FENIGER <i>(Chief Executive Officer)</i>	Room 1211 Tower 1 and 2 Parkview Suites 88 Tai Tam Reservoir Road Hong Kong	British
FU Jin Ming, Patrick	Flat C, 11th Floor No. 17 Mount Sterling Mall Mei Foo Sun Chuen Kowloon Hong Kong	Chinese
KHOO Kim Cheng	Flat 4B, Crestmont Villa No. 36 Caperidge Drive Peninsula Village Discovery Bay Lantau Island Hong Kong	Malaysian
KWOK Chi Kueng	2nd Floor, 297 Sai Keng Village Sai Kung North New Territories Hong Kong	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### INDEPENDENT NON-EXECUTIVE DIRECTORS AND MEMBERS OF THE AUDIT COMMITTEE OF THE BOARD

<b>Name</b>	<b>Residential address</b>	<b>Nationality</b>
WANG Arthur Minshiang	Branksome-Flat 18A 3 Tregunter Path Mid-levels Hong Kong	American
WONG Wai Ming	95 Headland Drive Discovery Bay Lantau Island Hong Kong	British

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

<b>Sponsor</b>	DBS Asia Capital Limited 16th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
<b>Co-Sponsor</b>	SBI E2-Capital (HK) Limited 4th Floor, Henley Building 5 Queen's Road Central Hong Kong
<b>Joint International Coordinators and Joint Bookrunners</b>	DBS Asia Capital Limited 16th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong  SBI E2-Capital Securities Limited 20th Floor, Henley Building 5 Queen's Road Central Hong Kong
<b>Joint Lead Managers</b>	DBS Asia Capital Limited 16th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong  SBI E2-Capital Securities Limited 20th Floor, Henley Building 5 Queen's Road Central Hong Kong  Cazenove Asia Limited 5001 One Exchange Square 8 Connaught Place Central Hong Kong
<b>Placing Underwriters</b>	DBS Asia Capital Limited 16th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong  SBI E2-Capital Securities Limited 20th Floor, Henley Building 5 Queen's Road Central Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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**Public Offer Underwriters**

Cazenove Asia Limited  
5001 One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

DBS Asia Capital Limited  
16th Floor, Man Yee Building  
68 Des Voeux Road Central  
Hong Kong

SBI E2-Capital Securities Limited  
20th Floor, Henley Building  
5 Queen's Road Central  
Hong Kong

Cazenove Asia Limited  
5001 One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

DBS Vickers (Hong Kong) Limited  
19th Floor, Far East Finance Centre  
16 Harcourt Road  
Admiralty  
Hong Kong

GC Securities Limited  
Room 2812, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

ICEA Capital Limited  
42nd Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

Kingsway SW Securities Limited  
5th Floor, Hutchison House  
10 Harcourt Road  
Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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	OpenOffering Capital Limited 4th Floor, Henley Building 5 Queen's Road Central Hong Kong
	Phillip Securities (HK) Ltd. 11th Floor, United Centre 95 Queensway Admiralty Hong Kong
<b>Legal advisers to the Company</b>	<i>As to Hong Kong law:</i> Chao and Chung 2601-5, Asia Pacific Finance Tower Citibank Plaza 3 Garden Road Hong Kong  <i>As to Bermuda law:</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
<b>Legal advisers to the Sponsors and the Underwriters</b>	Chiu & Partners 41st Floor, Jardine House 1 Connaught Place Hong Kong
<b>Auditors and reporting accountants</b>	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 26th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
<b>Property valuer</b>	DTZ Debenham Tie Leung Limited 10th Floor, Jardine House 1 Connaught Place Central Hong Kong
<b>Receiving banker</b>	Standard Chartered Bank 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Kowloon Hong Kong



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## CORPORATE INFORMATION

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<b>Registered office</b>	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
<b>Head office and principal place of business registered under Part XI of the Companies Ordinance</b>	10th Floor, Tower II South Seas Centre 75 Mody Road Tsimshatsui Kowloon Hong Kong
<b>Company secretaries</b>	CHEUNG Hoi Yin, Brenda ACS, ACIS Ira Stuart OUTERBRIDGE III*
	<i>* Mr. Ira Stuart Outerbridge III will resign and will be appointed as assistant secretary immediately upon listing of the Shares on the Main Board</i>
<b>Authorised representatives (for the purpose of the Listing Rules) and process agents (under Part XI of the Companies Ordinance)</b>	Steven Julien FENIGER KHOO Kim Cheng
<b>Members of the audit committee of the Board</b>	WANG Arthur Minshiang WONG Wai Ming
<b>Principal bankers</b>	The Hongkong and Shanghai Banking Corporation Limited 10th Floor, HSBC Building Tsim Sha Tsui 82–84 Nathan Road Tsimshatsui Kowloon Hong Kong  Standard Chartered Bank 23rd Floor, Standard Chartered Bank Building 4–4A Des Voeux Road Central Hong Kong  Citibank, N.A. 47th Floor, Citibank Tower Citibank Plaza, 3 Garden Road Central Hong Kong

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## CORPORATE INFORMATION

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**Principal share registrar and  
transfer office**

The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11  
Bermuda

**Hong Kong branch share registrar  
and transfer office**

Standard Registrars Limited  
5th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

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## INDUSTRY OVERVIEW

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*The information presented in this section is derived from various private and/or publicly available documents. The information has not been prepared or independently verified by the Company, RGS Holdings, the Sponsors or any of their respective advisers or affiliates.*

### INTRODUCTION

Traditionally, it was generally a practice for retailers or large importers to set up their own buying office overseas to facilitate their own needs in importing merchandise overseas, or to engage a buying agent to service them. In recent years, with increasing operating costs and stringent business environment, an increasing number of retailers and merchandise importers in developed countries have commenced sourcing their products from developing and low-cost countries, such as the PRC, Thailand, South Africa and countries in the Indian sub-continent, where there is abundant supply of relatively low-cost labour and materials for production of consumer products.

Traditionally, sourcing agents only performed the role of liaison between retailers and suppliers. As both retailers and suppliers are becoming more sophisticated, sourcing agents are now required to provide a range of value-added services in supply chain management. The Directors believe that this trend will continue and, particularly, retailers and merchandise importers may prefer to outsource their merchandising activities in order to minimise their operating cost. The Directors believe that this trend of outsourcing will create additional business opportunities to sourcing agents that can provide one-stop supply chain management solutions to their customers.

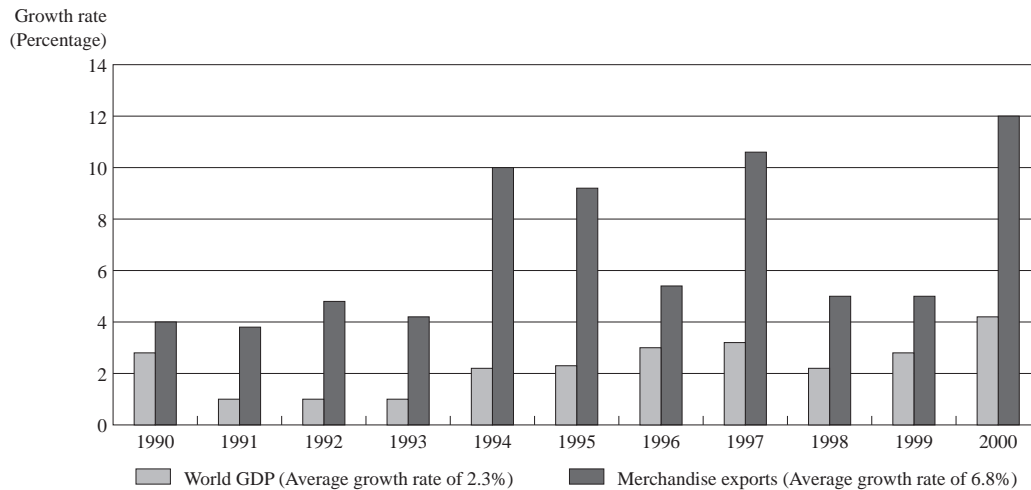
### SOURCING INDUSTRY

The market size of the sourcing industry depends on the level of international trading activities. The year 2000 witnessed a strong growth in international trade and production output, and the expansion of the world economy was a result of the continued growth in output in North America and certain developing countries in Asia, the economic recovery in the South American countries and Russia and a general surge in economic activities in other regions. North America and Western Europe, which together accounted for approximately 60 per cent. of the global output and trade, recorded a substantial annual GDP growth in the 1990s.

## INDUSTRY OVERVIEW

The following table illustrates the growth in volume of world merchandise trade and GDP from 1990 to 2000:

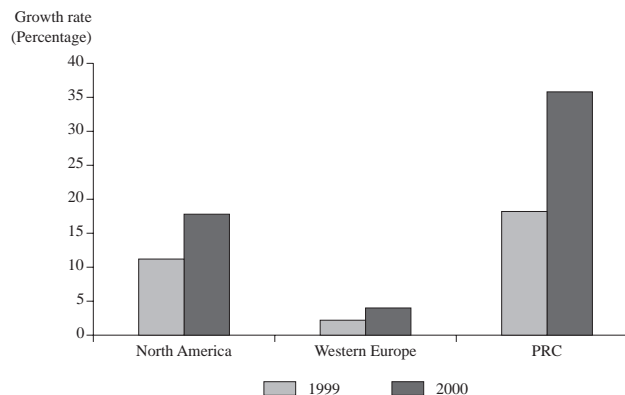
**Growth in volume of world merchandise trade and GDP, 1990–2000**  
(Annual percentage change)



Source: World Trade Organisation, Annual Report 2001

The following table illustrates the growth in value of imports in the following regions from 1999 to 2000:

**Growth in value of imports from 1999 to 2000**  
(Annual percentage change)



Source: World Trade Organisation, Annual Report 2001

Although the US economy suffered in the third quarter of 2001 and is aggravated by the terrorist attack on the US which has led to a deterioration of the international trading environment, various policy responses currently adopted by the US government are expected to stimulate the overall global economic activities. The combination of US monetary and fiscal policies trigger a demand-driven recovery, and the US economy is generally expected to recover modestly by the middle of 2002. As a result, US apparel sales is expected to increase from approximately US\$176.5 billion in 2000 to

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## INDUSTRY OVERVIEW

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approximately US\$191 billion in 2005 with a CAGR of approximately 1.6 per cent. This expected growth rate, if it materialises, will be higher than that for the period from 1997 to 2000, during which period the US apparel sales grew at a CAGR of approximately 0.8 per cent.

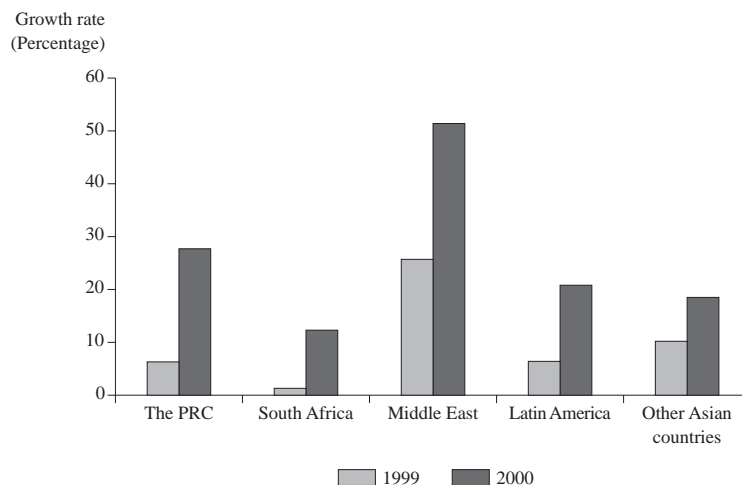
On the other hand, European consumers are generally willing to spend, albeit their consumption patterns are moving towards household items. In the UK, the value of apparel sales recorded an average growth of approximately 2.6 per cent. from 1998 to 2000. Such growth is expected to continue at an average rate of approximately 3.5 per cent. for the period from 2000 to 2002.

Given the likelihood of a global economic rebound by mid-2002, most economies in the Asian region are expected to rebound in the second half of 2002. The level of domestic consumption in the PRC remains relatively strong. Spurred on by strong consumer confidence, retail sales in the PRC increased by approximately 10 per cent. during the first 11 months of 2001.

### Trade liberalisation

The following table illustrates the growth in value of exports in the following emerging regional economies from 1999 to 2000:

**Growth in value of exports from 1999 to 2000**  
(Annual percentage change)



Source: World Trade Organisation, Annual Report 2001

The steady relaxation of the US trade barriers over the past few years could yield significant benefits for sourcing in low-cost countries. The accession of the PRC to the WTO will provide additional business opportunities for the sourcing industry. During the last two decades, major production bases for garment manufacturing have been relocated to the PRC, Indonesia, Thailand and countries in the Indian sub-continent. Towards the end of year 2005, it is expected that when the quota system currently adopted by the US and other developed countries for textile products will be eliminated, the market will shift to where the fabrics are locally available, labour cost is at a competitive level and production facilities can meet the social compliance and product quality requirements. On this basis, the Directors expect that the PRC's garment and fabrics industry will

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## INDUSTRY OVERVIEW

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grow significantly in the future, and each of the other markets, such as Indonesia, Thailand and countries in the Indian sub-continent, will continue to develop their own specialty in certain product categories.

The Directors believe that this trend will continue, particularly where additional production facilities are relocated from Taiwan, Hong Kong and other Southeast Asian countries to the PRC to enjoy the benefit of the relatively low-cost business environment.

In addition, the increase in domestic demand, reinforced by anticipated tariff reductions following the PRC's accession to the WTO, is likely to result in an increase in the import volume of the PRC.

### Recent developments

By outsourcing the sourcing function, retailers are able to lower their operating costs and focus on their core businesses. In turn, global sourcing agents are able to achieve economy of scale through bulk-purchases which may also benefit their customers.

Larger retailers, department stores and wholesalers have started to look for sourcing agents to take principal responsibility for managing their supply chains. In particular, they aim to improve inventory management with shorter lead time and additional new products.

In light of the above, the Directors believe that the following are the underlying factors that provide the sourcing industry with future potential and growth prospects:

- existing customers want to increase the private label element of their offer as it yields much higher profit margins;
- existing customers want to reduce their use of domestic importers who generally charge higher prices than sourcing agents. The use of sourcing agents will give them more control over their supply chains, and provides a way to standardise the approach to quality and social compliance monitoring; and
- new customers may have their internal sourcing department, but it is more economical, due to constant increases in operating cost and the changes in quota and customs duty systems, to outsource the sourcing function. This is particularly the case where the cost of setting up such an operation is high and in view of the difficulty in hiring and retaining the appropriate calibre of management with integrity, trust and transparency.

### SUPPLY CHAIN MANAGEMENT

Supply chain management refers to the integration of the internal and external functions on the supply and process chains to obtain purchase orders from customers, to procure raw materials from suppliers and to deliver the finished products to end users. Supply chain management enables companies to improve stock management techniques and distribution logistics, both of which require cooperative relationships between upstream and downstream suppliers and consumers. Effective management of the supply chain can add value in a number of ways: lower cost, improved quality and support, faster delivery and stronger competitive positioning.

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## INDUSTRY OVERVIEW

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Effective supply chain management requires organisations to:

- gather customer demand requirements quickly and accurately;
- make the best choices about how they can meet those requirements at the lowest possible cost;
- make informed decisions along the entire supply chain, from procuring raw materials to manufacturing/assembling products; and
- distribute finished goods to the consumer and collect the requisite payment.

Customers expect to be provided with a variety of services from sourcing agents such as prompt delivery of goods to different locations. In order to satisfy these requirements, sourcing agents are required to manage the flow of information between and within organisations efficiently. For instance, information integration means that customer orders, inventory levels, purchase orders and other key information flow automatically from one business function to another.

### INFORMATION TECHNOLOGY

Information technology and supply-chain functions are becoming intertwined as the delineations between functional structures (such as purchasing, personnel and production) are getting blurred. The focus is on optimisation of the integration process which is beyond a particular division.

The Intranet supply-chain software philosophy stresses the enterprise, rather than any functional unit. Increasingly, these applications must be “workflow-enabled”; that is, they must be able to support the underlying business processes that create, manage and use information. This is in contrast to technologies such as networking, electronic mail, electronic data interchange and groupware that have redefined many aspects of corporate information systems. At the same time, these rapidly evolving technologies have created islands of automation that undermine the integrity of the overall enterprise information system.

Many trading partners realise that it would be beneficial to them if they are able to share trade data via the Internet and exchange information on product design and development on a real-time basis.

The Internet offers a cost-effective solution to address the needs of both customers and suppliers. As customers and suppliers are becoming increasingly Internet-ready, integration of the Internet with supply chain management offers unprecedented opportunities to further develop business beyond the conventional distribution channels.

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## BUSINESS OF THE GROUP

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### INTRODUCTION

The Group is principally engaged in the sourcing business and the business of provision of supply chain management solutions to retail chain operators, brands, wholesalers, mail order houses and department stores in various countries. The Group specialises in sourcing a wide range of softgoods and hardgoods for its customers. Softgoods sourced by the Group include apparel, footwear and related accessories. Hardgoods sourced by the Group include toys, furniture, sporting goods, home decorations, houseware, seasonals, home textiles, giftware, hardware, electronic appliances, tableware and lawn and garden products. Most of the Group's customers are located in North America and Europe.

To provide its customers with merchandise according to their requirements at competitive prices, the Group maintains a global sourcing network which extended to approximately 1,900 vendors in 15 countries and territories during the Track Record Period. All these vendors are Independent Third Parties. The performance of the vendors is monitored and coordinated by 14 sourcing offices of the Group in 11 countries and territories, namely the PRC, Hong Kong, India, Thailand, Bangladesh, South Africa, Pakistan, Indonesia, South Korea, Singapore and Taiwan.

It is the Group's policy to promote information transparency between its customers and their vendors with the objective of providing efficient and cost-effective supply chain management solutions to its customers. To this end, the Group also provides different types of value-added services at various stages of the supply chain management, which include design and trend services, information on the latest product design and development, selection of vendors, production planning and management, quality assurance, social compliance and logistics management.

As at the Latest Practicable Date, certain major sourcing offices of the Group and its headquarters in Hong Kong were connected to LOGON system via the Internet. It is expected that LOGON system will connect all sourcing offices of the Group from June 2002 onwards. One of the features of LOGON system is to provide on-line order tracking and monitoring functions, through which the Group may track performance of the vendors of its customers to ensure that the merchandise sourced by the Group for its customers is delivered on time.

### **Modular business model of the Group**

Apart from providing one-stop supply chain management solutions to its customers, the Group also offers individual modules of its value-added services on a stand-alone basis to suit the individual needs of its customers. Customers of the Group may engage a particular type of supply chain management service from different members of the Group in different geographical regions. The Directors believe that the Group's modular business model not only meets the individual needs of its customers, but also provides additional sources of income to the Group.



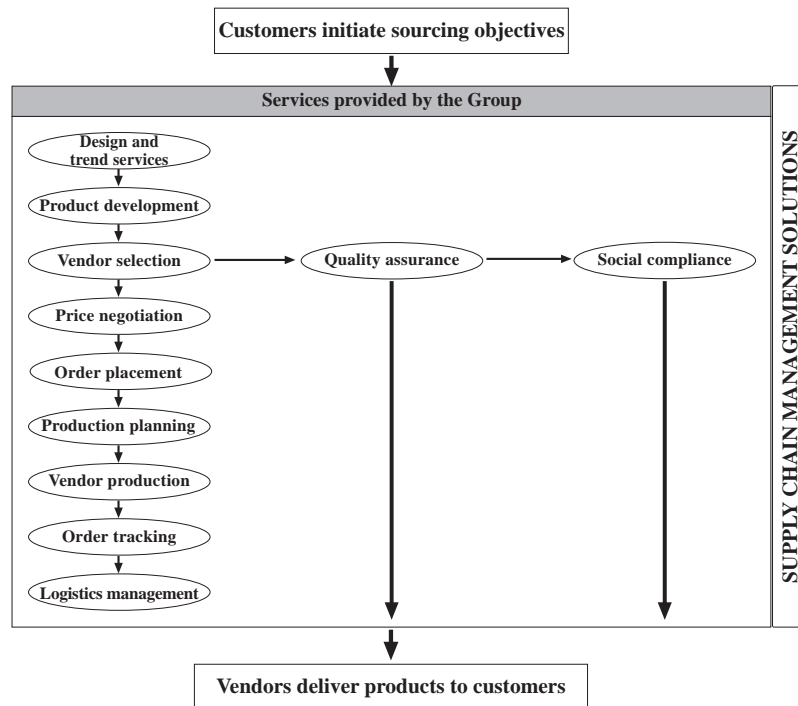
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## BUSINESS OF THE GROUP

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The following diagram illustrates the modular business model of the Group:

### Modular business model of the Group



*Design and trend services* — The Group provides fashion and trend reports and customised strategies for product and brand developments to its customers.

*Product development* — The Group provides fabric trends and product ideas on a seasonal basis to its customers through emails, art portfolios and presentations. The Group has established a specialised team that works closely with its sourcing offices to gather information on the latest trends and products.

*Vendor selection* — All vendors are evaluated and audited by the compliance and quality assurance team of the Group before they are recommended to the Group's customers. The Group uses a set of criteria and benchmarks to rate the service and the product quality of vendors.

*Quality assurance* — The responsibility of the Group's quality assurance team is to ensure that customers' quality expectations are met by the appropriate selection of vendors and to implement an appropriate quality assurance management programme.

*Social compliance* — The Group's social compliance team conducts field audits during the production process on the vendors' production facilities to monitor compliance of these facilities with codes of conducts specified by the Group's customers. The team also provides advisory services on social compliance standards of the vendors.

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## BUSINESS OF THE GROUP

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*Price negotiation* — Another function of the Group's sourcing activities is to ensure that products sourced are of the quality specified by its customers at competitive prices. Price negotiation is an integral part of the business model of the Group in acting as a supply chain management solutions provider for its customers.

*Order placement* — The customers place orders with the vendors, following which the Group will issue a confirmation to the relevant vendors on production and shipment details.

*Production planning* — Production capacity is reserved by the Group with vendors for serving the Group's customers promptly.

*Vendor production* — The Group works closely with the vendors of its customers in purchasing the required raw materials for production.

*Order tracking* — All purchase orders placed by the Group's customers will be managed by a critical path system designed to ensure on-time delivery. Each process is measured by the length of time required and an electronic alert system is engaged should any critical time path is not met.

*Logistics management* — The Group coordinates with the vendors of its customers and freight forwarders to track receipt of goods from delivery to arrival to assure on-time delivery. The Group also ensures that all shipments are effected with the timely submission of all customs clearance documents.

### **Major customers of the Group**

Most of the Group's major customers are retail chain operators, brands, wholesalers, mail order houses and department stores in North America and Europe. Examples of these major customers are Hudson's Bay Company, Brylane L.P., Federated Department Stores Inc., Jockey International, Inc., J.C. Penney Purchasing Corporation, Mothercare UK Limited and Oxford Industries Inc. All of these major customers are Independent Third Parties.

Hudson's Bay Company, being the largest customer of the Group during the Track Record Period, has engaged the sourcing agency services provided by the Group and its predecessors since July 1989 on an exclusive basis (except in circumstances as contemplated under the Hudson's Bay Buying Agency Agreement) in such territories as designated in its agreement with the Group or its predecessors. The Group has renewed the term of the Hudson's Bay Buying Agency Agreement to 2009.

In December 2001, the Group entered into an agreement whereby it was appointed the exclusive buying agent of Warnaco Inc. to source apparel items in Asia and certain other countries for certain brands marketed by Warnaco Inc., including "Calvin Klein<sup>®</sup> Jeans", "Calvin Klein<sup>®</sup> Kids", "Chaps by Ralph Lauren<sup>®</sup>" and "Speedo<sup>®</sup>". The appointment is for a three-year term subject to earlier termination in the event of, among other matters, a change in control of either party. The Group is also in discussion with selected retailers in North America for sourcing arrangements and the provision of supply chain management solutions for other brands. The Directors believe that the Group is able to leverage on its existing global sourcing network, the quality and the scope of the services provided and the Group's well-established business reputation to continue to broaden its customer base and to provide one-stop supply chain management solutions to meet increasing sourcing demands from retailers, wholesalers and department stores.

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## BUSINESS OF THE GROUP

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### COMPETITIVE ADVANTAGES OF THE GROUP

The Directors believe that the principal competitive advantages of the Group are as follows:

#### **Extensive and well-coordinated global sourcing network**

The Group maintains a global sourcing network which extended to approximately 1,900 vendors in 15 countries and territories during the Track Record Period. The performance of the vendors is monitored and coordinated by 14 sourcing offices of the Group in 11 countries and territories. All of these vendors are Independent Third Parties. The Directors believe that such global sourcing network enables the Group to source the required products for its customers in a cost effective manner.

#### **Modular business model**

The Group's modular business model provides a flexible and customised service to its customers. The Directors believe that such modular business model differentiates the Group from other sourcing agents and demonstrates the Group's capability to provide value-added services to different customers based on their individual needs.

#### **One-stop supply chain management solutions**

The Group places strong emphasis on developing customer-oriented services, such as design and trend services, product development, order placement, quality assurance and social compliance services. These services are integrated into one-stop supply chain management solutions provided by the Group to its customers.

#### **De-centralised management with hands-on approach**

The Directors and the senior management of the Group adopt a hands-on approach whereby key senior management staff are stationed at different regions to provide guidance to the vendors of the Group's customers and to respond to the customers' requirements promptly. In addition, most members of the senior management of the Group have approximately 12 years of experience in the supply chain management and related industry. The Directors believe that the Group has an experienced management team with a proven ability to execute its business plans.

#### **Established business relationships with its major customers**

The Group has established business relationships with its major customers which include renowned retail chain operators, brands, wholesalers, mail order houses and department stores in North America and Europe. The Directors believe that by leveraging on its established customer base, the Group will maintain and further enhance its competitiveness in the industry.

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## **BUSINESS OF THE GROUP**

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### **Quality assurance and social compliance services**

The Directors believe that one of the factors contributing to the Group's success is its reliability in meeting the individual needs of its customers. The Directors believe that such achievement is attributable to, among other things, the Group's policy to implement stringent quality assurance throughout the supply chain process. Based on its experience in providing quality assurance services, the Group has developed comprehensive quality assurance and social compliance services for its customers. The Directors believe that the Group is one of the few global supply chain management solutions providers offering such services.

### **Advanced information system**

As at the Latest Practicable Date, certain major sourcing offices of the Group were connected to LOGON system via the Internet. It is expected that LOGON system will connect all sourcing offices of the Group from June 2002 onwards. The Directors believe that LOGON system, which can automate and simplify the order tracking process, will increase the efficiency of the Group and will facilitate the Group to capture additional business opportunities.

### **HISTORY AND DEVELOPMENT**

The history of the Group dates back to 1964 when Mr. Denis Chiu Kao JEN with the assistance of his spouse, both of whom are Independent Third Parties, established their sourcing business in Taiwan which was the predecessor of the Group. At that time, the business focused on acting as a conventional buying agent in the sourcing of softgoods.

In 1968, the Group established its first subsidiary in Hong Kong. Subsequently, the Group expanded its sourcing business by establishing liaison and representative offices in Singapore, Thailand, Indonesia, South Korea, Taiwan and Sri Lanka during the period between 1969 and 1989.

In July 1989, the Group began to undertake merchandising activities for the department stores operated by Hudson's Bay Company in Canada on an exclusive basis. After that, two new sourcing offices of the Group were established in Pakistan and Bangladesh.

In May 1993, Hudson's Bay Company acquired the subsidiaries of the Group, which specialised in the sourcing business, through Linmark (Barbados). In 1994, the Group expanded its global sourcing network to India.

In December 1995, the Group continued to strengthen its sourcing capability by establishing a sourcing office in South Africa. In addition, the Group developed the Linmark Global Merchandising System ("LGMS") which has been used by it for order processing.

In March 1997, the Group enhanced its product development and design services by providing its customers newsletters on a regular basis. In the same year, the Group established a sourcing office in Shanghai.

The Group also started to retain sales and marketing representatives in the UK in 1998 and the US in 1999, respectively, to meet the increasing demands from its customers in these countries.

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## BUSINESS OF THE GROUP

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In June 1998, Hudson's Bay Company entered into an agreement with Roly International (B.V.I.) Limited ("Roly BVI"), a wholly-owned subsidiary of Roly International, pursuant to which Linmark (Barbados) and its subsidiaries were acquired from Hudson's Bay Company by Roly International (through Roly BVI), a public company listed on the Singapore Exchange Securities Trading Limited. Since then, Linmark (Barbados) became one of the wholly-owned subsidiaries of Roly International. At the same time, Linmark (Barbados) and Hudson's Bay Company entered into a buying agency agreement for a term of 8 years ending in June 2006 whereby Linmark (Barbados) was appointed to act as an agent of Hudson's Bay Company to source softgoods and hardgoods on an exclusive basis (except in circumstances as contemplated under the Hudson's Bay Buying Agency Agreement) in such territories as designated in the Hudson's Bay Buying Agency Agreement. The term of the above buying agency agreement (as amended on 7 September 2001 and as may be further amended from time to time) was extended to June 2009 pursuant to an amending agreement entered into in September 2001 by the same parties.

In April 2000, the Group underwent an internal reorganisation whereby Linmark (BVI) became the immediate holding company of the Group in place of Linmark (Barbados). As a result, Linmark (Barbados) is no longer a member of the Group. To rationalise the buying agency arrangement made between Hudson's Bay Company and the Group, via Linmark (Barbados), being the previous holding company of the Group, Linmark (Barbados) assigned all its rights and liabilities under the Hudson's Bay Buying Agency Agreement to Linmark Development (BVI) Limited, a wholly-owned subsidiary of the Company, pursuant to an assignment agreement dated 1 February 2002 entered into among Hudson's Bay Company, Linmark (Barbados) and Linmark Development (BVI) Limited with effect from 1 February 2002. As at the Latest Practicable Date, Linmark (Barbados) was a dormant company. Further particulars of the assignment arrangement are disclosed in "Assignment of buying agency agreement" under "Connected transactions" below.

In 1998, the Group diversified its business into hardgoods sourcing. The business of hardgoods sourcing of the Group has grown to become an important line of business of the Group.

With continual economic growth and the anticipated trade liberalisation in the PRC, the Group began to provide supply chain management services to the PRC in 1999. In 2001, the Group began to source footwear for Midway Enterprises (Guang Zhou) Ltd., a distributor of branded children products and a fellow subsidiary of the Company which is also a connected person (as defined in the Listing Rules) of the Company, for its retail sales and wholesales to retail outlets in the PRC.

To coordinate its global operation efficiently, in February 2001, the Group engaged an Independent Third Party software and system developer to develop an integrated information system, LOGON, to connect its sourcing offices with the Group's headquarters in Hong Kong. The Group intends to migrate its current computer system to LOGON into an Internet setting, which is expected to automate and simplify the order tracking system and enable its customers to check the status of orders via the Internet.

The Group also dedicated its efforts in providing its customers with various value-added services in managing supply chains. In January 2002, Trend Xpress was incorporated to focus on providing market trend consultancy services whilst IGCS was established to focus on the provision of social compliance services to the Group's customers. Each of these services is part of the modular business model of the Group.

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## BUSINESS OF THE GROUP

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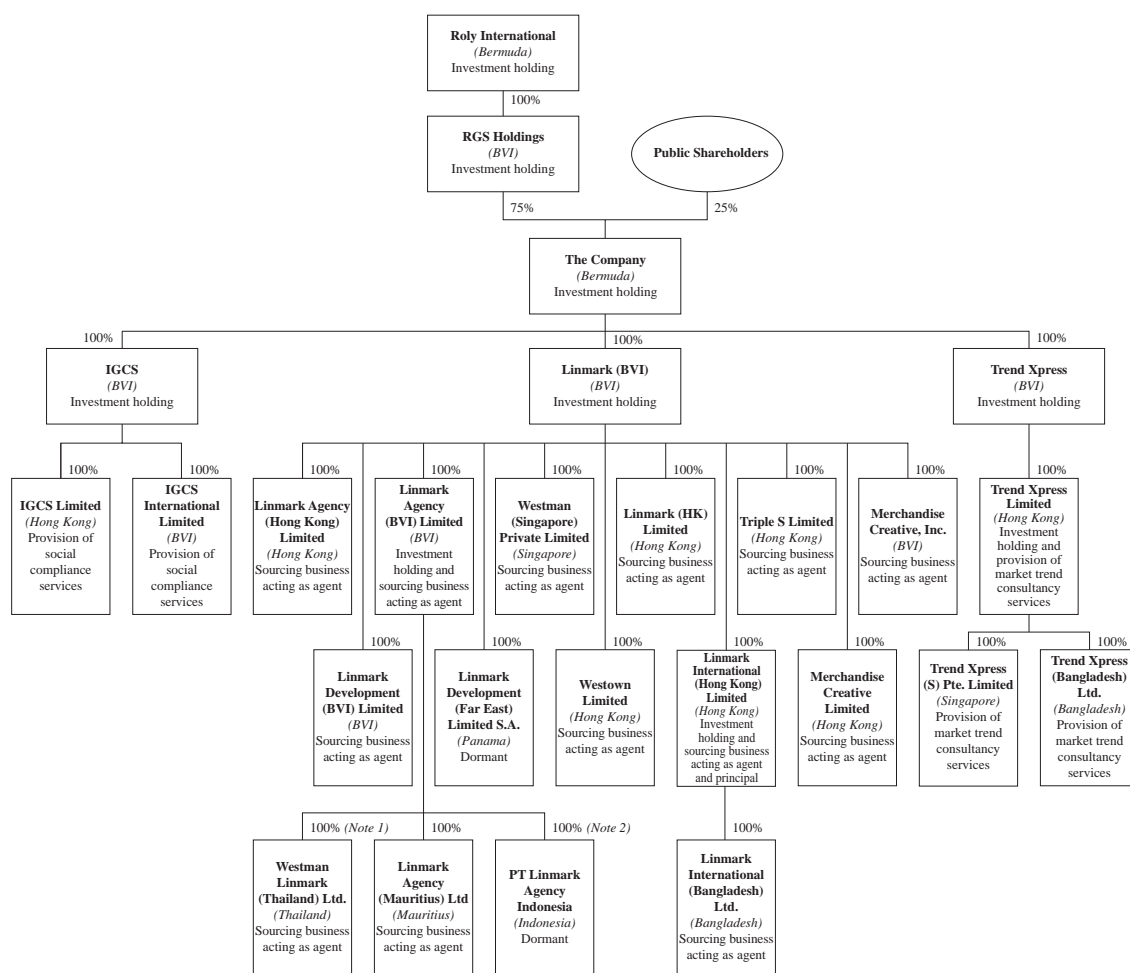
The Group places strong emphasis on strengthening its sourcing network in the PRC and has established a representative office in Shanghai and a liaison office in Tianjin. The two offices in the PRC mainly provide administrative and coordination supports to the Group's headquarters in Hong Kong. Given the operation nature of these offices, the Group is only subject to the PRC business tax and the foreign enterprise income tax based on the total operating cost of the offices. In March 2002, the Group has obtained the necessary regulatory approvals for the establishment of a new sourcing office in Shenzhen and is currently in the process of setting up its operation there. As at the Latest Practicable Date, the Group had 14 sourcing offices in 11 countries and territories, namely, India, Hong Kong, the PRC, Thailand, Bangladesh, South Africa, Pakistan, Indonesia, South Korea, Singapore and Taiwan. In addition, as at the Latest Practicable Date, the Group had established quality assurance presence in 15 countries and territories, namely, India, Hong Kong, the PRC, Thailand, Bangladesh, South Africa, Pakistan, Indonesia, South Korea, Singapore, Taiwan, Turkey, Mauritius, Sri Lanka and the Philippines.

In April 2002, the companies comprising the Group underwent the Reorganisation whereby the Company became the holding company of the Group. Details of the Reorganisation are set forth under "Corporate reorganisation" in Appendix V to this prospectus.

## BUSINESS OF THE GROUP

### SHAREHOLDING AND CORPORATE STRUCTURE OF THE GROUP

Pursuant to the Reorganisation, the Company became the holding company of the Group. The shareholding and the corporate structure of the Group (assuming the Share Offer and the Capitalisation Issue have been completed and that the Over-allotment Option is not exercised) and the principal business activities and the place of incorporation of each of the subsidiaries of the Group are set forth below:



**Notes:**

1. The issued share capital of Westman Linmark (Thailand) Ltd. is 6,000,000 Baht divided into 1,470 ordinary shares of 2,000 Baht each and 1,530 preference shares of 2,000 Baht each. The 1,470 ordinary shares of Westman Linmark (Thailand) Ltd. are all registered in the name of Linmark Agency (BVI) Limited. For accounting purpose, Westman Linmark (Thailand) Ltd. has been treated as a wholly-owned subsidiary of the Company.
2. The issued share capital of PT Linmark Agency Indonesia is US\$100,000 divided into 100,000 shares of US\$1 each, of which 99,000 shares are registered in the name of Linmark Agency (BVI) Limited and 1,000 shares are registered in the name of Sign Express Limited, a wholly-owned subsidiary of Roly International, pursuant to a trust document. Such trust arrangement may not be recognised under the laws of Indonesia. For accounting purpose, PT Linmark Agency Indonesia has been treated as a wholly-owned subsidiary of the Company.

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## BUSINESS OF THE GROUP

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### SERVICES PROVIDED BY THE GROUP

With the objective of adding value to its customers, the scope of services provided by the Group has expanded beyond the conventional role of acting as a sourcing agent. The Group is currently providing a wide range of value-added services, as part of its modular business model, to its customers, and such services include:

- (i) merchandising and order management;
- (ii) quality assurance;
- (iii) social compliance;
- (iv) product development and market intelligence; and
- (v) logistics management.

The Group is principally engaged in providing sourcing agency and supply chain management solutions to its customers for a variety of softgoods and hardgoods. To a limited extent, the Group is also engaged as a principal in the sourcing business for apparel items at the request of its customers. During the Track Record Period, the gross profit derived from such business activities amounted to nil, approximately US\$98,000, approximately US\$273,000 and approximately US\$28,000, respectively, representing nil, approximately 0.4 per cent., approximately 0.9 per cent. and approximately 0.2 per cent. of the gross profit of the Group, respectively. The Group is engaged in such business activities in response to requests made by its customers whom, for their own reasons, are not able to engage members of the Group as their sourcing agents. The Directors anticipate such kind of business activities will continue to be conducted by the Group only at the request of its customers in the future.

### **Merchandising and order management**

Merchandising is the core operation of the Group. The Group specialises in the sourcing of a variety of softgoods and hardgoods. For the year ended 30 April 2001, the shipment value of softgoods and hardgoods sourced by the Group accounted for approximately 71.9 per cent. and approximately 28.1 per cent. of the Group's total shipment value, respectively.



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## BUSINESS OF THE GROUP

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### *Global sourcing network*

The merchandising activities of the Group are undertaken by its merchandising division. As at the Latest Practicable Date, the merchandising division of the Group comprised approximately 260 employees stationed in 14 sourcing offices in 11 countries and territories. The following map highlights the geographical locations of the Group's sourcing offices:



The merchandisers of each of the Group's sourcing offices are designated to source for particular customers or source particular categories of products. The Group's account and sourcing executives are stationed at different locations to ensure that they can oversee the production activities of the vendors, and the merchandising activities in their respective regions and that products satisfy customers' requirements, and to ensure the timely delivery of the products. The account and sourcing executives are also in charge of vendor selections for the Group's customers. The Directors believe that by stationing the Group's senior staff at the locations where the merchandising activities take place, the Group is able to respond to the customers' requirements promptly.

Particulars of the vendors of the Group's customers, which are Independent Third Parties, are set forth under "Vendors of the Group's customers" below.

To coordinate all the merchandising activities within the global sourcing network, the Group plans to integrate each of its sourcing offices with its headquarters in Hong Kong via LOGON system. Particulars of LOGON system are set forth under "LOGON system" below.

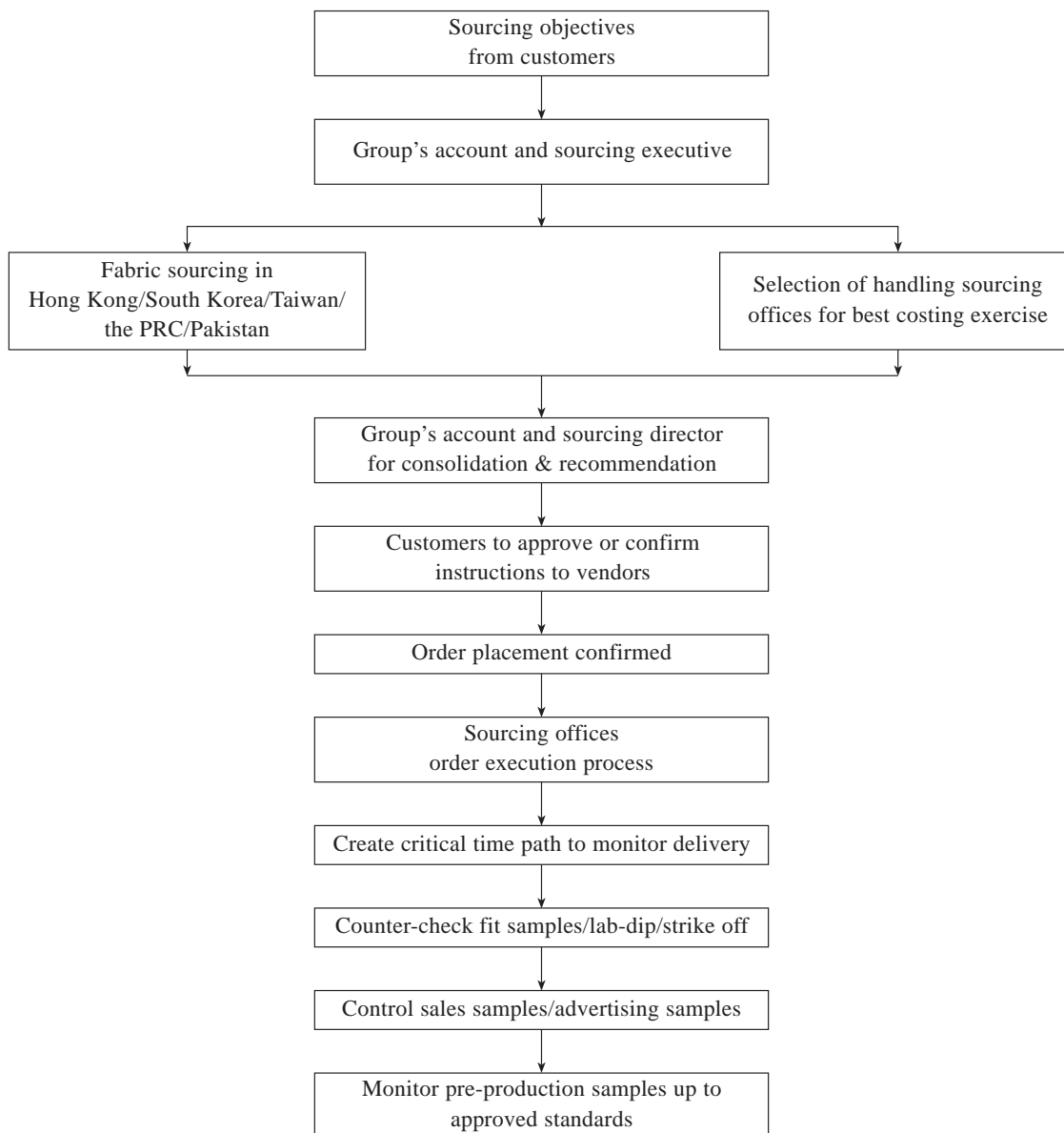
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## BUSINESS OF THE GROUP

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### *Merchandising process*

The following diagram illustrates the merchandising process undertaken by the Group:



When a customer first appoints the Group as its sourcing agent, the Group will designate a lead sourcing office with an account and sourcing executive assigned to serve such customer's requirements and sourcing objectives. The designated sourcing office will identify suitable vendors, who are Independent Third Parties, by aligning product specifications with vendor's specialties and production facilities and capacities, out of which the Group's account and sourcing executive will select appropriate vendors according to the type of product, price, quality and delivery requirements for consideration by the customer. Upon identification of the vendors, on a required basis, the sourcing office will negotiate pricing and contract terms with the vendors on behalf of the customer. As the Group's policy is to promote information transparency between customers and vendors, the negotiation process between the Group and the vendors on the terms of the sales contract to be

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## BUSINESS OF THE GROUP

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entered into between the vendors and the relevant customers will be disclosed to the customers in full. The Directors believe that this approach can give additional confidence to customers on the integrity of the Group in negotiating the contract terms, thereby building up mutual trust and long term business relationship between the Group and its customers.

Once the customer decides to place a purchase order with a designated vendor through the Group's sourcing office, the Group will execute the order for its customers in the following manner:

- creating a critical time path for the production process to ensure that on time delivery can be met;
- working closely with the vendors to provide customers with sample products in accordance with customers' requirements within the time schedule;
- monitoring the manufacturing process through meetings between the Group's quality assurance inspectors and the relevant vendors to ensure that all approved product specifications are fully complied with;
- coordinating with the Group's quality assurance inspectors to ensure that they fully understand the customers' requirements and carry out inline and final audits; and
- checking the applicable quota and tariff requirements before shipment to avoid delays at custom clearance and products delivery.

The Group usually offers its customers lead time ranging from 90 days to 120 days, depending on the type of product ordered and the production location. The Directors believe that this "quick response" strategy is crucial to the success of the Group.

### **Quality assurance**

The Directors believe that compliance with quality standard and social compliance is crucial to the business of the Group. With a commitment to ensure product quality for its customers, the Group has established a quality assurance division to provide quality assurance services during the sourcing process. The quality assurance division is divided into two sub-divisions, namely, softgoods sub-division and hardgoods sub-division. As at the Latest Practicable Date, the Group had 188 quality assurance inspectors with presence in 15 countries and territories, namely, India, Hong Kong, the PRC, Thailand, Bangladesh, South Africa, Pakistan, Indonesia, South Korea, Singapore, Taiwan, Turkey, Mauritius, Sri Lanka and the Philippines. The quality assurance inspectors are assigned to visit factories of the vendors of the Group's customers to conduct product testings, and to carry out on-site inspections to monitor compliance of the products with customers' requirements. Any deviations from product specifications noted will be followed up and reported by the quality assurance inspectors. It is a plan of the Group to eventually provide its customers with online access to report inspections and keep track of the status of their orders. The Group's quality assurance services mainly focus on the following areas:

#### *Pre-production review and inspection of raw materials*

Before commencement of mass production of a particular product by the relevant vendors, the Group will conduct a pre-production review of the sample product according to the customers' specifications. Only fabric and other raw materials approved by the Group are accepted for use in production. All other raw materials will be inspected by the Group's quality assurance inspectors in accordance with the Group's quality acceptance criteria and/or customers' specifications.

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## BUSINESS OF THE GROUP

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### *Inline audit*

Physical inspections are conducted at various stages during the production process to monitor compliance with product specifications depending on the nature of the products or the requirements specified by customers.

### *Final audit*

Before shipment, all finished products are inspected and tested in accordance with the Group's or (as applicable) customer's inspection criteria for checking that they pass the quality requirements stipulated by customers.

### **Social compliance**

Retailers in North America and Europe face pressure from governments, consumers, shareholders and mass media for their sourcing practices. Retailers are exposed to the risk of damaging their market position and goodwill if their products are sourced or manufactured under unlawful and unethical conditions. Retailers have thus begun to focus on the conditions under which products are manufactured.

Recognising the importance of social compliance, the Group provides social compliance services to its customers so as to monitor the operations of the vendors against the code of vendors' conduct specified by the Group's customers in relation to, among other matters, workplace conditions, the use of labour, child labour, harassment or abuse and discrimination, health and safety, freedom of association and customs compliance. As at the Latest Practicable Date, the Group had a social compliance team of 10 staff. They visit the production facilities of vendors. The social compliance services provided by the Group's social compliance team include:

- assisting customers to formulate their standards, expectations and requirements for vendors for the manufacture of their products;
- assisting customers to create social compliance programmes and to develop all the necessary documentations, such as employee questionnaires and audit reports;
- conducting vendor's factory visits to ensure that the production process and the workplace are in lawful, humane and ethical conditions and satisfy any other standards imposed by customers from time to time;
- recommending corrective action plans based on audit results;
- providing counselling services to guide factories to implement corrective action plans properly;
- following up on the execution and progress of corrective action plans;
- performing verification audits to ensure that corrective action plans are duly implemented; and
- regular monitoring for ongoing compliance.

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## BUSINESS OF THE GROUP

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The Group's social compliance operation is under the direct supervision of the general manager who directly reports to the chief executive officer of the Group. As such, the Group's social compliance operation is independent of the Group's merchandising activities, and hence does not create any conflict of interest. With the experience acquired by the Group from conducting social compliance audit services, the Directors believe that the Group is well-positioned to further expand into this high potential services sector.

IGCS was established in January 2002 to focus on the provision of social compliance services to the Group's customers.

### **Product development and market intelligence**

In order to assist customers to enhance their responsiveness to frequent changes in trends of the apparel industry, the Group provides market trends, including seasonal concept, material, fabric, colour, trim and silhouette direction, for major categories for softgoods and hardgoods to its customers. This seasonal information is provided by way of a trend portfolio for different types of goods. The Group is also developing other means of disseminating such information, such as through the Internet or compact discs in order to reach a larger audience.

The Group also provides private brand development work for a variety of apparel items. These activities include development of brand image and identity through specialised artwork, advertising campaigns, logos and packaging. The Group also provides sample developments to assist its customers on product specification as well as fabric, label and trim development.

The Group, through its global sourcing network, gathers information on the latest market trends and developments. The Group's fabric managers report to the product development team on the current trends in fabric, fashion and apparel from time to time. This information is then collated and provided to the Group's sourcing offices. The Group's staff also attend trade shows and events so as to keep abreast of the latest retail and fashion trends.

To enhance the existing product development and design and trend services, Trend Xpress was incorporated in January 2002 to focus on providing market trend consultancy services.

### **Logistics management**

The Group's logistics management services focus mainly on preparing and organising shipping documentation. These services include:

- preparing shipping documents to ensure that they are correct and acceptable by both customers and customs authorities for quota purpose;
- on a required basis, assisting customers to arrange for transportation;
- assisting in the handling of shipment, letters of credit and payment in an efficient and proper manner; and
- assisting customers in handling claims.

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## BUSINESS OF THE GROUP

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The Group also has substantial experience in shipment handling and maintains a close working relationship with local shipping agencies, from which the Group has acquired knowledge and experience in export regulations and customs procedures, in particular, US/Canada import regulations, quota classification and allocation system and computation of import duty. The Directors believe that the Group's experience and knowledge in logistics management assists its customers and strengthens the business relationship between the Group and its customers.

### LOGON SYSTEM

The Directors believe that the Group's core business depends on an effective exchange of information between its customers and their vendors as well as the application of such information to the management of supply chain. To facilitate a smooth communication process with its customers and their vendors, the Group engaged software and system developer, which is an Independent Third Party, to develop LOGON system. LOGON system was tested and first implemented in the Group's Hong Kong headquarters in February 2002 and will gradually be deployed in all sourcing offices of the Group from June 2002 onwards. The implementation of LOGON system is on schedule and no significant problems are currently encountered. The purpose of developing LOGON system is to enhance the functions of the existing management information system of the Group and to become its order processing software. LOGON system will only be fully implemented after thorough testing to be conducted by the Group. As such, the Directors believe that any unexpected delay in the full implementation of LOGON system at all offices of the Group will be unlikely to have a material impact on the Group's daily operations because the Group can continue to use its existing operating systems.

Through LOGON system, the Group can automate and simplify the order tracking process, which is one of the important processes in the merchandising activities of the Group. Such process includes the processing of sales and purchase contracts, production scheduling, billing and invoicing. LOGON system also enables the Group to track the performance of vendors according to certain parameters, such as the percentage of defects and late shipments. The Directors expect that there will be a significant improvement in the operational efficiency following the full implementation of LOGON system at all sourcing offices of the Group.

The Group aims to integrate LOGON system with some of its major customers' information systems so as to enable these customers to keep track of the status of their orders from product development, through sourcing, ordering, production tracking, to final delivery. In addition, LOGON system can provide customers an alert function to remind them when orders are not on schedule. The Group will continue to enhance the infrastructure of LOGON system to streamline the time-consuming sourcing process.

## BUSINESS OF THE GROUP

### SALES AND MARKETING

#### Sales revenue

The following table sets forth the breakdown of the Group's turnover by geographical locations of its customers during the Track Record Period:

	Year ended 30 April						Six months ended	
	1999		2000		2001		31 October	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
<b>Commission income (Note 1)</b>								
Canada	10,311	53	12,447	47	14,051	45	7,003	45
US	4,917	25	6,230	23	8,492	28	3,821	25
Europe	718	4	898	3	1,366	4	867	5
Others (Note 2)	3,630	18	7,059	27	6,957	23	3,901	25
	<u>19,576</u>	<u>100</u>	<u>26,634</u>	<u>100</u>	<u>30,866</u>	<u>100</u>	<u>15,592</u>	<u>100</u>
<b>Sales of garment</b>								
Canada	—	—	—	—	22	1	—	—
US	—	—	558	100	116	7	—	—
Europe	—	—	—	—	1,237	76	242	64
Others (Note 3)	—	—	—	—	250	16	139	36
	<u>—</u>	<u>—</u>	<u>558</u>	<u>100</u>	<u>1,625</u>	<u>100</u>	<u>381</u>	<u>100</u>
<b>Total</b>	<u>19,576</u>		<u>27,192</u>		<u>32,491</u>		<u>15,973</u>	

Notes:

- (1) Commission income was derived from the Group's sourcing agency business.
- (2) This included commission income derived from the Group's customers in Hong Kong, Singapore, Malaysia, Thailand, Panama, New Zealand, South Africa, Japan, Australia, Mauritius and the PRC.
- (3) This included income from sales of garment to customers in Hong Kong, South Africa, Saudi Arabia and Russia in which the Group sourced as principal at the requests of its customers.

During the Track Record Period, commission income accounted for approximately 97.3 per cent. of the Group's turnover and the remaining balance of approximately 2.7 per cent. represented income from sales of garment derived from the Group's sourcing business acting as principal at the request of its customers.

The Group's principal source of income is commission income from the Group's sourcing agency business. Commission income earned by the Group is based on a pre-agreed percentage of the total invoiced value of goods sourced on behalf of the Group's customers. Upon shipment, the Group charges its customers a commission income based on the invoices for goods sourced on a free on board

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(FOB) basis. In addition, the Group charges inspection fee to its customers as part of commission income for the provision of physical inspections and product testing services, as part of the Group's modular business model, at various stages in the production process to monitor compliance with product specifications. Generally, the Group charges inspection fee at a certain percentage of the FOB value of goods handled or based on the manpower required for the relevant inspection works.

The Group usually offers a credit term between 60 days and 90 days to its customers. Payment to the Group by its customers is usually effected by telegraphic transfer. During the Track Record Period, approximately 83.5 per cent. of the Group's commission income was settled in US dollars and the remaining balance in British sterling, Hong Kong dollars and other Asian currencies.

As illustrated in the above table, during the Track Record Period, the Group also received income from the sales of garment derived from its sourcing business as principal at the request of its customers. As such sourcing activities were only made at the request of its customers, the Group did not keep any inventory for such sourcing activities during the Track Record Period.

During the Track Record Period, the debtors' turnover period of the Group was approximately 111 days, approximately 79 days, approximately 91 days and approximately 108 days, respectively. The increase in the debtors' turnover period as at 31 October 2001 was mainly due to the Group temporarily holding up its collection effort at the time whilst it was negotiating for an extension of the term under an agency agreement with one of its major customers in September 2001. As at the Latest Practicable Date, over 90 per cent. of the trade receivables outstanding as at 31 October 2001 had been settled.

During the Track Record Period, specific provisions for bad and doubtful debts made by the Group amounted to approximately US\$265,000, approximately US\$65,000, approximately US\$225,000 and approximately US\$29,000, respectively, representing less than one per cent. of the Group's turnover. It is the Group's policy to make specific provision for trade receivables due from its customers who are in financial difficulty, and that no general provision will be made by the Group as part of its policy. During the Track Record Period, the increase in amount of the trade receivables was consistent with the increase in the total turnover of the Group. Notwithstanding the increase in the outstanding amount of trade receivables, particularly for those due over 90 days, during the Track Record Period, the Group did not make a significant amount of specific provision for bad and doubtful debts because most of these trade receivables have been subsequently settled. The Group adopts a stringent credit control policy over the trade receivables which are overdue and has set up a credit committee to review the credit terms granted to its customers on a regular basis.

### **Marketing activities**

The Group's marketing activities focus on direct marketing efforts and referral by its existing customers. To intensify its marketing efforts, the Group, as at the Latest Practicable Date, retained two independent consultancy companies as its representatives in the US and the UK to promote business and capture prospective customers. Whilst dedicating its efforts to acquire new customers, the Group also focuses on enhancing the loyalty of its existing customers by providing them with quality services at competitive pricing. The Group will also expand its businesses by promoting its new value-added services to its customers as part of its modular business model.



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### CUSTOMERS OF THE GROUP

The Directors believe that the Group is experienced in serving retail chain operators, established brands, wholesalers, mail order houses and department stores in North America and Europe and that most of its major customers have established business relationships with the Group. On this basis, the Directors believe that the Group has established its reputation and credibility as reliable supply chain management solutions provider. As at the Latest Practicable Date, some of the major customers/brands engaging the Group's services included:

Name of customers/brands	Base	Description of their business/products	Products sourced by the Group
Hudson's Bay Company	Canada	One of the largest retail store groups in Canada, operating under the banners of the Bay (department stores), Zellers (chain stores), Home Outfitters (specialty stores) and hbc.com (online sales)	Softgoods and hardgoods
Brylane L.P.	US	Sales of a variety of value-priced women's and men's apparel through its own catalogues, including "Roaman's <sup>®</sup> ", "Lane Bryant", "Brylane Home", "Chadwick's of Boston", "King Size", and "Lerner"	Ladies and men apparel, underwear, accessories and home textiles
Oxford Industries, Inc.	US	Apparel producer	Apparel
Mothercare UK Limited	UK	Trading subsidiary of the renowned British retailer of maternity wear, baby and children wear	Baby and children wear
J.C. Penney Purchasing Corporation	US	Retailer in softgoods	Softgoods
Federated Department Stores Inc.	US	One of the leading department store groups	Softgoods and hardgoods
Jockey International, Inc.	US	One of the leading men and ladies underwear makers	Underwear
Calvin Klein <sup>®</sup> Jeans	US	Jeans, casual wear for men, women and juniors	Jeans
Calvin Klein <sup>®</sup> Kids	US	Children wear	Apparel

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Name of customers/brands	Base	Description of their business/products	Products sourced by the Group
Chaps by Ralph Lauren <sup>®</sup>	US	Casual wear for men	Casual wear
Speedo <sup>®</sup>	US	Men's and women's swimwear, casual wear and swim accessories	Swimwear and accessories
Virginware	UK	Men's and women's underwear and night wear	Underwear and night wear

In June 1998, Hudson's Bay Company entered into a buying agency agreement with Linmark (Barbados). Pursuant to the Hudson's Bay Buying Agency Agreement, Linmark (Barbados) (via the Group) has been providing Hudson's Bay Company sourcing agency services for all of Hudson's Bay Company's softgoods and hardgoods on an exclusive basis (except in circumstances as contemplated under the Hudson's Bay Buying Agency Agreement) within the territories as designated in such agreement for a period of 11 years up to June 2009. Following the internal reorganisation undertaken in April 2000 whereby Linmark (BVI) became the immediate holding company of the Group in place of Linmark (Barbados), Linmark (Barbados) assigned its rights and obligations under the Hudson's Bay Buying Agency Agreement to Linmark Development (BVI) Limited, a wholly-owned subsidiary of the Company, at nil consideration with effect from 1 February 2002. Particulars of such assignment are set forth under "Connected transactions" below.

Whilst maintaining business relationships with its existing customers, the Group also strives to identify and secure new customers. In December 2001, the Group entered into an agreement whereby it was appointed the exclusive buying agent of Warnaco Inc. to source apparel items in Asia and certain other countries for certain brands marketed by Warnaco Inc. including "Calvin Klein<sup>®</sup> Jeans", "Calvin Klein<sup>®</sup> Kids", "Chaps by Ralph Lauren<sup>®</sup>" and "Speedo<sup>®</sup>". The appointment is for a three-year term subject to earlier termination in the event of, among other matters, a change in control of either party. The Group also secured several new customers in the second half of 2001.

In addition to the North American and European markets, the Group is seeking to expand into the PRC market. Since 2001, the Group has sourced footwear on behalf of Midway Enterprises (Guang Zhou) Ltd., a distributor of branded children products and one of the Company's fellow subsidiaries, for its retail sales and wholesales to retail outlets in the PRC. With the accession of the PRC to the WTO, the Directors anticipate that there will be growing demand for PRC retailers to source quality products. The Directors believe that the Group is able to capture these additional business opportunities by leveraging on its presence in the PRC market and its knowledge and experience in the sourcing and supply chain management industry. Particulars of the Group's future plans on securing new customers are set forth in the section headed "Future plans and growth strategy of the Group and proposed use of proceeds of the New Issue" in this prospectus.

The largest customer of the Group, Hudson's Bay Company, accounted for approximately 54.6 per cent., approximately 49.4 per cent., approximately 43.3 per cent. and approximately 44.7 per cent., respectively, of the Group's turnover during the Track Record Period. During the same period, the

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Group's five largest customers accounted for approximately 73.7 per cent., approximately 67.7 per cent., approximately 65.0 per cent. and approximately 66.4 per cent., respectively, of the Group's total turnover.

None of the Directors, their associates or any Shareholders, whom to the knowledge of the Directors, own more than five per cent. of the issued share capital of the Company (immediately following completion of the Share Offer and the Capitalisation Issue), has any interests in any of the five largest customers of the Group during the Track Record Period.

### VENDORS OF THE GROUP'S CUSTOMERS

The Group maintains a global sourcing network which extended to approximately 1,900 vendors in 15 countries and territories, namely Hong Kong, the PRC, South Korea, Taiwan, Thailand, Singapore, the Philippines, Indonesia, South Africa, Mauritius, Turkey, India, Pakistan, Bangladesh and Sri Lanka during the Track Record Period. All of these vendors are Independent Third Parties. The Group selects vendors for each order by appropriately aligning product types and requirements with their specialties, production facilities and capacity, human resources, financial and production factors. All the selected vendors have been evaluated by the Group based on their expertise, experience and other production factors. The approved vendors are subject to constant review and evaluation by the Group. This system gives assurance to customers in respect of the quality standard of the suppliers within the Group's global sourcing network.

The importance of sourcing goods at competitive prices has led the Group to procure vendors in low-cost countries, such as the PRC and India, where labour wages are relatively low. During the Track Record Period, the total shipment value of products sourced by the Group from countries in the Greater China region, the Indian sub-continent and other emerging markets accounted for approximately 56.0 per cent., approximately 17.3 per cent. and approximately 26.7 per cent., respectively, of the Group's total shipment value of products.

It is the Group's strategy not to own or operate any production facilities. This strategy provides the Group with flexibility in choosing locations for production and encourages the Group to constantly search for quality-conscious and cost-effective vendors at different locations for its customers. Throughout the Track Record Period, the five largest vendors of the Group's customers accounted for less than nine per cent. of the Group's total value of shipment.

As a sourcing agent, the Group does not enter into purchase contracts with vendors. The Group procure such contracts to be entered into between its customers and vendors, as a result of which the Group receives commission income from its customers. Settlement of the purchase price to the vendors will be made by the Group's customers direct. The Group did not keep any inventory during the Track Record Period, and it is the Group's policy not to take any inventory or acquire any merchandise for on-sale purposes.

In general, the Group is granted a credit term of 45 days for its sourcing activities acting as principal. During the Track Record Period, the creditors' turnover period of the Group, which arose from the Group's sourcing activities as principal, was nil, approximately 56 days, approximately 124 days and approximately 227 days, respectively. The increase in creditors' turnover period as at 31 October 2001 was mainly due to withholding payment for quality issues in the relevant financial year. As at the Latest Practicable Date, approximately 55.0 per cent. of trade payables outstanding as at 31

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October 2001 had been settled. During the Track Record Period, approximately 90.0 per cent. of the Group's purchase was settled in US dollars and the remaining balance in British sterling, Hong Kong dollars and other Asian currencies.

### COMPETITION

The sourcing and supply chain management industry in Hong Kong is highly fragmented with a large number of sourcing agents and trading companies. The principal competitors of the Group are large trading companies, sourcing agents and buying associations which may have stronger financial resources and comparable technical expertise and global sourcing network. The Group directly competes with them on the basis of price, quality and range of products sourced, timeliness of delivery, the scope and breadth of value added services provided as well as network coverage. The Directors are of the view that once a customer appoints a trading company or sourcing agent or buying association for managing its supply chain, it would be less likely to change unless the appointed agent repeatedly fails to handle purchase orders or has merged with another agent who serves competing customers. During its history of operation, the Group has not suffered any loss of major customers. The Directors believe that the Group is able to continue to compete effectively with its competitors based on its global sourcing network, advanced information system, wide range of value-added services and its competent and experienced management team.

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, the Group has submitted two applications for the registration of its service mark in Hong Kong, particulars of which are set forth under "Intellectual property rights" in Appendix V to this prospectus.

### INSURANCE

The Group maintains various insurance, including asset all risks insurance and public liability insurance. The Directors are of the view that the amount of insurance coverage maintained by the Group is common for similar operations in the same business and is adequate for the present business operations of the Group. During the Track Record Period, the Group did not receive any material claim from third parties in relation to the use of the Group's services.

### CONNECTED TRANSACTIONS

During the Track Record Period, the Group entered into the following connected transactions:

#### Sales

During the financial year ended 30 April 2000, the Group sold to Toonsland Limited ("Toonsland"), a subsidiary of Roly International, and Hudson's Bay Loyalty Management (Hong Kong) Limited ("HBLM"), an associate of Roly International at that time, products for approximately US\$17,000 (equivalent to approximately HK\$133,000) and US\$23,000 (equivalent to approximately HK\$179,000) respectively. Such sales ceased after 30 April 2000.

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### **Buying agency services**

During the Track Record Period, the Group received commission income from certain subsidiaries of Roly International, namely Vigor International (H.K.) Limited (“Vigor”), Midway Enterprises (Guang Zhou) Ltd. (“Midway”), Toonsland and Sun Hill Industries, Inc. (“Sun Hill”), a former subsidiary of Roly International, Wang’s International, Inc., an associated company of Roly International, iHomedecor.com, Inc., and a former associated company of Roly International, HBLM for the buying agency services provided by the Group to such fellow subsidiaries and associated companies of Roly International. The commission income received amounted to approximately US\$13,000 (equivalent to approximately HK\$101,000), approximately US\$122,000 (equivalent to approximately HK\$952,000), approximately US\$35,000 (equivalent to approximately HK\$273,000) and approximately US\$6,000 (equivalent to approximately HK\$47,000), respectively, during the Track Record Period.

Certain of the above buying agency services are expected to continue after the listing of the Shares on the Main Board, details of which are set forth under “Continuing connected transactions” below.

### **Rental income**

During the financial year ended 30 April 2001, the Group received rental income of an amount of approximately US\$25,000 (equivalent to approximately HK\$195,000) from IOTA Limited, a wholly-owned subsidiary of Roly International, in respect of the office premises located at 10th Floor, Tower II, South Seas Centre, 75 Mody Road, Tsimshatsui, Kowloon, Hong Kong. Subsequent to 30 April 2001, the Group has fully occupied such office premises and has not received any rental income from IOTA Limited in respect of such office premises.

### **Management fee paid**

During the financial year ended 30 April 2001 and the six months ended 31 October 2001, the Group paid approximately US\$223,000 (equivalent to approximately HK\$1,739,000) and approximately US\$289,000 (equivalent to approximately HK\$2,254,000), respectively, to Midway, in respect of the provision of administrative services and office premises to the Group in the PRC.

The above provision of administrative services to the Group by Midway are expected to continue after the listing of the Shares on the Main Board, details of which are set forth under “Continuing connected transactions” below.

### **Agency fee income**

During the financial year ended 30 April 2001, the Group received agency fee income of an amount of approximately US\$126,000 (equivalent to approximately HK\$983,000) from Sun Hill in respect of treasury management services provided to Sun Hill by Linmark International (Hong Kong) Limited. Subsequent to 30 April 2001, the Group has not provided such services to Sun Hill and hence has not received any agency fee income therefrom.

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### **Assignment of Hudson's Bay Buying Agency Agreement**

Pursuant to the Hudson's Bay Buying Agency Agreement, Hudson's Bay Company has appointed Linmark (Barbados) as its buying agent.

Pursuant to an assignment agreement (the "Assignment Agreement") dated 1 February 2002 made between Hudson's Bay Company, Linmark (Barbados) and Linmark Development (BVI) Limited ("Linmark Development"), a wholly-owned subsidiary of the Company, Linmark (Barbados) has, at nil consideration, assigned its rights and liabilities (save as provided below) under the Hudson's Bay Buying Agency Agreement to Linmark Development with effect from 1 February 2002.

Pursuant to the terms of the Assignment Agreement, Linmark (Barbados) shall remain liable for its obligations under the Hudson's Bay Buying Agency Agreement notwithstanding the assignment of the Hudson's Bay Buying Agency Agreement to Linmark Development.

Notwithstanding the terms of the Assignment Agreement, in order to clearly delineate the liabilities of Linmark (Barbados) and those of the Group under the Hudson's Bay Buying Agency Agreement, Linmark (Barbados) and Linmark Development have entered into a deed of indemnity whereby Linmark Development has undertaken to indemnify and keep Linmark (Barbados) fully and effectively indemnified against any and all liabilities, claims, demands, proceedings and costs and expenses ("Liabilities") accruing or arising under or in connection with the Hudson's Bay Buying Agency Agreement, save as to any Liabilities the cause of which was in relation to and/or in connection with the breach of terms and/or non-performance by Linmark (Barbados) under the Hudson's Bay Buying Agency Agreement prior to the entering into of the Assignment Agreement, and Linmark (Barbados) has undertaken to indemnify and keep Linmark Development fully and effectively indemnified against any and all Liabilities accruing or arising under or in connection with the Hudson's Bay Buying Agency Agreement, the cause of which was in relation to and/or in connection with the breach of terms and/or non-performance by Linmark (Barbados) under the Hudson's Bay Buying Agency Agreement prior to the entering into of the Assignment Agreement.

### **Corporate guarantees and other security**

As at 30 April 1999, 2000 and 2001 and at 31 October 2001, Roly International and certain of its subsidiaries had entered into corporate guarantees amounting to approximately nil, US\$2,949,000 (equivalent to approximately HK\$23,002,000), US\$5,705,000 (equivalent to approximately HK\$44,499,000) and US\$5,705,000 (equivalent to approximately HK\$44,499,000), respectively, to certain banks in respect of banking facilities granted to the Group. The Group had also provided cross guarantees with same amounts at these balance sheet dates to certain subsidiaries of Roly International.

On 10 May 2001, Linmark (BVI), together with Roly International, provided a joint and several corporate guarantee in respect of a loan facility of US\$7,000,000 granted to a fellow subsidiary of the Company. The loan facility was secured by a first floating charge over all the undertaking, property, assets and rights of Linmark (BVI), a wholly-owned subsidiary of the Company. No consideration was involved in these transactions.

The above guarantees and charge will be fully released prior to the listing of the Shares on the Main Board.

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### CONTINUING CONNECTED TRANSACTIONS

The Group has also entered into the following connected transactions which will continue following the listing of the Shares on the Main Board:

#### **Roly Buying Agency Agreements**

The Group has entered into separate buying agency agreements (collectively, the “Roly Buying Agency Agreements”) with each of Vigor, Midway and Toonsland whereby the Group has been appointed as the buying agent for each of Vigor, Midway and Toonsland (collectively, the “Principals”) in connection with the purchase of merchandise required by the Principals for their respective businesses.

Each of the Roly Buying Agency Agreements is for an indefinite term and the remuneration of the Group under such agreements is calculated on a commission basis with reference to the value of the merchandise sourced.

For the Track Record Period, the aggregate amount of commission paid to the Group by the Principals amounted to approximately US\$8,000 (equivalent to approximately HK\$62,000), approximately US\$29,000 (equivalent to approximately HK\$226,000), approximately US\$35,000 (equivalent to approximately HK\$273,000) and approximately US\$6,000 (equivalent to approximately HK\$47,000), respectively.

#### **Administration Services Agreement**

Pursuant to an administration services agreement (the “Administration Services Agreement”) dated 22 April 2002 made between Linmark (HK) Limited (“Linmark (HK)”), a wholly-owned subsidiary of the Company, and Midway, Linmark (HK) has agreed to reimburse Midway the operation costs of its office in Shenzhen, the PRC, in consideration of Midway’s providing certain administration services including, inter alia, the provision of staff, premises to house such staff and other operating and administrative services to Linmark (HK). The operation costs to be shared include salary of the relevant staff, rental and other office expenses on a reimbursement basis.

The Administration Services Agreement is for an initial term of one year commencing from 1 May 2002.

The arrangement as described in the Administration Services Agreement commenced in the financial year ended 30 April 2001. For the financial year ended 30 April 2001 and the six months ended 31 October 2001, the operating costs shared by the Group amounted to approximately US\$223,000 (equivalent to approximately HK\$1,739,000) and approximately US\$289,000 (equivalent to approximately HK\$2,254,000), respectively. It is estimated that the operating costs to be reimbursed by the Group to Midway for the financial year ending 30 April 2002 (including the US\$289,000 (equivalent to approximately HK\$2,254,000) incurred for the six months ended 31 October 2001) will amount to approximately US\$576,000 (equivalent to approximately HK\$4,493,000).

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### **Tenancy agreement**

On 1 March 2002, Linmark (HK) entered into a tenancy agreement (the “Tenancy Agreement”) with Turmar Limited (a company owned by Mr. WANG Lu Yen, a Director, and his spouse) whereby Turmar Limited agreed to lease to Linmark (HK) Flat No. 57 on 8th Floor, Tower 9 of Parkview Crescent, Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong of a gross floor area of approximately 256.78 sq.m. (approximately 2,764 sq.ft.) together with car parking space No. 56 on car park entrance 4 (Level 3) of the garage at the same development for a term of 24 months commencing from 1 February 2002. The Group has been granted an option to terminate the Tenancy Agreement by serving two months’ notice to Turmar Limited upon the expiry of the initial 12 months from the date of the Tenancy Agreement. The monthly rental payable by the Group to Turmar Limited under the Tenancy Agreement is HK\$85,000 (exclusive of rates and service charges), and the annual rental payable by the Group thereunder is HK\$1,020,000 (exclusive of rates and service charges).

### **Relationship between the parties**

Roly International is the controlling shareholder and a connected person (both terms of which are as defined in the Listing Rules) of the Company. The Directors are of the view that the management and operation functions of the Group are independent from those of other members of the Roly Group. Currently, Messrs. WANG Lu Yen, KHOO Kim Cheng, FU Jin Ming, Patrick, all being executive Directors, are also directors of Roly International. As Mr. FU Jin Ming, Patrick is principally involved in the management of the Group, he has agreed to resign as director of Roly International shortly following the listing of the Shares on the Main Board. Mr. WANG Lu Yen’s and Mr. KHOO Kim Cheng’s duties are to ensure that the overall corporate strategic planning for Roly International and its subsidiaries is consistent. Save for the fact that, upon the listing of the Shares on the Main Board, two of the executive Directors (out of a total five executive Directors) are also directors of Roly International (out of a total three executive directors of Roly International), and that the company secretary of the Company is also the company secretary of Roly International, the Group’s management and operation are separate from and independent of Roly International and its subsidiaries (other than members of the Group).

The day-to-day operations of the Group are managed by Mr. Steven Julien FENIGER, the Group’s Chief Executive Officer. Mr. Steven Julien FENIGER is assisted by two other executive Directors, namely Mr. FU Jin Ming, Patrick and Mr. KWOK Chi Kueng, whose principal responsibilities are described in the section headed “Directors, senior management and staff of the Group” in this prospectus. Save for the position held with members of the Group, Messrs. Steven Julien FENIGER, FU Jin Ming, Patrick and KWOK Chi Kueng do not hold any positions with any other subsidiary of Roly International. In addition, Roly International has given a non-competition undertaking in favour of the Company to minimise the possibility of conflicts between the business of Roly International and its subsidiaries and the Group. Details of such non-competition undertaking are set forth under “Non-competition undertaking” in the section headed “Information on Roly International” in this prospectus. In addition, being a director of both Roly International and the Company, each of Mr. WANG Lu Yen and Mr. KHOO Kim Cheng is required to abstain from voting in any transaction in which he is materially interested in accordance with the bye-laws of each of Roly International and the Company. Based on the above, the Directors are of view that the interest of the Shareholders is protected if any conflict should arise between the Group and Roly International.



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Each of Linmark (Barbados), Vigor, Midway and Toonsland is a subsidiary of Roly International and is, accordingly, an associate of Roly International, and thus also a connected person (as defined in the Listing Rules) of the Company.

Turmar Limited, a company incorporated in Hong Kong, is wholly-owned by Mr. WANG Lu Yen and his spouse. Mr. WANG Lu Yen is the chairman of the Board, an executive Director and a Substantial Shareholder and thus a connected person (as defined in the Listing Rules) of the Company. Turmar Limited, being a company controlled by Mr. Wang and his spouse, is accordingly an associate of a connected person (as defined in the Listing Rules) of the Company.

For so long as the relevant counterparty under the Roly Buying Agency Agreements, the Administration Services Agreement or, as the case may be, the Tenancy Agreement remains a connected person (as defined in the Listing Rules) of the Company, each of the Roly Buying Agency Agreements, the Administration Services Agreement and the Tenancy Agreement will, following the listing of the Shares on the Main Board, constitute a connected transaction for the Company under the Listing Rules.

### **Applicability of the Listing Rules**

#### *Roly Buying Agency Agreements*

Given the aggregate amount of the commissions payable by the Principals to the Group for the year ending 30 April 2002 is expected to be less than HK\$1,000,000 and the Roly Buying Agency Agreements are on normal commercial terms, the connected transactions arising out of these agency agreements are exempted from disclosure and independent shareholders' approval requirements under Rule 14.24(5) of the Listing Rules.

#### *Administration Services Agreement*

The administrative services currently provided by Midway will be taken up by the representative office of Linmark (HK) in Shenzhen, the PRC following the appointment of necessary personnel, which is expected to be made within three months' from the date of this prospectus.

On this basis, the operating costs of Midway's Shenzhen office to be shared by the Group pursuant to the Administration Services Agreement are expected to exceed HK\$1,000,000, but will not exceed HK\$10,000,000. Such arrangement, and the costs paid by the Group to Midway, will be disclosed in the Company's next published annual report and accounts in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules after the listing of the Shares on the Main Board.

#### *Tenancy Agreement*

The annual rental payable by the Group to Turmar Limited pursuant to the Tenancy Agreement is HK\$1,020,000, which exceeds HK\$1,000,000, but does not exceed HK\$10,000,000. As the Tenancy Agreement is for a fixed term and the amount payable by the Group thereunder will remain unchanged during the term of the Tenancy Agreement, the Tenancy Agreement will not be subject to ongoing press notice disclosure requirement under Rule 14.25(1) of the Listing Rules. Details of the Tenancy

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Agreement will be disclosed in the Company's next published annual report and accounts in accordance with Rule 14.25(1)(A) to (D) of the Listing Rules after the listing of the Shares on the Main Board.

DTZ Debenham Tie Leung Limited, an independent property valuer, has also confirmed that the terms set out in the Tenancy Agreement are normal commercial terms and that the rental payable under the Tenancy Agreement by the Group to Turmar Limited corresponds to the fair market rental.

The Directors (including the independent non-executive Directors) and the Sponsors are of view that each of the Roly Buying Agency Agreements, the Administration Services Agreement and the Tenancy Agreement was entered into in the normal course of business of the Group and the terms of each of such agreements are on normal commercial terms determined on arm's length basis and are fair and reasonable so far as the Shareholders are concerned.

### **Waiver and conditions of the waiver**

Following the listing of the Shares on the Main Board, transactions under the Administration Services Agreement will constitute connected transactions for the Company, which would normally be subject to certain disclosure requirements under the Listing Rules. As details of these transactions are disclosed in this prospectus, the Directors are of view that any additional disclosure by way of press notice following the listing of the Shares on the Main Board would be unduly burdensome. Accordingly, the Sponsors have, on behalf of the Company, made an application to the Stock Exchange for a waiver from the strict compliance with the disclosure requirement under Rule 14.25(1) of the Listing Rules for the Administration Services Agreement subject to the following conditions:

1. the transactions contemplated by the Administration Services Agreement shall be:
  - (a) entered into by the Group in the ordinary and usual course of its business;
  - (b) conducted on normal commercial terms (or on terms no less favourable than terms available to (or from) independent third parties) or on terms that are fair and reasonable so far as the Shareholders are concerned; and
  - (c) entered into in accordance with the terms of the Administration Services Agreement;
2. the aggregate annual operating costs to be shared by the Group under the Administration Services Agreement shall not exceed the higher of HK\$10,000,000 or three per cent. of the book value of the consolidated net tangible assets of the Company in its latest published accounts (the "Cap");
3. the independent non-executive Directors shall review the transactions contemplated by the Administration Services Agreement annually and confirm in the annual report of the Company for the relevant financial year that the transactions were conducted in the manner as stated in paragraphs 1 and 2 above;

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4. the Company's auditors shall review the transactions contemplated by the Administration Services Agreement annually and confirm in a letter to the Board (a copy of which shall be provided to the Listing Division of the Stock Exchange) stating whether:
  - (a) the transactions have received the approval of the Board;
  - (b) the transactions have been entered into in the ordinary and usual course of business of the Group and carried out in accordance with the terms of the Administration Services Agreement; and
  - (c) the aggregate annual value of the transactions for each of the relevant financial year has not exceeded the Cap;

where, for whatever reason, the auditors of the Company decline to accept the engagement or are unable to provide the auditors' letter, the Directors shall contact the Stock Exchange immediately;

5. details of the transactions in each financial year shall be disclosed as required under Rule 14.25(1)(A) to (D) of the Listing Rules in the annual report of the Company for the financial year concerned together with a statement of the opinion of the independent non-executive Directors and the auditors of the Company referred to in paragraphs 3 and 4 above; and
6. Midway shall provide to the Stock Exchange an undertaking that, for so long as the Shares are listed on the Main Board, Midway shall provide the auditors of the Company with full access to its relevant records for the purpose of the auditors' review of the transaction referred to in paragraph 4 above.

If the aggregate amount of the operating costs shared by the Group pursuant to the Administration Services Agreement exceeds the Cap, the Company will comply with the relevant disclosure and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Save as disclosed above, there are no other material connected transactions of which the Directors are currently aware and which will continue after the listing of the Shares on the Main Board.

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## **FUTURE PLANS AND GROWTH STRATEGIES OF THE GROUP AND PROPOSED USE OF PROCEEDS OF THE NEW ISSUE**

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### **FUTURE PLANS AND GROWTH STRATEGIES OF THE GROUP**

#### **Future plans**

The Directors believe that an increasing number of retail chain operators, brands, wholesalers, mail order houses and department stores are outsourcing all or a significant part of their sourcing function in order to reduce their operating cost. The Directors expect that retail chain operators, brands, wholesalers, mail order houses and department stores, particularly those in North America and Europe, will continue to focus on sourcing goods from low-cost countries and to improve the efficiency of their supply chain management activities. All these developments are expected to accelerate the demand for effective sourcing and supply chain management solutions.

With the PRC's accession to the WTO, the abundant supply of low-cost labour and the anticipated gradual abolishment of trade barriers, the Directors believe that the PRC will become one of the major production bases for consumer products. In addition to the PRC, the Directors believe that other developing countries, such as India and Thailand, will provide additional business opportunities for the supply chain management industry.

In addition, the Directors anticipate that, with the growing affluence and sophistication of the PRC consumers, demand for quality products will increase. This trend, coupled with increasing competition between domestic and overseas retailers as a result of the gradual market opening measures in the retail and distribution sectors following the PRC's accession into the WTO, will drive demand for supply chain management services and sourcing of quality products. As a result, retailers, wholesalers and department stores in the PRC are expected to seek ways to enhance the supply of quality products and merchandise to satisfy consumers and to expand into existing and new markets. The Group plans to capture these growing business opportunities by providing supply chain management solutions for quality products and forming strategic alliances with selected leading retailers and department stores in the PRC.

#### **Growth strategies of the Group**

The Group's business objective is to further enhance its position as a supply chain management solutions provider, not only for customers in established markets, such as North America and Europe, but also for retailers, department stores and specialty chain stores in developing countries, such as the PRC and countries in the Indian sub-continent. To achieve this business objective, the Directors plan to implement the following growth strategies:

##### *To expand the customer base*

Most of the Group's major customers are retail chain operators, brands, wholesalers, mail order houses and department stores in North America and Europe. The Group will continue to broaden its customer base by increasing its marketing presence in other European and Asian countries. In this connection, the Group is in discussion with selected retailers in North America for sourcing arrangements and the provision of supply chain management solutions for other brands.

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## FUTURE PLANS AND GROWTH STRATEGIES OF THE GROUP AND PROPOSED USE OF PROCEEDS OF THE NEW ISSUE

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### *To broaden the scope of services*

Currently, most of the major customers of the Group require various customer-oriented supply chain management services that include not only the sourcing of the appropriate products but also the provision of design and trend services, quality assurance and social compliance services and logistics management. The Directors believe that one of the competitive advantages of the Group is its capability to provide one-stop supply chain management solutions to its customers. The Group will continue to broaden the scope of services in relation to social compliance, market intelligence and fabric and trims sourcing. The Group also plans to charge a separate service fee for these services to broaden its sources of revenue.

### *To expand the global sourcing network*

The Directors consider that maintaining an extensive global sourcing network is crucial to the Group's success. The Group will further enhance its global sourcing network in developing countries, such as the PRC and countries in the Indian sub-continent, where the labour cost is relatively low compared to that in developed countries. In order to implement this strategy, the Group plans to streamline its sourcing and merchandising operations into two main hubs, namely the Greater China region and the Indian sub-continent, as the Directors anticipate that these regions will become the major production bases for consumer products.

### *To strengthen the information technology*

The Directors believe that advanced information technology is crucial to the Group's supply chain management solutions. The Group plans to use LOGON system as a platform of information exchange between its major customers and their vendors via the Internet to improve the communication process between the Group, its major customers and their vendors, promote the Group's policy on information transparency and enhance the quality and the responsiveness of its services. The Group also plans to enhance LOGON system by incorporating an online "request for quotation" feature which enables its customers to make requests for quotation via the Internet, to monitor the status of their purchase orders on a real-time basis and to receive the latest market information provided by the Group.

### *To pursue strategic acquisitions and investments*

The Group plans to pursue strategic acquisitions of and/or investments in complementary businesses in the future if such opportunities arise. Although the Group will continue to focus on its core business, the Group will implement strategic acquisitions and/or investments if the subject matter of the acquisitions and/or investments is considered to be capable of strengthening or complementing its existing business. Currently, the Group has not entered into any agreement or memorandum of understanding for any strategic acquisitions or investments.

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## **FUTURE PLANS AND GROWTH STRATEGIES OF THE GROUP AND PROPOSED USE OF PROCEEDS OF THE NEW ISSUE**

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### **REASONS FOR THE NEW ISSUE AND PROPOSED USE OF PROCEEDS OF THE NEW ISSUE**

The Group intends to use the net proceeds of the New Issue to implement its growth strategies. Assuming that the Over-allotment Option is not exercised, the net proceeds of the New Issue, after deduction of underwriting commission and estimated expenses of approximately US\$2.7 million (equivalent to approximately HK\$21.1 million) payable by the Group, are estimated to be approximately US\$24.2 million (equivalent to approximately HK\$188.8 million). The Directors currently plan to use such net proceeds as follows:

- approximately US\$9.0 million (equivalent to approximately HK\$70.2 million) will be used for marketing and business development including new clients and business acquisitions;
- approximately US\$2.5 million (equivalent to approximately HK\$19.5 million) will be used to enhance LOGON system;
- approximately US\$1.5 million (equivalent to approximately HK\$11.7 million) will be used to enhance its sourcing network and to establish additional sourcing offices in developing countries, such as the PRC and countries in the Indian sub-continent;
- approximately US\$2.0 million (equivalent to approximately HK\$15.6 million) will be used to finance the expansion of the Group's sourcing and related supply chain management business to retailers, particularly in the PRC; and
- the remaining balance of approximately US\$9.2 million (equivalent to approximately HK\$71.8 million) will be used for future business development and general working capital of the Group.

**In the event that the Over-allotment Option is exercised in full, the Group will receive additional net proceeds of approximately US\$4.8 million (equivalent to approximately HK\$37.4 million) which the Directors intend to use as additional general working capital of the Group.**

To the extent that the net proceeds of the New Issue are not immediately required for the above purposes or if the Group is unable to effect any part of its development plan as intended, it may hold such funds in short-term deposits with banks and/or financial institutions in Hong Kong for so long as it deems to be in the best interests of the Group. The Directors may re-allocate the use of the net proceeds should any of the above plans not be implemented. In such event, the Company will comply with the appropriate disclosure requirements under the Listing Rules.

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## FINANCIAL INFORMATION OF THE GROUP

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### INDEBTEDNESS

#### Borrowings

At the close of business on 28 February 2002, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this prospectus, the Group had outstanding obligations under finance leases payable within one year, one to two years and two to five years amounting to approximately US\$22,000, approximately US\$22,000 and approximately US\$10,000, respectively.

At the close of business on 28 February 2002, the amount due to immediate holding company and the amount due to a fellow subsidiary were approximately US\$99,000 and approximately US\$104,000, respectively.

#### Contingent liabilities

At the close of business on 28 February 2002, the Group's contingent liabilities were as follows:

- (i) the charge over all the undertaking, property, assets and rights of Linmark (BVI), a subsidiary of the Company, for a loan facility of US\$7,000,000 granted to a fellow subsidiary of the Company and the joint and several guarantee with the same amount was also provided by Linmark (BVI) together with Roly International to a fellow subsidiary of the Company;
- (ii) the joint and several corporate guarantee of US\$2,500,000 granted by Linmark International (Hong Kong) Limited, Linmark Development (Far East) Limited S.A. and Westown Limited, subsidiaries of the Company, together with two fellow subsidiaries of the Company, for the banking facilities with the same amount jointly available to the Group and a fellow subsidiary of the Company;
- (iii) the joint and several guarantee granted by Westown Limited, a subsidiary of the Company, together with two fellow subsidiaries of the Company, for the banking facilities of approximately US\$1,282,000 jointly available to the Group and a fellow subsidiary; and
- (iv) the joint and several corporate guarantee of approximately US\$1,923,000 granted by Linmark (Barbados), Westown Limited and Linmark International (Hong Kong) Limited, subsidiaries of the Company, together with Roly International and two fellow subsidiaries of the Company, for the banking facilities with the same amount jointly available to the Group and its fellow subsidiary.

The above guarantees and charge will be fully released prior to the listing of the Shares on the Main Board.

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## FINANCIAL INFORMATION OF THE GROUP

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### **Disclaimer**

Save as aforesaid or as otherwise disclosed herein, at the close of business on 28 February 2002, no member of the Group has any outstanding loan capital issued or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits or any guarantees or other material contingent liabilities.

The Directors have confirmed that there have been no other material changes in the indebtedness and contingent liabilities of the Group since 28 February 2002.

### **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

#### **Borrowings and banking facilities**

The Group generally finances its operations through a combination of shareholders' equity, internally generated cash flows and bank borrowings.

As at 28 February 2002, the Group, together with certain subsidiaries of the Company, had total available banking facilities of approximately US\$5,705,000. No such facilities had been utilised by the Group or the fellow subsidiaries of the Company.

#### **Net current assets**

As at 28 February 2002, the Group had net current assets of approximately US\$8,736,000. Current assets of the Group as at 28 February 2002 comprised trade receivables of approximately US\$4,645,000, prepayments, deposits and other receivables of approximately US\$1,723,000, and bank balances and cash of approximately US\$5,121,000. Current liabilities of the Group comprised trade payables of approximately US\$277,000, accruals and other payables of approximately US\$1,224,000, current portion of obligation under finance lease of approximately US\$22,000, amount due to immediate holding company of approximately US\$99,000, amount due to a fellow subsidiary of approximately US\$104,000 and tax payable of approximately US\$1,027,000.

#### **Directors' opinion on the net current asset position**

The Directors are of the opinion that, after taking into consideration the financial resources available to the Group including internally generated funds, the available unutilised banking facilities and the estimated net proceeds of the New Issue, the Group has sufficient resources to meet its foreseeable capital expenditure and debt repayment requirements.

#### **Capital structure**

As at 28 February 2002, the Group had net tangible assets of approximately US\$12,164,000 comprising non-current assets of approximately US\$4,462,000, net current assets of approximately US\$8,736,000 and non-current liabilities of approximately US\$1,034,000.



## FINANCIAL INFORMATION OF THE GROUP

### TRADING RECORD

The following table sets forth a summary of the audited combined results of the Group for the Track Record Period prepared on the assumption that the current structure of the Group had been in existence throughout the period under review and is extracted from, and has been prepared in accordance with the basis set forth in section 1 of, the accountants' report, the text of which is set forth in Appendix I to this prospectus:

	<i>Notes</i>	Year ended 30 April			Six months ended
		1999 US\$'000	2000 US\$'000	2001 US\$'000	31 October 2001 US\$'000
Turnover	(a)	19,576	27,192	32,491	15,973
Cost of sales		—	(460)	(1,352)	(353)
Gross profit		19,576	26,732	31,139	15,620
Other revenue		560	512	1,349	500
Administrative expenses		(16,798)	(17,740)	(20,042)	(10,265)
Profit from operations		3,338	9,504	12,446	5,855
Gain on disposal/dissolution of a subsidiary		—	—	911	37
Profit before taxation		3,338	9,504	13,357	5,892
Taxation	(b)	(220)	(451)	(490)	(175)
Profit for the year/period		<u>3,118</u>	<u>9,053</u>	<u>12,867</u>	<u>5,717</u>
Dividend		<u>2,700</u>	<u>—</u>	<u>8,000</u>	<u>3,800</u>
Earnings per Share					
— basic	(c)	<u>0.62 US cent</u>	<u>1.81 US cents</u>	<u>2.58 US cents</u>	<u>1.15 US cents</u>

*Notes:*

#### (a) Turnover

Turnover represents proceeds received and receivable from commission income and sales of garment by the Group to customers during the Track Record Period and is analysed as follows:

	Year ended 30 April			Six months ended
	1999 US\$'000	2000 US\$'000	2001 US\$'000	31 October 2001 US\$'000
Commission income	19,576	26,634	30,866	15,592
Sales of garment	—	558	1,625	381
	<u>19,576</u>	<u>27,192</u>	<u>32,491</u>	<u>15,973</u>

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## FINANCIAL INFORMATION OF THE GROUP

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(b) **Taxation**

	Year ended 30 April			Six months ended 31 October
	1999	2000	2001	2001
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
The charge comprises:				
Hong Kong profits tax				
— current year/period	46	50	122	—
Income tax in other jurisdictions				
— current year/period	174	398	679	175
— overprovision in prior years	—	—	(330)	—
Deferred taxation	—	3	19	—
	220	451	490	175

Hong Kong profits tax is calculated at a rate of 16 per cent. of the estimated assessable profit during the Track Record Period.

Taxation arising in other jurisdictions, including the PRC, Thailand, Pakistan, Bangladesh, South Africa, South Korea, Taiwan, Singapore, Indonesia and Mauritius, is calculated at the rates prevailing in the respective jurisdictions.

There was no material unprovided deferred taxation during the Track Record Period.

(c) **Earnings per Share**

The calculation of the basic earnings per Share is based on the profit during the Track Record Period and on the 499,200,000 Shares in issue and issuable comprising 2,000,000 Shares in issue as at the date of this prospectus and 497,200,000 Shares to be issued pursuant to the Capitalisation Issue.

Subsequent to 31 October 2001 and up to the Latest Practicable Date, the Group declared and paid special dividends in aggregate of approximately US\$7.0 million (equivalent to approximately HK\$54.6 million). Such dividends have been paid in cash out of the Group's internal resources.

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## FINANCIAL INFORMATION OF THE GROUP

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### MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS

#### *Financial year ended 30 April 1999*

##### *Turnover*

The turnover of the Group amounted to approximately US\$19.6 million for the financial year ended 30 April 1999. The turnover of the Group comprised commission income and inspection service fee income for the handling of total shipment volume in an amount of approximately US\$361.6 million for the financial year ended 30 April 1999.

For the financial year ended 30 April 1999, approximately 52.7 per cent., approximately 25.1 per cent. and approximately 3.7 per cent. of the Group's turnover were attributable to shipments to Canada, the US and Europe, respectively, and the remaining balance represented shipments to other countries and territories.

##### *Gross profit*

The gross profit representing commission income for sourcing business amounted to approximately US\$19.6 million for the financial year ended 30 April 1999.

##### *Other revenue*

Other revenue represented reimbursements from customers, such as sample charges, courier charges and other miscellaneous items, which were previously paid by the Group on behalf of its customers and reimbursed by the customers, foreign exchange translation gain and interest income during the financial year ended 30 April 1999.

##### *Administrative expenses*

The operating expenses of the Group mainly comprised staff costs, rental expenses, travelling and other operating expenses incurred by the Group for the financial year ended 30 April 1999.

##### *Taxation*

Taxation amounted to approximately US\$0.2 million for the financial year ended 30 April 1999.

##### *Profit attributable to shareholders*

As a result of the foregoing, the combined profit attributable to shareholders of the Group amounted to approximately US\$3.1 million for the financial year ended 30 April 1999.

#### *Financial year ended 30 April 2000*

##### *Turnover*

The turnover of the Group increased by approximately 38.8 per cent. from approximately US\$19.6 million for the financial year ended 30 April 1999 to approximately US\$27.2 million for the financial year ended 30 April 2000. The turnover of the Group comprised commission income,

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## FINANCIAL INFORMATION OF THE GROUP

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inspection service fee income and sales of garment in which the Group sourced as principal at the request of its customers. The increase was primarily due to the Group's expansion in its sourcing business of hardgoods for Hudson's Bay Company in this financial year. This resulted in the increase in shipment handled by the Group by approximately US\$49.0 million to approximately US\$410.6 million for the financial year ended 30 April 2000. For the financial year ended 30 April 2000, approximately 45.8 per cent. of the Group's turnover were attributable to shipments to Canada, approximately 25.0 per cent. to the US and approximately 3.3 per cent. to Europe and the remaining balance represented shipments to other countries and territories. In addition to commission income, the Group started to engage in sourcing business acting as principal, as requested by its customers, at which the Group charged a mark-up on the value of garment sourced.

### *Gross profit*

The gross profit of the Group comprised primarily commission income which increased by approximately 36.2 per cent. from approximately US\$19.6 million for the financial year ended 30 April 1999 to approximately US\$26.7 million for the financial year ended 30 April 2000. This increase was primarily due to an increase in the shipment volume and an increase in commission rate on shipment for the financial year.

### *Other revenue*

Other revenue, which mainly represented reimbursements from customers, such as sample charges, courier charges and other miscellaneous items, decreased by approximately 8.6 per cent. as compared to the previous financial year. The decrease was mainly due to a decrease in the amount of charges paid by the Group on behalf of its customers during the financial year.

### *Administrative expenses*

Administrative expenses increased by approximately 5.4 per cent. from approximately US\$16.8 million for the financial year ended 30 April 1999 to approximately US\$17.7 million for the financial year ended 30 April 2000. The increase in administrative expenses was mainly due to an increase in marketing expenses, staff costs and travelling expenses in relation to the larger business volume handled during the year.

### *Taxation*

Taxation increased by approximately 150.0 per cent. from approximately US\$0.2 million for the financial year ended 30 April 1999 to approximately US\$0.5 million for the financial year ended 30 April 2000. This was consistent with the increase in net operating profit of the Group for the financial year.

### *Profit attributable to shareholders*

As a result of the foregoing, the combined profit attributable to shareholders of the Group increased by approximately 193.5 per cent. from approximately US\$3.1 million for the year ended 30 April 1999 to approximately US\$9.1 million for the financial year ended 30 April 2000.

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## FINANCIAL INFORMATION OF THE GROUP

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### *Financial year ended 30 April 2001*

#### *Turnover*

The turnover of the Group increased by approximately 19.5 per cent. from approximately US\$27.2 million for the financial year ended 30 April 2000 to approximately US\$32.5 million for the financial year ended 30 April 2001. The turnover of the Group comprised commission income, inspection service fee income and sales of garment in which the Group sourced as principal at the requests of its customers. The increase in turnover was mainly due to the increase in shipment volume by approximately US\$69.5 million to approximately US\$480.1 million for the financial year ended 30 April 2001 following the appointment of the Group as the sourcing agent of Jockey International, Inc. in Asia. In addition, the increase in turnover was due to an increase in order for sourcing goods in Durban, South Africa and Mauritius as a result of the expansion of its global sourcing network in these countries.

For the financial year ended 30 April 2001, approximately 43.3 per cent. of the Group's turnover were attributable to shipments to Canada, approximately 26.5 per cent. to the US and approximately 8.0 per cent. to Europe.

#### *Gross profit*

The gross profit of the Group increased by approximately 16.5 per cent. from approximately US\$26.7 million for the financial year ended 30 April 2000 to approximately US\$31.1 million for the financial year ended 30 April 2001. This increase was primarily due to increased shipment volume from existing customers of the Group. In addition, there was also an increase in sales of garment of approximately US\$1.1 million in which the Group sourced as principal at the request of its customers.

#### *Other revenue*

Other revenue, which represented reimbursements from customers, such as sample charges, courier charges and other miscellaneous items, received interest income and write back of commission payable over-provided in previous years, increased by approximately 160.0 per cent. from approximately US\$0.5 million for the financial year ended 30 April 2000 to approximately US\$1.3 million for the financial year ended 30 April 2001. This was mainly due to the write back of over-provided commission payable amounting to approximately US\$0.6 million in that financial year.

#### *Administrative expenses*

Administrative expenses increased by approximately 13.0 per cent. from approximately US\$17.7 million for the financial year ended 30 April 2000 to approximately US\$20.0 million for the financial year ended 30 April 2001. This was mainly due to the increase in office overhead costs and the increase in staff costs associated with increased business volume handled by the Group and the coverage of the global sourcing network of the Group.

#### *Taxation*

Taxation increased slightly to approximately US\$0.5 million for the financial year ended 30 April 2001 due to increase in the net operating profit of the Group for the financial year.

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## FINANCIAL INFORMATION OF THE GROUP

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### *Profit attributable to shareholders*

As a result of the foregoing, the combined profit attributable to shareholders of the Group increased by approximately 41.8 per cent. from approximately US\$9.1 million for the financial year ended 30 April 2000 to approximately US\$12.9 million for the financial year ended 30 April 2001.

### *Six months ended 31 October 2001*

#### *Turnover*

The turnover of the Group increased by approximately 3.2 per cent. to approximately US\$16.0 million for the six months ended 31 October 2001 as compared to the corresponding period in the previous financial year. The turnover of the Group comprised commission income, inspection service fee income and sales of garment in which the Group sourced as principal at the requests of its customers. The slight increase in the Group's turnover was mainly due to the Group securing a new customer in Europe and the purchase orders from its existing customers also increased during the period. This resulted in an increase in shipment volume to approximately US\$260.0 million for the six months ended 31 October 2001 from approximately US\$250.3 million for the corresponding period in previous financial year. However, the rate of increase in turnover was less than the expected level due to the low seasonal sales order as a result of the recession fear in the US, which was aggravated by the September 11 terrorist attack.

For the six months ended 31 October 2001, approximately 43.8 per cent. of the Group's turnover were attributable to shipments to Canada, approximately 23.9 per cent. to the US and approximately 6.9 per cent. to Europe and the remaining balance represented shipments to other countries.

#### *Gross profit*

The gross profit of the Group increased slightly by approximately 1.3 per cent. to approximately US\$15.6 million for the six months ended 31 October 2001 as compared to the corresponding period in the previous financial year.

#### *Other revenue*

Other revenue, which represented reimbursements from customers, such as sample charges, courier charges and other miscellaneous items and interest income, decreased by approximately 16.7 per cent. to approximately US\$0.5 million for the six months ended 31 October 2001 as compared to the corresponding period in the previous financial year. The decrease was mainly due to decrease in reimbursements from customers which was consistent with the fact that fewer customers of the Group had requested payment of expenses on their behalf.

#### *Administrative expenses*

Administrative expenses increased by approximately 5.1 per cent. to approximately US\$10.3 million for the six months ended 31 October 2001 as compared to the corresponding period in the previous financial year. This was mainly due to the increase in the office overhead and payroll costs as a result of increase in the total number of staff employed by the Group.

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## FINANCIAL INFORMATION OF THE GROUP

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### *Taxation*

Taxation decreased by approximately 3.0 per cent. to approximately US\$0.2 million for the six months ended 31 October 2001 as compared to the corresponding period in the previous financial year. This was consistent with the decrease in net profit of the Group for the period.

### *Profit attributable to shareholders*

As a result of the foregoing, the combined profit attributable to shareholders of the Group decreased by approximately 3.4 per cent. to approximately US\$5.7 million for the six months ended 31 October 2001 as compared to the corresponding period in the previous financial year.

### **Taxation**

The Group has business establishments in various countries and territories and has formed a global sourcing network in carrying out its sourcing business. The Directors consider that the operations of the establishments were properly carried out during the Track Record Period, and that all the requirements of local tax legislation and available preferential tax arrangements in the jurisdictions in which the establishments were located have been properly complied with, including in the one case where the relevant tax authority has agreed the offshore claim for the profits generated by one of the companies of the Group on the basis that such profits were derived from the liaison and supporting work done by its representative offices in various countries and territories. The representative offices were chargeable to tax in the respective jurisdictions under the local tax requirements. The Directors consider that the taxation expenses for the Track Record Period represented the liabilities of the Group for carrying on business in the various countries through its establishments. The low effective tax rates of the Group as compared to the statutory tax rates applicable to individual members of the Group for the Track Record Period was mainly due to the fact that certain members of the Group had no taxable profits. The Group had subsidiaries, branches and representative offices (collectively, the “Sub-Agents”) in Bangladesh, the PRC, India, Indonesia, South Korea, Mauritius, Pakistan, the Philippines, Singapore, South Africa, Taiwan, Thailand and Turkey (the “Jurisdictions”) to facilitate its sourcing functions. Linmark Development (BVI) Limited (the “Master Agent”) entered into sourcing agency agreements with customers for the provision of sourcing services. In addition, agreements were entered into between the Master Agent and the Sub-Agents to subcontract sourcing services. The Sub-Agents were chargeable to tax in the respective jurisdictions under the respective local tax requirements for their service income derived in the Jurisdictions.

The Directors consider that, as the Master Agent only carried out business activities by the Sub-Agents outside Hong Kong, accordingly, the Master Agent did not have any taxable income in Hong Kong nor in the Jurisdictions.

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## FINANCIAL INFORMATION OF THE GROUP

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### PROPERTY INTERESTS

All of the properties currently occupied by the Group are leased properties.

#### Properties occupied by the Group in Hong Kong

The Group currently leases the whole of the 10th Floor, Tower II, South Seas Centre, 75 Mody Road, Tsimshatsui, Kowloon, Hong Kong with a total gross floor area of approximately 1,351 sq.m. to house its head office and principal place of business in Hong Kong. The Group also currently leases certain units on the 2nd Floor of the same building with an aggregate gross floor area of approximately 695 sq.m. for office purposes and five car-parking spaces on the Basement Floor of the same building for parking. The Group has also leased an industrial unit on the 9th Floor of an industrial building in Kowloon Bay, Kowloon, Hong Kong as a warehouse for industrial purposes. Certain office units on the 16th Floor of Office Tower 1, The Harbourfront in Hunghom with a total gross floor area of approximately 1,113 sq.m. are also leased by the Group as offices.

In addition, the Group currently leases a domestic unit on the 8th Floor of Tower 9 of Parkview Crescent, Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong as a Director's quarters.

#### Properties occupied by the Group overseas

To house its overseas operations, the Group has leased various property interests in the PRC, Taiwan, Bangladesh, India, Indonesia, Madagascar, Mauritius, Pakistan, the Philippines, Singapore, South Africa, South Korea, Sri Lanka, Thailand and Turkey as offices and staff quarters, particulars of such property interests are set out in the summary of valuations and valuation certificate set forth in Appendix III to this prospectus.

#### Property valuation

As at the Latest Practicable Date, save as disclosed under "Continuing connected transactions" in the section headed "Business of the Group" in this prospectus, all of the properties occupied by the Group were leased from Independent Third Parties. These property interests of the Group were valued by DTZ Debenham Tie Leung Limited, an independent property valuer, at no commercial value as at 28 February 2002. The texts of a letter with a summary of valuations and valuation certificate of these property interests are set forth in Appendix III to this prospectus.

### PROFIT FORECAST, DIVIDENDS AND WORKING CAPITAL

#### Profit forecast

The Directors forecast that, in the absence of unforeseen circumstances, and on the bases as set out in Section (A) of Appendix II to this prospectus, the combined profit after taxation but before extraordinary items of the Group for the financial year ending 30 April 2002 will amount to not less than US\$8.0 million (equivalent to approximately HK\$62.4 million). The Directors are not aware of any extraordinary items which have arisen, or are likely to arise, during the financial year ending 30 April 2002. The texts of letters from Deloitte Touche Tohmatsu, the auditors and the reporting accountants of the Company, and the Sponsors in respect of the profit forecast are set forth in Section (B) of Appendix II to this prospectus.



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## FINANCIAL INFORMATION OF THE GROUP

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On the basis of the above profit forecast and the weighted average number of 499,200,000 Shares expected to be in issue during the year ending 30 April 2002, the forecast earnings per Share amount to approximately 1.60 US cents (equivalent to approximately 12.48 HK cents), representing a weighted average prospective price/earnings multiple of approximately 13.46 times based on the Offer Price. This does not take into account any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to the Directors referred to in the paragraph headed “Written resolutions of the sole shareholder of the Company passed on 22 April 2002” in the section headed “Further information about the Company” in Appendix V to this prospectus, or otherwise. On the assumption that the Share Offer and the Capitalisation Issue had been completed and the Over-allotment Option had not been exercised at all and a total of 624,000,000 Shares had been in issue during the year ending 30 April 2002, the forecast pro forma fully diluted earnings per Share will amount to approximately 1.32 US cents (equivalent to approximately 10.30 HK cents), representing a pro forma fully diluted price/earnings multiple of approximately 16.31 times based on the Offer Price.

### **Dividends**

The Directors expect that, in future, interim and final dividends will be paid around March and October each year and that the interim dividend will normally represent one-third of the expected total dividends for each year. The amount of dividends to be declared by the Group will depend upon the earnings of the Group, its financial condition, cash requirements and availability and such other factors as the Directors may deem relevant.

### **Working capital**

Taking into account the estimated net proceeds of the New Issue and the Group’s available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements.

### **DISTRIBUTABLE RESERVES**

As at 31 October 2001, the Company had not been incorporated. There was, accordingly, no reserve available for distribution to the Shareholders as at that date.

### **DISCLOSURE UNDER PRACTICE NOTE 19 OF THE LISTING RULES**

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Practice Note 19 to the Listing Rules.

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## FINANCIAL INFORMATION OF THE GROUP

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### ADJUSTED NET TANGIBLE ASSETS

The following pro forma statement of adjusted net tangible assets of the Group is based on the audited combined net tangible assets of the Group as at 31 October 2001, as shown in the accountants' report the text of which is set out in Appendix I to this prospectus, adjusted as described below:

	<i>US\$'000</i>
Audited net tangible assets of the Group as at 31 October 2001	14,703
Unaudited profit after taxation of the Group (before dividends payable) for the four months ended 28 February 2002, based on its unaudited management accounts ( <i>Note 1</i> )	1,297
Dividends declared and paid subsequent to 31 October 2001	(7,000)
Estimated net proceeds from the New Issue ( <i>Note 2</i> )	<u>24,200</u>
Adjusted net tangible assets	<u><u>33,200</u></u>
Adjusted net tangible asset value per Share (based on 624,000,000 Shares in issue and to be issued as mentioned herein) ( <i>Note 3</i> )	5.32 US cents (approximately <u><u>41.50 HK cents</u></u> )

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*Notes:*

1. For the four months ended 28 February 2002, the Group recorded unaudited results with a turnover of approximately US\$8,042,000 and a profit attributable to Shareholders of approximately US\$1,297,000, respectively.
2. The estimated net proceeds from the New Issue takes no account of proceeds arising from the issue of any Shares upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme. If the Over-allotment Option is exercised in full, the estimated net proceeds from the New Issue will be approximately US\$29,054,000.
3. The adjusted net tangible asset value per Share is arrived at after the adjustments referred to in this section and on the basis of 624,000,000 Shares in issue and to be issued immediately following completion of the Share Offer and the Capitalisation Issue but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares described under "Written resolutions of the sole shareholder of the Company passed on 22 April 2002" in Appendix V to this prospectus.

### NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 October 2001 (being the date to which the latest audited combined accounts of the Group were made up).

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## SHARE CAPITAL OF THE COMPANY

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*Authorised:* US\$

<u>2,000,000,000</u> Shares	<u>40,000,000</u>
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*Issued and to be issued, fully paid or credited as fully paid:*

2,000,000 Shares in issue at the date of this prospectus	40,000
497,200,000 Shares to be issued pursuant to the Capitalisation Issue	9,944,000
<u>124,800,000</u> New Shares to be issued pursuant to the New Issue	<u>2,496,000</u>
<u>624,000,000</u> Shares in issue and to be issued	<u>12,480,000</u>

*Notes:*

**1. Assumptions**

This table assumes that (a) the Share Offer and the Capitalisation Issue become unconditional and the issue of Shares pursuant thereto are made and (b) the Over-allotment Option is not exercised.

It takes no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or which may be repurchased or allotted and issued by the Company under the general mandates referred to below or otherwise.

**2. Ranking**

The Offer Shares will rank equally with all Shares now in issue or to be issued as mentioned in this prospectus, and will rank in full for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for entitlements under the Capitalisation Issue.

**3. Share Option Scheme**

The Company has conditionally adopted the Share Option Scheme. A summary of the terms of the Share Option Scheme is set out in the section headed “Share Option Scheme” in Appendix V to this prospectus.

Under the Share Option Scheme, certain selected classes of participants (including but not limited to executive and independent non-executive Directors and executive directors of any subsidiaries of the Company) may be granted options which entitle them to subscribe for Shares.

**4. General mandate to issue Shares**

The Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- (a) 20 per cent. of the total nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer (which share capital shall include the Shares required to be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue; and
- (b) the total nominal amount of the share capital of the Company repurchased by the Company pursuant to the unconditional general mandate to repurchase Shares (see below).

The allotment and issue of Shares under a rights issue, pursuant to the exercise of subscription rights attaching to any warrants of the Company, under any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of whole or part of a dividend in accordance with the Bye-laws, or pursuant to the exercise of options granted

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## SHARE CAPITAL OF THE COMPANY

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under the Share Option Scheme do not generally require the approval of the Shareholders in general meeting and the aggregate nominal value of Shares which the Directors are authorised to allot and issue pursuant to this mandate will not be reduced by the allotment and issue of such Shares.

This mandate will expire:

- at the end of the Company's next annual general meeting; or
- at the end of the period within which the Company is required by any applicable law of Bermuda or the Bye-laws to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further details of this general mandate, see the paragraph headed "Written resolutions of the sole shareholder of the Company passed on 22 April 2002" in the section headed "Further information about the Company" in Appendix V to this prospectus.

### **5. General mandate to repurchase Shares**

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10 per cent. of the total nominal amount of the Shares in issue immediately following completion of the Share Offer (which Shares shall include the Shares required to be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set forth under "Repurchase by the Company of its own securities" in the section headed "Further information about the Company" in Appendix V to this prospectus.

This mandate will expire:

- at the end of the Company's next annual general meeting; or
- at the end of the period within which the Company is required by any applicable law of Bermuda or the Bye-laws to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further details of this general mandate, see the paragraph headed "Written resolutions of the sole shareholder of the Company passed on 22 April 2002" in the section headed "Further information about the Company" in Appendix V to this prospectus.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF OF THE GROUP

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### DIRECTORS

#### Executive Directors

**Mr. WANG Lu Yen**, aged 47, is the chairman of the Company and presently responsible for the Group's corporate and strategic planning. Mr. Wang has also been the chairman of Roly International since 2000. Mr. Wang joined the Group in 1998. Mr. Wang has over 20 years of experience in trading and distribution business. Mr. Wang was awarded Outstanding Businessman by Taiwan's Ministry of Economic Affairs in 1985 and was formerly the chairman of Taiwan Business Association (Hong Kong) Limited (formerly known as Taiwan Businessmen's Association (Hong Kong) Limited). Mr. Wang holds a bachelor's degree in Business Administration from Soochow University, Taiwan.

**Mr. Steven Julien FENIGER**, aged 43, is the chief executive officer of the Company and an executive Director. Mr. Feniger has substantial experience in the apparel industry. Prior to joining the Group in 2001, Mr. Feniger headed the Asia and Global Sourcing Division of the US-listed apparel group, Warnaco Group, an apparel manufacturer based in the US. Mr. Feniger also served in various positions in Marks & Spencer PLC during a 19 year career and held the position of general manager of Asia regional head office in Hong Kong from 1996 to 1998. Mr. Feniger holds a Bachelor of Sciences degree (with Honours) in Management Sciences from The Victoria University of Manchester, the UK.

**Mr. FU Jin Ming, Patrick**, aged 57, is an executive Director. Mr. Fu joined the Group in 1969 in Taiwan and became a regional vice president in 1987, responsible for supervising offices in Hong Kong, the PRC, Thailand and the Philippines. Mr. Fu was appointed as an executive director of Roly International in 2001. For the purpose of listing of the Shares on the Main Board, Mr. Fu will resign as a director of Roly International shortly after completion of the Share Offer. Mr. Fu has extensive experience in the sourcing industry, particularly in garment. Mr. Fu is now responsible for the Group's offices in South Korea, Hong Kong, Shanghai, Taiwan, Tianjin and Shenzhen. Mr. Fu holds a Bachelor of Arts degree from Fu Jen Catholic University of Taiwan and participated in the "Retail Executive Development Programme" at The University of British Columbia, Canada.

**Mr. KHOO Kim Cheng**, aged 50, is an executive Director. Mr. Khoo has also been an executive director of Roly International since 1995. Mr. Khoo advises the Group on corporate finance related matters. Mr. Khoo has approximately 10 years of experience in corporate finance and financial management industry. Mr. Khoo was involved in the listing of Roly International on the Singapore Exchange Securities Trading Limited in 1996. Mr. Khoo worked for an international accounting firm and an investment bank prior to joining a subsidiary of Roly International in 1994. Mr. Khoo holds a Master of Business Administration degree from Southern Methodist University, Dallas, Texas. Mr. Khoo is a Certified Public Accountant in the US and an associate member of the Hong Kong Society of Accountants.

**Mr. KWOK Chi Kueng**, aged 44, is an executive Director and the finance director of the Company responsible for the finance and human resources functions of the Group. Mr. Kwok joined the Group in April 1993. Mr. Kwok has approximately 20 years of accounting and financial management experience gained in Hong Kong and Canada in the trading and manufacturing industries. Mr. Kwok holds a Higher Diploma in Accountancy from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University). Mr. Kwok is an associate member of the Chartered Institute of Management Accountants (UK) and a fellow member of the Hong Kong Society of Accountants.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF OF THE GROUP

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### Independent non-executive Directors

**Mr. WANG Arthur Minshiang**, aged 41, is an independent non-executive Director. Mr. Wang is also the managing partner of 698 Capital (HK) Limited, a private company based in Hong Kong whose principal activity is investment in private high growth companies in the Asia Pacific region. Previously, Mr. Wang was a co-founder and executive director of KGI Asia Limited, the investment banking arm of the Koos Group of Taiwan. Mr. Wang also serves on the board of directors of several finance and technology companies in the region and was previously a member of the board of Softbank Investment International (Strategic) Limited, the shares of which are listed on the Main Board and a branch of Softbank Finance Corporation. Mr. Wang received his Juris Doctorate degree from Yale Law School and practiced corporate and securities law in Hong Kong and New York. He also holds a Bachelor of Arts degree from the University of California at Los Angeles, the US.

**Mr. WONG Wai Ming**, aged 44, is an independent non-executive Director. Mr. Wong is the chief executive officer of Global China Technology Group Limited, a listed company in Hong Kong principally engaged in the sale of photographic products, newspaper publishing, commercial printing and property holding. He is also the deputy chairman of Sing Tao Holdings Limited, the shares of which are also listed on the Main Board. Mr. Wong has more than 14 years of experience in investment banking business in Greater China. Before joining Global China Technology Group Limited, Mr. Wong was the deputy chief executive officer of the BOC International Holdings Limited, the investment banking arm of the Bank of China Group in Hong Kong. From July 2000 to March 2002, Mr. Wong was a member of the advisory board of Roly International, the role of which is non-executive and consultative in nature with a focus on the strategic development of Roly International including its future plan and competitive edge to develop or expand into the PRC market. Mr. Wong is a chartered accountant and holds a Bachelor of Science degree from the University of Manchester, Institute of Science and Technology, the UK. Mr. Wong is also a member of the Listing Committee of the Stock Exchange and an independent non-executive director of Legend Holdings Limited, a company listed on the Main Board principally engaged in the sale and manufacture of personal computers and related products and systems integration.

### Directors remuneration

Under the service agreements all dated 22 April 2002 made between the Company on the one hand and each of Messrs. WANG Lu Yen, Steven Julien FENIGER, FU Jin Ming, Patrick, KHOO Kim Cheng and KWOK Chi Kueng, each being an executive Director, on the other hand, each of Messrs. WANG Lu Yen, Steven Julien FENIGER, FU Jin Ming, Patrick, KHOO Kim Cheng and KWOK Chi Kueng has been appointed to act as an executive Director. The appointments are each for an initial term of three years commencing on 1 May 2002 and will continue thereafter until terminated by either party by giving to the other not less than six months' notice in writing. Each of the executive Directors is entitled to a basic salary which will be reviewed at the discretion of the Board or a committee thereof established for such purpose after such executive Director has completed 12 months of services under his service agreement. Each of executive Directors (other than Mr. WANG Lu Yen for so long as he is a Substantial Shareholder) is also entitled to participate in the Share Option Scheme at the discretion of the Board or a committee thereof and each of the executive Directors is also entitled to participate in any profit-related bonus scheme of the Company at the discretion of Board.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF OF THE GROUP

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Each of the executive Directors may, at the request of the Company, enter into other service contract(s) with other member(s) of the Group at such remuneration as may be agreed between the executive Director and such member of the Group. In such event, the amount of the salary payable to the executive Director pursuant to the service agreement shall be reduced correspondingly.

The basic annual salaries of the executive Directors under the service contracts as mentioned above are as follows:

WANG Lu Yen	US\$203,846
Steven Julien FENIGER	US\$375,000
FU Jin Ming, Patrick	US\$250,000
KHOO Kim Cheng	US\$100,154
KWOK Chi Kueng	US\$180,000

The following Directors are also entitled to the benefits as set forth below under their respective service agreements with the Company:

- (i) A fully-furnished residential apartment in Hong Kong will be provided to Mr. WANG Lu Yen as director's quarter for use by him and his family members and the Company shall bear all reasonable outgoings of such apartment.
- (ii) Each of Mr. Steven Julien FENIGER and Mr. FU Jin Ming, Patrick (together with their respective family members) is entitled to a home leave passage of an amount not exceeding HK\$86,000 per annum.
- (iii) Mr. Steven Julien FENIGER and Mr. FU Jin Ming, Patrick are also entitled to a housing allowance of HK\$72,000 per month and HK\$25,000 per month respectively.
- (iv) Each of Mr. Steven Julien FENIGER and Mr. FU Jin Ming, Patrick is also entitled to the use of a motor vehicle provided by the Company and all fuel and maintenance expenses in respect of the use of such vehicles will be borne by the Company.

Pursuant to two letters of appointment, both dated 22 April 2002, each of Mr. WANG Arthur Minshiang and Mr. WONG Wai Ming has been appointed as an independent non-executive Director for a term of two years commencing on 1 May 2002 subject to the right of independent non-executive Director to terminate his appointment at any time by giving the Company at least one month's notice in writing.

Save as aforesaid, none of the Directors has entered into any service agreements with any member of the Group.

The aggregate amount of remuneration paid and benefits in kind granted to the Directors by the Group in respect of the years ended 30 April 2000 and 30 April 2001 were approximately US\$557,000 and US\$567,000, respectively.

Under the arrangements currently in force, the aggregate emoluments payable by the Group to the Directors for the year ending 30 April 2002 will be approximately US\$928,000.

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## **DIRECTORS, SENIOR MANAGEMENT AND STAFF OF THE GROUP**

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During the Track Record Period, the aggregate bonuses paid to the Directors amounted to nil, approximately US\$50,000, nil and approximately US\$26,000, respectively.

None of the Directors or any past directors of any member of the Group has been paid any sum of money for each of the two years ended 30 April 2001 whether as an inducement to join or upon joining the Company or for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two years ended 30 April 2001.

### **AUDIT COMMITTEE OF THE BOARD**

The Company has established an audit committee with written terms of reference in compliance with the Code of Best Practice as set out in appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has two members comprising the two independent non-executive Directors and Mr. WANG Arthur Minshiang is the chairman of the audit committee.

### **SENIOR MANAGEMENT OF THE GROUP**

**Mr. Peter MCDIARMID**, aged 57, is the executive director of Linmark Agency (BVI) Limited responsible for the offices in countries in the Indian sub-continent including India, Sri Lanka, Pakistan, Bangladesh, the African continent and Turkey. Mr. McDiarmid has been with the Group since 1996 and has extensive experience in the buying industry and in the manufacturing industry.

**Mr. Bruce Charles CAUSTON**, aged 54, is the executive director of PT Linmark Agency Indonesia responsible for operations in Indonesia, Thailand, Philippines, Singapore and Malaysia. He joined the Group in 1993 as a general manager of the Indonesian office and became a regional director in 1996. He also helps to develop the European market. Mr. Causton has extensive experience in the trading industry.

**Mr. Jan ROSSEL**, aged 37, is the quality assurance director of the Group. Mr. Rossel brings to the Group with approximately 10 years of experience in quality assurance. Prior to joining the Group in 2001, Mr. Rossel was the director of overseas quality assurance for Sears Buying Services, Inc. in Hong Kong. Mr. Rossel has also previously worked for companies including Nike International Ltd., Amerex International (H.K.) Ltd and Eddie Bauer International Limited in the area of quality assurance.

**Mr. WONG Man Ho, Samuel**, aged 39 is the general manager responsible for the Group's social compliance functions. Mr. Wong is mainly responsible for developing and implementing the global compliance programme in different regions. Mr. Wong set up the global compliance network and communicates with the Group's customers for all the compliance status updates. Mr. Wong attended the SA8000 implementation workshop organised by Hong Kong Productivity Council in 1999.



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF OF THE GROUP

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**Ms. Gillian BELL**, aged 36, is the executive director of Trend Xpress responsible for the Group's product development, market intelligence and research functions. Ms. Bell started her career with the Company in the Sri Lankan office as the product development manager. Ms. Bell was subsequently transferred to the Bangalore office in India and was then moved to the head office in Hong Kong in 1998. Ms. Bell was awarded a Bachelor of Arts degree by Earen and Alsager College of Higher Education and a PostGraduate Diploma in Clothing Technology by Manchester Polytechnic. Prior to joining the Group in 1995, Ms. Bell worked as a designer for a joint venture company with Mast Industries while in Sri Lanka.

**Mr. SEE Kian Kok, Steven**, aged 38, is the corporate management information system manager responsible for the Group's information technology. Mr. See has been with the Group since 1991 and has led various computer projects for the Group. Mr. See is a Microsoft Certified Systems Engineer (1998) and Sybase Certified PowerBuilder Developer Associate (2000).

### COMPANY SECRETARY

**Ms. CHEUNG Hoi Yin, Brenda**, aged 34, is the company secretary of the Company and Roly International. Ms. Cheung joined a subsidiary of Roly International in 1997 as an assistant company secretary. Ms. Cheung has over 10 years of company secretarial experience gained in listed companies. Ms. Cheung holds a Bachelor of Arts degree in Accountancy and is an associate member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators, the UK.

### STAFF OF THE GROUP

As at the Latest Practicable Date, the Group employed a total of 639 staff for its operations in different locations. The following is a breakdown of the workforce by geographical location and function:

	Hong Kong	PRC and Taiwan	Indian sub- continent	Other Asian countries <i>(Note 1)</i>	Other countries <i>(Note 2)</i>	Total
Management	9	3	5	7	2	26
Merchandising	78	62	65	44	11	260
Quality assurance and social compliance	28	38	73	45	14	198
Logistics management	9	8	11	8	1	37
Administration	<u>38</u>	<u>13</u>	<u>30</u>	<u>31</u>	<u>6</u>	<u>118</u>
<b>Total</b>	<u><u>162</u></u>	<u><u>124</u></u>	<u><u>184</u></u>	<u><u>135</u></u>	<u><u>34</u></u>	<u><u>639</u></u>

*Notes:*

1. Other Asian countries comprise South Korea, Thailand, Singapore, the Philippines and Indonesia.
2. Other countries comprise South Africa, Mauritius, Turkey and Malaysia.

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## **DIRECTORS, SENIOR MANAGEMENT AND STAFF OF THE GROUP**

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### **Relationship with staff**

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Directors consider that the Group has a good working relationship with its employees.

### **Other benefits**

The Group complies in all material aspects with all statutory requirement on retirement contribution in the jurisdictions where it operates. In Hong Kong, the Group participates in a mandatory provident fund scheme for its employees in accordance with applicable Hong Kong laws and regulations. The Group's PRC employees have also enrolled in the mandatory central pension scheme operated by the PRC government.

The Directors confirm that the Group complies in all material aspects with all the relevant laws, regulations and requirements in relation to child protection, fair labour standards, working conditions and code of conduct of its employees or workers under the respective regions in which the Group carries out its businesses, and in contracts with its customers.

### **SHARE OPTION SCHEME**

The Company has conditionally adopted the Share Option Scheme whereby certain selected classes of participants (including but not limited to executive and independent non-executive directors and staff of the Company and its subsidiaries) may be granted options to subscribe for Shares at the discretion of the Board or a committee thereof. The principal terms of the Share Option Scheme are summarised in the section headed "Share Option Scheme" in Appendix V to this prospectus.

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## INFORMATION ON ROLY INTERNATIONAL

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### BACKGROUND INFORMATION

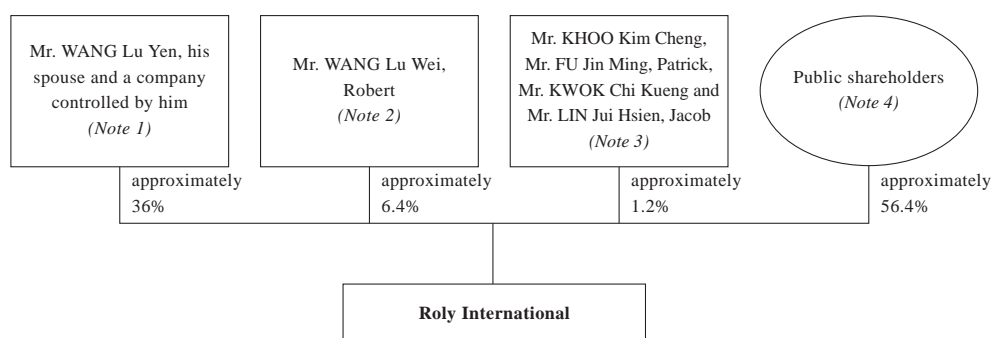
#### Introduction

Upon completion of the Share Offer (assuming the Over-allotment Option is not exercised) and the Capitalisation Issue, Roly International, through RGS Holdings, will hold 75 per cent. of the issued share capital of the Company. Both Roly International and RGS Holdings are Substantial Shareholders.

#### Principal shareholders of Roly International

Roly International is an investment holding company with its shares listed on the Singapore Exchange Securities Trading Limited since February 1996. As at the Latest Practicable Date, the market capitalisation of the Roly International was approximately S\$175.5 million (equivalent to approximately HK\$756.4 million). The unaudited net asset value of the Roly Group (including the Group) as at 31 October 2001 was approximately S\$55.8 million (equivalent to approximately HK\$240.5 million).

As at the Latest Practicable Date, the shareholding structure of Roly International was as follows:



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#### Notes:

1. Mr. WANG Lu Yen, an executive Director and his spouse, Mrs. WANG LIAW Bin Bin, and Megastar Holdings Limited, a company controlled by Mr. WANG Lu Yen, owned approximately 36.0 per cent. of the issued share capital of Roly International as at the Latest Practicable Date.
2. Mr. WANG Lu Wei, Robert is a brother of Mr. WANG Lu Yen.
3. Mr. KHOO Kim Cheng (an executive director of Roly International), Mr. FU Jin Ming, Patrick and Mr. KWOK Chi Kueng are executive Directors. Mr. LIN Jui Hsien, Jacob is an executive director of Roly International. Mr. FU Jin Ming, Patrick is also an executive director of Roly International. Mr. FU Jin Ming, Patrick will resign from such directorship shortly after completion of the Share Offer.
4. Public shareholders include two funds managed by Independent Third Parties, which has notified Roly International about its substantial shareholding in Roly International in accordance with Singapore laws and regulations. The two funds held approximately 9.9 per cent. of the issued share capital of Roly International as at the Latest Practicable Date.

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## INFORMATION ON ROLY INTERNATIONAL

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Mr. WANG Lu Yen, his spouse and a company controlled by him held in aggregate approximately 36.0 per cent. of the issued share capital of Roly International as at the Latest Practicable Date. Mr. WANG Lu Yen is also the chairman of both Roly International and the Company.

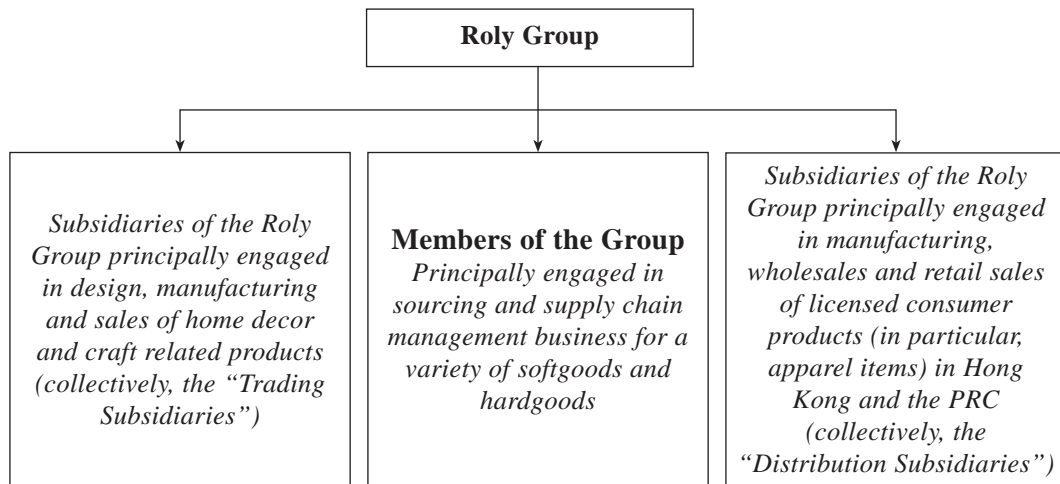
Being a Director of both Roly International and the Company, each of Mr. WANG Lu Yen and Mr. KHOO Kim Cheng is required to abstain from voting in any transaction in which he is materially interested in accordance with the bye-laws of each of Roly International and the Company.

### Principal business activities of Roly International and its subsidiaries (the “Roly Group”)

The businesses of the Roly Group, including members of the Group, may broadly be divided into three core areas: namely (i) design, manufacturing (either at its own production facilities or through sub-contractors) and sales of home decor and craft related products; (ii) sourcing and supply chain management business for a variety of softgoods and hardgoods; and (iii) manufacturing (either at its own production facilities or through sub-contractors), wholesales and retail sales of licensed consumer products (in particular, apparel items) in Hong Kong and the PRC. The business currently conducted by members of the Group represents (ii) above and businesses (i) and (iii) above are conducted by the other subsidiaries of the Roly Group.

The following sets forth an organisation chart of the Roly Group divided by its business activities:

#### Business activities of the Roly Group



#### Business activities of the Group

The Group is principally engaged in sourcing agency and supply chain management business for a variety of softgoods and hardgoods. To a limited extent, the Group is also engaged as a principal in the sourcing business for apparel items at the requests of its customers. During the Track Record Period, the gross profit derived from sourcing as principal amounted to nil, approximately US\$98,000, approximately US\$273,000 and approximately US\$28,000, respectively, representing nil, approximately 0.4 per cent., approximately 0.9 per cent. and approximately 0.2 per cent. of the

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## INFORMATION ON ROLY INTERNATIONAL

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gross profit of the Group, respectively, during the same periods. The reason for the Group to engage in such business activities was in response to requests made by its customers whom, for their own reasons, are not able to engage members of the Group as their sourcing agents. The Directors anticipate such kind of business activities will only be conducted by the Group at the request of its customers in the future.

Given that members of the Group are principally engaged in the sourcing and supply chain management business, the Directors consider that the principal business activities of the Group and that of the Trading Subsidiaries and the Distribution Subsidiaries are clearly delineated from each other.

### **Independent management and operation functions of the Group**

The Directors are of the view that the management and operation functions of the Group are independent of and separate from those of other members of the Roly Group. Currently, Messrs. WANG Lu Yen, KHOO Kim Cheng and FU Jin Ming, Patrick, all being executive Directors, are also directors of Roly International. As Mr. FU Jin Ming, Patrick is principally involved in the management of the Group, he has agreed to resign as director of Roly International shortly following completion of the Share Offer. Mr. WANG Lu Yen's and Mr. KHOO Kim Cheng's duties are to ensure that the overall corporate strategic planning for the Roly Group is consistent. Save for the fact that, upon the listing of the Shares on the Main Board, two of the executive Directors (out of a total of five executive Directors) are also directors of Roly International (out of a total of three executive directors of Roly International) and that the company secretary of the Company is also the company secretary of Roly International, the Group has separate and independent management and operation functions from that of Roly International, the Trading Subsidiaries, the Distribution Subsidiaries and other subsidiaries of Roly International (other than members of the Group).

The day-to-day operations of the Group are managed by Mr. Steven Julien FENIGER, the Group's Chief Executive Officer. Mr. Steven Julien FENIGER is assisted by two other executive Directors, namely, Mr. FU Jin Ming, Patrick and Mr. KWOK Chi Kueng, whose principal responsibilities are described in the section headed "Directors, senior management and staff of the Group" of this prospectus. Save for the positions held with members of the Group, Messrs. Steven Julien FENIGER, FU Jin Ming, Patrick and KWOK Chi Kueng do not hold any positions with any other subsidiary of Roly International.

### **NON-COMPETITION UNDERTAKING**

Whilst the Directors consider that the principal business activities of the Group and that of other members of the Roly Group are clearly delineated from each other, in order to avoid any possible future competition between the principal business activities of the Group and those of other members of the Roly Group, Roly International has undertaken to the Company (acting on its behalf and for its subsidiaries) that, conditional upon the listing of the Shares on the Main Board, members of the Roly Group (other than members of the Group) from time to time will not, for so long as (a) Roly International and parties acting in concert with it (as such expression is defined in the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") hold 30 per cent. (or such lower percentage set out in the Takeovers Code as may trigger a general offer obligation thereunder) or more of the

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## INFORMATION ON ROLY INTERNATIONAL

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voting rights of the Company at general meetings and (b) the Shares are listed on the Main Board, engage in any Restricted Business (as defined below) in any Relevant Capacity (as defined below), except in the circumstances mentioned below.

For the purpose of the non-competition undertaking:

“Relevant Capacity” includes for its own account, directly or indirectly, or for that of any person, firm or company other than the Company or other members of the Group and whether through the medium of any company which is its associate (for which purpose there shall be aggregated with its shareholding or ability to exercise control the shares held or controlled by any of its/his associates) or as principal, partner, director, employee, consultant or agent; and

“Restricted Business” refers to:

- (a) in the sole and absolute opinion of the Directors (which exclude those Directors who are also directors of any member of the Roly Group (other than members of the Group)) any part of the sourcing business (whether acting as agent or principal) or supply chain management business of the Group from time to time and the sourcing business and the supply chain management business of the Group as particularly described in this prospectus; and
- (b) any other businesses which in the sole and absolute opinion of the Directors (which exclude those Directors who are also directors of any member of the Roly Group (other than members of the Group)) is related or incidental to any of the businesses referred to in sub-paragraph (a) above and which is actually or proposed to be carried on by any member of the Group from time to time.

The above non-competition undertaking does not apply to the following:

- (i) the holding of shares or other securities issued by the Company or any of its subsidiaries from time to time;
- (ii) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such securities are listed on a stock exchange and the total securities held by members of the Roly Group (other than members of the Group) do not amount to more than 15 per cent. of the issued shares or other securities of the company in question, and provided that the number of directors which the Roly Group (other than members of the Group) is entitled to appoint to the board of directors of such company does not as a percentage of the total number of directors comprising the board of such company exceed its holding in the shares or other securities in such company, and that at all times there is a holder of such shares or other securities holding (together with, where appropriate, that shareholder’s associates) a larger percentage of the shares or other securities in question than the Roly Group (other than the Group);

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## INFORMATION ON ROLY INTERNATIONAL

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- (iii) the contracts and other agreements entered into between members of the Group and members of the Roly Group, particulars of which are set forth under “Connected transactions” in the section headed “Business of the Group” in this prospectus;
- (iv) the involvement or participation of members of the Roly Group (other than members of the Group) in the Restricted Business in relation to which the Group was offered an opportunity to be involved or participate and where subsequent to the independent non-executive Directors deciding that the Group should decline such an opportunity to be involved or participate, the Roly Group (other than the Group) is offered an opportunity to be involved or participate in the Restricted Business, provided always that prior to the completion of the final form agreements and any ancillary documentation in relation to such project, the independent non-executive Directors confirm that the Group does not wish to be involved or participate in such project on the terms and conditions to be entered into by the Roly Group (other than the Group); and
- (v) the involvement or participation of members of the Roly Group (other than members of the Group) in a Restricted Business in relation to which the Company has agreed in writing to such involvement or participation, following a decision by the independent non-executive Directors to allow such involvement or participation subject to any conditions the independent non-executive Directors may require to be imposed.

### SPECIAL GENERAL MEETING OF ROLY INTERNATIONAL

Pursuant to the requirements of the Singapore Exchange Securities Trading Limited, a special general meeting of Roly International is required to be held to seek an approval from its shareholders on the Share Offer, which will result in a dilution of Roly International’s interest in the Company. Such special general meeting was held on 19 April 2002, and the following resolution was passed by the shareholders of Roly International thereat:

- (a) that approval was hereby given for the initial public offering (the “IPO”) of the Company which would result in a material dilution of the Roly International’s effective shareholding interest in the Company, a principal subsidiary of Roly International resulting from, *inter alia*:
  - (i) a disposal by RGS Holdings of up to 31,200,000 Sale Shares in connection with the IPO;
  - (ii) the issue by the Company of up to 148,200,000 new Shares (including 23,400,000 new Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option), the issue by the Company of options pursuant to the Share Option Scheme and the issue of new Shares pursuant to the general mandate to issue Shares granted to the Directors as more particularly referred to in the paragraph headed “Written resolutions of the sole shareholder of the Company passed on 22 April 2002” in Appendix V to this prospectus; and
  - (iii) Roly International entering into such other documents in connection with the IPO upon such terms and conditions as further set forth in the circular despatched by Roly International in respect of the IPO;

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## INFORMATION ON ROLY INTERNATIONAL

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- (b) the directors of Roly International were authorised to agree to, approve and/or confirm and execute for and on behalf of Roly International any documents or agreements as may be contemplated or required under or associated with or related to or ancillary to the IPO and to do all acts, matters or things for and on behalf of Roly International as they may consider expedient or necessary or desirable to perfect, give effect to the IPO or in the interests of Roly International.

By approving the IPO, the shareholders of Roly International also approved the adoption of the Share Option Scheme, the unconditional general mandate to issue Shares and the unconditional general mandate to repurchase Shares granted to the Directors as more particularly referred to in the paragraph headed “Written resolutions of the sole shareholder of the Company passed on 22 April 2002” in Appendix V to this prospectus.

### CONNECTED TRANSACTIONS

Following the listing of the Shares on the Main Board, certain transactions between members of the Group and subsidiaries of Roly International will continue and will constitute connected transactions (as defined in the Listing Rules) for the Company, particulars of such transactions are set forth under “Connected transactions” and “Continuing connected transactions” in the section headed “Business of the Group” in this prospectus.



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## SUBSTANTIAL SHAREHOLDERS AND UNDERTAKINGS

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### SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the Share Offer (but without taking into account Shares which may be taken up under the Share Offer and Shares to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) and the Capitalisation Issue, the Shareholders who will be interested in 10 per cent. or more of the Shares then in issue will be:

Name of Substantial Shareholders	Number of Shares	Percentage of issued share capital/equity interest
RGS Holdings ( <i>Note 1</i> )	468,000,000	75.0%
Roly International ( <i>Note 1</i> )	468,000,000	75.0%
WANG Lu Yen ( <i>Note 2</i> )	468,000,000	75.0%

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*Notes:*

1. RGS Holdings will be the registered holder of 468,000,000 Shares. RGS Holdings is a wholly-owned subsidiary of Roly International. Roly International, by virtue of the SDI Ordinance, is deemed to be interested in all the Shares in which RGS Holdings is interested.
2. Mr. WANG Lu Yen, together with Mrs. WANG LIAW Bin Bin, his wife and Megastar Holdings Limited, a company controlled by him, holds approximately 36.0 per cent. of the issued share capital of Roly International and Mr. WANG Lu Yen is thus deemed, by virtue of the SDI Ordinance, to be interested in all the Shares in which Roly International is interested.

### UNDERTAKINGS

Each of the Substantial Shareholders has undertaken with the Company, the Sponsors and the Underwriters that:

- (1) it/he shall not, and shall procure that its/his associates or companies controlled by it/him or nominees or trustees holding in trust for it/him shall not, sell, transfer or otherwise dispose of (including without limitation the creation of any option over but save pursuant to a pledge or charge as security for a bona fide commercial loan and after having given notice of such pledge or charge to DBS Asia (for itself and on behalf of SBI E2-Capital and the Underwriters)) any of the Shares or securities of the Company owned by it/him or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by it/him which is directly or indirectly the beneficial owner of any of the Shares or securities of the Company) immediately following completion of the Share Offer and the Capitalisation Issue (the “Relevant Securities”) within six months from the date on which dealings in the Shares on the Main Board first commence (the “First Six-Month Period”); and
- (2) it/he shall not, and shall procure that none of its/his associates or companies controlled by it/him or nominees or trustees holding in trust for it/him shall, within the further period of six months immediately after the expiry of the First Six-Month Period (the “Second Six-Month Period”), sell, transfer or otherwise dispose of (including without limitation the creation of any option over

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## SUBSTANTIAL SHAREHOLDERS AND UNDERTAKINGS

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and save pursuant to a pledge or charge as security for a bona fide commercial loan and after having given notice of such pledge or charge to DBS Asia (for itself and on behalf of SBI E2-Capital and the Underwriters)) any of the Relevant Securities, if immediately following such sale, transfer or disposal, the Substantial Shareholders collectively would cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company, and that in the event of any such sale, transfer or disposal, all reasonable steps shall be taken to ensure that such sale, transfer or disposal shall be effected in such a manner so as not to create a disorderly or false market for the Shares during the progress of such sale, transfer or disposal or after the completion thereof.

Each of the Substantial Shareholders has further undertaken to the Company, the Sponsors and the Underwriters that, during the First Six-Month Period and the Second Six-Month Period, it/he will:

- (i) when it/he pledges or charges any securities or interests in the Relevant Securities, immediately inform the Company in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when it/he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company in writing of such indications.

The Company has undertaken that it shall inform the Sponsors (in their capacity as sponsors of the listing of the Shares on the Main Board and on behalf of the Underwriters) as soon as it has received such information relating to the pledge or charge mentioned above by the Substantial Shareholders.

Each of the Substantial Shareholders has also undertaken to the Stock Exchange to comply with note 3 to Rule 10.07 of the Listing Rules.

The Company must inform the Stock Exchange as soon as it has been informed of matters referred to in (i) and (ii) above by the Substantial Shareholder(s) and disclose such matters by way of a press notice which is published in the newspapers as soon as possible.

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## UNDERWRITING ARRANGEMENTS OF THE SHARE OFFER

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### UNDERWRITERS

#### The Placing Underwriters

DBS Asia  
SBI E2-Capital Securities  
Cazenove Asia Limited

#### The Public Offer Underwriters

DBS Asia  
SBI E2-Capital Securities  
Cazenove Asia Limited  
DBS Vickers (Hong Kong) Limited  
GC Securities Limited  
ICEA Capital Limited  
Kingsway SW Securities Limited  
OpenOffering Capital Limited  
Phillip Securities (HK) Ltd.

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Underwriting Agreements

Pursuant to the Placing Underwriting Agreement, the Company, together with RGS Holdings, is offering the Placing Shares under the Placing at the Offer Price to professional, institutional and individual investors subject to the terms and conditions set forth in this prospectus and the related placing documents.

Pursuant to the Public Offer Underwriting Agreement, the Company is offering the Public Offer Shares under the Public Offer at the Offer Price for subscription by members of the public in Hong Kong on and subject to the terms and conditions as described in this prospectus and the related application forms. In addition, the Company has granted the Over-allotment Option, exercisable by DBS Asia on behalf of the Placing Underwriters, from time to time during the period of 30 days from the date of this prospectus, to require the Company to allot and issue up to 23,400,000 additional Shares, representing 15 per cent. of the Shares initially available under the Share Offer, on the same terms as those applicable to the Placing to cover over-allocations in the Placing.

Subject to, inter alia, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on or before 30 May 2002, or such later date as the Company and DBS Asia (on behalf of SBI E2-Capital and the Underwriters) may agree, (i) the Placing Underwriters have severally agreed to subscribe for or purchase or procure placees to subscribe for or purchase, subject to the terms and conditions of the Placing Underwriting Agreement, their respective applicable proportions of the Placing Shares which are not taken up under the Placing and (ii) the Public Offer Underwriters have severally agreed, subject to the terms and conditions of the Public Offer Underwriting Agreement, to subscribe for or procure

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## UNDERWRITING ARRANGEMENTS OF THE SHARE OFFER

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subscribers for, on the terms and conditions of this prospectus and the related application forms, their respective applicable proportions of the Public Offer Shares which are not taken up under the Public Offer.

### **Grounds for termination**

The respective obligations of the Underwriters to subscribe for or purchase or procure subscribers or purchasers for the Offer Shares are subject to termination and the Underwriters are entitled to terminate their obligations under each of the Underwriting Agreements upon the occurrence of any of the following events by notice in writing to the Company given by DBS Asia and SBI E2-Capital (for themselves and on behalf of other Underwriters) at any time prior to 6:00 p.m. (Hong Kong time) on 9 May 2002 (the “Termination Time”) if prior to the Termination Time:

- (1) there comes to the notice of DBS Asia, SBI E2-Capital or any of the Underwriters any matter or event showing any of the representations, warranties or undertakings contained in the Underwriting Agreements to be untrue, inaccurate or misleading in any respect when given or repeated or there has been a breach of any of the warranties or any other provisions of the Underwriting Agreements which, in any such cases, is considered, in the sole opinion of DBS Asia and SBI E2-Capital (on behalf of the Placing Underwriters or, as the case may be, the Public Offer Underwriters), to be material in the context of the Share Offer;
- (2) any statement contained in this prospectus or the application forms relating thereto has become or been discovered to be untrue, incorrect or misleading in any material respect;
- (3) any event, series of events, matters or circumstances occurs or arises on or after the date of the Underwriting Agreements and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Underwriting Agreements would have rendered any of the warranties contained in the Underwriting Agreements untrue, incorrect or misleading in any respect, and comes to the knowledge of DBS Asia, SBI E2-Capital or any of the Underwriters and which is considered, in the sole opinion of DBS Asia and SBI E2-Capital (on behalf of the Placing Underwriters or, as the case may be, the Public Offer Underwriters), to be material in the context of the Share Offer;
- (4) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole opinion of DBS Asia and SBI E2-Capital (on behalf of the Placing Underwriters or, as the case may be, the Public Offer Underwriters), a material omission in the context of the Share Offer;
- (5) any event, act or omission which gives or is likely to give rise to any liability of the Company or any of the Substantial Shareholders arising out of or in connection with any representations, warranties or undertakings contained in the Underwriting Agreements;
- (6) there comes to the notice of DBS Asia, SBI E2-Capital or any of the Underwriters any breach by any party to the Underwriting Agreements other than the Sponsors or the Underwriters of any provision of the Underwriting Agreements which, in the sole opinion of DBS Asia and SBI E2-Capital (on behalf of the Placing Underwriters or, as the case may be, the Public Offer Underwriters), is material;

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## UNDERWRITING ARRANGEMENTS OF THE SHARE OFFER

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- (7) listing of Roly International on the Singapore Exchange Securities Trading Limited is revoked, withdrawn or the continuity of which is in the sole opinion of DBS Asia and SBI E2-Capital (on behalf of the Placing Underwriters or, as the case may be, the Public Offer Underwriters) threatened or liable to be threatened;
- (8) the Placing Underwriting Agreement or, as the case may be, the Public Offer Underwriting Agreement is terminated for whatever reason;
- (9) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Underwriting Agreements and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
  - (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Bermuda, the BVI, the PRC, the US, Canada, Singapore, any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the Group; or
  - (b) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, Bermuda, the BVI, the PRC, the US, Canada, Singapore, any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the Group, the local, national, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or
  - (c) any change in the conditions of Hong Kong, the US, the UK, Singapore, the PRC or international equity securities or other financial markets; or
  - (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange or the Singapore Exchange Securities Trading Limited due to exceptional financial circumstances or otherwise; or
  - (e) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, Bermuda, the BVI, the PRC, the US, Canada, Singapore, any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the Group; or
  - (f) any change or prospective change in the business or in the financial or trading position or prospects of any member of the Group; or
  - (g) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the US or by the European Union (or any member thereof) on Hong Kong, Singapore or the PRC; or

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## UNDERWRITING ARRANGEMENTS OF THE SHARE OFFER

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- (h) a general moratorium on commercial banking activities in the PRC, Hong Kong or Singapore declared by the relevant authorities; or
- (i) **any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;** or
- (j) any other change whether or not ejusdem generis with any of the foregoing,

which, in the sole and absolute opinion of DBS Asia and SBI E2-Capital (for themselves and on behalf of the Underwriters):

- (i) is or will be or is likely to be adverse, in any material respect, to the business, financial or trading condition or prospects of the Group taken as a whole or, in the case of subparagraph (e) above, on any present or prospective shareholder in his/its capacity as such shareholder of the Company; or
- (ii) has or will have or is likely to have a material adverse effect on the success of the Share Offer as a whole or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following their listing on the Stock Exchange; or
- (iii) for any reason makes it impracticable, inadvisable or inexpedient for the Underwriters to proceed with the Share Offer as a whole.

For the above purpose:

- (i) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or the value of the Singapore dollar is managed in relation to other currencies or any change of the value of Hong Kong or Singapore currency under such system shall be taken as an event resulting in a change in currency conditions; and
- (ii) any market fluctuations, whether or not within the normal range therefor, may be considered as a change of market conditions referred to above.

### **Commissions and expenses**

The Underwriters will receive an underwriting commission of 2.5 per cent. of the aggregate Offer Price payable for the Offer Shares, out of which they will pay any sub-underwriting commissions, and DBS Asia will also receive a financial advisory fee and a documentation fee. Such fees, together with the Stock Exchange listing fees, legal and other professional fees, printing, and other fees and expenses relating to the Share Offer, which are estimated to be approximately HK\$21.1 million in aggregate, will be payable by the Company. The Company will also pay for all expenses in connection with any exercise of the Over-allotment Option or over-allocations in the Placing. The underwriting commission will be payable by the Company as to 80 per cent. and by RGS Holdings as to 20 per cent.

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## UNDERWRITING ARRANGEMENTS OF THE SHARE OFFER

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### Undertakings

Each of the Substantial Shareholders and the executive Directors has given certain undertakings to the Company, the Stock Exchange, the Sponsors and the Underwriters. Particulars of these undertakings are set forth in the section headed “Substantial Shareholders and undertakings” in this prospectus.

The Company has undertaken to the Sponsors and the Underwriters, and each of the Substantial Shareholders and the executive Directors has jointly and severally undertaken to the Sponsors and the Underwriters to procure that, without the prior written consent of DBS Asia and SBI E2-Capital (for themselves and on behalf of other Underwriters) (such consent not to be unreasonably withheld or delayed) and subject always to the requirements of the Stock Exchange, save for the New Shares and the Shares to be issued pursuant to the Capitalisation Issue, the grant of any options under the Share Option Scheme, and any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme or by way of scrip dividend schemes or similar arrangements in accordance with the Bye-laws, neither the Company nor any of its subsidiaries from time to time shall (i) allot and issue or agree to allot and issue any shares in the Company or any subsidiary of the Company from time to time or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise acquire any securities of the Company or any subsidiary of the Company from time to time during the First Six-Month Period (i.e., the period of six months from the first listing of the Shares on the Main Board); or (ii) allot and issue or agree to allot and issue any of the shares or other interests referred to in (i) above during the second six-month period commencing immediately after the expiry of the First Six-Month Period if, immediately following such allotment and issue, the Substantial Shareholders, either individually or taken together with the others, would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company or the single largest shareholder of the Company; or (iii) during the First Six-Month Period purchase any Shares or securities of the Company.

### UNDERWRITERS' INTEREST IN THE COMPANY

Save as disclosed in this prospectus, none of the Underwriters is interested legally or beneficially in any shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of the Group nor any interest in the Share Offer.

### OVER-ALLOCATIONS IN THE PLACING

#### Over-allotment Option

The Company has granted to the Placing Underwriters the Over-allotment Option exercisable by DBS Asia to require the Company to issue within 30 days from the date of this prospectus up to 23,400,000 additional New Shares to cover any over-allocations in the Placing and/or the obligation of DBS Asia to return securities borrowed under the Stock Borrowing Agreement.

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## UNDERWRITING ARRANGEMENTS OF THE SHARE OFFER

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### Stock borrowing arrangements

The Stock Borrowing Agreement has been entered into between DBS Asia and RGS Holdings for the purpose of facilitating settlement of any over-allocations in connection with the Placing before exercise of the Over-allotment Option. The lending of securities by RGS Holdings under the Stock Borrowing Agreement will result in non-compliance by RGS Holdings with Rule 10.07(1)(a) of the Listing Rules.

An application has been submitted to the Stock Exchange for a waiver to be granted from compliance with the requirement set out under Rule 10.07(1)(a) of the Listing Rules in connection with such stock borrowing arrangements on the basis that:

- (1) RGS Holdings will only make its Shares available to DBS Asia (or as it may direct) for settlement of over-allocations in connection with the Placing;
- (2) the maximum number of Shares to be borrowed from RGS Holdings will be limited to 23,400,000, being the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option; and
- (3) the same number of Shares will be returned to RGS Holdings or its nominees (as the case may be) no later than three bank business days (excluding Saturday) following the earlier of (i) the last day on which the Over-allotment Option may be exercised or (ii) the day on which the Over-allotment Option is exercised in full.

These stock borrowing arrangements will be effected in compliance with all applicable laws and regulatory requirements. No payment will be made to RGS Holdings by DBS Asia or other Placing Underwriters in relation to such stock borrowing arrangements.



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## STRUCTURE OF THE SHARE OFFER

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### PRICE PAYABLE ON APPLICATION

Investors will pay the Offer Price plus one per cent. brokerage, 0.005 per cent. Stock Exchange trading fee and 0.007 per cent. transaction levy imposed by the Securities and Futures Commission amounting to a total of HK\$3,394 for every board lot of 2,000 Shares.

### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares will be conditional on:

- (1) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, on the Main Board, the Shares in issue and the New Shares (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Capitalisation Issue and any Shares which fall to be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme; and
- (2) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) and not being terminated in accordance with the terms of that agreement or otherwise,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 May 2002.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Share Offer will be caused to be published by the Company in South China Morning Post (in English) and Hong Kong Economic Times and Sing Tao Daily (in Chinese) on the next day following such lapse. In such event, all application money will be returned, **WITHOUT** interest. The terms on which the application money will be returned are set forth under “Refund of your application money” on the application forms. In the meantime, all application money will be held in a separate bank account or separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

### THE SHARE OFFER

The Share Offer comprises the Public Offer and the Placing. A total of 156,000,000 Shares will initially be made available under the Share Offer, of which 140,400,000 Offer Shares, representing 90 per cent. of the Offer Shares initially available under the Share Offer, will be conditionally placed with professional, institutional and individual investors in Hong Kong and certain other jurisdictions outside the US under the Placing. The remaining 15,600,000 Offer Shares, representing 10 per cent. of the number of Offer Shares initially being offered under the Share Offer, will be offered to members of the public in Hong Kong under the Public Offer. Both the Placing and the Public Offer are subject to reallocation on the basis described under “The Public Offer” below.

All decisions concerning the allocation of the Placing Shares to prospective placees pursuant to the Placing will be made on the basis of and by reference to a number of factors including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the

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## STRUCTURE OF THE SHARE OFFER

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relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Placing Shares, after the listing of the Shares on the Main Board. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid institutional and professional shareholder base to the benefit of the Company and its shareholders as a whole. In addition, the Directors and DBS Asia and SBI E2-Capital Securities, acting in the capacity as the joint international coordinators and joint bookrunners of the Share Offer, will use their best endeavours to observe the minimum public float requirement under the Listing Rules when making allocations of the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of Public Offer Shares may involve balloting, which would result in some applicants being allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and applicants who are not successful in the ballot not receiving any Public Offer Shares.

**Investors are free to select whether to apply for Shares under the Public Offer or the Placing, but may only receive Shares under the Public Offer or the Placing but not both of these offering methods. The Directors and DBS Asia and SBI E2-Capital Securities, acting in the capacity as the joint international coordinators and joint bookrunners of the Share Offer, will take all reasonable steps to identify any multiple applications under the Public Offer or the Placing which are not allowed and are bound to be rejected.**

### THE PLACING

The Company is offering at the Offer Price initially 109,200,000 New Shares and RGS Holdings is offering 31,200,000 Sale Shares, both at the Offer Price, representing in aggregate about 90 per cent. of the total number of Offer Shares initially available under the Share Offer, for subscription or, as the case may be, purchase by way of the Placing, subject to the clawback arrangement and the exercise of the Over-allotment Option as mentioned in the paragraph headed “Over-subscription and the Over-allotment Option” below. Investors subscribing for or, as the case may be, purchasing the Placing Shares are also required to pay one per cent. brokerage, 0.007 per cent. transaction levy imposed by the Securities and Futures Commission and 0.005 per cent. Stock Exchange trading fee. DBS Asia and SBI E2-Capital Securities are joint international coordinators and joint bookrunners of the Placing and the Placing is fully underwritten by the Placing Underwriters.

The Company has granted the Over-allotment Option to the Placing Underwriters, which is exercisable by DBS Asia at any time and from time to time within 30 days from the date of this prospectus. Under the Over-allotment Option, the Company may be required to allot and issue, at the Offer Price, up to an additional 23,400,000 Shares, equivalent to 15 per cent. of the number of Offer Shares initially being offered under the Share Offer, to cover any over-allocations in the Placing and/or the obligations of DBS Asia to return securities borrowed under the Stock Borrowing Agreement. DBS Asia may cover such over-allocations by exercising the Over-allotment Option, either in part or in full.

It is expected that the Placing Underwriters or selling agents nominated by them on behalf of the Company will conditionally place the Placing Shares at the Offer Price with select professional, institutional and individual investors in Hong Kong and certain other jurisdictions outside the US.

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## STRUCTURE OF THE SHARE OFFER

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Such professional, institutional and individual investors generally include brokers, dealers, high net worth individuals, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing Shares may also be allocated to individual investors in Hong Kong and certain other jurisdictions outside the US to the extent that the relevant securities laws and requirements are complied with.

Allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to acquire further Shares, and/or hold or sell its Shares after the commencement of dealings in the Shares on the Main Board. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid institutional and professional shareholder base to the benefit of the Company and its shareholders as a whole. Investors who have been allocated any Placing Shares will not be allocated any Public Offer Shares. Similarly, investors who are allocated any Public Offer Shares will not be allocated Placing Shares under the Placing.

If the Offer Shares under the Placing are not fully taken up, DBS Asia and SBI E2-Capital Securities will have the absolute discretion to reallocate all or any unsubscribed Placing Shares originally included in the Placing to the Public Offer in such number as they deem appropriate.

The total number of Placing Shares to be allotted and issued pursuant to the Placing may change as a result of the clawback arrangement referred to under "Over-subscription and the Over-allotment Option" below, and any reallocation of unsubscribed Public Offer Shares originally included in the Public Offer to the Placing as mentioned under "The Public Offer" below, and any reallocation of unsubscribed Placing Shares to the Public Offer as mentioned in the preceding paragraph.

### THE PUBLIC OFFER

The Company is initially offering 15,600,000 Public Offer Shares under the Public Offer, at the Offer Price, representing in aggregate 10 per cent. of the total number of the Offer Shares initially available under the Share Offer, for subscription by way of a public offer in Hong Kong, subject to the clawback arrangement as mentioned under "Over-subscription and the Over-allotment Option" below. The Public Offer is lead managed by DBS Asia, SBI E2-Capital Securities and Cazenove Asia Limited and is fully underwritten by the Public Offer Underwriters. Applicants for the Public Offer Shares are required to pay on application the Offer Price plus one per cent. brokerage, 0.007 per cent. transaction levy imposed by the Securities and Futures Commission and 0.005 per cent. Stock Exchange trading fee.

The Public Offer is open to all members of the public in Hong Kong. Persons allotted Shares under the Public Offer cannot apply for Shares under the Placing. The Public Offer will be subject to the conditions stated under "Conditions of the Share Offer" above.

Allocation of the Public Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by each applicant, but will otherwise be made on a strictly pro-rata basis. However, this may involve balloting, which would

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## STRUCTURE OF THE SHARE OFFER

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result in some applicants being allotted more Public Offer Shares than others who have applied for the same number of Public Offer Shares, and applicants who are not successful in the ballot not receiving any Public Offer Shares.

If the Public Offer is not fully subscribed, DBS Asia and SBI E2-Capital Securities, acting as joint international coordinators and joint bookrunners, will have the absolute discretion to reallocate all or any unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as they deem appropriate.

The total number of Public Offer Shares to be allotted and issued pursuant to the Public Offer may change as a result of the clawback arrangement referred to under “Over-subscription and the Over-allotment Option” below, any reallocation of unsubscribed Public Offer Shares originally included in the Public Offer to the Placing and any reallocation of the Placing Shares to the Public Offer as described under “The Placing” above.

### **Preference to employees**

Up to 1,560,000 New Shares, being 10 per cent. of the Public Offer Shares initially being offered under the Public Offer, are available for subscription by full-time employees of the Group in Hong Kong (other than the Directors, chief executive of the Company, existing beneficial owner(s) of the Shares and their respective associates) on a preferential basis under the Public Offer. These Public Offer Shares will be allocated to eligible applicants on an equitable basis pursuant to the written guidelines sent to each full-time employee of the Group in Hong Kong according to the number of Shares validly subscribed for by the full-time employees who have applied for such Shares in accordance with the terms set forth under “How to apply for the Public Offer Shares” in this prospectus. Subject to the terms of the **PINK** application form, each eligible applicant will be allotted at least 2,000 Shares in the first allotment and for those applying for 4,000 Shares and up to 10,000 Shares will be fully allotted in the second allotment. For the balance, allocation will be made on a pro-rata basis in proportion to the number of Shares applied for. The above allocation will not be based on seniority or length of services of the full-time employees. Any application made by any eligible full-time employee of the Group for more than 100 per cent. of the Public Offer Shares being offered to eligible full-time employees of the Group for preferential allocation will be rejected.

Only employees of the Group in Hong Kong who are not US persons (as defined in Regulation S of the US Securities Act 1933 (as amended)) may apply for the Public Offer Shares on a preferential basis.

### **Share offer mechanism — basis of allocation of the Public Offer Shares**

Apart from the 1,560,000 Public Offer Shares made available for application by full-time employees of the Group in Hong Kong on a preferential basis, there will initially be a total of 14,040,000 Public Offer Shares available for subscription under the Public Offer under the **WHITE** and **YELLOW** application forms. For allocation purposes only, the number of the Public Offer Shares will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will consist of 7,020,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK\$5,000,000 (excluding transaction levy imposed by the Securities and Futures Commission, the Stock Exchange trading fee and brokerage payable thereon) or less. The Public Offer Shares available in pool B will consist of 7,020,000 Shares and will be allocated

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## STRUCTURE OF THE SHARE OFFER

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on an equitable basis to applicants who have applied for Public Offer Shares in the value of more than HK\$5,000,000 (excluding transaction levy imposed by the Securities and Futures Commission, the Stock Exchange trading fee and brokerage) and up to the total initial value of pool B.

If the Public Offer Shares initially set aside for preferential allotment to eligible employees of the Group are not fully subscribed, the unsubscribed Shares will be allocated equally between the two pools (so far as possible without involving fraction of a board lot of 2,000 Shares). Investors should be aware that allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100 per cent. of the Public Offer Shares initially available under pool A or pool B will be rejected.

### OVER-SUBSCRIPTION AND THE OVER-ALLOTMENT OPTION

The allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment.

If the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available under the Public Offer, then the number of Shares available under the Public Offer will increase to 46,800,000 Shares, representing 30 per cent. of the total number of Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised).

If the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Shares available under the Public Offer will increase to 62,400,000 Shares, representing 40 per cent. of total number of Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised).

If the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Shares available under the Public Offer will increase to 78,000,000 Shares, representing 50 per cent. of the total number of Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised).

In each such case, the additional Shares reallocated to the Public Offer will be allocated equally between pool A and pool B and the number of Shares allocated to the Placing will be correspondingly reduced.

Pursuant to the Placing Underwriting Agreement, the Company has granted the Over-allotment Option to the Placing Underwriters, exercisable by DBS Asia, to require the Company to allot and issue, at any time and from time to time within 30 days from the date of this prospectus, up to an aggregate of 23,400,000 additional Shares, equivalent to 15 per cent. of the number of Shares initially

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## STRUCTURE OF THE SHARE OFFER

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being offered under the Share Offer, at the Offer Price. The Shares issued under the Over-allotment Option (if any) will be issued at the Offer Price. If the Over-allotment Option is exercised, the Shares issued under the Over-allotment Option will be allocated to placees at the sole discretion of DBS Asia.

If the Over-allotment Option is exercised in full, the Shares issued under the Over-allotment Shares will represent approximately four per cent. of the Company's enlarged issued share capital following completion of the Share Offer, the Capitalisation Issue and the exercise of the Over-allotment Option. If the Over-allotment Option is exercised, a press announcement will be made.

### STABILISATION

In connection with the Share Offer, DBS Asia may over-allocate up to 23,400,000 Shares and/or effect transactions to stabilise or maintain the market price of the Shares at levels other than those which might otherwise prevail in the open market. The stabilisation price will not be higher than the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Such transactions, if commenced, may be discontinued at any time.

Stabilisation is a practice not commonly associated with the distribution of securities in Hong Kong. In Hong Kong, such stabilisation activities on the Stock Exchange are restricted to cases where the underwriters purchase shares in the secondary market genuinely and solely for the purpose of covering over-allocations in the relevant offer. Relevant provisions of the Securities Ordinance prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### WHICH APPLICATION FORM TO USE

Use a **WHITE** application form if you want the Public Offer Shares to be issued in your own name.

Use a **YELLOW** application form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your investor participant stock account or the stock account of your designated CCASS participant.

Use a **PINK** application form if you are a full-time employee of the Group in Hong Kong and would like your application to be given preferential consideration. Up to 1,560,000 New Shares (being 10 per cent. of the Public Offer Shares initially available for subscription under the Public Offer) are available to full-time employees of the Group in Hong Kong on this basis.

*Note:* The Public Offer Shares are not available to the Directors, chief executive of the Company, existing beneficial owners of the Shares or the associates of any of them.

### WHERE TO COLLECT THE PROSPECTUSES AND THE APPLICATION FORMS FOR THE PUBLIC OFFER SHARES

You can collect a **WHITE** application form and a prospectus from:

**Any participant of the Stock Exchange**

or

**DBS Asia Capital Limited**  
16th Floor, Man Yee Building  
68 Des Voeux Road Central  
Hong Kong

or

**SBI E2-Capital (HK) Limited**  
4th Floor, Henley Building  
5 Queen's Road Central  
Hong Kong

or

**SBI E2-Capital Securities Limited**  
20th Floor, Henley Building  
5 Queen's Road Central  
Hong Kong

or

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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**Cazenove Asia Limited**  
5001 One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

or

**DBS Vickers (Hong Kong) Limited**  
19th Floor, Far East Finance Centre  
16 Harcourt Road  
Admiralty  
Hong Kong

or

**GC Securities Limited**  
Room 2812, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

or

**ICEA Capital Limited**  
42nd Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

or

**Kingsway SW Securities Limited**  
5th Floor, Hutchison House  
10 Harcourt Road  
Central  
Hong Kong

or

**OpenOffering Capital Limited**  
4th Floor, Henley Building  
5 Queen's Road Central  
Hong Kong

or

**Phillip Securities (HK) Ltd.**  
11th Floor, United Centre  
95 Queensway  
Admiralty  
Hong Kong



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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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or any of the following branches of **Standard Chartered Bank**:

<b>Hong Kong Island:</b>	<b>The Landmark Branch</b>	<b>The Landmark, 15 Queen's Road Central</b>
	<b>Des Voeux Road Branch</b>	<b>Standard Chartered Bank Building, 4–4A Des Voeux Road, Central</b>
	<b>Exchange Square Branch</b>	<b>Shop 101, One Exchange Square, 8 Connaught Place, Central</b>
	<b>Leighton Centre Branch</b>	<b>Shop 12–16, Upper Ground Floor Leighton Centre 77 Leighton Road, Causeway Bay</b>
	<b>North Point Centre Branch Taikoo Place Branch</b>	<b>284 King's Road, North Point Ground Floor, 969 King's Road Quarry Bay</b>
<b>Kowloon:</b>	<b>Kwun Tong Branch</b>	<b>88–90 Fu Yan Street, Kwun Tong</b>
	<b>Mongkok Bank Centre Branch</b>	<b>Bank Centre, 630–636 Nathan Road Mongkok</b>
	<b>Tsimshatsui Branch</b>	<b>10 Granville Road, Tsimshatsui</b>
	<b>Cheung Sha Wan Branch</b>	<b>828 Cheung Sha Wan Road Cheung Sha Wan</b>
<b>New Territories:</b>	<b>Tsuen Wan Branch</b>	<b>Basement First Floor, Emperor Plaza 263 Sha Tsui Road, Tsuen Wan</b>

You can collect a **YELLOW** application form and a prospectus from:

- the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- the Customer Service Centre of HKSCC at Upper Ground Floor, V-Heun Building, 128–140 Queen's Road Central, Hong Kong; or
- your stockbroker may have application forms available.

You can collect a **PINK** application form from Ms. FAN Wing Wah, Vera, the Corporate Human Resources Manager of the Group, at:

10th Floor, Tower II  
South Seas Centre  
75 Mody Road  
Tsimshatsui  
Kowloon  
Hong Kong

### HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each application form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If your application is made through a duly authorised attorney, the Company and the Sponsors as its agents may accept the application at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney.

### HOW MANY APPLICATIONS MAY YOU MAKE

**There are only two situations where you may make more than one application for Public Offer Shares:**

1. If you are a **nominee**, you may lodge more than one application in your own name on behalf of different owners. In the box on the application form marked “For nominees”, you must include:

- an account number; or
- some other identification code

for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

2. If you are a full-time employee of the Group in Hong Kong and apply on a **PINK** application form, you may also apply on a **WHITE** or **YELLOW** application form.

**Otherwise, multiple applications are not allowed.**

**All** of your applications may be rejected as multiple applications if you, or you and/or your joint applicants together:

- make more than one application on a **WHITE** or **YELLOW** application form; or
- make more than one application on a **PINK** application form; or
- apply on one **WHITE** or **YELLOW** application form for more than 100 per cent. of the Public Offer Shares initially available in either pool A or pool B; or
- apply on one **PINK** application form for more than 100 per cent. of the Public Offer Shares being offered to full-time employees of the Group in Hong Kong on a preferential basis; or
- have been allocated Placing Shares under the Placing.

**All** of your applications will also be rejected as multiple applications if more than one application is made for your benefit. If an application is made by an unlisted company and

- the only business of that company is dealing in securities; and
- you exercise statutory control over that company

then that application will be treated as being for your benefit.

*Unlisted company means a company with no equity securities listed on the Stock Exchange.*

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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**Statutory control** means you:

- control the composition of the board of directors of that company; or
- control more than half of the voting power of that company; or
- hold more than half the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### HOW MUCH ARE THE PUBLIC OFFER SHARES

The Offer Price is HK\$1.68 per Public Offer Share. You must also pay brokerage of one per cent., transaction levy imposed by the Securities and Futures Commission of 0.007 per cent. and Stock Exchange trading fee of 0.005 per cent. of the Offer Price. This means that for every 2,000 Public Offer Shares you will pay HK\$3,394. The application forms have tables showing the exact amount payable for certain multiples of Public Offer Shares.

You must pay the Offer Price, brokerage, the transaction levy imposed by the Securities and Futures Commission and the Stock Exchange trading fee in full when you apply for the Public Offer Shares. Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the application forms.

If your application is successful, brokerage is paid to participants of the Stock Exchange, the transaction levy is paid to the SFC and the trading fee is paid to the Stock Exchange.

### FULL-TIME EMPLOYEES OF THE GROUP IN HONG KONG — TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

Completed **PINK** application forms, with payment attached, must be returned to Ms. FAN Wing Wah, Vera, the Corporate Human Resources Manager of the Group, at 10th Floor, Tower II, South Seas Centre, 75 Mody Road, Tsimshatsui, Kowloon, Hong Kong, by 4:00 p.m. on Friday, 3 May 2002.

### MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

Completed **WHITE** or **YELLOW** application forms, with payment attached, must be lodged by 12:00 noon on Monday, 6 May 2002, or, if the application lists of the Public Offer are not open on that day, then by 12:00 noon on the next day the lists are open.

Your completed application form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of **Standard Chartered Bank** listed under "Where to collect the prospectuses and the application forms for the Public Offer Shares" in this section at the following times:

**Tuesday, 30 April 2002 — 9:00 a.m. to 4:00 p.m.**  
**Thursday, 2 May 2002 — 9:00 a.m. to 4:00 p.m.**  
**Friday, 3 May 2002 — 9:00 a.m. to 4:00 p.m.**  
**Saturday, 4 May 2002 — 9:00 a.m. to 12:00 noon**  
**Monday, 6 May 2002 — 9:00 a.m. to 12:00 noon**

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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The application lists of the Public Offer will open **from 11:45 a.m. to 12:00 noon on Monday, 6 May 2002.**

### **EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS OF THE PUBLIC OFFER**

The application lists of the Public Offer will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal

in force at any time between 9:00 a.m. and 12:00 noon on Monday, 6 May 2002 in Hong Kong. Instead they will be open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warning signals in force at any time between 9:00 a.m. and 12:00 noon.

**Business day** means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

If the application lists of the Public Offer do not open and close on Monday, 6 May 2002, the dates mentioned in the section headed “Expected timetable” in this prospectus and the related application form and other dates mentioned in this prospectus (including, without limitation, the latest time for the exercise of termination rights under the Underwriting Agreements) may be affected. A press announcement will be made in such event in South China Morning Post (in English) and in Hong Kong Economic Times and Sing Tao Daily (in Chinese).

### **CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE PUBLIC OFFER SHARES**

Full details of the circumstances in which you will not be allocated the Public Offer Shares are set out in the application forms, and you should read them carefully. You should note in particular the following two situations in which Public Offer Shares will not be allocated to you:

— **Revocation of your application:**

You cannot revoke your application before the fifth day after the time for the opening of the application lists of the Public Offer (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) unless a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

- If your application has been accepted, it cannot be revoked.

— **If the allotment of the Public Offer Shares is void:**

Your allotment of the Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant listing of and permission to deal in the Shares either:

- within three weeks from the closing of the application lists of the Public Offer; or

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange within three weeks of the closing of the application lists of the Public Offer notifies the Company of that longer period.

### COLLECTION/POSTING OF SHARE CERTIFICATES/REFUND CHEQUES AND DEPOSIT OF SHARE CERTIFICATES INTO CCASS

#### WHITE application forms:

If you have applied for 1,000,000 Public Offer Shares or more and have indicated on your application form that you will collect your Share certificate(s) and/or refund cheque, you may collect them in person from:

**Standard Registrars Limited**  
5th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

between 9:00 a.m. and 1:00 p.m. on the date notified by the Company in the newspapers as the date of despatch of Share certificates and refund cheques. The date of despatch is expected to be Thursday, 9 May 2002. **Please note that Share certificates do not constitute evidence of title to the Offer Shares until 6:00 p.m. on Thursday, 9 May 2002.**

You must show the necessary identification and/or authorisation document(s) satisfactory to Standard Registrars Limited to collect your Share certificate(s) and/or refund cheque.

If you do not collect your Share certificate(s) and/or refund cheque at the times indicated above, they will be sent to the address on your application form after the expiry of the time for their collection, by ordinary post and at your own risk.

If you have not indicated on your application form that you will collect your Share certificate(s) and/or refund cheque, then they will be sent to the address on your application form on the date of despatch, by ordinary post and at your own risk.

#### YELLOW application forms:

Your Share certificate(s) will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your CCASS investor participant stock account or the stock account of your designated CCASS participant as instructed by you at the close of business on Thursday, 9 May 2002 or, under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

If you are applying through a designated CCASS participant (other than a CCASS investor participant):

- for the Public Offer Shares credited to the stock account of your designated CCASS participant (other than a CCASS investor participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If you are applying as a CCASS investor participant:

- the Company will publish the results of CCASS investor participants' applications together with the results of the Public Offer in the newspapers on Thursday, 9 May 2002. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 9 May 2002 or such other date as shall be determined by HKSCC or HKSCC Nominees Limited. On Friday, 10 May 2002 (the next day following the credit of the Public Offer Shares to your stock account) you can check your new account balance via the CCASS phone system or CCASS internet system (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also mail to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you have indicated on your application form that you will collect your refund cheque in person, please follow the instructions set out under "**WHITE application forms**" above.

### **PINK application forms:**

The Share certificate(s) will be sent to the address on your application form on the date of despatch (which is expected to be Thursday, 9 May 2002), by ordinary post and at your own risk.

The Company will **NOT** issue temporary evidence of title. No receipt will be given for application money received.

### **COMMENCEMENT OF DEALINGS IN THE SHARES ON THE MAIN BOARD**

Dealings in the Shares on the Main Board are expected to commence at 10:00 a.m. on Friday, 10 May 2002.

Shares will be traded in board lots of 2,000 Shares each. The stock code for the Shares on the Main Board is 915.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on the Main Board and the Shares comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Main Board or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

*The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the auditors and reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.*

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

30 April 2002

The Directors  
Linmark Group Limited  
DBS Asia Capital Limited  
SBI E2-Capital (HK) Limited

Dear Sirs,

We set out below our report on the financial information regarding Linmark Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 30 April 1999, 2000 and 2001 and the six months ended 31 October 2001 (the “Relevant Periods”) for inclusion in the prospectus of the Company dated 30 April 2002 (the “Prospectus”).

The Company was incorporated in Bermuda on 25 January 2002 as a limited company under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation, further details of which are set out in the paragraph headed “Corporate reorganisation” in Appendix V to the Prospectus (the “Group Reorganisation”), the Company became the holding company of the following subsidiaries on 22 April 2002.

As at the date of this report, the Company has the following wholly-owned subsidiaries:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital	Principal activities
IGCS Group Limited	British Virgin Islands 14 January 2002	US\$1	Investment holding
IGCS Limited	Hong Kong 18 January 2002	HK\$2	Provision of social compliance services

<b>Name of company</b>	<b>Place and date of incorporation/ establishment</b>	<b>Issued and fully paid share capital</b>	<b>Principal activities</b>
IGCS International Limited	British Virgin Islands 14 January 2002	US\$1	Provision of social compliance services
Linmark (HK) Limited	Hong Kong 22 March 1999	HK\$2	Procurement agent
Linmark Agency (BVI) Limited	British Virgin Islands 15 March 1999	US\$50,000	Investment holding and procurement agent
Linmark Agency (Hong Kong) Limited	Hong Kong 6 October 1999	HK\$10,000	Procurement agent
Linmark Agency (Mauritius) Ltd	Mauritius 3 May 2000	US\$2	Procurement agent
Linmark Development (BVI) Limited	British Virgin Islands 15 March 1999	US\$1	Procurement agent
Linmark Development (Far East) Limited S.A.	Panama 13 October 1977	US\$50,000	Inactive
Linmark International (Bangladesh) Ltd.	Bangladesh 25 March 1996	Taka20,000	Procurement agent
Linmark International (Hong Kong) Limited	Hong Kong 17 December 1968	HK\$200,000	Investment holding and procurement agent and trading of garment
Linmark Westman Investments Limited	British Virgin Islands 16 July 1999	US\$11	Investment holding
Merchandise Creative, Inc.	British Virgin Islands 24 October 2001	US\$1	Procurement agent
Merchandise Creative Limited	Hong Kong 28 April 1999	HK\$10,000	Procurement agent
PT Linmark Agency Indonesia	Indonesia 29 May 2001	US\$100,000	Inactive



Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital	Principal activities
Trend Xpress, Inc.	British Virgin Islands 4 January 2002	US\$1	Investment holding
Trend Xpress Limited	Hong Kong 22 October 2001	HK\$2	Investment holding and provision of market trend consultancy services
Trend Xpress (Bangladesh) Ltd.	Bangladesh 7 February 2002	Taka20,000	Provision of market trend consultancy services
Trend Xpress (S) Pte. Limited	Singapore 14 February 2002	S\$2	Provision of market trend consultancy services
Triple S Limited (formerly known as "Waterton Limited")	Hong Kong 20 August 1985	HK\$100,000	Procurement agent
Westman Linmark (Thailand) Ltd.	Thailand 28 January 2000	Ordinary shares Baht2,940,000 Preference shares Baht3,060,000 (Note)	Procurement agent
Westman (Singapore) Private Limited	Singapore 26 August 1980	S\$200,000	Procurement agent
Westown Limited	Hong Kong 22 April 1986	HK\$100,000	Procurement agent

*Note:* The preference shares are only entitled to 3.5 per cent. of the paid-up value of the shares, prior to any dividend distribution to the holders of ordinary shares. The voting rights with respect to preference shares are every ten shares for one vote. The preference shares are indirectly controlled by the Group by way of entering into loan agreements with the respective registered holders of preference shares. According to the loan agreements, the registered holders as borrowers agree to execute and deliver to the Group any proxy which may be necessary for attending and voting in every meeting of the shareholders of Westman Linmark (Thailand) Ltd. and grant the Group options to purchase their shares at the price of nominal value of the preference shares. The Group is also responsible for managing the operations of this company. The Group accounts for this company as a wholly-owned subsidiary since the Group is accountable for all of its results of the operations. As the Group has no intention to request the borrowers to repay the outstanding loan amounts, the Group accounts for these amounts to borrowers as part of investment cost.

Linmark Westman Investments Limited, Trend Xpress, Inc. and IGCS Group Limited are directly held by the Company. All other subsidiaries are indirectly held by the Company.

No audited financial statements have been prepared for the Company, PT Linmark Agency Indonesia, Merchandise Creative, Inc. and Trend Xpress Limited since their respective dates of incorporation as the Company has not carried out any business other than the transactions relating to the Group Reorganisation and PT Linmark Agency Indonesia, Merchandise Creative, Inc. and Trend Xpress Limited have not carried out any business. No audited financial statements have been prepared for IGCS Group Limited, IGCS Limited, IGCS International Limited, Trend Xpress, Inc., Trend Xpress (Bangladesh) Ltd. and Trend Xpress (S) Pte. Limited as they were incorporated after 31 October 2001. We have, however, reviewed all relevant transactions of these companies since their respective dates of incorporation. No audited financial statements have been prepared for Linmark Development (Far East) Limited S.A. for the year ended 30 April 2001 as this company has not carried out any business since 1 May 2000. We have, however, reviewed all relevant transactions of this company since 1 May 2000.

We have audited the consolidated financial statements of Linmark Westman Investments Limited and its subsidiaries for the six months period ended 31 October 2001. The statutory financial statements of the companies comprising the Group during the Relevant Periods were audited by other auditors as follows:

<b>Company</b>	<b>From</b>	<b>To</b>	<b>Auditors</b>
IOTA Limited*	9 June 1999	30 April 2000	Arthur Andersen & Co Certified Public Accountants Hong Kong
Linmark (HK) Limited	22 March 1999 1 May 2000	30 April 2000 30 April 2001	Arthur Andersen & Co Certified Public Accountants Hong Kong
Linmark Agency (BVI) Limited	15 March 1999	30 April 2001	Arthur Andersen & Co Certified Public Accountants Hong Kong
Linmark Agency (Hong Kong) Limited	6 October 1999 1 May 2000	30 April 2000 30 April 2001	Arthur Andersen & Co Certified Public Accountants Hong Kong
Linmark Agency (Mauritius) Ltd	3 May 2000	30 April 2001	KPMG Public Accountants Mauritius
Linmark Development (BVI) Limited	15 March 1999	30 April 2001	Arthur Andersen & Co Certified Public Accountants Hong Kong

\* The results of IOTA Limited has been included up to the date of disposal on 1 May 2000.

<b>Company</b>	<b>From</b>	<b>To</b>	<b>Auditors</b>
Linmark Development (Far East) Limited S.A.	1 January 1998 1 May 1999	30 April 1999 30 April 2000	Arthur Andersen & Co Certified Public Accountants Hong Kong
Linmark International (Bangladesh) Ltd.	1 January 1998 1 May 1999 1 May 2000	30 April 1999 30 April 2000 30 April 2001	Andrew Gomes & Co Chartered Accountants Bangladesh
Linmark International (Hong Kong) Limited	1 January 1998 1 May 1999 1 May 2000	30 April 1999 30 April 2000 30 April 2001	Arthur Andersen & Co Certified Public Accountants Hong Kong
Linmark Marketing Services Ltd.	1 January 1998 1 May 1999 1 May 2000	30 April 1999 30 April 2000 30 April 2001	Diwan, Ernst & Young Certified Public Accountants Taiwan
Linmark Westman Investments Limited	16 July 1999 1 May 2000	30 April 2000 30 April 2001	Arthur Andersen & Co Certified Public Accountants Hong Kong
Merchandise Creative Limited	28 April 1999 1 May 2000	30 April 2000 30 April 2001	Arthur Andersen & Co Certified Public Accountants Hong Kong
Triple S Limited	1 January 1998 1 May 1999 1 May 2000	30 April 1999 30 April 2000 30 April 2001	Arthur Andersen & Co Certified Public Accountants Hong Kong
Westman Linmark (Thailand) Ltd.	28 January 2000 1 May 2000	30 April 2000 30 April 2001	Arthur Andersen Certified Public Accountants Thailand
Westman (Singapore) Private Limited	1 January 1998 1 May 1999 1 May 2000	30 April 1999 30 April 2000 30 April 2001	Arthur Andersen Certified Public Accountants Singapore
Westown Limited	1 January 1998 1 May 1999 1 May 2000	30 April 1999 30 April 2000 30 April 2001	Arthur Andersen & Co Certified Public Accountants Hong Kong

We have examined the audited financial statements or, where appropriate, management accounts (the "Underlying Financial Statements") of the companies now comprising the Group for the Relevant Periods or since their respective dates of incorporation to 31 October 2001, where this is a shorter period. Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Society of Accountants.

The financial information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements of the companies comprising the Group, on the basis set out in Section 1 below, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of those companies who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the financial information set out in this report from the Underlying Financial Statements, to form an independent opinion on the financial information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Section 1 below, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 30 April 1999, 2000 and 2001 and at 31 October 2001 and of the combined results and cash flows of the Group for the Relevant Periods.

## **1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

The combined income statements, combined cash flow statements and combined statements of recognised gains and losses of the companies comprising the Group have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their dates of incorporation where this is a shorter period except that the results and cash flows of IOTA Limited and Linmark Marketing Services Ltd. have been included only up to their respective dates of disposal and dissolution. The combined balance sheets of the Group as at 30 April 1999, 2000 and 2001 and as at 31 October 2001 have been prepared to present the assets and liabilities of the companies comprising the Group as at the respective dates, as if the current group structure had been in existence as at those dates except that assets and liabilities of IOTA Limited and Linmark Marketing Services Ltd. are excluded after their respective date of disposal and dissolution.

All significant intra-group transactions, cash flow and balances have been eliminated on combination.

## **2. PRINCIPAL ACCOUNTING POLICIES**

These financial statements are presented in United States dollars because that is the currency in which the majority of the Group's transactions are denominated. The financial information set out in this report has been prepared under the historical cost convention and in accordance with the principal accounting policies set out below which conform with International Accounting Standards. There is no material difference between International Accounting Standards and the corresponding standards under generally accepted accounting practices in Hong Kong, so far as these financial statements are concerned.

**Revenue recognition**

Sales of garment are recognised when goods are delivered and title has passed.

Commission income is recognised upon shipment of the underlying goods procured by the Group.

Reimbursement income from customers is recognised when expenses paid on behalf of customers are incurred.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight line basis over the lease terms.

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

**Machinery and equipment**

Machinery and equipment are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement 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 the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is provided to write off the cost of machinery and equipment over their estimated useful lives using the straight line method at the following rates per annum:

Leasehold improvements	20% (or over the unexpired lease term, whichever is shorter)
Furniture, fixtures and equipment	20% to 33 $\frac{1}{3}$ %
Motor vehicles	20%

**Club debenture**

Club debenture is stated at cost as reduced by any impairment loss that is other than temporary.

**Operating leases**

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease terms.

**Taxation**

The charge for current tax is based on the results for the Relevant Periods as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet dates.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the Relevant Periods when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Retirement benefit schemes***(i) Defined-contribution schemes*

The retirement benefit costs charged in the income statement represent the contribution payable in respect of the Relevant Periods to the Group's defined contribution scheme.

*(ii) Defined-benefit retirement scheme*

The expected costs of providing pensions, as calculated periodically by professional qualified actuaries, are charged to the income statement so as to spread the costs over the service lives of employees in the schemes operated by the Group in such a way that the cost is a substantially level percentage of current and expected future pensionable payroll.

**Foreign currencies**

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On combination, the financial statements of overseas operations are translated at the rates ruling on the balance sheet date. All exchange differences arising on combination are dealt with in the exchange reserve.

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Financial instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

**Trade receivables**

Trade receivables are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amount.

**Trade payables**

Trade payables are stated at their nominal value.

## 3. COMBINED INCOME STATEMENTS

	Notes	Year ended 30 April			Six months ended
		1999 US\$'000	2000 US\$'000	2001 US\$'000	31 October 2001 US\$'000
Turnover	(a)	19,576	27,192	32,491	15,973
Cost of sales		—	(460)	(1,352)	(353)
Gross profit		19,576	26,732	31,139	15,620
Other revenue	(b)	560	512	1,349	500
Administrative expenses		(16,798)	(17,740)	(20,042)	(10,265)
Profit from operations	(c)	3,338	9,504	12,446	5,855
Gain on disposal/ dissolution of a subsidiary		—	—	911	37
Profit before taxation		3,338	9,504	13,357	5,892
Taxation	(d)	(220)	(451)	(490)	(175)
Profit for the year/ period		<u>3,118</u>	<u>9,053</u>	<u>12,867</u>	<u>5,717</u>
Dividend	(e)	<u>2,700</u>	<u>—</u>	<u>8,000</u>	<u>3,800</u>
Earnings per share — basic	(f)	<u>0.62 US cent</u>	<u>1.81 US cents</u>	<u>2.58 US cents</u>	<u>1.15 US cents</u>

Notes:

## (a) Turnover

Turnover represents proceeds received and receivable from commission income and sales of garment by the Group to customers during the Relevant Periods, and is analysed as follows:

	Year ended 30 April			Six months ended
	1999 US\$'000	2000 US\$'000	2001 US\$'000	31 October 2001 US\$'000
Commission income	19,576	26,634	30,866	15,592
Sales of garment	—	558	1,625	381
	<u>19,576</u>	<u>27,192</u>	<u>32,491</u>	<u>15,973</u>



## (b) Other revenue

	Year ended 30 April			Six months ended
	1999	2000	2001	31 October 2001
	US\$'000	US\$'000	US\$'000	US\$'000
Interest income	62	70	107	35
Reimbursement income from customers	497	442	530	392
Commission payable written back	—	—	551	—
Others	1	—	161	73
	<u>560</u>	<u>512</u>	<u>1,349</u>	<u>500</u>

## (c) Profit from operations

	Year ended 30 April			Six months ended
	1999	2000	2001	31 October 2001
	US\$'000	US\$'000	US\$'000	US\$'000
Profit from operations has been arrived at after charging:				
Directors' remuneration ( <i>Note g</i> )	345	557	567	374
Other staff costs	8,963	9,229	10,230	5,312
Retirement benefit scheme contributions (excluding directors)	<u>518</u>	<u>367</u>	<u>402</u>	<u>210</u>
Total staff costs ( <i>Note</i> )	<u>9,826</u>	<u>10,153</u>	<u>11,199</u>	<u>5,896</u>
Auditors' remuneration	46	84	40	33
Depreciation	376	365	351	215
Operating lease rentals in respect of:				
— office premises and staff quarters	1,608	1,416	1,540	766
— furniture, fixtures and equipment	14	24	35	24
Net exchange losses	47	228	545	119
Provision for doubtful debts	265	65	225	29
Provision for claims	37	420	649	199
Losses on disposal of machinery and equipment	—	7	—	—
and after crediting:				
Net exchange gains	—	—	—	—
Bank interest income	62	70	107	35
Rental income	—	—	25	—
Gains on disposal of machinery and equipment	<u>1</u>	<u>—</u>	<u>9</u>	<u>2</u>
<i>Note:</i>				
Number of employees (excluding directors)	<u>477</u>	<u>514</u>	<u>547</u>	<u>560</u>

## (d) Taxation

	Year ended 30 April			Six months ended
	1999	2000	2001	31 October
	US\$'000	US\$'000	US\$'000	2001
				US\$'000
The charge comprises:				
Hong Kong profits tax				
— current year/period	46	50	122	—
Income tax in other jurisdictions				
— current year/period	174	398	679	175
— overprovision in prior years	—	—	(330)	—
Deferred taxation	—	3	19	—
	<u>220</u>	<u>451</u>	<u>490</u>	<u>175</u>

Hong Kong profits tax is calculated at 16 per cent. of the estimated assessable profit for the Relevant Periods.

Taxation arising in other jurisdictions, including the PRC, Thailand, Pakistan, Bangladesh, South Africa, South Korea, Taiwan, Singapore, Indonesia and Mauritius, is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year/period can be reconciled to the profit per the income statement as follows:

	1999		Year ended 30 April		2000		2001		Six months ended	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%	31 October	2001
Profit before tax	<u>3,338</u>		<u>9,504</u>		<u>13,357</u>		<u>5,892</u>			
Tax at the domestic income tax rate of 16%	534	16.0	1,521	16.0	2,137	16.0	943	16.0		
Tax effect of expenses that is not deductible in determining taxable profit	12	0.4	2	—	8	—	3	0.1		
Tax effect of income that is not taxable in determining taxable profit	(1,328)	(39.8)	(1,234)	(13.0)	(2,169)	(16.2)	(1,609)	(27.3)		
Unrecognised income tax losses relating to losses of certain group companies	974	29.2	81	0.9	263	2.0	746	12.6		
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u>28</u>	<u>0.8</u>	<u>81</u>	<u>0.9</u>	<u>251</u>	<u>1.9</u>	<u>92</u>	<u>1.6</u>		
Tax expense and effective tax rate for the year/period	<u>220</u>	<u>6.6</u>	<u>451</u>	<u>4.8</u>	<u>490</u>	<u>3.7</u>	<u>175</u>	<u>3.0</u>		

There was no material unprovided deferred taxation during the Relevant Periods.

## (e) Dividend

No dividends have been paid or declared by the Company since the date of its incorporation.

During the Relevant Periods, the following dividends were paid by the subsidiaries to their then shareholders prior to the Group Reorganisation.

	Year ended 30 April			Six months ended
	1999	2000	2001	31 October 2001
	US\$'000	US\$'000	US\$'000	US\$'000
Linmark Westman Investments Limited	—	—	8,000	3,800
Linmark Development (Far East) Limited S.A.	2,700	—	—	—
	<u>2,700</u>	<u>—</u>	<u>8,000</u>	<u>3,800</u>

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard the purpose of this report.

**(f) Earnings per share**

The calculation of the basic earnings per share is based on the profit for the Relevant Periods and on the 499,200,000 shares in issue and issuable comprising 2,000,000 shares in issue as at the date of the Prospectus and 497,200,000 shares to be issued pursuant to the capitalisation issue as more fully described in the paragraph headed "Written resolutions of the sole shareholder of the Company passed on 22 April 2002" in Appendix V to the Prospectus (the "Capitalisation Issue").

**(g) Directors' and employees' remunerations**

*Directors' remuneration:*

	Year ended 30 April			Six months ended
	1999	2000	2001	31 October 2001
	US\$'000	US\$'000	US\$'000	US\$'000
Fees	—	—	—	—
Salaries and allowances	333	495	553	339
Retirement benefit scheme contributions	12	12	14	9
Bonus	—	50	—	26
	<u>345</u>	<u>557</u>	<u>567</u>	<u>374</u>

The emoluments of each of the directors were within the following bands:

	Year ended 30 April			Six months ended
	1999	2000	2001	31 October 2001
	Number of directors	Number of directors	Number of directors	Number of directors
US\$Nil to US\$100,000	3	2	2	3
US\$100,001 to US\$200,000	1	2	2	2
US\$200,001 to US\$300,000	1	1	1	—
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

*Employees' emoluments:*

The five highest paid individuals included 1 director for three years ended 30 April 1999, 2000 and 2001 and included 2 directors for six months ended 31 October 2001 whose emoluments are set out above. The emoluments of the remaining highest paid individuals were as follows:

	Year ended 30 April			Six months ended
	1999	2000	2001	31 October 2001
	US\$'000	US\$'000	US\$'000	US\$'000
Salaries and allowances	645	727	726	280
Retirement benefit scheme contributions	12	13	21	12
Bonus	—	71	—	16
	<u>657</u>	<u>811</u>	<u>747</u>	<u>308</u>

The emoluments of each of the aforesaid employees were within the following bands:

	Year ended 30 April			Six months ended
	1999	2000	2001	31 October 2001
	Number of employees	Number of employees	Number of employees	Number of employees
US\$Nil to US\$100,000	—	—	—	2
US\$100,001 to US\$200,000	3	2	2	1
US\$200,001 to US\$300,000	<u>1</u>	<u>2</u>	<u>2</u>	<u>—</u>
	<u>4</u>	<u>4</u>	<u>4</u>	<u>3</u>

During the Relevant Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

**(h) Related party transactions**

Name of related party	Notes	Nature of transactions	Year ended 30 April			Six months ended 31
			1999	2000	2001	October 2001
			US\$'000	US\$'000	US\$'000	US\$'000
Roly International Holdings Ltd. and its subsidiaries	(i)	Sales	—	17	—	—
	(ii)	Commission income received	11	51	35	6
	(iii)	Rental income received	—	—	25	—
	(iv)	Administrative charge paid	—	—	223	289
	(v)	Agency fee income received	—	—	126	—
Hudson's Bay Loyalty Management (Hong Kong) Limited	(i)	Sales	—	23	—	—
	(ii)	Commission income received	2	—	—	—
iHomedecor.com, Inc.	(ii)	Commission income received	<u>—</u>	<u>71</u>	<u>—</u>	<u>—</u>

Roly International Holdings Ltd. is the Company's ultimate holding company and its subsidiaries are the fellow subsidiaries of the Company.

Hudson's Bay Loyalty Management (Hong Kong) Limited was an associate of and iHomedecor.com, Inc. is an associate of the Company's ultimate holding company.

For the year ended 30 April 2001, the Group disposed of its interest in IOTA Limited to a fellow subsidiary at a consideration of approximately US\$1,000.

*Notes:*

- (i) Sales are based on cost plus a percentage of profit mark-up.
- (ii) Commission income is based on a percentage of the shipment amount.
- (iii) Rental income is charged based on the actual cost incurred in proportion to the area used by a fellow subsidiary.
- (iv) Administrative charge represents reimbursements to a fellow subsidiary.
- (v) Agency fee income is based on a percentage of the amount handled.

Linmark Westman International Ltd. assigned to the Group all its rights and liabilities in respect of the exclusive buying agency agreements between customers and Linmark Westman International Ltd. when Linmark Westman International Ltd. was a former holding company of the Group's subsidiaries at nil consideration.

In addition, as at 30 April 1999, 2000 and 2001 and at 31 October 2001, Roly International Holdings Ltd. and certain fellow subsidiaries had given corporate guarantees amounting to approximately Nil, US\$2,949,000, US\$5,705,000 and US\$5,705,000 respectively to banks in respect of banking facilities granted to the Group. The Group also provided cross guarantee with same amounts at respective balance sheet dates to its fellow subsidiaries. At 31 October 2001, the Group, together with Roly International Holdings Ltd. provided a joint and several corporate guarantee to a loan facility of US\$7,000,000 granted to a fellow subsidiary of the Company. The loan facility was also secured by a first floating charge over all the undertaking, property, assets and rights of a subsidiary of the Company. No consideration was involved in these transactions. The above guarantees and charge will be fully released prior to the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The directors have represented that the above transactions are based on the terms agreed by both parties and in the ordinary course of business. The directors confirmed that the Group will discontinue the above transactions except commission income received and administrative charge paid following the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**(i) Retirement benefit schemes**

During the Relevant Periods, the Group maintained various retirement schemes for its employees. Except for the defined benefit retirement schemes maintained in Taiwan, South Korea, Pakistan, Sri Lanka and Bangladesh the Group's schemes are defined contribution schemes, which are managed by independent trustees. Employees' and employer's contributions are based on various percentages of employees' gross salaries and length of service.

Under the defined benefit retirement scheme in Taiwan and as required by law, the Group makes contribution based on various percentages of employees' gross salaries. After serving a qualifying period, all employees are entitled to benefits on retirement, disability or death. The scheme provides defined benefits based on years of service and final average salary. The Group is under a legal obligation to make up any shortfall in the scheme's assets to meet payments due to employees. The Group has carried out its latest actuarial valuation of the Taiwan's scheme in April 1999. The actuaries concluded that the provision for employee retirement benefits regarding the Taiwan's scheme were sufficient to meet all benefits payable in the event of the scheme's termination, or the voluntary or compulsory termination of the employment of each employee. Under the defined benefit retirement schemes in South Korea, Pakistan, Sri Lanka and Bangladesh and as required by law, provisions were made based on the monthly salaries and the percentage of vesting benefit by reference to the years of services according to the law in respective jurisdictions.

The details of retirement benefit scheme contributions for the directors and employees, net of forfeited contributions, which have been dealt with in the income statement of the Group for the Relevant Periods, are as follows:

	<b>1999</b>	<b>Year ended 30 April</b>		<b>Six months ended</b>
	<b>2000</b>	<b>2001</b>	<b>31 October 2001</b>	
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Gross scheme contributions	530	379	416	219
Less: Forfeited contributions utilised to offset contributions for the year/period	—	—	—	—
Net scheme contributions	<u>530</u>	<u>379</u>	<u>416</u>	<u>219</u>

## 4. COMBINED BALANCE SHEET

## Assets and Liabilities

		As at 30 April			As at
		1999	2000	2001	31 October
Notes	US\$'000	US\$'000	US\$'000	US\$'000	2001
					US\$'000
<b>NON-CURRENT ASSETS</b>					
Machinery and equipment	(a)	841	688	891	1,210
Club debenture		—	119	119	119
		<u>841</u>	<u>807</u>	<u>1,010</u>	<u>1,329</u>
<b>CURRENT ASSETS</b>					
Trade receivables	(b)	5,932	5,888	8,124	9,477
Prepayments, deposits and other receivables		1,000	1,241	1,641	1,941
Amount due from immediate holding company	(c)	—	—	1,957	—
Amounts due from fellow subsidiaries	(c)	13	3,556	3,523	3,477
Bank balances and cash		636	1,666	1,319	2,743
		<u>7,581</u>	<u>12,351</u>	<u>16,564</u>	<u>17,638</u>
<b>CURRENT LIABILITIES</b>					
Trade payables	(d)	143	70	460	439
Accruals and other payables		1,934	3,330	2,111	1,522
Amount due to immediate holding company	(e)	—	—	—	48
Amounts due to fellow subsidiaries	(e)	6,508	296	182	151
Tax payable		320	728	1,067	1,141
		<u>8,905</u>	<u>4,424</u>	<u>3,820</u>	<u>3,301</u>
<b>NET CURRENT (LIABILITIES) ASSETS</b>					
		<u>(1,324)</u>	<u>7,927</u>	<u>12,744</u>	<u>14,337</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<u>(483)</u>	<u>8,734</u>	<u>13,754</u>	<u>15,666</u>
<b>NON-CURRENT LIABILITIES</b>					
Provision for employee retirement benefits	(f)	953	1,132	924	931
Deferred taxation	(g)	10	13	32	32
		<u>963</u>	<u>1,145</u>	<u>956</u>	<u>963</u>
<b>NET (LIABILITIES) ASSETS</b>					
		<u>(1,446)</u>	<u>7,589</u>	<u>12,798</u>	<u>14,703</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	(h)	223	—	—	—
Reserves	(i)	(1,669)	7,589	12,798	14,703
		<u>(1,446)</u>	<u>7,589</u>	<u>12,798</u>	<u>14,703</u>

Notes:

## (a) Machinery and equipment

	Leasehold improvements <i>US\$'000</i>	Furniture, fixtures and equipment <i>US\$'000</i>	Motor vehicles <i>US\$'000</i>	Total <i>US\$'000</i>
<b>COST</b>				
At 1 May 1998	543	1,765	312	2,620
Exchange realignment	6	(15)	(17)	(26)
Additions	131	300	—	431
Disposals	—	(86)	(122)	(208)
At 30 April 1999	680	1,964	173	2,817
Exchange realignment	4	2	(3)	3
Additions	57	189	—	246
Disposals	(9)	(90)	(8)	(107)
At 30 April 2000	732	2,065	162	2,959
Exchange realignment	(23)	(109)	(14)	(146)
Additions	75	461	80	616
Disposals	(39)	(164)	(1)	(204)
Disposal of a subsidiary	(11)	(19)	—	(30)
At 30 April 2001	734	2,234	227	3,195
Exchange realignment	(1)	(36)	(8)	(45)
Additions	95	424	39	558
Disposals	(16)	(45)	(11)	(72)
At 31 October 2001	<u>812</u>	<u>2,577</u>	<u>247</u>	<u>3,636</u>
<b>DEPRECIATION</b>				
At 1 May 1998	482	1,102	171	1,755
Exchange realignment	7	(7)	(8)	(8)
Provided for the year	85	250	41	376
Eliminated on disposals	—	(71)	(76)	(147)
At 30 April 1999	574	1,274	128	1,976
Exchange realignment	4	6	(3)	7
Provided for the year	81	268	16	365
Eliminated on disposals	(4)	(70)	(3)	(77)
At 30 April 2000	655	1,478	138	2,271
Exchange realignment	(20)	(75)	(13)	(108)
Provided for the year	68	263	20	351
Eliminated on disposals	(41)	(157)	(1)	(199)
Eliminated on disposal of a subsidiary	(8)	(3)	—	(11)
At 30 April 2001	654	1,506	144	2,304
Exchange realignment	(1)	(19)	(3)	(23)
Provided for the period	42	157	16	215
Eliminated on disposals	(16)	(43)	(11)	(70)
At 31 October 2001	<u>679</u>	<u>1,601</u>	<u>146</u>	<u>2,426</u>
<b>NET BOOK VALUES</b>				
At 31 October 2001	<u>133</u>	<u>976</u>	<u>101</u>	<u>1,210</u>
At 30 April 2001	<u>80</u>	<u>728</u>	<u>83</u>	<u>891</u>
At 30 April 2000	<u>77</u>	<u>587</u>	<u>24</u>	<u>688</u>
At 30 April 1999	<u>106</u>	<u>690</u>	<u>45</u>	<u>841</u>

**(b) Trade receivables**

The credit terms granted to customers range from 60 to 90 days. The aged analysis of trade receivables is as follows:

	As at 30 April			As at
	1999	2000	2001	31 October
	US\$'000	US\$'000	US\$'000	2001
				US\$'000
0 – 30 days	2,544	2,545	3,092	2,657
31 – 60 days	1,647	2,596	3,255	3,019
61 – 90 days	1,435	442	1,333	1,803
Over 90 days	<u>2,256</u>	<u>1,440</u>	<u>1,461</u>	<u>2,877</u>
	7,882	7,023	9,141	10,356
Less: Provision for doubtful debts	<u>1,950</u>	<u>1,135</u>	<u>1,017</u>	<u>879</u>
	<u>5,932</u>	<u>5,888</u>	<u>8,124</u>	<u>9,477</u>

**(c) Amounts due from immediate holding company and fellow subsidiaries**

The amounts are unsecured, non-interest bearing and repayable on demand. These amounts have been fully settled after 31 October 2001.

**(d) Trade payables**

The aged analysis of trade payables is as follows:

	As at 30 April			As at
	1999	2000	2001	31 October
	US\$'000	US\$'000	US\$'000	2001
				US\$'000
0 – 30 days	121	36	258	59
31 – 60 days	22	22	145	95
61 – 90 days	—	—	20	2
Over 90 days	<u>—</u>	<u>12</u>	<u>37</u>	<u>283</u>
	143	70	460	439
	<u>143</u>	<u>70</u>	<u>460</u>	<u>439</u>

**(e) Amounts due to immediate holding company and fellow subsidiaries**

The amounts are unsecured, non-interest bearing and repayable on demand. These amounts have been fully repaid after 31 October 2001.

**(f) Provision for employee retirement benefits**

Movements during the Relevant Periods are as follows:

	As at 30 April			As at
	1999	2000	2001	31 October
	US\$'000	US\$'000	US\$'000	2001
				US\$'000
At beginning of the year/period	877	953	1,132	924
Exchange differences	35	64	(119)	(38)
Charged to income statement	305	179	196	89
Contributions	<u>(264)</u>	<u>(64)</u>	<u>(285)</u>	<u>(44)</u>
At end of the year/period	<u>953</u>	<u>1,132</u>	<u>924</u>	<u>931</u>



**(g) Deferred taxation**

	As at 30 April			As at
	1999	2000	2001	31 October
	US\$'000	US\$'000	US\$'000	2001
				US\$'000
Balance brought forward	10	10	13	32
Charge for the year/period	—	3	19	—
Balance carried forward	<u>10</u>	<u>13</u>	<u>32</u>	<u>32</u>

Deferred taxation represents the tax effect of temporary differences attributable to the excess of tax depreciation allowances over depreciation charged to the income statements.

There was no material unprovided deferred tax as at 30 April 1999, 2000 and 2001 and at 31 October 2001.

**(h) Share capital**

For the purpose of the preparation of the combined balance sheets, the balances of the share capital at 30 April 1999, 2000 and 2001 and at 31 October 2001, respectively represent the aggregate amount of the share capital of subsidiaries as follows:

	As at 30 April			As at
	1999	2000	2001	31 October
	US\$	US\$	US\$	2001
				US\$
Linmark Westman Investments Limited	—	11	11	11
Linmark Agency (BVI) Limited	1	—	—	—
Linmark Development (BVI) Limited	1	—	—	—
Linmark Development (Far East) Limited S.A.	50,000	—	—	—
Linmark (HK) Limited	—	—	—	—
Linmark International (Hong Kong) Limited	25,641	—	—	—
Triple S Limited (formerly known as "Waterton Limited")	12,821	—	—	—
Westman (Singapore) Private Limited	121,507	—	—	—
Westown Limited	<u>12,821</u>	—	—	—
	<u>222,792</u>	<u>11</u>	<u>11</u>	<u>11</u>
	US\$'000	US\$'000	US\$'000	US\$'000
Shown in the accountants' report as	<u>223</u>	—	—	—

## (i) Reserves

	Share premium <i>US\$'000</i>	Special reserve <i>US\$'000</i>	Translation reserve <i>US\$'000</i>	Accumulated profits (losses) <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 May 1998	—	—	(94)	(1,892)	(1,986)
Exchange differences arising from translation of financial statements of overseas operations	—	—	(101)	—	(101)
Profit for the year	—	—	—	3,118	3,118
Dividend	—	—	—	(2,700)	(2,700)
At 30 April 1999	—	—	(195)	(1,474)	(1,669)
Reserve arising from group restructuring	3	222	—	—	225
Exchange differences arising from translation of financial statements of overseas operations	—	—	(20)	—	(20)
Profit for the year	—	—	—	9,053	9,053
At 30 April 2000	3	222	(215)	7,579	7,589
Exchange differences arising from translation of financial statements of overseas operations	—	—	342	—	342
Profit for the year	—	—	—	12,867	12,867
Dividend	(1)	—	—	(7,999)	(8,000)
At 30 April 2001	2	222	127	12,447	12,798
Exchange differences arising from translation of financial statements of overseas operations	—	—	10	—	10
Exchange reserve realised upon dissolution of a subsidiary	—	—	(22)	—	(22)
Profit for the period	—	—	—	5,717	5,717
Dividend	—	—	—	(3,800)	(3,800)
At 31 October 2001	<u>2</u>	<u>222</u>	<u>115</u>	<u>14,364</u>	<u>14,703</u>

Special reserve of the Group represents the difference between the nominal value of share capital of Linmark Westman Investments Limited issued and the aggregate amount of nominal value of share capital of subsidiaries acquired by Linmark Westman Investments Limited through an exchange of shares.

## (j) Operating lease commitments

	As at 30 April			As at
	1999	2000	2001	31 October
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Minimum lease payments made under operating leases in respect of:				
— land and buildings	1,608	1,416	1,540	766
— furniture, fixtures and equipment	14	24	35	24
	<u>1,622</u>	<u>1,440</u>	<u>1,575</u>	<u>790</u>

At the respective balance sheet dates, the Group had outstanding commitments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	As at 30 April			As at
	1999	2000	2001	31 October
	US\$'000	US\$'000	US\$'000	2001
				US\$'000
Within one year	1,012	977	1,141	1,097
In the second to fifth year inclusive	861	463	941	601
Over five years	—	—	108	67
	<u>1,873</u>	<u>1,440</u>	<u>2,190</u>	<u>1,765</u>

At the respective balance sheet dates, the Group had outstanding commitments under non-cancellable operating leases in respect of furniture, fixtures and equipment which fall due as follows:

	As at 30 April			As at
	1999	2000	2001	31 October
	US\$'000	US\$'000	US\$'000	2001
				US\$'000
Within one year	11	21	14	14
In the second to fifth year inclusive	19	41	27	20
	<u>30</u>	<u>62</u>	<u>41</u>	<u>34</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters and furniture, fixtures and equipment. Leases in respect of land and buildings are negotiated for an average term of two years and rentals are fixed for an average of two years. Leases in respect of furniture, fixtures and equipment are negotiated for a term of five years and rentals are fixed for a term of five years.

**(k) Capital commitments**

The Group had the following capital commitments at the respective balance sheet dates:

	As at 30 April			As at
	1999	2000	2001	31 October
	US\$'000	US\$'000	US\$'000	2001
				US\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of machinery and equipment	—	—	150	254
	<u>—</u>	<u>—</u>	<u>150</u>	<u>254</u>

**(l) Contingent liabilities**

At respective balance sheet dates, the Group had the following aggregate banking facilities, which are jointly available to certain fellow subsidiaries (the "Co-borrowers") for overdrafts and trade financing. The facilities were secured by:

- i. Corporate guarantee provided by the Company's ultimate holding company; and

- ii. Cross-corporate guarantees provided jointly by the Co-borrowers.

	As at 30 April			As at
	1999	2000	2001	31 October
	US\$'000	US\$'000	US\$'000	2001
Cross corporate guarantees provided jointly by the Company and the Co-borrowers	—	2,949	5,705	5,705

At 31 October 2001, the Group, together with Roly International Holdings Ltd., provided a joint and several corporate guarantee to a loan facility of US\$7,000,000 granted to a fellow subsidiary of the Company which was fully utilised by this fellow subsidiary. No such guarantee was given to this fellow subsidiary as at 30 April 1999, 2000 and 2001. The loan facility was also secured by a first floating charge over all the undertaking, property, assets and rights of a subsidiary of the Company.

**(m) Net tangible assets of the Company**

The Company became the holding company of the Group on 22 April 2002 pursuant to the Group Reorganisation. Had the Group Reorganisation been completed on 31 October 2001, the net tangible assets of the Company at 31 October 2001 would have been approximately US\$14,703,000 representing mainly investment in subsidiaries.

As the Company was not incorporated until 25 January 2002, it had no distributable reserve at 31 October 2001.

**(n) Financial instruments**

The carrying amounts of bank balances and cash, club debenture, trade receivables, prepayments, deposits and other receivables, amounts due from immediate holding company and fellow subsidiaries, trade payables, accruals and other payables, amounts due to immediate holding company and fellow subsidiaries and tax payable approximate their fair values because of the nature and the short-term maturity of these instruments.

The directors of the Company represented that the Group's concentration of credit risk and exposure to the effects of future changes in the prevailing level of interest rates are not significant.

Financial instruments denominated in foreign currencies, where applicable, have been translated at the market exchange rates prevailing at the balance sheet date. The Group has not entered into any foreign exchange forward contracts to hedge against foreign exchange fluctuations of the financial instruments.

**5. COMBINED STATEMENTS OF RECOGNISED GAINS AND LOSSES**

	Year ended 30 April			Six months ended
	1999	2000	2001	31 October
	US\$'000	US\$'000	US\$'000	2001
Exchange differences arising from translation of the overseas operations not recognised in the income statement	(101)	(20)	342	10
Net profit for the year/period	<u>3,118</u>	<u>9,053</u>	<u>12,867</u>	<u>5,717</u>
Total recognised gains	<u><u>3,017</u></u>	<u><u>9,033</u></u>	<u><u>13,209</u></u>	<u><u>5,727</u></u>

## 6. COMBINED CASH FLOW STATEMENTS

	Notes	Year ended 30 April			Six months ended
		1999 US\$'000	2000 US\$'000	2001 US\$'000	31 October 2001 US\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	(a)	<u>2,604</u>	<u>11,113</u>	<u>8,930</u>	<u>3,792</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Dividend paid		(2,700)	—	(8,000)	(3,800)
Interest received		<u>62</u>	<u>70</u>	<u>107</u>	<u>35</u>
NET CASH (OUTFLOW) INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(2,638)</u>	<u>70</u>	<u>(7,893)</u>	<u>(3,765)</u>
TAXATION					
Overseas tax refunded		29	23	—	23
Overseas tax paid		<u>(3)</u>	<u>(63)</u>	<u>(132)</u>	<u>(110)</u>
		<u>26</u>	<u>(40)</u>	<u>(132)</u>	<u>(87)</u>
INVESTING ACTIVITIES					
Purchase of machinery and equipment		(431)	(246)	(616)	(558)
Proceeds from disposal of machinery and equipment		62	23	14	4
Purchase of club debenture		—	(119)	—	—
(Advance to) repayment from immediate holding company		—	—	(1,957)	1,957
(Advance to) repayment from fellow subsidiaries		(13)	(3,543)	33	46
Net cash outflow from disposal/dissolution of a subsidiary	(b)	<u>—</u>	<u>—</u>	<u>(10)</u>	<u>—</u>
NET CASH (OUTFLOW) INFLOW FROM INVESTING ACTIVITIES		<u>(382)</u>	<u>(3,885)</u>	<u>(2,536)</u>	<u>1,449</u>
NET CASH (OUTFLOW) INFLOW BEFORE FINANCING		<u>(390)</u>	<u>7,258</u>	<u>(1,631)</u>	<u>1,389</u>
FINANCING	(c)				
Advance from (repayment to) a fellow subsidiary		2	(6,212)	904	(31)
Advance from immediate holding company		<u>—</u>	<u>—</u>	<u>—</u>	<u>48</u>
NET CASH INFLOW (OUTFLOW) FROM FINANCING		<u>2</u>	<u>(6,212)</u>	<u>904</u>	<u>17</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(388)	1,046	(727)	1,406
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		1,107	636	1,666	1,319
EFFECT OF FOREIGN EXCHANGE RATE CHANGE		<u>(83)</u>	<u>(16)</u>	<u>380</u>	<u>18</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash		<u><u>636</u></u>	<u><u>1,666</u></u>	<u><u>1,319</u></u>	<u><u>2,743</u></u>

Notes:

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

	Year ended 30 April			Six months ended
	1999	2000	2001	31 October
	US\$'000	US\$'000	US\$'000	2001
				US\$'000
Profit before taxation	3,338	9,504	13,357	5,892
Interest income	(62)	(70)	(107)	(35)
Depreciation	376	365	351	215
(Gains) losses on disposal of machinery and equipment	(1)	7	(9)	(2)
Gain on disposal/dissolution of a subsidiary	—	—	(911)	(37)
Decrease in inventories	11	—	—	—
(Increase) decrease in trade receivables	(1,536)	44	(2,291)	(1,353)
Decrease (Increase) in prepayments, deposits and other receivables	47	(241)	(509)	(300)
Increase (decrease) in trade payables	5	(73)	416	(21)
Increase (decrease) in accruals and other payables	426	1,577	(1,367)	(567)
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>2,604</u>	<u>11,113</u>	<u>8,930</u>	<u>3,792</u>

## (b) Disposal/dissolution of a subsidiary

Details of the assets and liabilities disposed of/dissolved as at the date of disposal/dissolution of a subsidiary are as follows:

	Year ended 30 April			Six months ended
	1999	2000	2001	31 October
	US\$'000	US\$'000	US\$'000	2001 US\$'000
Net liabilities disposal of:				
Machinery and equipment	—	—	19	—
Trade receivables	—	—	55	—
Prepayments, deposits and other receivables	—	—	109	—
Bank balances and cash	—	—	11	—
Trade payables	—	—	(26)	—
Accruals and other payable	—	—	(60)	(15)
Amount due to a fellow subsidiary	—	—	(1,018)	—
	—	—	(910)	(15)
Exchange reserve realised on dissolution of the subsidiary	—	—	—	(22)
Gain on disposal/dissolution of a subsidiary	—	—	911	37
	—	—	1	—
Satisfied by cash considerations received	—	—	1	—
Analysis of the net outflow of cash and cash equivalents in respect of the disposal/dissolution of a subsidiary:				
Cash considerations received	—	—	1	—
Bank balances and cash disposed of	—	—	(11)	—
	—	—	(10)	—

The subsidiary disposed of/dissolved during the Relevant Periods did not make a material contribution to the net cash flows or results of the Group during the Relevant Periods.

## (c) Analysis of changes in financing during the Relevant Periods

	Amount due to immediate holding company <i>US\$'000</i>	Amounts due to fellow subsidiaries <i>US\$'000</i>
At 1 May 1998	—	6,506
Advance	<u>—</u>	<u>2</u>
At 30 April 1999	—	6,508
Repayments	<u>—</u>	<u>(6,212)</u>
At 30 April 2000	—	296
Advance	—	904
Disposal of a subsidiary	<u>—</u>	<u>(1,018)</u>
At 30 April 2001	—	182
Advance (Repayments)	<u>48</u>	<u>(31)</u>
At 31 October 2001	<u>48</u>	<u>151</u>

## 7. SEGMENTAL INFORMATION

An analysis of the Group's revenue and net profits for the each of the Relevant Periods and segmental assets by principal activity and geographical markets, respectively, is as follows:

## (a) By principal activity

	For the year ended 30 April 1999			
	Sales of garment <i>US\$'000</i>	Services rendered <i>US\$'000</i>	Elimination <i>US\$'000</i>	Total <i>US\$'000</i>
REVENUE				
External revenue	<u>—</u>	<u>19,576</u>	<u>—</u>	<u>19,576</u>
CONTRIBUTION TO PROFIT BEFORE TAXATION	<u>—</u>	<u>3,338</u>	<u>—</u>	<u>3,338</u>
Taxation				<u>(220)</u>
Profit for the year				<u>3,118</u>
ASSETS AND LIABILITIES AT 30 April 1999				
ASSETS				
Segmental assets	<u>—</u>	<u>8,422</u>	<u>—</u>	<u>8,422</u>
LIABILITIES				
Segmental liabilities	<u>—</u>	<u>9,868</u>	<u>—</u>	<u>9,868</u>



	<b>For the year ended 30 April 2000</b>			
	<b>Sales of garment <i>US\$'000</i></b>	<b>Services rendered <i>US\$'000</i></b>	<b>Elimination <i>US\$'000</i></b>	<b>Total <i>US\$'000</i></b>
REVENUE				
External revenue	<u>558</u>	<u>26,634</u>	<u>—</u>	<u>27,192</u>
CONTRIBUTION TO PROFIT BEFORE TAXATION	<u>98</u>	<u>9,406</u>	<u>—</u>	9,504
Taxation				<u>(451)</u>
Profit for the year				<u>9,053</u>
ASSETS AND LIABILITIES AT 30 April 2000				
ASSETS				
Segmental assets	<u>55</u>	<u>13,103</u>	<u>—</u>	<u>13,158</u>
LIABILITIES				
Segmental liabilities	<u>26</u>	<u>5,543</u>	<u>—</u>	<u>5,569</u>
	<b>For the year ended 30 April 2001</b>			
	<b>Sales of garment <i>US\$'000</i></b>	<b>Services rendered <i>US\$'000</i></b>	<b>Elimination <i>US\$'000</i></b>	<b>Total <i>US\$'000</i></b>
REVENUE				
External revenue	<u>1,625</u>	<u>30,866</u>	<u>—</u>	<u>32,491</u>
CONTRIBUTION TO PROFIT FROM OPERATIONS	<u>273</u>	<u>12,173</u>	<u>—</u>	12,446
Gain on disposal of a subsidiary				<u>911</u>
Profit before taxation				13,357
Taxation				<u>(490)</u>
Profit for the year				<u>12,867</u>
ASSETS AND LIABILITIES AT 30 April 2001				
ASSETS				
Segmental assets	<u>543</u>	<u>17,031</u>	<u>—</u>	<u>17,574</u>
LIABILITIES				
Segmental liabilities	<u>237</u>	<u>4,539</u>	<u>—</u>	<u>4,776</u>

	For the six months ended 31 October 2001			
	Sales of garment <i>US\$'000</i>	Service rendered <i>US\$'000</i>	Elimination <i>US\$'000</i>	Total <i>US\$'000</i>
REVENUE				
External revenue	<u>381</u>	<u>15,592</u>	<u>—</u>	<u>15,973</u>
CONTRIBUTION TO PROFIT FROM OPERATIONS	<u>28</u>	<u>5,827</u>	<u>—</u>	5,855
Gain on dissolution of a subsidiary				<u>37</u>
Profit before taxation				5,892
Taxation				<u>(175)</u>
Profit for the period				<u>5,717</u>
ASSETS AND LIABILITIES AT 31 October 2001				
ASSETS				
Segmental assets	<u>235</u>	<u>18,732</u>	<u>—</u>	<u>18,967</u>
LIABILITIES				
Segmental liabilities	<u>216</u>	<u>4,048</u>	<u>—</u>	<u>4,264</u>

**(b) By geographical markets**

As the Group's major activity is procurement sourcing and therefore it is more meaningful to analyse the results of the Group in respect of geographical markets by customer base as follows:

	For the year ended 30 April 1999				
	Canada <i>US\$'000</i>	United States <i>US\$'000</i>	Europe <i>US\$'000</i>	Others <i>US\$'000</i>	Total <i>US\$'000</i>
REVENUE					
External revenue	<u>10,311</u>	<u>4,917</u>	<u>718</u>	<u>3,630</u>	<u>19,576</u>
CONTRIBUTION TO PROFIT BEFORE TAXATION	<u>1,758</u>	<u>838</u>	<u>122</u>	<u>620</u>	3,338
Taxation					<u>(220)</u>
Profit for the year					<u>3,118</u>

	For the year ended 30 April 2000				
	Canada	United States	Europe	Others	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
REVENUE					
External revenue	<u>12,447</u>	<u>6,788</u>	<u>898</u>	<u>7,059</u>	<u>27,192</u>
CONTRIBUTION TO PROFIT BEFORE TAXATION	<u>4,351</u>	<u>2,372</u>	<u>314</u>	<u>2,467</u>	9,504
Taxation					<u>(451)</u>
Profit for the year					<u>9,053</u>

	For the year ended 30 April 2001				
	Canada	United States	Europe	Others	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
REVENUE					
External revenue	<u>14,073</u>	<u>8,608</u>	<u>2,603</u>	<u>7,207</u>	<u>32,491</u>
CONTRIBUTION TO PROFIT FROM OPERATIONS	<u>5,391</u>	<u>3,297</u>	<u>997</u>	<u>2,761</u>	12,446
Gain on disposal of a subsidiary					<u>911</u>
Profit before taxation					13,357
Taxation					<u>(490)</u>
Profit for the year					<u>12,867</u>

## For the six months ended 31 October 2001

	United				
	Canada	States	Europe	Others	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
REVENUE					
External revenue	<u>7,003</u>	<u>3,821</u>	<u>1,109</u>	<u>4,040</u>	<u>15,973</u>
CONTRIBUTION TO PROFIT FROM OPERATIONS	<u>2,567</u>	<u>1,401</u>	<u>406</u>	<u>1,481</u>	5,855
Gain on dissolution of a subsidiary					<u>37</u>
Profit before taxation					5,892
Taxation					<u>(175)</u>
Profit for the period					<u>5,717</u>

In view of the nature of the business of the Group, no geographical segmental assets based on location of customer are presented.

The following is an analysis of the carrying amount of segmental assets, and additions to machinery and equipment, analysed by the geographical area in which the assets are located:

	As at 30 April			As at
	1999	2000	2001	31 October
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Carrying amount of segmental assets				
Hong Kong	6,646	11,047	14,200	16,557
Taiwan	467	548	466	548
Others	<u>1,309</u>	<u>1,563</u>	<u>2,908</u>	<u>1,862</u>
	<u>8,422</u>	<u>13,158</u>	<u>17,574</u>	<u>18,967</u>
Additions to machinery and equipment				
Hong Kong	203	93	152	245
Taiwan	38	18	58	9
Others	<u>190</u>	<u>135</u>	<u>406</u>	<u>304</u>
	<u>431</u>	<u>246</u>	<u>616</u>	<u>558</u>

**8. DIRECTORS' REMUNERATION**

Save as disclosed in this report, no remuneration has been paid or is payable in respect of the Relevant Periods by the Company or any of its subsidiaries to the Company's directors.

Under the arrangement presently in force, the aggregate amount of the directors' remuneration for the year ending 30 April 2002 is estimated to be approximately US\$928,000.

**9. ULTIMATE HOLDING COMPANY**

At the date of this report, the directors of the Company consider Roly International Holdings Ltd., a company incorporated in Bermuda and listed on the Singapore Exchange Securities Trading Ltd., to be the ultimate holding company of the Company.

**10. SUBSEQUENT EVENTS**

The following events took place subsequent to 31 October 2001:

- (a) In preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the companies now comprising the Group underwent a reorganisation to rationalise the group structure. As a result of the reorganisation, the Company became the holding company of the Group on 22 April 2002. Details of this reorganisation and other changes are set out in the paragraph headed "Corporate reorganisation" in Appendix V to the Prospectus.
- (b) A subsidiary of the Company, Linmark Westman Investments Limited, declared and paid special dividends in aggregate of approximately US\$7.0 million to its then shareholder in February 2002 and April 2002 respectively.

**11. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 October 2001.

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

*The forecast of the combined profit after taxation but before extraordinary items of the Group for the financial year ending 30 April 2002 is set forth under “Profit forecast, dividends and working capital” in the section headed “Financial information of the Group” in this prospectus.*

**(A) BASES AND ASSUMPTIONS**

The Directors have prepared the forecast of the combined profit after taxation but before extraordinary items of the Group for the financial year ending 30 April 2002 on the basis of the audited results of the Group for the six months ended 31 October 2001, the unaudited combined management accounts of the Group for the four months ended 28 February 2002 and a forecast of the combined results of the Group for the remaining two months ending 30 April 2002. The Directors are not aware of any extraordinary item which has arisen, nor do they expect that any is likely to arise, in respect of the financial year ending 30 April 2002. The forecast has been prepared on the basis of accounting policies consistent in all material respects with those currently adopted by the Group as summarised in the accountants’ report, the text of which is set out in Appendix I to this prospectus and on the following principal assumptions:

- (a) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong or in countries and territories in which the Group currently has operations;
- (b) there will be no material changes in the bases or rates of taxation applicable to any member of the Group in Hong Kong and in countries and territories in which the Group currently has operations;
- (c) exchange rates and interest rates will not differ materially from those presently prevailing; and
- (d) there will be no material changes in legislation or regulations in Hong Kong and in countries and territories in which the Group currently operates which will affect the business of the Group.

**(B) LETTERS**

Set forth below are the texts of the letters received by the Directors from Deloitte Touche Tohmatsu, the auditors and reporting accountants of the Company, and from the Sponsors, in connection with the profit forecast of the Group for the financial year ending 30 April 2002.

**(i) Letter from Deloitte Touche Tohmatsu****德勤·關黃陳方會計師行**

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

30 April 2002

The Directors  
Linmark Group Limited  
DBS Asia Capital Limited  
SBI E2-Capital (HK) Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the combined profit after taxation but before extraordinary items of Linmark Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the financial year ending 30 April 2002, for which the directors of the Company are solely responsible, as set forth in the prospectus dated 30 April 2002 issued by the Company (the “Forecast”). The Forecast is prepared based on the audited results of the Group for the six months ended 31 October 2001, the results shown in the unaudited combined management accounts of the Group for the four months ended 28 February 2002, and a forecast of the results for the remaining two months ending 30 April 2002.

In our opinion, the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the bases and assumptions made by the directors of the Company as set out in part (A) of Appendix II of the above-mentioned prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set forth in our accountants’ report dated 30 April 2002, the text of which is set forth in Appendix I to the above-mentioned prospectus.

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

## (ii) Letter from the Sponsors

**DBS ASIA CAPITAL LIMITED**

16th Floor  
Man Yee Building  
68 Des Voeux Road Central  
Hong Kong

**SBI E2-Capital (HK) Limited**

4th Floor  
Henley Building  
5 Queen's Road Central  
Hong Kong

30 April 2002

The Directors  
Linmark Group Limited  
10th Floor, Tower II  
South Seas Centre  
75 Mody Road  
Tsimshatsui  
Kowloon  
Hong Kong

Dear Sirs,

We refer to the forecast of the combined profit after taxation but before extraordinary items of Linmark Group Limited (the "Company") and its subsidiaries for the financial year ending 30 April 2002 (the "Forecast") as set forth in the prospectus (the "Prospectus") issued by the Company and dated 30 April 2002.

We have discussed with you the bases and assumptions, as set forth in part (A) of Appendix II to the Prospectus, upon which the Forecast has been made. We have also considered the letter dated 30 April 2002 addressed to yourselves and ourselves from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Forecast has been based.

On the basis of the foregoing, the bases and assumptions made by you and the accounting policies and calculations reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry and consideration.

Yours faithfully,  
For and on behalf of  
**DBS Asia Capital Limited**  
**Ho Yew Mun**  
*Managing Director*

Yours faithfully,  
For and on behalf of  
**SBI E2-Capital (HK) Limited**  
**Warren Cheung**  
*Director & Head of Corporate Finance Advisory*



*The following is the text of the letter together with the summary of valuations and valuation certificate from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with their opinion of values of the property interests of the Group as at 28 February 2002. The letter, summary of valuations and valuation certificate are available for inspection as referred to in the paragraph headed “Documents available for inspection” in Appendix VI to this prospectus.*



30 April 2002

The Directors  
Linmark Group Limited  
10th Floor, Tower II  
South Seas Centre  
75 Mody Road  
Tsimshatsui  
Kowloon  
Hong Kong

Dear Sirs,

In accordance with your instructions to us to value the properties as listed in the attached summary of valuations and in which Linmark Group Limited (the “Company”) and/or its subsidiaries (hereinafter together referred to as the “Group”) have interests in Hong Kong, the People’s Republic of China (the “PRC”), Taiwan, Bangladesh, India, Indonesia, Madagascar, Mauritius, Pakistan, the Philippines, Singapore, South Africa, South Korea, Sri Lanka, Thailand and Turkey, we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market values of these properties as at 28 February 2002 (the “date of valuation”).

Our valuation of each of the properties represents its open market value which we would define as intended to mean “an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Our valuations have been made on the assumption that the Group sells the properties on the open market without the benefit of deferred term contracts, leasebacks, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no forced sale situation in any manner is assumed in our valuations.

The properties have no commercial value due to the prohibitions against assignment of the properties or otherwise due to the lack of substantial profit rents.

We have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, occupation, tenure, tenancy/licence particulars, identification and age of properties, floor areas, floor plans, identities of the landlords and tenants and all other relevant matters.

We have been provided by the Group with copies of tenancy/licence agreements relating to the properties leased to the Group. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendments. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information supplied.

We have wherever possible inspected the exterior of the properties. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

We enclose herewith our summary of valuations and valuation certificate.

Yours faithfully,

For and on behalf of

**DTZ Debenham Tie Leung Limited**

**K. B. Wong**

*Registered Professional Surveyor (General Practice Division)*

*A.H.K.I.S., M.R.I.C.S.*

*Director*

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*Note:* Mr. K. B. Wong is a Registered Professional Surveyor who has over 17 years' experience in the valuation of properties in Hong Kong, and over 10 years' experience in the valuation of properties in the PRC and many other Asian countries.

## SUMMARY OF VALUATIONS

<b>Property</b>	<b>Capital value in existing state as at 28 February 2002</b>
<b>Group I — Properties leased or licensed to the Group in Hong Kong</b>	
1. Unit Nos. 1 and 13 on 2nd Floor, South Seas Centre, 75 Mody Road, Tsimshatsui, Kowloon, Hong Kong	No commercial value
2. Unit No. 10 on 2nd Floor, South Seas Centre, 75 Mody Road, Tsimshatsui, Kowloon, Hong Kong	No commercial value
3. Unit Nos. 1, 2, 3, 4, 5, 6 and S2 on 10th Floor of Tower II and Car Parks Nos. P32 and P33 on Basement Floor, South Seas Centre, 75 Mody Road, Tsimshatsui, Kowloon, Hong Kong	No commercial value
4. Car Park No. P4 on Basement Floor, South Seas Centre, 75 Mody Road, Tsimshatsui, Kowloon, Hong Kong	No commercial value
5. Car Parks Nos. P60 and P61 on Basement Floor, South Seas Centre, 75 Mody Road, Tsimshatsui, Kowloon, Hong Kong	No commercial value

<b>Property</b>	<b>Capital value in existing state as at 28 February 2002</b>
6. Office Units 1602–1607 on 16th Floor, Office Tower One, The Harbourfront, 18–22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong	No commercial value
7. Unit No. 11 on 9th Floor with lavatories thereof, Po Hong Centre, 2 Wang Tung Street, Kowloon Bay, Kowloon, Hong Kong	No commercial value
8. Flat No. 57 on 8th Floor, Tower 9 (of Parkview Crescent), and Parking Space No. 56 on Car Park Entrance 4 (Level 3) of the Garage, Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong	No commercial value
9. Suite No. PH08 on 39th Floor, Sutton Court, Gateway Apartments, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong	No commercial value

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Sub-total: No commercial value

**Group II — Properties leased to the Group in the PRC**

10. Unit B on Level 8, Block 1, Innotec Tower, 235 Nanjing Road, Heping District, Tianjin, the PRC	No commercial value
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<b>Property</b>	<b>Capital value in existing state as at 28 February 2002</b>
11. Unit J on Level 25, Zhao-Feng Universe Building, 1800 Zhongshan Road West, Xuhui District, Shanghai, the PRC	No commercial value
12. Unit I on Level 25, Zhao-Feng Universe Building, 1800 Zhongshan Road West, Xuhui District, Shanghai, the PRC	No commercial value
13. Unit Nos. 01 and 14–24 on Level 20, International Trade Center, Renmin Road South, Luohu District, Shenzhen, Guangdong Province, the PRC	No commercial value
14. Unit Nos. 02 and 13 on Level 20, International Trade Center, Renmin Road South, Luohu District, Shenzhen, Guangdong Province, the PRC	No commercial value
	_____
	Sub-total: No commercial value
<b>Group III — Properties leased to the Group in Taiwan</b>	
15. 9F, Formosa Plastic Building, 201 Tun Hwa North Road, Taipei, Taiwan	No commercial value

<b>Property</b>	<b>Capital value in existing state as at 28 February 2002</b>
16. 14F-3 and 14F-4 and Car Parking Space No. 123, 186, Section 1, Wen Hsin Road, Taichung, Taiwan	No commercial value
	_____
Sub-total:	No commercial value
 <b>Group IV — Properties leased to the Group in Bangladesh</b>	
17. 14th Floor (15th in Bengali), LANDMARK, 12–14 Gulshan North Commercial Area, Gulshan-2, Dhaka-1212, Bangladesh	No commercial value
18. Flat No. 4/A64, Park Road “Charulata” Apartment Baridhara, P.S. Gulshan, Dhaka, Bangladesh	No commercial value
	_____
Sub-total:	No commercial value
 <b>Group V — Properties leased or licensed to the Group in India</b>	
19. Unit Nos. 201/202, Embassy Chambers, 5 Vittal Mallya Road, Bangalore-560001, India	No commercial value
20. Unit No. 301, Embassy Chambers, 5 Vittal Mallya Road, Bangalore-560001, India	No commercial value

<b>Property</b>	<b>Capital value in existing state as at 28 February 2002</b>
21. No. 133–134, Red Rose Villa, B.S. Sundaram Road, near West Railway Gate, Tirupur, India	No commercial value
22. Ground and Lower Ground Floors, No. 38, Okhla Estate Phase-III, New Delhi, India	No commercial value
23. Apartment No. 202 and Car Parking Space No. 7, Raheja Haven, 12 Primrose Road, Bangalore-560025, India	No commercial value
24. Flat No. 310 and 2 reserved car parks in the basement, Four Seasons, 16 Brunton Road, Bangalore 560025, India	No commercial value
	_____
	Sub-total: No commercial value
<b>Group VI — Property leased to the Group in Indonesia</b>	
25. 7th Floor and 6 car parking spaces, Graha BIP, Jl. Jend. Gatot Subroto Kav.23, Jakarta, Indonesia	No commercial value
	_____
	Sub-total: No commercial value
<b>Group VII — Property leased to the Group in Madagascar</b>	
26. Lot IVR87, Cité Gaillard, Antanimena, Antananarivo, Madagascar	No commercial value

<b>Property</b>	<b>Capital value in existing state as at 28 February 2002</b>
<b>Group VIII — Property leased to the Group in Mauritius</b>	
27. Office No. 209, Trade and Marketing Centre (TMC), Freeport, Zone #6, Mer Rouge, Port Louis, Mauritius	No commercial value
	_____
Sub-total:	No commercial value
<b>Group IX — Properties leased to the Group in Pakistan</b>	
28. Nos. 803 and 804, 8th Floor, Block B, and 4 car parking spaces, Lakson Square Building, No. 3 265 R.A. Lines, Sarwar Shaheed Road, Karachi, Pakistan	No commercial value
29. Apartment No. 9, C-112, Block No. 2, Clifton, Karachi, Pakistan	No commercial value
30. Office Nos. F9, F10 and F11, 1st Floor, Empire Centre, Gulberg-II, Lahore, Pakistan	No commercial value
	_____
Sub-total:	No commercial value
<b>Group X — Property leased to the Group in the Philippines</b>	
31. Unit 1401-B, The Centerpoint Building, Julia Vargas Avenue, Ortigas Center, Pasig City, the Philippines	No commercial value
	_____
Sub-total:	No commercial value



Property	Capital value in existing state as at 28 February 2002
<b>Group XI — Property leased to the Group in Singapore</b>	
32. Unit No. #07-01, Pacific Plaza, 9 Scotts Road, Singapore	No commercial value
	_____
Sub-total:	No commercial value
<b>Group XII — Properties leased to the Group in South Africa</b>	
33. A portion of Ground Floor, Block D and 6 parking bays, Hurlingham Office Park, Phase 2, corner Woodlands and Republic Roads, Hurlingham, Sandton, Johannesburg, South Africa	No commercial value
34. 6 St Mary's Road, Kloof, Durban, South Africa	No commercial value
	_____
Sub-total:	No commercial value
<b>Group XIII — Property leased to the Group in South Korea</b>	
35. #102 Se-ah Venture Tower, 14th Floor, 946-12 Daechi-dong, Kangnam-gu, Seoul, South Korea	No commercial value
	_____
Sub-total:	No commercial value
<b>Group XIV — Property leased to the Group in Sri Lanka</b>	
36. No. 49, Sir Ernest de Silva Mawatha, Cinnamon Gardens, Colombo 7, Sri Lanka	No commercial value
	_____
Sub-total:	No commercial value

<b>Property</b>	<b>Capital value in existing state as at 28 February 2002</b>
<b>Group XV — Property leased to the Group in Thailand</b>	
37. Units 1–3 on 21st Floor, Silom Complex Building, 191 Silom Road, Kwaeng Silom, Khet Bangrak, Bangkok, Thailand	No commercial value
	_____
Sub-total:	No commercial value
<b>Group XVI — Property leased to the Group in Turkey</b>	
38. Mithat Pasa Caddesi, Hakan Ismerkezi K:2 No: 14, Bahcelievler-Istanbul, Turkey	No commercial value
	_____
Sub-total:	<u>No commercial value</u>
<b>Grand Total:</b>	<u><u>No commercial value</u></u>

## VALUATION CERTIFICATE

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2002
<b>Group I — Properties leased or licensed to the Group in Hong Kong</b>		
1. Unit Nos. 1 and 13 on 2nd Floor, South Seas Centre, 75 Mody Road, Tsimshatsui, Kowloon, Hong Kong	<p>The property comprises 2 office units on the 2nd floor of a 6-level office/commercial/car parking complex upon which 2 office blocks are erected. The development was completed in 1982.</p> <p>The property has a total gross floor area of approximately 513.66 sq.m. (5,529 sq.ft.). The property is currently occupied by the Group as an office.</p> <p>The property is currently leased to Linmark (HK) Limited, a wholly-owned subsidiary of the Company, for a term of 2 years and 5 months from 1 August 2000 to 31 December 2002 at a monthly rent of HK\$71,500 for the first 5 months and HK\$68,750 for the remaining 2 years, exclusive of rates and management fees and air-conditioning charges.</p>	No commercial value
2. Unit No. 10 on 2nd Floor, South Seas Centre, 75 Mody Road, Tsimshatsui, Kowloon, Hong Kong	<p>The property comprises an office unit on the 2nd floor of a 6-level office/commercial/car parking complex upon which 2 office blocks are erected. The development was completed in 1982.</p> <p>The property has a gross floor area of approximately 181.07 sq.m. (1,949 sq.ft.). The property is currently occupied by the Group as an office.</p> <p>The property is currently leased to Linmark (HK) Limited, a wholly-owned subsidiary of the Company, for a term of 2 years 6 months and 12 days from 19 June 2000 to 31 December 2002 at a monthly rent of HK\$21,439 for the period from 19 June 2000 to 31 January 2001 and HK\$25,337 for the period from 1 February 2001 to 31 December 2002, exclusive of rates, management charges and Government rent.</p>	No commercial value
3. Unit Nos. 1, 2, 3, 4, 5, 6 and S2 on 10th Floor of Tower II and Car Parks Nos. P32 and P33 on Basement Floor, South Seas Centre, 75 Mody Road, Tsimshatsui, Kowloon, Hong Kong	<p>The property comprises the whole of the 10th floor of a 10-storey office tower erected upon a 6-level office/commercial/car parking complex and 2 car parking spaces on the basement floor. The development was completed in 1982.</p> <p>The property has a gross floor area of approximately 1,350.98 sq.m. (14,542 sq.ft.), excluding the car parking spaces. The property is currently occupied by the Group as an office and for parking purposes.</p> <p>The property is currently leased to Linmark (HK) Limited, a wholly-owned subsidiary of the Company, for a term of 2 years from 1 January 2001 to 31 December 2002 at a monthly rent of HK\$166,750, exclusive of rates, Government rent, air-conditioning charges and management fees.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2002
4. Car Park No. P4 on Basement Floor, South Seas Centre, 75 Mody Road, Tsimshatsui, Kowloon, Hong Kong	<p>The property comprises a car parking space on the basement floor of a 6-level office/commercial/car parking complex upon which 2 office blocks are erected. The development was completed in 1982.</p> <p>The property is currently licensed to Linmark (HK) Limited, a wholly-owned subsidiary of the Company, for a term of 1 year from 1 November 2001 to 31 October 2002 at a monthly licence fee of HK\$3,300, exclusive of rates and Government rent.</p>	No commercial value
5. Car Parks Nos. P60 and P61 on Basement Floor, South Seas Centre, 75 Mody Road, Tsimshatsui, Kowloon, Hong Kong	<p>The property comprises 2 car parking spaces on the basement floor of a 6-level office/commercial/car parking complex upon which 2 office blocks are erected. The development was completed in 1982.</p> <p>The property is currently leased to Linmark (HK) Ltd., a wholly-owned subsidiary of the Company, for a term of 1 year from 6 November 2001 to 5 November 2002 at a monthly rent of HK\$3,700, inclusive of rates and management charges.</p>	No commercial value
6. Office Units 1602–1607 on 16th Floor, Office Tower One, The Harbourfront, 18–22 Tak Fung Street, Hunghom, Kowloon, Hong Kong	<p>The property comprises 5 office units on the 16th floor of a 20-storey commercial building erected above a 3-storey common podium completed in 1995.</p> <p>The property has a total gross floor area of approximately 1,112.97 sq.m. (11,980 sq.ft.). The property is currently occupied by the Group as offices.</p> <p>The property is currently leased to Merchandise Creative Limited, a wholly-owned subsidiary of the Company, for a term from 5 February 2002 to 27 April 2004 at a monthly rent of HK\$197,670, exclusive of Government rent, rates, service charges and other outgoings.</p>	No commercial value
7. Unit No. 11 on 9th Floor with lavatories thereof, Po Hong Centre, 2 Wang Tung Street, Kowloon Bay, Kowloon, Hong Kong	<p>The property comprises an industrial unit on the 9th floor of an 11-storey industrial building completed in 1984.</p> <p>The property has a gross floor area of approximately 69.58 sq.m. (749 sq.ft.). The property is currently occupied by the Group as a warehouse for industrial purposes.</p> <p>The property is currently leased to Linmark (H.K.) Limited, a wholly-owned subsidiary of the Company, for a term of 1 year from 15 October 2001 to 14 October 2002 at a monthly rent of HK\$4,300, inclusive of Government rent, management fees and rates.</p> <p>The Group is entitled to an option to renew for a further term of 1 year at the same rent.</p>	No commercial value

			<b>Capital value in existing state as at 28 February 2002</b>
	<b>Property</b>	<b>Description and tenancy particulars</b>	
8.	Flat No. 57 on 8th Floor, Tower 9 (of Parkview Crescent), and Parking Space No. 56 on Car Park Entrance 4 (Level 3) of the Garage, Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong	<p>The property comprises a domestic unit on the 8th floor of a 20-storey residential tower and a car parking space within a comprehensive residential development known as Hong Kong Parkview. The subject building was completed in 1988.</p> <p>The property has a gross floor area of approximately 256.78 sq.m. (2,764 sq.ft.), excluding the car parking space. The property is currently occupied by the Group as a director's quarter.</p> <p>The property is currently leased to Linmark (H.K.) Limited, a wholly-owned subsidiary of the Company, for a term of twenty four months from 1 February 2002 to 31 January 2004 at a monthly rent of HK\$85,000, exclusive of rates and service charges.</p>	No commercial value
9.	Suite No. PH08 on 39th Floor, Sutton Court, Gateway Apartments, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong	<p>The property comprises a domestic unit on the 39th floor of a multi-storey building completed in 1999.</p> <p>The property has a saleable area of approximately 202.7 sq.m. (2,182 sq.ft.). The property was occupied by the Group as a director's quarter.</p> <p>The property was leased to Linmark International (HK) Limited, a wholly-owned subsidiary of the Company, for a term of 2 years from 6 March 2000 to 5 March 2002 at a monthly rent of HK\$110,000, inclusive of rates, air-conditioning charge and management and service fees.</p> <p>The tenancy was valid and effective as at the date of valuation but expired on 6 March 2002.</p>	No commercial value
<b>Group II — Properties leased to the Group in the PRC</b>			
10.	Unit B on Level 8, Block 1, Innotec Tower, 235 Nanjing Road, Heping District, Tianjin, the PRC	<p>The property comprises a unit on Level 8 of a 29-storey plus 1 level of basement commercial/office building completed in 1995.</p> <p>The property has a gross floor area of approximately 222.39 sq.m. (2,394 sq.ft.).</p> <p>The property is currently leased to the Group for a term of 1 year from 1 February 2002 to 31 January 2003 at a monthly rent of US\$800 per month.</p>	No commercial value
11.	Unit J on Level 25, Zhao-Feng Universe Building, 1800 Zhongshan Road West, Xuhui District, Shanghai, the PRC	<p>The property comprises a unit on Level 25 of a 28-storey plus 2 levels of basement commercial/office building completed in 1997.</p> <p>The property has a gross floor area of approximately 378.14 sq.m. (4,070.30 sq.ft.).</p> <p>The property is currently leased to the Group for a term of 2 year from 22 October 2001 to 21 October 2003 at a monthly rent of US\$4,255.65.</p>	No commercial value

	<b>Property</b>	<b>Description and tenancy particulars</b>	<b>Capital value in existing state as at 28 February 2002</b>
12.	Unit I on Level 25, Zhao-Feng Universe Building, 1800 Zhongshan Road West, Xuhui District, Shanghai, the PRC	<p>The property comprises a unit on Level 25 of a 28-storey plus 2 levels of basement commercial/office building completed in 1997.</p> <p>The property has a gross floor area of approximately 96.79 sq.m. (1,042 sq.ft.).</p> <p>The property is currently leased to the Group for a term of 2 year from 1 July 2001 to 30 June 2003 at a monthly rent of US\$1,089.29.</p>	No commercial value
13.	Unit Nos. 01 and 14–24 on Level 20, International Trade Center, Renmin Road South, Luohu District, Shenzhen, Guangdong Province, the PRC	<p>The property comprises 12 office units on Level 20 of a 45-storey building completed in 1986.</p> <p>The property has a gross floor area of approximately 802.85 sq.m. (8,642 sq.ft.).</p> <p>The property is currently leased to the Group for a term of 5 years from 1 March 2002 to 28 February 2007 at a monthly rent of RMB38 per sq.m. for the 1st to 3rd years and RMB42 per sq.m. for the 4th and 5th years.</p>	No commercial value
14.	Unit Nos. 02 and 13 on Level 20, International Trade Center, Renmin Road South, Luohu District, Shenzhen, Guangdong Province, the PRC	<p>The property comprises 2 office units on Level 20 of a 45-storey building completed in 1986.</p> <p>The property has a gross floor area of approximately 112.75 sq.m. (1,214 sq.ft.).</p> <p>The property is currently leased to the Group for a term from 15 March 2002 to 28 February 2005 at a monthly rent of RMB3,881.30 and from 1 March 2005 to 28 February 2007 at a monthly rent of RMB4,130.70.</p>	No commercial value

**Group III — Properties leased to the Group in Taiwan**

15.	9F, Formosa Plastic Building, 201 Tun Hwa North Road, Taipei, Taiwan	<p>The property comprises the whole office space on the 9th level of a 13-storey commercial building completed in about 1980.</p> <p>The property has a floor area of approximately 1,465.29 sq.m. (15,772 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently leased to 林麥貿易股份有限公司台灣分公司, a wholly-owned subsidiary of the Company, for a term of 2 years from 1 January 2001 to 31 December 2002 at a monthly rent of NT\$709,200.</p>	No commercial value
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	<b>Property</b>	<b>Description and tenancy particulars</b>	<b>Capital value in existing state as at 28 February 2002</b>
16.	14F-3 and 14F-4 and Car Parking Space No. 123, 186, Section 1, Wen Hsin Road, Taichung, Taiwan	<p>The property comprises 2 office units on the 14th level and a car parking space of a 22-storey commercial building completed in about 1992.</p> <p>The property has a floor area of approximately 115.8 sq.m. (1,246 sq.ft.), excluding the car parking space. The property is currently occupied by the Group as an office and for parking purposes.</p> <p>The property is currently leased to 林麥貿易股份有限公司台灣分公司, a wholly-owned subsidiary of the Company, for a term of 1 year from 17 January 2002 to 16 January 2003 at a monthly rent of NT\$15,000.</p>	No commercial value

**Group IV — Properties leased to the Group in Bangladesh**

17.	14th Floor (15th in Bengali), LANDMARK, 12-14 Gulshan North Commercial Area, Gulshan-2, Dhaka-1212, Bangladesh	<p>The property comprises the office space on the 14th floor of a 15-storey commercial building completed in about 2000.</p> <p>The property has a floor area of approximately 594.57 sq.m. (6,400 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently leased to Linmark International (Bangladesh) Ltd., a wholly-owned subsidiary of the Company, for a term of 5 years from 1 March 2001 to 28 February 2006 at a monthly rent of Tk128,000.</p>	No commercial value
18.	Flat No. 4/A64, Park Road “Charulata” Apartment Baridhara, P.S. Gulshan, Dhaka, Bangladesh	<p>The property comprises a domestic unit on the 4th floor of a 6-storey residential building completed in about 2001.</p> <p>The property has a floor area of approximately 220.64 sq.m. (2,375 sq.ft.) and is currently occupied by the Group for residential purposes.</p> <p>The property is currently leased to Linmark International (Bangladesh) Ltd., a wholly-owned subsidiary of the Company, for a term of 5 years from 1 May 2001 to 30 April 2006 at a monthly rent of Tk25,000.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2002
<b>Group V — Properties leased or licensed to the Group in India</b>		
19. Unit Nos. 201/202, Embassy Chambers, 5 Vittal Mallya Road, Bangalore-560001, India	<p>The property comprises 2 office units on the 2nd level of a 3-storey commercial building completed in about 1995.</p> <p>The property has a total floor area of approximately 209.96 sq.m. (2,260 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently licensed to Linmark International Hongkong Limited, a wholly-owned subsidiary of the Company, for a term of 3 years from 1 September 2000 to 31 August 2003 at a monthly fee of Rs70,000 for the period from 1 September 2000 to 31 August 2002 and Rs80,500 for the period from 1 September 2002 to 31 August 2003.</p> <p>The Group is entitled to an option to renew.</p>	No commercial value
20. Unit No. 301, Embassy Chambers, 5 Vittal Mallya Road, Bangalore-560001, India	<p>The property comprises an office unit on the 3rd level of a 3-storey commercial building completed in about 1995.</p> <p>The property has a floor area of approximately 99.87 sq.m. (1,075 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently licensed to Linmark International (HK) Ltd., a wholly-owned subsidiary of the Company, for a term of 11 months from 15 September 2001 to 14 August 2002 at a monthly fee of Rs20,000.</p> <p>The Group is entitled to an option to renew for a further term of 11 months at a monthly fee of Rs21,000.</p>	No commercial value
21. No. 133–134, Red Rose Villa, B.S. Sundaram Road, near West Railway Gate, Tirupur, India	<p>The property comprises a domestic unit on the ground floor of a 5-storey residential building completed in about 1991.</p> <p>The property has a floor area of approximately 133.78 sq.m. (1,440 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently leased to Linmark International (HK) Ltd., a wholly-owned subsidiary of the Company, for a term of 11 months from 1 June 2001 to 30 April 2002 at a monthly rent of Rs7,500.</p> <p>The Group is entitled to an option to renew for a further term of 11 months.</p>	No commercial value



Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2002
22. Ground and Lower Ground Floors, No. 38, Okhla Estate Phase-III, New Delhi, India	<p>The property comprises the whole of the ground and lower ground floors of a 3-storey office building completed in about 2001.</p> <p>The property has a total floor area of approximately 781.03 sq.m. (8,407 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently leased to Linmark International (HK) Ltd., a wholly-owned subsidiary of the Company, for a term of 6 years from 1 September 2001 to 31 August 2007 at a monthly rent of Rs250,000 for the first 2 years, Rs262,500 for the 3rd year and thereafter increased at 7 per cent. per annum for the remaining 4th to 6th years.</p> <p>The Group is entitled to an option to renew for a further term of 3 years.</p>	No commercial value
23. Apartment No. 202 and Car Parking Space No. 7, Raheja Haven, 12 Primrose Road, Bangalore-560025, India	<p>The property comprises a domestic unit on the 2nd floor and a car parking space of a 4-storey residential building completed in about 1996.</p> <p>The property has a saleable area of approximately 177.44 sq.m. (1,910 sq.ft.), excluding the car parking space. The property is currently occupied by the Group for residential and parking purposes.</p> <p>The property is currently leased to Linmark Development (BVI) Limited, a wholly-owned subsidiary of the Company, for a term of 1 year from 1 June 2001 to 31 May 2002 at a monthly rent of Rs31,000.</p>	No commercial value
24. Flat No. 310 and 2 reserved car parks in the basement, Four Seasons, 16 Brunton Road, Bangalore 560025, India	<p>The property comprises a domestic unit on the 3rd floor and 2 car parking spaces in the basement of a 4-storey residential building completed in about 1998.</p> <p>The property has a floor area of approximately 278.71 sq.m. (3,000 sq.ft.), excluding the car parking spaces. The property is currently occupied by the Group for residential and parking purposes.</p> <p>The property is currently leased to Linmark Development (BVI) Ltd., a wholly-owned subsidiary of the Company, for a term of 1 year from 5 February 2001 to 4 February 2002 at a monthly rent of Rs75,000.</p> <p>The Group is entitled to an option to renew at a minimum monthly rent of Rs137,800.</p> <p>As informed by the Company, the tenancy of the property has been verbally agreed to extend for a period until 4 June 2002.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2002
<b>Group VI — Property leased to the Group in Indonesia</b>		
25. 7th Floor and 6 car parking spaces, Graha BIP, Jl. Jend. Gatot Subroto Kav.23, Jakarta, Indonesia	<p>The property comprises the office space on the 7th floor and 6 car parking spaces of a 14-storey commercial building completed in about 1991.</p> <p>The property has a floor area of approximately 412 sq.m. (4,435 sq.ft.), excluding the car parking spaces. The property is currently occupied by the Group as an office and for parking purposes.</p> <p>The property is currently leased to Westman (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Company, for a term of 3 years from 1 January 2002 to 31 December 2004 at a monthly rent of Rp16,480,000.</p> <p>The Group is entitled to an option to renew for a further term of 2 years at the same rent.</p>	No commercial value
<b>Group VII — Property leased to the Group in Madagascar</b>		
26. Lot IVR87, Cité Gaillard, Antanimena, Antananarivo, Madagascar	<p>The property comprises the office space of a single storey building.</p> <p>The property has a floor area of approximately 20 sq.m. (215 sq.ft.) and is currently occupied by the Group as offices.</p> <p>The property is currently leased to Linmark Agency (Mauritius) Ltd., a wholly-owned subsidiary of the Company, for a term of 12 months from 2 February 2002 to 1 February 2003 at a monthly rent of MGF2,250,000.</p>	No commercial value
<b>Group VIII — Property leased to the Group in Mauritius</b>		
27. Office No. 209, Trade and Marketing Centre (TMC), Freeport, Zone #6, Mer Rouge, Port Louis, Mauritius	<p>The property comprises an office unit on the 2nd floor of a 5-storey commercial building completed in about 2000.</p> <p>The property has a floor area of approximately 31.55 sq.m. (340 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently leased to Linmark Agency (Mauritius) Ltd, a wholly-owned subsidiary of the Company, for a term of 1 year from 1 February 2002 to 31 January 2003 at a monthly rent of US\$650.</p> <p>The Group is entitled to an option to renew.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2002
<b>Group IX — Properties leased to the Group in Pakistan</b>		
28. Nos. 803 and 804, 8th Floor, Block B, and 4 car parking spaces, Lakson Square Building, No. 3 265 R.A. Lines, Sarwar Shaheed Road, Karachi, Pakistan	<p>The property comprises 2 office units on the 8th floor and 4 car parking spaces of a 13-storey commercial building completed in about 1990.</p> <p>The property has a total floor area of approximately 438.50 sq.m. (4,720 sq.ft.), excluding the car parking spaces. The property is currently occupied by the Group as an office and for parking purposes.</p> <p>The property is currently leased to Linmark International (H.K.) Limited, a wholly-owned subsidiary of the Company, for a term of 10 years from 1 March 1994 to 28 February 2004 at a monthly rent of Rs66,080 for the first and second years, Rs72,688 for the third and fourth years, Rs79,957 for the fifth and sixth years, Rs87,953 for the seventh and eighth years and Rs96,748 for the ninth and tenth years.</p>	No commercial value
29. Apartment No. 9, C-112, Block No. 2, Clifton, Karachi, Pakistan	<p>The property comprises an apartment unit on the ground floor of a 3-storey residential building completed in about 1990.</p> <p>The property has a floor area of approximately 111.48 sq.m. (1,200 sq.ft.) and is currently occupied by the Group for residential purposes.</p> <p>The property is currently leased to Linmark Westman Group of Companies, a wholly-owned subsidiary of the Company, for a term of 1 year from 15 September 2001 to 14 September 2002 at a monthly rent of US\$1,500.</p>	No commercial value
30. Office Nos. F9, F10 and F11, 1st Floor, Empire Centre, Gulberg-II, Lahore, Pakistan	<p>The property comprises 3 office units on the 1st floor of a 3-storey office building completed in 1991.</p> <p>The property has a total floor area of approximately 284.93 sq.m. (3,067 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently leased to Linmark International (Hong Kong) Limited, a wholly-owned subsidiary of the Company, for a term of 2 years from 7 February 2002 to 6 February 2004 at a monthly rent of Rs135,000 for the first 18 months and Rs145,800 for the remaining 6 months.</p> <p>The Group is entitled to an option to renew for a further term of 1 year.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2002
<b>Group X — Property leased to the Group in the Philippines</b>		
31. Unit 1401-B, The Centerpoint Building, Julia Vargas Avenue, Ortigas Center, Pasig City, the Philippines	<p>The property comprises an office unit on the 14th floor of a 22-storey commercial building completed in about 1992.</p> <p>The property has a floor area of approximately 70.00 sq.m. (753 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently leased to Linmark Agency (BVI) Ltd. Inc., Philippine Branch, a wholly-owned subsidiary of the Company, for a term of 1 year from 1 April 2001 to 31 March 2002 at a monthly rent of P23,210.53.</p> <p>The Group is entitled to an option to renew at a monthly rent of P25,531.583 which is an increment of 10 per cent. of the current monthly rent.</p> <p>As informed by the Company, the tenancy of the property has been verbally agreed to extend for a period until 30 April 2002.</p>	No commercial value
<b>Group XI — Property leased to the Group in Singapore</b>		
32. Unit No. #07-01, Pacific Plaza, 9 Scotts Road, Singapore	<p>The property comprises an office unit on the 7th floor of a 14-storey commercial building completed in about 1993.</p> <p>The property has a floor area of approximately 434.00 sq.m. (4,671.58 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently leased to Linmark Agency (BVI) Limited, a wholly-owned subsidiary of the Company, for a term from 1 September 2000 to 15 July 2002 at a monthly rent of S\$18,686.32.</p> <p>The Group is entitled to an option to renew for a further term of 3 years at a revised monthly rent subject to a maximum of S\$23,357.9.</p>	No commercial value

Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2002
<b>Group XII — Properties leased to the Group in South Africa</b>		
33. A portion of Ground Floor, Block D and 6 parking bays, Hurlingham Office Park, Phase 2, corner Woodlands and Republic Roads, Hurlingham, Sandton, Johannesburg, South Africa	<p>The property comprises portion of office space on the ground floor and 6 parking bays of a 3-storey building completed in about 1983.</p> <p>The property has a floor area of approximately 112.7 sq.m. (1,213 sq.ft.), excluding the parking bays. The property is currently occupied by the Group as an office and for parking purposes.</p> <p>The property is currently leased to Linmark Agency (BVI) Ltd., a wholly-owned subsidiary of the Company, for a term of 3 years from 1 June 2000 to 31 May 2003 at a total monthly rent of R4,042.56 for the period from 1 June 2000 to 31 May 2001, R4,527.66 for the period from 1 June 2001 to 31 May 2002 and R5,070.99 for the period from 1 June 2002 to 31 May 2003.</p>	No commercial value
34. 6 St Mary's Road, Kloof, Durban, South Africa	<p>The property comprises the office space on the ground floor of a 2-storey building completed in about 1973.</p> <p>The property has a floor area of approximately 121 sq.m. (1,302 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently leased to Linmark Agency (BVI) Ltd., a wholly-owned subsidiary of the Company, for a term of 3 years from 1 March 2001 to 28 February 2004 at a monthly rent of R5,445 for the first year, R6,125.63 for the second year and R6,891.33 for the remaining year.</p> <p>The Group is entitled to an option to renew for a further term of 2 years at monthly rent to be mutually agreed subject to a minimum of R7,752.75 and a maximum of R8,721.84.</p>	No commercial value
<b>Group XIII — Property leased to the Group in South Korea</b>		
35. #102 Se-ah Venture Tower, 14th Floor, 946-12 Daechi-dong, Kangnam-gu, Seoul, South Korea	<p>The property comprises the office space on the 14th floor of a 19-storey commercial building completed in about 1989.</p> <p>The property has a floor area of approximately 331.66 sq.m. (3,570 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently leased to Linmark Agency (BVI) Ltd., a wholly-owned subsidiary of the Company, for a term of 1 year from 1 July 2001 to 30 June 2002 at a monthly rent of Won6,365,730.</p>	No commercial value

	Property	Description and tenancy particulars	Capital value in existing state as at 28 February 2002
<b>Group XIV — Property leased to the Group in Sri Lanka</b>			
36.	No. 49, Sir Ernest de Silva Mawatha, Cinnamon Gardens, Colombo 7, Sri Lanka	<p>The property comprises the ground floor of a 2-storey building completed in about 1962.</p> <p>The property has a floor area of approximately 248.05 sq.m. (2,670 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently leased to Linmark International (Hongkong) Limited, a wholly-owned subsidiary of the Company, for a term of 6 months from 1 December 2001 to 30 May 2002 at a monthly rent of Rs36,000.</p>	No commercial value
<b>Group XV — Property leased to the Group in Thailand</b>			
37.	Units 1–3 on 21st Floor, Silom Complex Building, 191 Silom Road, Kwaeng Silom, Khet Bangrak, Bangkok, Thailand	<p>The property comprises 3 office units on the 21st floor of a 32-storey commercial building completed in about 1992.</p> <p>The property has a floor area of approximately 720.79 sq.m. (7,759 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently leased to Westman Linmark (Thailand) Ltd., a wholly-owned subsidiary of the Company, for a term of 3 years from 1 December 2000 to 30 November 2003 at a total monthly rent of Baht144,158.</p>	No commercial value
<b>Group XVI — Property leased to the Group in Turkey</b>			
38.	Mithat Pasa Caddesi, Hakan Ismerkezi K:2 No: 14, Bahcelievler-Istanbul, Turkey	<p>The property comprises the office space on the 4th floor of a 7-storey commercial building completed in about 1988.</p> <p>The property has a floor area of approximately 250 sq.m. (2,691 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently leased to Linmark International (HK) Ltd., a wholly-owned subsidiary of the Company, for a term of 1 year from 1 July 2001 to 30 June 2002 at a monthly rent of TL1,699,500,000.</p>	No commercial value

*Set forth below is a summary of certain provisions of the memorandum of association (the “Memorandum of Association”) of the Company, the Bye-laws and of certain aspects of Bermuda company law.*

## **1. MEMORANDUM OF ASSOCIATION**

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed, including acting as a holding and investment company, and its powers, including the powers set out in the First Schedule to the Companies Act, excluding paragraph 8 thereof. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the “board”) upon such terms and subject to such conditions as it thinks fit.

## **2. BYE-LAWS**

The Bye-laws were adopted on 22 April 2002. The following is a summary of certain provisions of the Bye-laws:

### **(a) Directors**

#### *(i) Power to allot and issue shares and warrants*

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine. Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

*Note:* The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda Company Law” in this Appendix.

(v) *Financial assistance to purchase shares of the Company*

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.



A Director shall not vote (nor be counted in the quorum) on any resolution of the board in respect of any contract or arrangement or other proposal in which he is to his knowledge materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving of any security or indemnity to the Director in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;
  - (bb) any contract or arrangement for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
  - (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
  - (dd) any contract or arrangement in which the Director is interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Company;
  - (ee) any contract or arrangement concerning any other company in which he is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates (as defined by the rules, where applicable, of any Designated Stock Exchange (as defined in the Bye-laws)) is beneficially interested in 5 per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest is derived); or
  - (ff) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.
- (vii) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not greater than one third) will retire from office by rotation provided that no Director holding office as chairman shall be subject to retirement by rotation, or be taken into account in determining the number of Directors to retire. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

*Note:* There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director 14 days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) *Borrowing powers*

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

**(b) Alterations to constitutional documents**

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or any share premium account or other undistributable reserve in any manner permitted by law.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person (or in the case of a member being a corporation, its duly authorised representative) or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

**(e) Special resolution — majority required**

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

**(f) Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a show of hands, every member who is present in person (or being a corporation, is present by its duly authorised representative) or by proxy shall have one vote and on a poll every member present in person or by proxy or, being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

Notwithstanding anything contained in the Bye-laws, where more than one proxy is appointed by a member which is a clearing house (as defined in the Bye-laws) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

**(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least 21 days before the date of the general meeting and laid before the Company in general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least 21 clear days' notice in writing, and any other special general meeting shall be called by at least 14 clear days' notice (in each case exclusive of the day on which the notice is given or deemed to be given and of the day for which it is given or on which it is to take effect). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

**(j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor

shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

**(k) Power for the Company to purchase its own shares**

The Bye-laws supplement the Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

**(l) Power for any subsidiary of the Company to own shares in the Company**

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

**(m) Dividends and other methods of distribution**

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or

portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

**(o) Call on shares and forfeiture of shares**

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20 per cent. per annum as the board determines.

**(p) Inspection of register of members**

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members without charge, or by any other person upon a maximum payment of five Bermuda dollars, at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK\$10, at the Registration Office (as defined in the Bye-laws), unless the register is closed in accordance with the Companies Act.

**(q) Quorum for meetings and separate class meetings**

For all purposes the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.



**(u) Other provisions**

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

**3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS**

The Memorandum of Association may be altered by the Company in general meeting. In certain circumstances, consent to the alteration must be obtained from the Minister of Finance of Bermuda. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of 21 clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

**4. BERMUDA COMPANY LAW**

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Share capital**

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
  - (aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

However, only premiums arising on the same class of shares can be used to pay up bonus shares or in providing for the premiums payable on redemption of shares referred to in (i) and (iii) above respectively.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

**(b) Financial assistance to purchase shares of a company or its holding company**

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs. In addition, the Companies Act expressly permits the grant of financial assistance where (i) the financial assistance does not reduce the company's net assets or, to the extent the net assets are reduced, such financial assistance is provided for out of funds of the company which would otherwise be available for dividend or distribution; (ii) an affidavit of solvency is sworn by the directors of the company; and (iii) the financial assistance is approved by resolution of shareholders of the company.

**(c) Purchase of shares and warrants by a company and its subsidiaries**

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased will be treated as cancelled and the company's issued but not its authorised, capital will be diminished accordingly.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

**(d) Dividends and distributions**

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

**(e) Protection of minorities**

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

**(f) Management**

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company.

**(g) Accounting and auditing requirements**

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least seven days before the general meeting of the company at which the financial statements are to be tabled.

**(h) Auditors**

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than 7 days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within 15 days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

**(i) Exchange control**

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and warrants by the company and the subsequent transfer of such shares and warrants. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and warrants in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

Permission of the Bermuda Monetary Authority will normally be granted for the issue and transfer of shares and warrants to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as the shares and warrants are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as “resident” for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

**(j) Taxation**

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28 March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

**(k) Stamp duty**

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

**(l) Loans to directors**

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a 20 per cent. interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

**(m) Inspection of corporate records**

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company’s certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company’s memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company’s audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two hours during business hours each day. The register of members of a company is open for inspection by members without charge and to members of the general public for a fee. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may require a copy of the register of members or any part thereof which must be provided within fourteen days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two hours in each day by members of the public without charge.

**(n) Winding up**

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

**5. GENERAL**

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT THE COMPANY****1. Incorporation and Part XI registration**

The Company was incorporated in Bermuda under the Companies Act as an exempted company on 25 January 2002 with an authorised share capital of US\$20,000 divided into 1,000,000 shares of US\$0.02 each, all of which were allotted and issued, nil paid, to RGS Holdings on 19 February 2002.

The Company has established a principal place of business in Hong Kong at 10th Floor, Tower II, South Seas Centre, 75 Mody Road, Tsimshatsui, Kowloon, Hong Kong and was registered as an oversea company in Hong Kong under Part XI of the Companies Ordinance on 25 April 2002 with its address for service of legal process and notices at the same address as its principal place of business in Hong Kong. In connection with such registration, Mr. Steven Julien FENIGER and Mr. KHOO Kim Cheng have been appointed the authorised representatives of the Company for the acceptance of service of process in Hong Kong. As the Company is incorporated in Bermuda, its operation is subject to the Companies Act and to its constitution which comprises a memorandum of association and the Bye-laws. A summary of various parts of the constitution and relevant aspects of the Bermuda company law is set forth in Appendix IV to this prospectus.

**2. Changes in share capital**

- (a) As at the date of incorporation of the Company, its authorised share capital was US\$20,000 divided into 1,000,000 Shares, all of which were allotted and issued, nil paid, to RGS Holdings on 19 February 2002.
- (b) On 22 April 2002, written resolutions of the sole shareholder of the Company were passed pursuant to which the authorised share capital of the Company was increased from US\$20,000 to US\$40,000 by the creation of an additional 1,000,000 new Shares.
- (c) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of each of Linmark (BVI), Trend Xpress and IGCS, on 22 April 2002, an aggregate of 1,000,000 Shares, credited as fully paid, were allotted and issued to RGS Holdings and the 1,000,000 nil paid Shares issued to RGS Holdings on 19 February 2002 upon organisation of the Company were credited as fully paid at par.
- (d) By written resolutions of the sole shareholder of the Company passed on 22 April 2002, the authorised share capital was further increased from US\$40,000 to US\$40,000,000 by the creation of a further 1,998,000,000 Shares.
- (e) Immediately upon completion of the Share Offer and the Capitalisation Issue, but not taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options to be granted under the Share Option Scheme, 624,000,000 Shares will be issued fully paid or credited as fully paid and 1,376,000,000 Shares will remain unissued. In the event that the Over-allotment

Option is exercised in full, 647,400,000 Shares will be issued fully paid or credited as fully paid and 1,352,600,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option or options to be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of the Company and without the prior approval of the members of the Company in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

(f) Save as aforesaid, there has been no alteration in the share capital of the Company.

**3. Written resolutions of the sole shareholder of the Company passed on 22 April 2002**

By written resolutions of the sole shareholder of the Company passed on 22 April 2002:

- (a) the Company approved and adopted the Bye-laws;
- (b) the authorised share capital of the Company was increased from US\$40,000 to US\$40,000,000 by the creation of a further 1,998,000,000 Shares;
- (c) conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be made available pursuant to the exercise of the Over-allotment Option) and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of such agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
  - (i) the New Issue and the Over-allotment Option were approved and the Directors were authorised to allot and issue the New Shares pursuant to the New Issue and any Shares which may be required to be issued if the Over-allotment Option is exercised;
  - (ii) and further conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of the options granted under the Share Option Scheme, the rules of the Share Option Scheme were approved and adopted and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and
  - (iii) conditional on the share premium account of the Company being credited as a result of the New Issue, the Directors were authorised to capitalise a sum of US\$9,944,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full 497,200,000 Shares for the



allotment and issue to RGS Holdings (being the sole shareholder of the Company whose name appeared on the register of members of the Company at the close of business on 22 April 2002);

- (d) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share scheme of the Company or any shares of the Company allotted in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws or pursuant to a specific authority granted by the shareholders of the Company or pursuant to the New Issue or the Capitalisation Issue or the exercise of the Over-allotment Option, Shares with an aggregate nominal value not exceeding 20 per cent. of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or the Companies Act or any other applicable laws of Bermuda to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting;
- (e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose such number of Shares as will represent up to 10 per cent. of the aggregate of the nominal value of the share capital of the Company in issue immediately following completion of the Share Offer (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or the Companies Act or any other applicable laws of Bermuda to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and

- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10 per cent. of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Share Offer (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue.

#### 4. Corporate reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on the Stock Exchange, pursuant to which the Company became the ultimate holding company within the Group.

Pursuant to an agreement dated 22 April 2002 (being the reorganisation agreement referred to in sub-paragraph (e) in the paragraph headed "Material contracts" in this Appendix), the Company acquired the entire issued share capital of each of Linmark (BVI), Trend Xpress and IGCS from RGS Holdings and in consideration of such acquisitions, the Company allotted and issued 1,000,000 Shares in aggregate, credited as fully paid, to RGS Holdings and credited as fully paid at par the 1,000,000 nil paid Shares allotted and issued to RGS Holdings on 19 February 2002.

In addition to the transfer of shares in each of Linmark (BVI), Trend Xpress and IGCS referred to above, the Group also underwent the following corporate restructuring:

- (a) On 28 April 2000, in consideration of the allotment and issue, credited as fully paid, of an aggregate of 10 shares of US\$1 each in the share capital of Linmark (BVI) to Linmark (Barbados), Linmark (BVI) acquired from Linmark (Barbados):
- (i) 10,000 shares of HK\$1 each in, representing the entire issued share capital of, IOTA Limited;
  - (ii) one share of US\$1 in, representing the then entire issued share capital of, Linmark Agency (BVI) Limited;
  - (iii) one share of US\$1 in, representing the entire issued share capital of, Linmark Development (BVI) Limited;
  - (iv) 5,000 shares of US\$10 each in, representing the entire issued share capital of, Linmark Development (Far East) Limited S.A.;
  - (v) 2,000 shares of HK\$100 each in, representing the entire issued share capital of, Linmark International (Hong Kong) Limited;

- (vi) two shares of HK\$1 each in, representing the entire issued share capital of, Linmark (HK) Limited;
  - (vii) 10,000 shares of HK\$1 each in, representing the entire issued share capital of, Merchandise Creative Limited;
  - (viii) 100,000 shares of HK\$1 each in, representing the entire issued share capital of, Triple S Limited (formerly known as Waterton Limited);
  - (ix) 200,000 shares of S\$1 each in, representing the entire issued share capital of, Westman (Singapore) Private Limited; and
  - (x) 100,000 shares of HK\$1 each in, representing the entire issued share capital of, Westown Limited.
- (b) On 1 May 2000, Linmark (BVI) sold 10,000 shares of HK\$1 each in, representing the entire issued share capital of, IOTA Limited to Quartermaster International (BVI) Limited, a wholly-owned subsidiary of Roly International, for cash at par.
- (c) On 2 February 2001, Linmark (Barbados) sold 11 shares of US\$1 each in, representing the entire issued share capital of, Linmark (BVI) to RGS Holdings at a consideration of US\$3,568 based on the book value of the investment cost.
- (d) On 4 January 2002, Trend Xpress was incorporated with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, one of which was allotted and issued to RGS Holdings for cash at par on the same date.
- (e) On 4 January 2002, Trend Xpress acquired two shares of HK\$1 each in, representing the entire issued share capital of, Trend Xpress Limited from RGS Holdings for cash at par.
- (f) On 14 January 2002:
- (i) IGCS was incorporated with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, one share of which was allotted and issued to RGS Holdings for cash at par on the same date; and
  - (ii) IGCS International Limited was incorporated with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, one share of which was allotted and issued to IGCS for cash at par on the same date.
- (g) On 18 January 2002, IGCS Limited was incorporated with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, two of which were allotted and issued to the subscribers to the memorandum and articles of association of IGCS Limited. Such shares were transferred to IGCS and its nominee for cash at par on the same day.

- (h) On 7 February 2002, Trend Xpress (Bangladesh) Ltd. was incorporated with an authorised share capital of Tk.200,000 divided into 2,000 ordinary shares of Tk.100 each, an aggregate of 200 shares of which were allotted and issued as to one share to Mr. LIN Jui Hsien, Jacob, one share to Ms. Gillian BELL and 198 shares to Trend Xpress Limited for cash at par on the same date. On 17 April 2002, Mr. LIN Jui Hsien, Jacob (as nominee of Trend Xpress Limited) transferred one share in Trend Xpress (Bangladesh) Ltd. to Mr. WANG Lu Yen and Trend Xpress Limited transferred one share to each of Mr. Steven Julien FENIGER and Mr. KWOK Chi Kueng. Each of Mr. WANG Lu Yen, Mr. Steven Julien FENIGER and Mr. KWOK Chi Kueng and Ms. Gillian BELL is holding the shares as trustee of Trend Xpress Limited.
- (i) On 14 February 2002, Trend Xpress (S) Pte. Limited was incorporated with an authorised share capital of S\$100,000 divided into 100,000 shares of S\$1 each, two of which were allotted and issued on the same date to the subscribers to the memorandum and articles of association of Trend Xpress (S) Pte. Limited. Such shares were transferred to Trend Xpress Limited for cash at par on 19 April 2002.

#### **5. Changes in share capital of subsidiaries**

The subsidiaries of the Company are referred to in the Accountant' Report, the text of which is set forth in Appendix I to this prospectus.

The following alterations in the share capital of the Company's subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

- (a) On 3 May 2000, Linmark Agency (Mauritius) Ltd was incorporated with an authorised share capital of US\$100,000 divided into 100,000 shares of US\$1 each, two of which were allotted and issued on the same date to the subscribers to the memorandum and articles of association of Linmark Agency (Mauritius) Ltd. Such shares were transferred to Linmark Agency (BVI) Limited on 11 May 2000 for cash at par.
- (b) On 29 May 2000, 49,999 shares of US\$1 each of Linmark Agency (BVI) Limited were allotted and issued to Linmark (BVI) for cash at par.
- (c) On 29 May 2001, PT Linmark Agency Indonesia was incorporated with an authorised share capital of Rp.2,975,200,000 (equivalent to US\$400,000) divided into 400,000 shares of nominal value of Rp.7,438 (equivalent to US\$1) each, an aggregate of 100,000 shares of which were allotted and issued as to 99,000 shares to Linmark Agency (BVI) Limited and as to 1,000 shares to Sign Express Limited for cash at par.
- (d) On 4 July 2001, resolution was passed to increase the capital of Westman Linmark (Thailand) Ltd. from 2,000,000 Baht to 4,000,000 Baht by issuing 1,000 ordinary and preference shares of 2,000 Baht each.

- (e) On 20 July 2001:
  - (i) 490 ordinary shares of 2,000 Baht each of Westman Linmark (Thailand) Ltd. were allotted and issued to Linmark Agency (BVI) Limited for cash at par; and
  - (ii) 510 preference shares of 2,000 Baht each of Westman Linmark (Thailand) Ltd. were allotted and issued to Mr. WANG Lu Yen and GTT Consulting Limited, an Independent Third Party, as to one share to Mr. WANG Lu Yen and 509 shares to GTT Consulting Limited for cash at par.
- (f) On 22 October 2001, Trend Xpress Limited was incorporated with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each, two of which were allotted and issued on the same date to the subscribers to the memorandum and articles of association of Trend Xpress Limited. Such shares were transferred to RGS Holdings and its nominee as to one share each for cash at par on 6 November 2001. Such shares were subsequently sold to Trend Xpress and its nominee on 4 January 2002 as set forth in sub-paragraph (e) of the paragraph headed “Corporate Reorganisation” above.
- (g) On 24 October 2001, Merchandise Creative, Inc. was incorporated with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, one of which was allotted and issued to Linmark (BVI) for cash at par on the same date.
- (h) On 3 December 2001, resolution was passed to increase the capital of Westman Linmark (Thailand) Ltd. from 4,000,000 Baht to 6,000,000 Baht by issuing 1,000 ordinary and preference shares of 2,000 Baht each.
- (i) On 25 December 2001:
  - (i) 490 ordinary shares of 2,000 Baht each of Westman Linmark (Thailand) Ltd. were allotted and issued to Linmark Agency (BVI) Limited for cash at par; and
  - (ii) 510 preference shares of 2,000 Baht each of Westman Linmark (Thailand) Ltd. were allotted and issued to GTT Consulting Limited, an Independent Third Party, for cash at par.
- (j) On 4 March 2002, the authorised share capital of Linmark (HK) Limited was increased from HK\$10,000 to HK\$100,000 by the creation of an additional of 90,000 shares of HK\$1 each.

Save as disclosed in this Appendix, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

## 6. Repurchase by the Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

### (a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their securities on the Stock Exchange subject to certain restrictions. The Company is empowered by its memorandum of association and the Bye-laws to repurchase its own securities.

#### (i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of securities (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

*Note: Pursuant to written resolutions of the sole shareholder of the Company passed on 22 April 2002, a general unconditional mandate (the "Repurchase Mandate") was given to the Directors authorising the Directors to exercise all the powers of the Company to purchase on the Stock Exchange, or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, Shares representing up to 10 per cent. of the total nominal amount of the Shares in issue immediately following completion of the Share Offer (which shall include the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue and such mandate is to expire at the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by law or the Bye-laws to be held, or when revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company, whichever occurs first.*

#### (ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Bye-laws and the laws of Bermuda.

It is presently proposed that any repurchase of securities would be made out of capital paid up on the repurchased securities or the funds of the Company which would otherwise be available for dividend or distribution and, in the case of any premium payable on such repurchase, from the Company's share premium account.

### (b) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and its shareholders for the Directors to have a general authority from shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the Company's net asset value and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

(c) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 624,000,000 Shares in issue after completion of the Share Offer (but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option) and the Capitalisation Issue and on the basis of 647,400,000 Shares in issue after completion of the Share Offer (assuming exercise of the Over-allotment Option in full) and the Capitalisation Issue could accordingly result in up to 62,400,000 Shares and 64,740,000 Shares respectively being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

(d) *Funding of repurchase*

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Bye-laws, the Listing Rules and the applicable laws of Bermuda.

The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(e) *General*

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention if the Repurchase Mandate is exercised to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

If as a result of a repurchase of Shares a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. The Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

**B. FURTHER INFORMATION ABOUT THE BUSINESS****1. Material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an agreement dated 22 February 2001 made between Linmark (HK) Limited and Great Asia Development Limited (“GA”), an Independent Third Party, relating to the engagement of GA by the Group for the development of a software, pursuant to which GA has granted an option to Roly International, at nil consideration, to enable Roly International to acquire up to 13 per cent. of the new shares of GA (or its holding company) on a fully diluted basis at a consideration of US\$500,000. Such option is exercisable by Roly International at any time during a two-month-period after GA (or its holding company) receives a formal approval from an acceptable stock exchange for listing;
- (b) a debenture dated 10 May 2001 made by Linmark (BVI) as chargor and CITIC Ka Wah Bank Limited (the “Agent”) (for itself and on behalf of Keppel TatLee Bank Limited) (collectively, the “Lenders”) whereby Linmark (BVI) has charged to the Agent by way of first floating charge all the undertaking, property, assets and rights of Linmark (BVI) in consideration of the Lenders agreeing to make a loan facility of US\$7,000,000 available to Superior International Finance Limited, a wholly-owned subsidiary of Roly International;
- (c) a guarantee in respect of the obligations of Superior International Finance Limited under the loan facility mentioned in sub-paragraph (b) above dated 10 May 2001 executed by Roly International and Linmark (BVI) in favour of the Agent (for itself and on behalf of Keppel TatLee Bank Limited);
- (d) a deed of indemnity dated as of 1 February 2002 made between Linmark (Barbados) and Linmark Development (BVI) Limited regarding mutual indemnity given by each party in favour of the other in respect of the liabilities under the Hudson’s Bay Buying Agency Agreement (as defined below) after completion of the assignment of the rights and liabilities thereunder pursuant to an assignment agreement dated 1 February 2002 made between Linmark (Barbados), Linmark Development (BVI) Limited and Hudson’s Bay Company in relation to a buying agency agreement dated 4 June 1998 made between Hudson’s Bay Company and Linmark (Barbados) (as amended by an agreement dated 7 September 2001 made by the same parties) (the “Hudson’s Bay Buying Agency Agreement”);
- (e) an agreement dated 22 April 2002 made between RGS Holdings as vendor, the Company as purchaser and Roly International as warrantor pursuant to which the Company has acquired the entire issued share capital of each of Linmark (BVI), Trend Xpress and IGCS from RGS Holdings in consideration of (i) the allotment and



issue of 1,000,000 Shares, credited as fully paid, to RGS Holdings and (ii) the crediting as fully paid at par the 1,000,000 nil paid Shares allotted and issued to RGS Holdings on 19 February 2002;

- (f) a deed of undertaking dated 22 April 2002 executed by Roly International in favour of the Company, containing the undertaking referred to under “Non-competition undertaking” in the section headed “Information on Roly International” in this prospectus;
- (g) the Placing Underwriting Agreement;
- (h) the Public Offer Underwriting Agreement; and
- (i) a deed of indemnity dated 29 April 2002 executed by Roly International and RGS Holdings in favour of the Group containing the indemnities referred to in the paragraph headed “Estate duty and tax indemnities” in this Appendix.

As at the Latest Practicable Date, the obligations and liabilities of Linmark (BVI) under material contracts (b) and (c) above had been fully released.

## 2. Intellectual property rights

The Group had applied for the registration of the following service mark as at the Latest Practicable Date:

Service mark	Class	Territory of application	Application number	Application date
<b>LINMARK</b>	35 ( <i>Note 1</i> )	Hong Kong	3718/2002	18 March 2002
<b>LINMARK</b>	42 ( <i>Note 2</i> )	Hong Kong	3717/2002	18 March 2002

Save as aforesaid, there are no other trade or service marks, patents or other intellectual or industrial property rights which are material in relation to the Group’s business.

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*Notes:*

1. Services covered include, among other services, business management, business administration and office functions areas including, inter alia, consultation services relating to sourcing, business to business procurement of goods for others; professional business consultancy; all included in Class 35.
2. Services covered include, among other services, the sourcing agency; product design and development; consultancy and advisory services relating to quality assurance; consultancy and advisory services relating to social compliance of products; all included in Class 42.

**C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS, MANAGEMENT, STAFF AND EXPERTS**

**1. Disclosure of interests**

- (a) Immediately following completion of the Share Offer and the Capitalisation Issue (but taking no account of the exercise of the Over-allotment Option), the interest of the Directors and chief executive of the Company in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which, once the Shares are listed on the Stock Exchange, will have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including any interests which they are taken or deemed to have under section 31 of, or part 1 of the Schedule to, the SDI Ordinance) or will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange, will be as follows:

Name of company	Name of Directors	Personal interests	Number of shares			Total
			Family interests	Corporate interests	Other interests	
The Company	WANG Lu Yen	—	—	468,000,000 <i>(Note 1)</i>	—	468,000,000
Roly International <i>(Note 2)</i>	WANG Lu Yen	20,200,000	350,000 <i>(Note 3)</i>	121,243,500 <i>(Note 4)</i>	—	141,793,500
	FU Jin Ming, Patrick	1,275,000	—	—	—	1,275,000
	KHOO Kim Cheng	415,000	—	—	—	415,000
	KWOK Chi Kueng	290,000	—	—	—	290,000
Westman Linmark (Thailand) Ltd. <i>(Note 5)</i>	WANG Lu Yen	2 preference shares	—	—	—	2 preference shares
	KHOO Kim Cheng	1 preference share	—	—	—	1 preference share
	FU Jin Ming, Patrick	1 preference share	—	—	—	1 preference share
	KWOK Chi Kueng	1 preference share	—	—	—	1 preference share
Linmark International (Bangladesh) Ltd. <i>(Note 6)</i>	WANG Lu Yen	1 ordinary share <i>(Note 7)</i>	—	—	—	1 ordinary share <i>(Note 7)</i>
	FU Jin Ming, Patrick	1 ordinary share <i>(Note 7)</i>	—	—	—	1 ordinary share <i>(Note 7)</i>
Trend Xpress (Bangladesh) Ltd. <i>(Note 8)</i>	WANG Lu Yen	1 ordinary share <i>(Note 9)</i>	—	—	—	1 ordinary share <i>(Note 9)</i>
	Steven Julien FENIGER	1 ordinary share <i>(Note 9)</i>	—	—	—	1 ordinary share <i>(Note 9)</i>
	KWOK Chi Kueng	1 ordinary share <i>(Note 9)</i>	—	—	—	1 ordinary share <i>(Note 9)</i>

*Notes:*

1. Mr. WANG Lu Yen, Mrs. WANG LIAW Bin Bin, his wife, and Megastar Holdings Limited, a company controlled by Mr. WANG Lu Yen, hold approximately 36.0 per cent. of the issued share capital of Roly International and Mr. WANG Lu Yen is thus deemed, by virtue of the SDI Ordinance, to be interested in all the Shares in which Roly International is interested.
  2. Roly International, the ultimate holding company of the Company, through RGS Holdings, will hold 468,000,000 Shares, representing 75.0 per cent. of the issued share capital of the Company, upon completion of the Share Offer (assuming that the Over-allotment Option is not exercised at all) and the Capitalisation Issue. As at the Latest Practicable Date, the issued share capital of Roly International was US\$39,439,626.40 divided into 394,396,264 shares of US\$0.10 each.
  3. These shares in Roly International are held by Mrs. WANG LIAW Bin Bin, the wife of Mr. WANG Lu Yen.
  4. These shares in Roly International are held by Megastar Holdings Limited, the entire issued share capital of which is owned by Mr. WANG Lu Yen.
  5. Westman Linmark (Thailand) Ltd. is a subsidiary of the Company. As at the Latest Practicable Date, the issued share capital of Westman Linmark (Thailand) Ltd. was 6,000,000 Baht divided into 1,470 ordinary shares of 2,000 Baht each and 1,530 preference shares of 2,000 Baht each.
  6. Linmark International (Bangladesh) Ltd. is a subsidiary of the Company. As at the Latest Practicable Date, the issued share capital of Linmark International (Bangladesh) Ltd. was Tk.20,000 divided into 200 ordinary shares of Tk.100 each.
  7. Such ordinary shares in the issued share capital of Linmark International (Bangladesh) Ltd. are held by the relevant Directors on trust for Linmark International (Hong Kong) Limited.
  8. Trend Xpress (Bangladesh) Ltd. is a subsidiary of the Company. As at the Latest Practicable Date, the issued share capital of Trend Xpress (Bangladesh) Ltd. was Tk.20,000 divided into 200 ordinary shares of Tk.100 each.
  9. Such ordinary shares in the issued share capital of Trend Xpress (Bangladesh) Ltd. are held by the relevant Directors on trust for Trend Xpress Limited.
- (b) Certain Directors have also been granted with options to subscribe for shares in Roly International, the ultimate holding company of the Company. Particulars of the outstanding options as at the Latest Practicable Date were as follows:

Name of Directors	Number of underlying shares	Exercise price per share	Expiry date of option
Steven Julien FENIGER	1,000,000	US\$0.130	6 March 2010
FU Jin Ming, Patrick	150,000	US\$0.150	9 February 2005
	1,000,000	US\$0.100	20 August 2009
	1,000,000	US\$0.130	6 March 2010

Name of Directors	Number of underlying shares	Exercise price per share	Expiry date of option
KHOO Kim Cheng	750,000	US\$0.177	25 February 2003
	1,350,000	US\$0.150	9 February 2005
	1,500,000	US\$0.100	20 August 2009
	2,000,000	US\$0.130	6 March 2010
KWOK Chi Kueng	150,000	US\$0.150	9 February 2005
	400,000	US\$0.100	20 August 2009
	400,000	US\$0.130	6 March 2010

- (c) So far as is known to the Directors and save as disclosed herein and taking no account of any Shares which may be taken up under the Share Offer, the following persons will, immediately following the completion of the Share Offer and the Capitalisation Issue (but taking no account of the exercise of the Over-allotment Option), be directly or indirectly interested in 10 per cent. or more of the Shares then in issue or shares carrying the right to vote in all circumstances at general meetings of the Company.

Name of Substantial Shareholders	Number of Shares	Percentage of issued share capital/ equity interest
RGS Holdings ( <i>Note 1</i> )	468,000,000	75.0%
Roly International ( <i>Note 1</i> )	468,000,000	75.0%
WANG Lu Yen ( <i>Note 2</i> )	468,000,000	75.0%

*Notes:*

- RGS Holdings will be the registered holder of 468,000,000 Shares upon completion of the Share Offer and the Capitalisation Issue. RGS Holdings is a wholly-owned subsidiary of Roly International. Roly International, by virtue of the SDI Ordinance, is deemed to be interested in all the Shares in which RGS Holdings is interested.
  - Mr. WANG Lu Yen, Mrs. WANG LIAW Bin Bin, his wife, and Megastar Holdings Limited, a company controlled by Mr. WANG Lu Yen, hold approximately 36.0 per cent. of the issued share capital of Roly International and Mr. WANG Lu Yen is thus deemed, by virtue of the SDI Ordinance, to be interested in all the Shares in which Roly International is interested.
- (d) So far as is known to the Directors and save as disclosed herein and taking no account of any Shares which may be taken up under the Share Offer, the following persons will, immediately following the completion of the Share Offer and the Capitalisation Issue (but taking no account of the exercise of the Over-allotment Option), be directly or indirectly interested in 10 per cent. or more of the shares carrying the right to vote in all circumstances at general meetings of any subsidiary of Company.

Name of subsidiary	Name of substantial shareholder	Number of shares	Percentage of issued share capital/equity interest
Westman Linmark (Thailand) Ltd.	GTT Consulting Limited (Note 1)	1,524 preference shares of 2,000 Baht each	99.6% of the issued preference shares (Note 2) and 50.8% of the entire issued share capital

Notes:

1. GTT Consulting Limited is an Independent Third Party.
2. Every 10 preference shares entitle the holder thereof to have one vote at the general meeting of Westman Linmark (Thailand) Ltd.

## 2. Particulars of service agreements

- (a) Under the service agreements all dated 22 April 2002 made between the Company on the one hand and each of Messrs. WANG Lu Yen, Steven Julien FENIGER, FU Jin Ming, Patrick, KHOO Kim Cheng and KWOK Chi Kueng each being an executive Director, on the other hand, each of Messrs. WANG Lu Yen, Steven Julien FENIGER, FU Jin Ming, Patrick, KHOO Kim Cheng and KWOK Chi Kueng has been appointed to act as an executive Director. The appointments are each for an initial term of three years commencing on 1 May 2002 and will continue thereafter until terminated by either party by giving to the other not less than six months' notice in writing.
- (b) Each of the executive Directors is entitled to a basic salary which will be reviewed at the discretion of the Board or a committee thereof established for such purpose after such executive Director has completed 12 months of service.
- (c) Each of the executive Directors (other than Mr. WANG Lu Yen for so long as he is a Substantial Shareholder) is also entitled to participate in the Share Option Scheme at the discretion of the Board or a committee thereof and each of the executive Directors is also entitled to participate in any profit-related bonus scheme of the Company at the discretion of the Board.
- (d) Each of the executive Directors may, at the request of the Company, enter into other service contract(s) with other member(s) of the Group at such remuneration as may be agreed between the executive Director and such member of the Group. In such event, the amount of the salary payable to the executive Director pursuant to the service agreement shall be reduced correspondingly.

The basic annual salaries of the executive Directors under the service contracts mentioned in sub-paragraph (a) above are as follows:

WANG Lu Yen	US\$203,846
Steven Julien FENIGER	US\$375,000
FU Jin Ming, Patrick	US\$250,000
KHOO Kim Cheng	US\$100,154
KWOK Chi Kueng	US\$180,000

- (e) The following Directors are also entitled to the benefits as set forth below under their respective service agreements with the Company:
- (i) A fully-furnished residential apartment in Hong Kong will be provided to Mr. WANG Lu Yen as director's quarter for use by him and his family members and the Company shall bear all the reasonable outgoings of such apartment.
  - (ii) Each of Mr. Steven Julien FENIGER and Mr. FU Jin Ming, Patrick (together with their respective family members) is entitled to a home leave passage of an amount not exceeding HK\$86,000 per annum.
  - (iii) Mr. Steven Julien FENIGER and Mr. FU Jin Ming, Patrick are also entitled to a housing allowance of HK\$72,000 per month and HK\$25,000 per month respectively.
  - (iv) Each of Mr. Steven Julien FENIGER and Mr. FU Jin Ming, Patrick is also entitled to the use of a motor vehicle provided by the Company and all fuel and maintenance expenses in respect of the use of such vehicles will be borne by the Company.
- (f) Pursuant to two letters of appointment, both dated 22 April 2002, each of Mr. WANG Arthur Minshiang and Mr. WONG Wai Ming has been appointed as an independent non-executive Director for a term of two years commencing on 1 May 2002 subject to the right of the independent non-executive Director to terminate his appointment at any time by giving the Company at least one month's notice in writing.
- (g) Save as disclosed in this prospectus, none of the Directors has entered into any service agreements with any member of the Group.

### 3. Directors' remuneration

- (a) The aggregate amount of remuneration paid and benefits in kind granted to the Directors by the Group in respect of the years ended 30 April 2000 and 30 April 2001 were approximately US\$557,000 and US\$567,000, respectively. During the Track Record Period, the aggregate bonuses paid to the Directors amounted to nil, approximately US\$50,000, nil and approximately US\$26,000, respectively.

- (b) Under the arrangements currently in force, the aggregate emoluments payable by the Group to the Directors for the year ending 30 April 2002 will be approximately US\$928,000.
- (c) None of the Directors or any past directors of any member of the Group has been paid any sum of money for each of the two years ended 30 April 2001 whether (aa) as an inducement to join or upon joining the Company or (bb) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.
- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two years ended 30 April 2001.

#### **4. Fees or commissions received**

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries for subscribing or agreeing to subscribe for, or procuring or agreeing to procure subscription for any shares in or debentures of the Company within the two years preceding the date of this prospectus.

#### **5. Related party transactions**

Details of the related party transactions are set out in the paragraphs headed “Connected transactions” and “Continuing connected transactions” under the section headed “Business of the Group” on pages 60 to 67 of this prospectus and under note (h) to section 3 of the accountants’ report set forth in Appendix I to this prospectus.

#### **6. Disclaimers**

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (b) none of the Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) 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;

- (d) taking no account of Shares which may be taken up under the Share Offer or upon the exercise of the Over-allotment Option, none of the Directors knows of any person (not being a Director or chief executive of the Company) who will immediately following completion of the Share Offer and the Capitalisation Issue be interested, directly or indirectly, in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and
- (e) none of the Directors or chief executive of the Company has any interest in the shares or debentures of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which, once the Shares are listed, will have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (or any interest which he will be taken or deemed to have under section 31 of, or Part 1 of the Schedule to the SDI Ordinance) or which will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange once the Shares are listed.

#### D. SHARE OPTION SCHEME

##### (a) Definitions

For the purpose of this paragraph D, the following expressions have the meanings set forth below unless the context requires otherwise:

- “Adoption Date”** the date on which the Share Option Scheme is adopted by the Shareholders in general meeting or by way of written resolution of the Shareholders
- “Board”** means the board of Directors or a duly authorised committee thereof
- “Controlling Shareholder”** any person who has the power, directly or indirectly, to secure:
- (i) by means of the holding of shares entitling him to exercise or control the exercise of 30 per cent. (or such lower amount as may from time to time be specified in the Code on Takeovers and Mergers (approved by the Securities and Futures Commission as amended from time to time) as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of the Company, or
  - (ii) by means of controlling the composition of a majority of the Directors, or



(iii) by virtue of any powers conferred by the constitutional document of the Company or any other corporation,

that the affairs of the Company are conducted in accordance with the wishes of such person

**“Eligible Persons”**

means:

(i) (a) any director or proposed director (whether executive or non-executive, including any independent non-executive director), employee or proposed employee (whether full time or part time) of, or

(b) any individual for the time being seconded to work for,

any member of the Group or any Controlling Shareholder or any company controlled by a Controlling Shareholder (a **“Category A Eligible Person”**); or

(ii) any holder of any securities issued by any member of the Group or any Controlling Shareholder or any company controlled by a Controlling Shareholder (a **“Category B Eligible Person”**); or

(iii) (a) any business partner, agent, consultant or representative of, or any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to, or

(b) any supplier of goods or services to, or

(c) any customers of,

any member of the Group or any Controlling Shareholder or any company controlled by a Controlling Shareholder (a **“Category C Eligible Person”**);

and, for the purposes of the Share Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of participants but shall exclude Mr. WANG Lu Yen, one of the substantial shareholders of the Company as at the Adoption Date, and any of his associates so long as Mr. WANG Lu Yen remains as a substantial shareholder of the Company (as substantial shareholder is construed in accordance with the Listing Rules from time to time)

- “**Group**” means the Company and any entity in which the Company, directly or indirectly, holds any equity interest
- “**Scheme Period**” the period commencing on the Adoption Date and expiring at the close of business on the tenth anniversary thereof

**(b) Summary of terms**

The following is a summary of the principal terms of the rules of the Share Option Scheme:

(i) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to enable the Board to grant options to selected Eligible Persons as incentives or rewards for their contribution or potential contribution to the Group.

(ii) *Who may join and basis of eligibility*

The Board may, at its absolute discretion and on such terms as it may think fit, grant options to any Eligible Person to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any of the Eligible Persons to the grant of options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(iii) *Option price for subscription of Shares*

The option price per Share payable on the exercise of an option is to be determined by the Board provided always that it shall be at least the higher of:

- (aa) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of an option is accepted by the Eligible Person), which must be a business day; and
- (bb) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant,

provided that the option price per Share shall in no event be less than the nominal amount of one Share.

(iv) *Grant of options and acceptance of offers*

No offer of grant of options shall be made:

- (aa) after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules by the Company; and
- (bb) during the period commencing one month immediately preceding the earlier of:
  - (1) the date of the board meeting for the approval of the Company's interim or annual results; and
  - (2) the deadline of the Company to publish its interim or annual results announcement,

and ending on the date of the results announcements.

An offer for the grant of options must be accepted within 30 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.00.

(v) *Maximum number of Shares*

- (aa) Subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the commencement of the Scheme Period (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10 per cent. of the Shares in issue immediately upon completion of the Share Offer (such Shares shall include any Shares which are required to be issued pursuant to the exercise of the Over-allotment Option) and the Capitalisation Issue (the "Scheme Mandate"). The Shares underlying any options granted under the Share Option Scheme or any other share option schemes of the Company which have been cancelled (but not options which have lapsed) will be counted for the purpose of the Scheme Mandate.
- (bb) The Scheme Mandate may be refreshed at any time by issuing a circular to the Shareholders to, among other matters, convene a general meeting for the purpose of refreshing the Scheme Mandate and obtaining approval of the Shareholders at such general meeting provided that the new limit under the renewed Scheme Mandate must not exceed 10 per cent. of the Shares in issue at the date of the Shareholders' approval of such refreshed Scheme Mandate. Options previously granted under the Share Option Scheme or any other share option schemes of the Company (including those exercised, outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or

any other share option schemes of the Company) will not be counted for the purpose of calculating the total number of Shares subject to the refreshed Scheme Mandate.

- (cc) The Company may also, by issuing a circular to the Shareholders to, among other matters, convene a general meeting for the purpose of refreshing the Scheme Mandate and obtaining separate approval of the Shareholders at such general meeting, grant options beyond the Scheme Mandate provided the options in excess of the Scheme Mandate are granted only to Eligible Persons specifically identified by the Company before such approval is sought.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30 per cent. of the Shares in issue from time to time.

(vi) *Maximum entitlement of each Eligible Person*

The maximum number of Shares issued and to be issued upon exercise of options granted under the Share Option Scheme and any other share option schemes of the Company to any Eligible Person (including both cancelled, exercised and outstanding options), in any 12-month period up to the date of the latest grant shall not exceed one per cent. of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting and the issue of a circular with such Eligible Person and his associates abstaining from voting.

(vii) *Grant of options to certain connected persons*

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
  - (1) representing in aggregate over 0.1 per cent. of the Shares in issue; and
  - (2) having an aggregate value, based on the closing price of the Shares at each date of grant, in excess of HK\$5 million,

such further grant of options is required to be approved by Shareholders in general meeting in accordance with the Listing Rules. Any change in the terms of an option granted to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders.

The Company must send a circular to the Shareholders for seeking approval on the matter referred to in the sub-paragraph (bb) above. All connected persons of the Company must abstain from voting at such general meeting except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at such general meeting to approve the grant of such options must be taken on a poll.

(viii) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period commencing on such date on or after the date on which the option is granted as the Board may determine in granting the option and expiring at the close of business on such date as the Board may determine in granting the option but in any event shall not exceed 10 years from the date of grant (which is the date of offer of grant if the offer for the grant of the option is accepted).

(ix) *Performance targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(x) *Ranking of Shares*

If under the terms of a resolution passed or an announcement made by the Company prior to the date of exercise of an option, a dividend is to be or is proposed to be paid, or Shares are to be issued or proposed to be issued by way of the capitalisation of profits or reserves or by way of rights under an offer made pro rata, to Shareholders on the register on a date prior to such date of exercise, the Shares to be issued upon such exercise will not rank for such dividend or such Shares. Subject as aforesaid, Shares allotted upon the exercise of an outstanding option will be subject to all the provisions of the bye-laws of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of such exercise. Shares allotted upon the exercise of an option for the time being outstanding shall not carry voting rights until completion of the registration of the option holder (or any other person) as the holder thereof.

(xi) *Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xii) *Rights of exercise for grantees who were Category A Eligible Persons*

If a grantee of an option who at the time of grant of an option to him qualified as an Eligible Person because he was a Category A Eligible Person ceases to be such a Category A Eligible Person:

- (aa) by reason of ill-health or injury or disability or death, then he or (as the case may be) his personal representatives may exercise his outstanding option within six months or up to the expiration of the relevant option period, whichever is earlier, failing which the option will lapse; or
- (bb) because the relevant member of the Group or the relevant Controlling Shareholder or the relevant company controlled by the relevant Controlling Shareholder by reason of his employment or engagement with, or secondment to, which he qualified as a Category A Eligible Person at the time the option was granted ceases to be a member of the Group or a Controlling Shareholder or a company controlled by the relevant Controlling Shareholder (as the case may be), then he may exercise his outstanding option within six months or up to the expiration of the relevant option period, whichever is earlier, failing which the option will lapse; or
- (cc) by reason of retirement in accordance with his contract of employment or service, then he may exercise his outstanding option within six months after he so ceases or, if the Board in its absolute discretion determine, within six months following the date of his sixtieth birthday where the retirement takes effect or up to the expiration of the relevant option period, failing which the option will lapse; or
- (dd) by reason of voluntary resignation or dismissal, or upon expiration of his term of directorship (unless immediately renewed upon expiration), or by termination of his employment or service in accordance with the termination provisions of his contract of employment or service by the relevant company otherwise than by reason of redundancy, then his outstanding options shall lapse on the date he so ceases; or
- (ee) on the grounds that he has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally or has committed any serious misconduct or has been convicted of any criminal offence (other than an offence which in the opinion of the Board does not bring the grantee or the Group or the relevant Controlling Shareholder or the relevant company controlled by the relevant Controlling Shareholder into disrepute), then his outstanding options shall lapse automatically on the date of his ceasing to be an Eligible Person; or
- (ff) for any other reason, any options exercisable at the date he so ceases may be exercised within three months of the date he so ceases, failing which the option will lapse,

provided always that in each case the Board in its absolute discretion may decide that such options or any part thereof shall not so lapse or determined subject to such conditions or limitations as it may decide.

(xiii) *Rights of exercise for grantees who were Category B Eligible Persons*

If a grantee of an option who at the time of grant of an option to him qualified as an Eligible Person because he was a Category B Eligible Person:

- (aa) ceases to be a Category B Eligible Person by reason that such grantee ceases to be a holder of any securities issued by the relevant member of the Group or the relevant Controlling Shareholder or the relevant company controlled by a Controlling Shareholder, then his outstanding option shall lapse on the date he so ceases; or
- (bb) ceases to be a Category B Eligible Person because the relevant member of the Group by reason of his holding of securities in which he qualified as a Category B Eligible Person at the time the option was granted ceases to be a member of the Group, then he may exercise his outstanding option within six months after he so ceases or up to the expiration of the option period, whichever is earlier, failing which the option will lapse; or
- (cc) ceases to be a Category B Eligible Person because the relevant Controlling Shareholder or the relevant company controlled by the relevant Controlling Shareholder by reason of his holding of securities in which he qualified as a Category B Eligible Person at the time the option was granted ceases to be a Controlling Shareholder or a company controlled by the relevant Controlling Shareholder (as the case may be), then his outstanding option shall lapse on the date he so ceases; or
- (dd) (if the grantee is an individual) dies, then his personal representative may exercise his outstanding option within six months after his death or up to the expiration of the option period, whichever is earlier, failing which the option will lapse; or
- (ee) has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally or has committed any serious misconduct or has been convicted of any criminal offence (other than an offence which in the opinion of the Board does not bring the grantee or the Group or the relevant Controlling Shareholder or the relevant company controlled by the relevant Controlling Shareholder into disrepute), then his outstanding option shall lapse automatically on the date of the relevant court order, resolution, misconduct or conviction or the effective date of the relevant arrangements or composition (as the case may be),

provided always that in each case the Board in its absolute discretion may decide that such option or any part thereof shall not so lapse or determine subject to such conditions or limitations as it may decide.

(xiv) *Rights of exercise for grantees who were Category C Eligible Persons*

If a grantee of an option who at the time of grant of an option to him qualified as an Eligible Person because he was a Category C Eligible Person:

- (aa) has, in the absolute determination of the Board, committed any breach of contract entered into between such Eligible Person and the relevant member of the Group or the relevant Controlling Shareholder or the relevant company controlled by the relevant Controlling Shareholder, then his outstanding option shall lapse and determine automatically on the Board's determination as aforesaid; or
- (bb) has committed any act of bankruptcy or become insolvent or made any arrangements or composition with his creditors generally or committed any serious misconduct or been convicted of any criminal offence (other than an offence which in the opinion of the Board does not bring the grantee or the Group or the relevant Controlling Shareholder or the relevant company controlled by the relevant Controlling Shareholder into disrepute), then his outstanding options shall lapse and determine automatically on the date of the relevant court order, resolution, misconduct or conviction or the effective date of the relevant arrangements or composition (as the case may be); or
- (cc) and (if he is an individual) dies, then his personal representatives may exercise his outstanding option within six months after his death or up to the expiration of the option period, whichever is earlier, failing which the option will lapse,

provided always that in each case the Board in its absolute discretion may decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as it may decide.

(xv) *Rights on exercise for grantees which were companies controlled by any of the Eligible Persons*

In respect of any option granted to a company which qualified as an Eligible Person because it was a company controlled by a person ("**Such Person**") who was a Category A Eligible Person or Category B Eligible Person or Category C Eligible Person:

- (aa) the relevant provisions set out in paragraph (xii), or (xiii), or (xiv) (as the case may be) would apply to its outstanding option as if the option had been granted to Such Person; and
- (bb) its outstanding option shall lapse on the date it ceases to be a company controlled by Such Person,

provided always that in each case the Board in its absolute discretion may decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as it may decide.



(xvi) *Failure to meet continuing eligibility criteria*

If the Board in the offer granting the relevant option has specified that the grantee has to meet certain continuing eligibility criteria and that the failure of the grantee to meet any such continuing eligibility criterion would entitle the Company to cancel the option then outstanding (or part thereof), then upon the failure of the grantee to meet any such continuing eligibility criterion, his outstanding option shall lapse and determine on the date the Board exercises the Company's right to cancel the option on the ground of such failure.

(xvii) *Rights on a general offer*

If, in consequence of any general offer made to all the Shareholders, other than the offeror and/or any person controlled by the offeror and/or any person acting in association or connection with the offeror, the grantee of an option shall, subject to paragraph (viii) above, be entitled to exercise at any time within a period of 14 days after such control has been obtained by the offeror any option in whole or in part to the extent not already exercised (and notwithstanding any restrictions which would otherwise have prevented such option from being exercisable at that time). For the avoidance of doubt, an option not so exercised shall remain valid in accordance with its terms and subject to such restrictions as applied to it before the general offer.

(xviii) *Rights on winding-up*

If notice is given by the Company to its Shareholders of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, the Company shall forthwith give notice to all grantees of options and each grantee shall be entitled, at any time no later than two business days prior to the proposed general meeting of the Company to exercise any of his outstanding options in whole or in part to the extent not already exercised (and notwithstanding any restrictions which would otherwise have prevented such option from being exercisable at that time). If such resolution is duly passed, all options shall, to the extent that they have not been exercised, thereupon lapse and determine on the commencement of the winding-up.

(xix) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company pursuant to the Companies Act, notice of the relevant meeting shall be given to the grantees of options on the same day notice is given to the Company's members and creditors, and thereupon each grantee (or where permitted his personal representatives) may forthwith and until the expiry of the period commencing on such date and ending on the earlier of the date falling two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the Supreme Court of Bermuda be entitled to exercise his option, but such exercise of an option shall be conditional upon such compromise or arrangement being sanctioned by the Supreme Court of Bermuda and becoming effective. Failing such exercise, all options will lapse.

(xx) *Lapse of options*

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (viii) above;
- (bb) the date on which the grantee commits a breach of paragraph (xi) above, if the Board shall exercise the Company's right to cancel the option;
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraph (xii), (xiii), (xiv), (xv) or (xvi) above; and
- (dd) the expiry of any of the relevant periods referred to in paragraph (xviii) and (xix) above.

(xxi) *Cancellation of options granted but not yet exercised*

Following the cancellation of any options granted under the Share Option Scheme but not exercised, new options may only be granted to the same grantee under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limit of the Scheme Mandate then available to the Board.

(xxii) *Effects of alterations to capital*

In the event of any reduction, sub-division or consolidation of the share capital of the Company or any capitalisation issue or rights issue, the number of Shares comprised in each option for the time being outstanding and/or the option price may be adjusted in such manner as the Board (having, except in the case of an issue of Shares by way of the capitalisation of profits or reserves, received a statement in writing from the auditors of the Company or an independent financial adviser appointed for such purpose that in their opinion the adjustments proposed are fair and reasonable) may deem appropriate, provided always that the grantee shall have the same proportion of the equity capital of the Company as that to which he was entitled before such adjustments, and that no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of Shares as consideration in a transaction will not be regarded as a circumstance requiring adjustment.

(xxiii) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted by the sole shareholder of the Company by way of written resolutions and shall expire at the close of business on the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

*(xxiv) Alteration to the Share Option Scheme*

- (aa) No amendment shall be made to the terms and conditions of the Share Option Scheme which extends the class of Eligible Persons, or alters to the advantage of the grantees of the options (present or future) relating to matters governed by Rule 17.03 of the Listing Rules except with the prior approval of the Shareholders in general meeting.
- (bb) Any amendments to any terms of the Share Option Scheme which are of a material nature or any change to the terms of the options granted must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any change to the authority of the Board or the scheme administrator (if any) in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.
- (dd) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

*(xxv) Termination of the Share Option Scheme*

The Company may, with the approval in general meeting of the Shareholders, terminate the Share Option Scheme at any time following which no further grant of options shall be offered but in all other respects the rules of the Share Option Scheme shall continue in full force and effect. Any options granted prior to such termination, including options exercised or outstanding, under the Share Option Scheme shall continue to be valid and exercisable in accordance with the rules of the Share Option Scheme.

*(xxvi) Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

**(c) Present status of the Share Option Scheme**

By passing the resolutions set forth under the paragraph headed “Special general meeting of Roly International” under the section headed “Information on Roly International” on page 95 of this prospectus, the shareholders of Roly International have also approved the Share Option Scheme. The Company has also conditionally adopted the Share Option Scheme by written resolutions of the sole shareholder of the Company passed on 22 April 2002.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

## E. OTHER INFORMATION

### 1. Estate duty and tax indemnities

Each of Roly International and RGS Holdings (collectively, the “Indemnifiers”) has entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each of its present subsidiaries) (being document (i) in the paragraph headed “Material contracts” of this Appendix) to provide indemnities jointly and severally in respect of and in connection with, among other matters, Hong Kong estate duty which might be payable by any member of the Group by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of the Group on or before the date on which the Share Offer becomes unconditional (the “Effective Date”). The deed of indemnity also contains indemnities given jointly and severally by the Indemnifiers in respect of taxation resulting from any income, profits or gains earned, accrued or received on or before the Effective Date which might be payable by any member of the Group.

The Indemnifiers will, however, not be liable under the deed of indemnity:

- (a) to the extent that provision has been made for such taxation in the audited accounts of the Group or any member of the Group for any period up to 31 October 2001; or
- (b) in respect of taxation falling on any member of the Group in respect of their current accounting periods or any accounting period commencing on or after 1 November 2001 if the relevant liability for such taxation arose out of any act or omission of, or transaction voluntarily effected by, the Group or any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of each of the Indemnifiers; or
- (c) in respect of any taxation claim which arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or practice coming into force after the Effective Date or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after such date with retrospective effect.

Notwithstanding sub-paragraph (b) above, the indemnities for taxation shall apply to cover any claim for taxation which falls on any member of the Group on or after 1 November 2001 if such taxation arises out of any act or omission of, or transaction effected by, any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring):

- (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before 31 October 2001; or

- (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 October 2001 or pursuant to any statement of intention made in this prospectus; or
- (iii) consisted of any member of the Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation.

The Directors have been advised that no material liability for estate duty under the laws of Bermuda and BVI is likely to fall on the Group in Bermuda and BVI.

## **2. Litigation**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

## **3. Sponsors**

DBS Asia and SBI E2-Capital have, on behalf of the Company, made a joint application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares which may be issued upon the exercise of the Over-allotment Option) and any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

## **4. Preliminary expenses**

The preliminary expenses of the Company are estimated to be approximately US\$6,000 (equivalent to approximately HK\$47,000) and are payable by the Company.

## **5. Promoter**

The promoter of the Company is RGS Holdings, a company incorporated in BVI on 25 August 1999 having an issued and paid up capital of US\$3,569 as at the Latest Practicable Date. The board of directors of RGS Holdings comprises Mr. WANG Lu Yen, a Director and the chairman of the Board, his spouse, Mrs. WANG LIAW Bin Bin and Mr. LIN Jui Hsien, Jacob. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the promoter in connection with the Share Offer or the related transactions described in this prospectus.

## 6. Qualifications of experts

The following are the qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualifications
DBS Asia	Investment adviser and registered dealer under the Securities Ordinance
SBI E2-Capital	Investment adviser and registered dealer under the Securities Ordinance
Deloitte Touche Tohmatsu	Certified public accountants
DTZ Debenham Tie Leung Limited	Property valuer
Conyers Dill & Pearman	Bermuda barristers and attorneys

## 7. Consents of experts

DBS Asia, SBI E2-Capital, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited and Conyers Dill & Pearman have each given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or opinions and/or valuation certificates and/or summary thereof (as the case may be) and references to their names included herein in the form and context in which they are respectively included.

## 8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, 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.

## 9. Taxation of holders of Shares

### (a) *Hong Kong*

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate of which is 0.2 per cent. of the consideration or, if higher, the fair value of the Shares being sold or transferred.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The Shares are Hong Kong property for the purpose of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) and, accordingly, Hong Kong estate duty may be payable in respect thereof on the death of an owner of Shares.

(b) *Bermuda*

Under present Bermuda law, transfers and other dispositions of Shares are exempt from Bermuda stamp duty.

(c) *Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of the Company, the Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

#### **10. Adoption of Chinese name for the Company**

The Directors have been advised that, under Bermuda law, a company may have only one name and that a Chinese name such as that adopted by the Company is not registrable in Bermuda as the official and registered name of the Company as Chinese characters are not part of the official language of Bermuda. However, the use of a Chinese name by the Company for purposes of identification purposes does not contravene the provisions of Bermuda law.

#### **11. Miscellaneous**

- (a) Save as disclosed in this prospectus:
- (i) within the two years preceding the date of this prospectus:
    - (aa) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash; and
    - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries.
  - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) The Directors confirm that save as disclosed in this prospectus, there has not been any material adverse change in the financial or trading position or prospects of the Group since 31 October 2001 (being the date to which the latest audited combined financial statements of the Group were made up).

- (c) Save as disclosed in this prospectus, neither the Company nor any of its subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (d) Save as disclosed in this prospectus, none of the persons named in the paragraph headed “Consents of experts” is interested beneficially or non-beneficially in any shares in any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any share in any member of the Group.
- (e) All necessary arrangements have been made to ensure the Shares to be admitted into CCASS for clearing and settlement.

## 12. Particulars of the vendor to the Offer for Sale

Particulars of the vendor to the Offer for Sale are as follows:

Name	Description	Registered office	Number of Sale Shares
RGS Holdings	Corporation	TrustNet Chambers P.O. Box 3444 Road Town Tortola British Virgin Islands	31,200,000

RGS Holdings is a company incorporated in BVI with limited liability and is a wholly-owned subsidiary of Roly International. Mr. WANG Lu Yen, a Director and the chairman of the Board, his spouse, Mrs. WANG LIAW Bin Bin and Megastar Holdings Limited, a company controlled by Mr. WANG Lu Yen, hold approximately 36.0 per cent. of the issued share capital of Roly International. Mr. WANG Lu Yen, Mrs. WANG LIAW Bin Bin and Mr. LIN Jui Hsien, Jacob are directors of RGS Holdings.

Save as disclosed in this prospectus, none of the Directors is interested in the Offer for Sale.



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**APPENDIX VI                      DOCUMENTS DELIVERED TO THE REGISTRARS OF  
COMPANIES AND AVAILABLE FOR INSPECTION**

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**DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **PINK** application forms, the written consents referred to in the paragraph headed “Consents of experts” under the section headed “Other information” in Appendix V to this prospectus, the statement of adjustments prepared by Deloitte Touche Tohmatsu in arriving at the figures set out in their accountants’ report, copies of the material contracts referred to in the paragraph headed “Material contracts” under the section headed “Further information about the business” in Appendix V to this prospectus and a statement as to the name, description and address of RGS Holdings. The copy of this prospectus filed with the Registrar of Companies in Bermuda had attached to it copies of the **WHITE**, **YELLOW** and **PINK** application forms.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Chao and Chung at 26th Floor, Asia Pacific Finance Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong, during normal business hours up to and including 13 May 2002:

- (a) the memorandum of association and Bye-laws of the Company;
- (b) the accountants’ report, the text of which is set forth in Appendix I to this prospectus, and the related statement of adjustments;
- (c) such audited financial statements as have been prepared for the companies comprising the Group for each of the three financial years ended 30 April 2001 and the six months ended 31 October 2001;
- (d) the letters relating to the profit forecast, the texts of which are set forth in Appendix II to this prospectus;
- (e) the letter, summary of valuations and valuation certificate relating to the property interests of the Group prepared by DTZ Debenham Tie Leung Limited, the texts of which are set forth in Appendix III to this prospectus;
- (f) the Companies Act;
- (g) the letter prepared by Conyers Dill & Pearman summarising certain aspects of Bermuda company law as referred to in the paragraph headed “General” in Appendix IV to this prospectus;
- (h) the material contracts referred to in the paragraph headed “Material contracts” under the section headed “Further information about the business” in Appendix V to this prospectus;
- (i) the service contracts referred to in the paragraph headed “Particulars of service agreements” under the section headed “Further information about Substantial Shareholders, Directors, management, staff and experts” in Appendix V to this prospectus;
- (j) the rules of the Share Option Scheme; and
- (k) the written consents referred to in the paragraph headed “Consents of experts” under the section headed “Other information” in Appendix V to this prospectus.