DESCRIPTION OF BUSINESS

The Group is principally engaged in the sourcing, manufacture and sale of garments, principally woven wear, knitwear and sweaters for men, to countries in South America, which include mainly Chile and Peru. A wide variety of garment products are sold by the Group, including jogging pants, woven jackets, woven pants, sports wear, sweat shirts and T-shirts. The Group is also engaged in the trading of a variety of premium items including baby items, party items and leather belts to countries in South America (such as Chile, Argentina, Brazil, Paraguay, Peru, Columbia and Ecuador) and Canada.

The following tables show the breakdown of the Group's turnover by products and by geographical areas for each of the three years ended 31st March, 2002:

	Year ended 31st March,					
	2000		**2001**		**2002**	
	$'000	*%*	*$'000*	*%*	*$'000*	*%*
Turnover by products:						
Woven wear	65,005	57	79,200	56	73,628	58
Knitwear	29,233	25	40,872	29	30,246	24
Sweaters	11,982	10	7,041	5	9,612	8
Premium items	9,108	8	14,914	10	13,252	10
Turnover	115,328	100	142,027	100	126,738	100

	Year ended 31st March,					
	2000		**2001**		**2002**	
	$'000	*%*	*$'000*	*%*	*$'000*	*%*
Turnover by geographical areas:						
Chile	104,708	90.8	122,293	86.2	107,409	84.7
Peru	4,634	4.0	10,842	7.6	12,698	10.0
Canada	2,485	2.2	5,149	3.6	3,065	2.4
Argentina	2,799	2.4	3,743	2.6	1,542	1.2
Others *(Note)*	702	0.6	–	0.0	2,024	1.7
Turnover	115,328	100.0	142,027	100.0	126,738	100.0

Note: Others include Brazil, Paraguay, Columbia and Ecuador

For the two years ended 31st March, 2001, all of the Group's turnover and results were derived from its trading business. For the year ended 31st March, 2002, the Group recorded a turnover of approximately $126 million from its trading business whilst turnover of approximately $699,000 and net losses of approximately $555,000 were derived from sale of knitwear manufactured by the Group.

In view of the low manufacturing costs in the northern part of the PRC and the strong demand of garment products in the South American market, the Group established Rontex (Ningbo), a wholly foreign owned enterprise, in August 2000 to engage in the manufacture and sale of knitwear. Its production facilities are located in Ningbo, Zhejiang province, the PRC. All of the garment products sold by the Group had been sourced from garment vendors before the commencement of the manufacturing process by Rontex (Ningbo) in December 2001. Other than Rontex (Ningbo), the Group has made investments in two other manufacturing entities in the PRC, namely Rontex (Jiayun) and Rontex (Beijing), in 1999 and 2000 respectively in order to gain initial manufacturing experience and to secure stable supply of garments. As the target market of Rontex (Beijing) is Japan, the Directors believe that the Group's relationship with this manufacturing entity provides opportunities for the Group to develop this market. A summary of the Group's investments in these two manufacturing entities are as follows:

Name	Date of establishment	Location of production facilities	Principal type of garment manufactured	Principal market	Equity interests held by the Group
Rontex (Jiayun) *(Note)*	July 1999	Ningbo, Zhejiang province, the PRC	Woven wear including men's shirts	Japan	45%
Rontex (Beijing)	September 2000	Beijing, the PRC	Woven wear including men's suit	Japan	40%

Note: Rontex (Jiayun) is a sino-foreign equity joint venture company established in the PRC on 14th July, 1999 owned as to 45% by the Group through Take Luck and 55% by 奉化市佳雲製衣廠 (Fungfa City Jiayun Garment Factory), a domestic enterprise owned by an Independent PRC citizen, with a total registered capital of US$100,000. It is engaged in the manufacture and sale of men's wear. For the year ended 31st December, 2001, Rontex (Jiayun) recorded a turnover and net profit after tax of approximately RMB17,316,000 (equivalent to approximately $16,183,000) and RMB1,474,000 (equivalent to approximately $1,378,000) respectively. The Group considered this investment as a means to gain initial manufacturing experience and the Directors have confirmed that the Group has never participated in the daily operations, policy making processes or attended any of the board of directors' meetings of Rontex (Jiayun) during the Track Record Period. As a result, the Directors have concluded that the Group has not exercised significant influence in Rontex (Jiayun) during the Track Record Period. The Directors have also concluded that the investment in Rontex (Jiayun) should be treated as investment securities and should not be treated as an associate (as defined in the Listing Rules) of the Group during the Track Record Period. The Directors have confirmed that there was no net profit (or loss) attributable (or incurred) to the shareholders of Rontex (Jiayun) that had been recorded/included in the financial statements of the Group during the Track Record Period. However, the Group recorded dividend income of approximately $335,000, $774,000 and $620,000 as declared and paid by Rontex (Jiayun) to the Group for the three years ended 31st March, 2002 respectively.

The principal markets in South America for the Group's export of garments are Chile and Peru. For the year ended 31st March, 2002, the Group's export of garments to Chile and Peru amounted to approximately $100.1 million and $12.7 million respectively, representing approximately 88% and 11% of the Group's turnover derived from the sale of garments. On the other hand, the total import of knitted and woven clothing from the PRC to Chile and Peru in 2001 amounted to US$221 million (equivalent to approximately $1.7 billion) and US$14 million (equivalent to approximately $109 million) respectively. Accordingly, the Directors believe that the Group is one of the largest exporters of PRC-manufactured garments to these two countries.

HISTORY AND DEVELOPMENT

The Group's business was established by Mr. Cheung, the chairman of the Company, in 1987 when he set up a sole proprietor business, namely Ronco Trading Co. ("RTC") which was principally engaged in the trading of toys and other premium products in an office unit in Sheung Wan, Hong Kong. In July 1992, he set up Take Luck to acquire an office unit in Central, Hong Kong. This office unit remains the Group's principal place of business up to the Latest Practicable

Date. In December 1994, RTC commenced to engage in the trading of garment products for the South American markets including Chile. Ronco Trading, which was incorporated in August 1994, took over the business of the trading of premium products from RTC in December 1994 and Take Luck took over the business of trading of garment products from RTC in August 1996.

By August 1998, with the incorporation of Ever Gold, which performs marketing functions for the Group, and the engagement of an Independent Chilean marketing consultant, the Group had successfully built up a solid base of customers in South America including major department stores and shopping centres such as Ripley, La Polar, Johnson's and Corona throughout Chile.

In July 1999, in order to gain initial manufacturing experience in garment products, the Group, together with 奉化市佳雲製衣廠 (Fungfa City Jiayun Garment Factory), a domestic enterprise owned by an Independent PRC citizen, established Rontex (Jiayun). Rontex (Jiayun) is an equity joint venture company established in the PRC owned as to 45% by Take Luck and 55% by 奉化市佳雲製衣廠 (Fungfa City Jiayun Garment Factory). It commenced the manufacture and sales of men's shirts for export to Japan in August 1999.

In March 2000, Mr. Cheung and Mrs. Cheung set up Rontex (H.K.). In April 2001, Rontex (H.K.) took over the business of the trading of garment products from Take Luck and Take Luck became principally engaged in property holding. In view of the low production costs in the northern part of the PRC and the strong demand of garment products in the South American market, the Group established Rontex (Ningbo) in August 2000 and began to construct its own production facilities of knitwear for export to the South American countries. Rontex (Ningbo) commenced the manufacturing of knitwear in December 2001.

In September 2000, the Group also invested in 55% equity interest of Rontex (Beijing), an equity joint venture company established in the PRC to engage in the manufacture and sale of men's suits for the Japanese market. Rontex (Beijing) was then owned as to 45% by a Chinese joint venture partner, namely 北京貴順合服裝有限公司 (Beijing Gui Shun He Garment Co., Ltd.), a domestic enterprise owned by three Independent PRC citizens. In September 2001, Rontex (Beijing) commenced its manufacture and sale operations. In March 2002, the Group's equity interest in Rontex (Beijing) was diluted to 40% as a result of the increase in its total registered capital as injected by the Chinese joint venture partner and a new Japanese investor, 日本KB環球株式會社 (KB International Limited of Japan), an Independent customer of Rontex (Beijing), to the equity joint venture. After such increase in the total registered capital of Rontex (Beijing), the equity interest of 北京貴順合服裝有限公司 (Beijing Gui Shun He Garment Co., Ltd.) in Rontex (Beijing) has increased to 51% whilst that of 日本KB環球株式會社 (KB International Limited of Japan) is 9%. The Directors are of the opinion that the introduction of that Japanese investor, who was also one of the customers of Rontex (Beijing) for the year ended 31st March, 2002, may help Rontex (Beijing) explore its business opportunities in Japan.

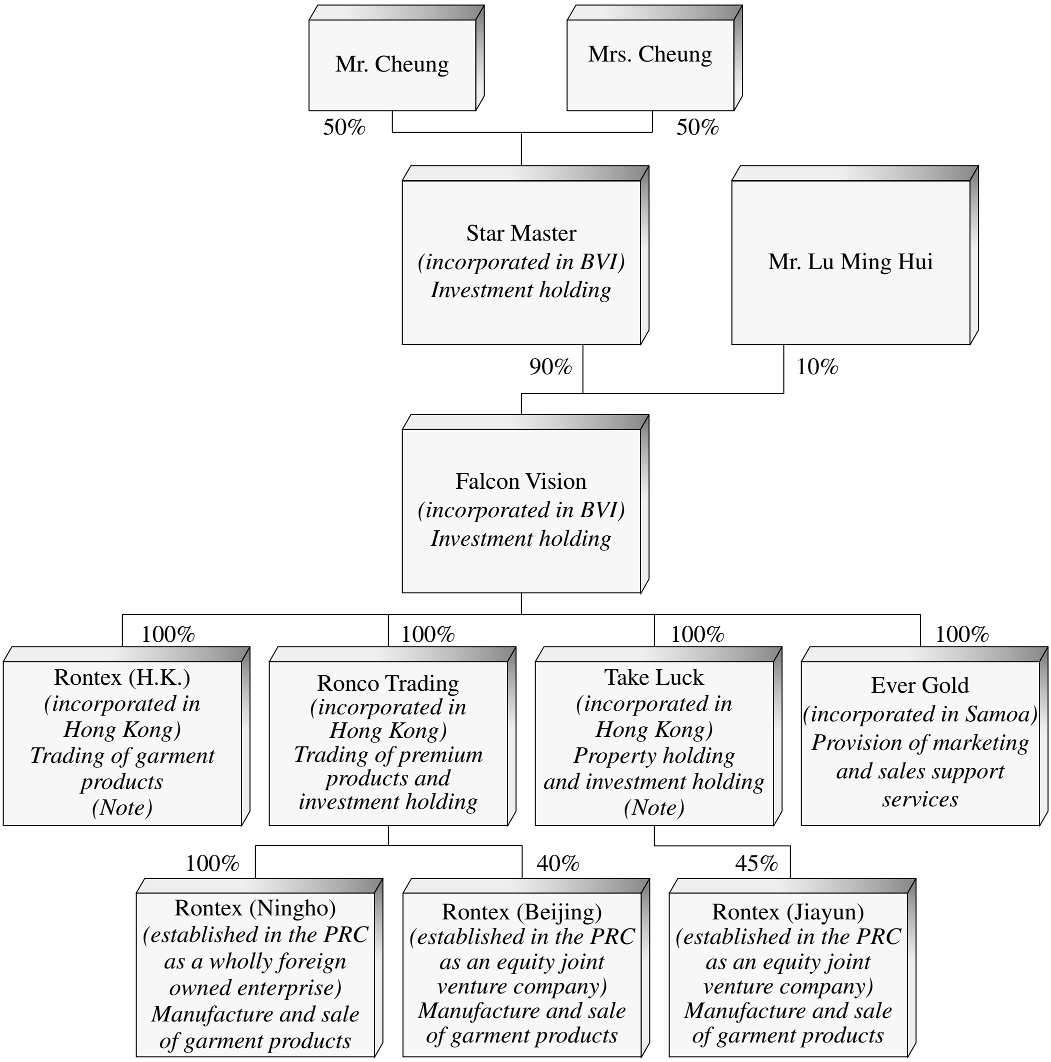
On 24th May, 2002, Falcon Vision acquired 100,000 shares of $1.00 each in the share capital of Rontex (H.K.), 1,000,000 shares of $1.00 each in the share capital of Ronco Trading, 10,000 shares of $1.00 each in the share capital of Take Luck and 1,000 shares of US$1.00 each in the share capital of Ever Gold from Mr. Cheung and Mrs. Cheung, in consideration of which 500 shares and 500 shares of US$1.00 each in the share capital of Falcon Vision were issued and allotted to Mr. Cheung and Mrs. Cheung respectively, representing 50% each of its then total issued shares. On the same day, Mr. Cheung and Mrs. Cheung transferred the 1,000 shares of US$1.00 each held by them in the share capital of Falcon Vision, representing 100% of its then total issued shares, to Star Master in consideration of the allotment and issue of 500 shares and 500 shares of US$1.00 each in the share capital of Star Master, credited as fully paid at par, to Mr.

Cheung and Mrs. Cheung respectively. As a result, Star Master became the ultimate holding company of the Group. On 31st August, 2002, Star Master sold 10% of the then issued share capital of Falcon Vision to Mr. Lu Ming Hui ("Mr. Lu"), who is an Independent investor, for an aggregate cash consideration of $16.4 million. The consideration was determined with reference to the expected market capitalisation of the Company of $164 million and $200 million and the attributable percentage of 10% and 8.2% equity interest in the Company on a fully diluted basis prior to and immediately upon the listing of the Shares on the Stock Exchange respectively. The consideration for the aforesaid disposal represents no discount and is equal to the Offer Price. The Directors have confirmed that Mr. Lu is an Independent Taiwanese investor who has a company in Taiwan which is principally engaged in industrial and commercial building engineering consultancy. Prior to this private placement exercise, the Group has not had any business relationship with Mr. Lu. By this private placement exercise, the Directors expect that Mr. Lu will contribute his expertise to the future setting up of the Group's production facilities, as the Group plans to gradually increase its investment in the manufacture of garment products by setting up new production plants in the PRC in the long-term. Mr. Lu has undertaken to the Company, CSC and First Asia (in their capacity as Sponsors) and the Underwriters that, within a period of six months from the date on which dealings in the Shares commence on the Stock Exchange, he shall not dispose of any Shares held by him immediately after the completion of the Offer and the Capitalisation Issue.

On 19th October, 2002, the Group underwent a corporate reorganisation in preparation for the listing of the Shares on the Stock Exchange and the Company became the holding company of the Group. Details of the corporate reorganisation are set out in the paragraph headed "Group reorganisation" in Appendix 5 to this prospectus.

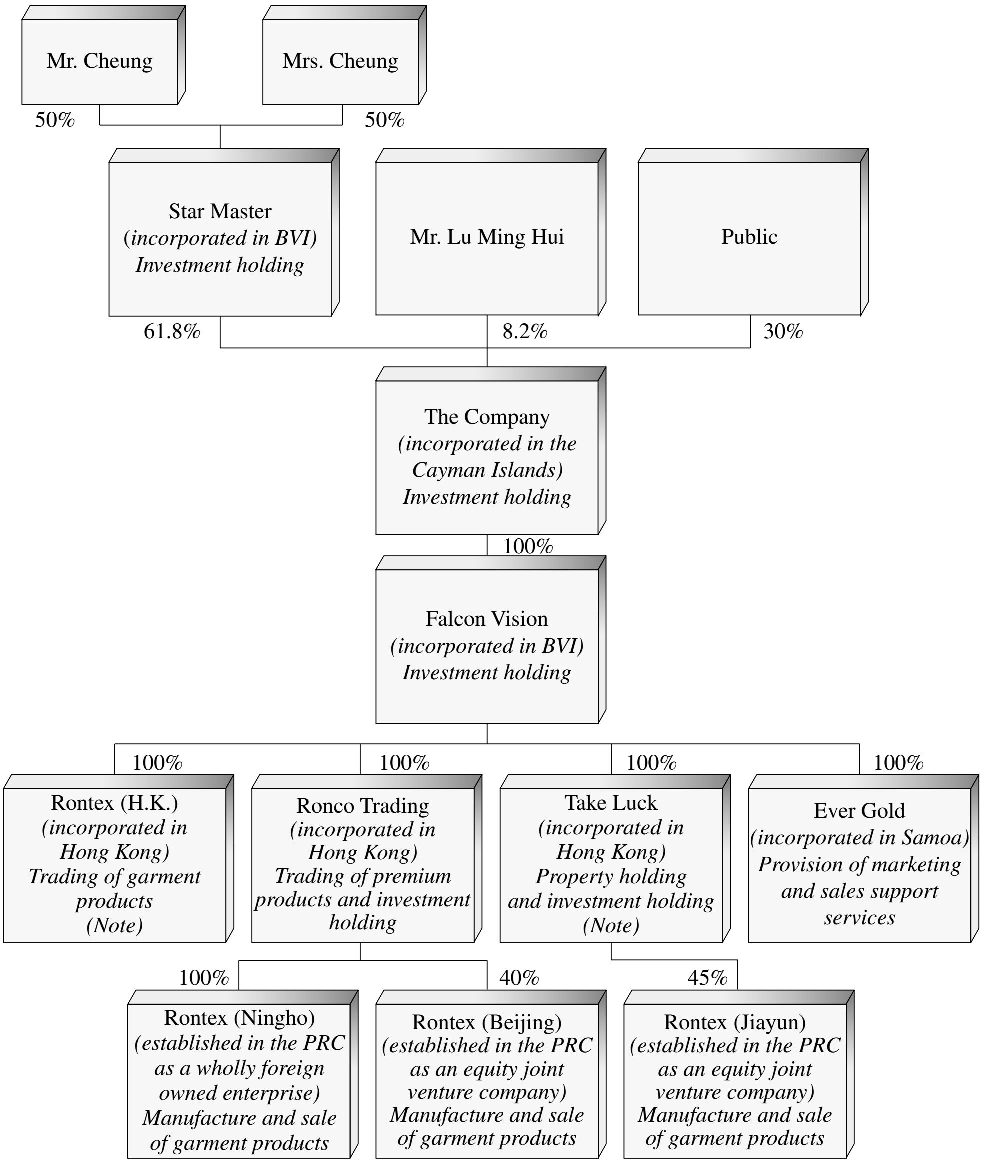
GROUP STRUCTURE

The corporate structure and business activities of members of the Group, including its associate and investment in Rontex (Jiayun), prior to the listing of the Shares on the Stock Exchange are set out below:



Note: Rontex (H.K.) commenced its trading of garment products operations by taking over the garment trading business of Take Luck on 1st April, 2001 and Take Luck became an investment holding and property holding company since then.

The corporate structure and business activities of members of the Group, including its associate and investment in Rontex (Jiayun), immediately upon listing of the Shares on the Stock Exchange are set out below:



Note: Rontex (H.K.) commenced its trading of garment products operations by taking over the garment trading business of Take Luck on 1st April, 2001 and Take Luck became an investment holding and property holding company since then.

SOURCING, MANUFACTURE AND SALE OF GARMENTS

The Group commenced to engage in the sourcing and sale of garments, principally woven wear, knitwear and sweaters for men, to the South American markets including Chile and Peru in December 1994. It commenced the manufacture of garments in December 2001. Currently, the garment products sold by the Group are sourced from the Group's suppliers or manufactured by the Group's own production facilities in accordance with the specifications and designs provided by the Group's customers for sale under the customers' own brand names. All the Group's turnover from sale of garments during the Track Record Period was derived from garments supplied by its suppliers except that approximately 1% of the Group's turnover from sale of garments for the year ended 31st March, 2002 was derived from those manufactured by the Group.

The following table shows a breakdown of the Group's total turnover in sale of garments for each of the three years ended 31st March, 2002:

	Year ended 31st March,					
	2000		2001		2002	
	$'000	*%*	*$'000*	*%*	*$'000*	*%*
Turnover by product:						
Woven wear	65,005	61	79,200	62	73,628	65
Knitwear	29,233	28	40,872	32	30,246	27
Sweaters	11,982	11	7,041	6	9,612	8
Turnover	106,220	100	127,113	100	113,486	100

(I) SOURCING OF GARMENTS

As at 31st March, 2002, the Group engaged 21 Independent suppliers in the PRC and Hong Kong for the supply of garments, most of them are garment factories located in the Yangtze River delta region of the PRC, such as Shanghai, Nanjing, Ningbo, and the northern part of the PRC such as Beijing, due to their competitive prices offered to the Group. The Group has established business relationships with these 21 Independent suppliers for a period ranging from two to eight years. For each of the three years ended 31st March, 2002, the five largest suppliers of garments of the Group, all of which being Independent third parties, together accounted for approximately 66.5%, 73.1% and 67.2% of the Group's total cost of purchase of garments respectively. In addition, the largest supplier of garments of the Group accounted for approximately 22.1%, 31.3% and 25.7% of the Group's total cost of purchase of garments respectively. To avoid over-reliance on these suppliers, the Group has not entered into any long-term contracts or processing agreements with these suppliers. The suppliers are also not required to manufacture exclusively for the Group. Notwithstanding the absence of any long-term contracts or processing agreements between the Group and the Independent suppliers, the Directors are not aware of any factor which may lead to the deterioration of such business relationship in future, as the Directors believe that the Group is one of the major exporters of PRC–manufactured garments to Chile and Peru with established market share and goodwill on prompt payments made to its suppliers and reasonable credit terms requested to be granted by the suppliers. Other than sourcing from the Independent suppliers, the Group has also commenced to source garments from its related manufacturing entity, Rontex (Beijing). During the year ended 31st March, 2002, the Group's purchases of garments from Rontex (Beijing) amounted to approximately $0.4 million. The Directors have confirmed that the Group has not purchased any garment products from Rontex (Jiayun) during the Track Record Period.

(II) MANUFACTURE OF GARMENTS

Other than sourcing from the Group's suppliers, the Group is also engaged in the manufacture of garments through Rontex (Ningbo), which was established in August 2000.

(a) Production facilities

The production facilities are located in the Ningbo city of the Zhejiang province and occupy approximately 6,600 sq.m. of land. The production plant comprises two blocks of three-storey buildings and occupies approximately 5,200 sq.m. of gross floor area. It employs more than 180 workers.

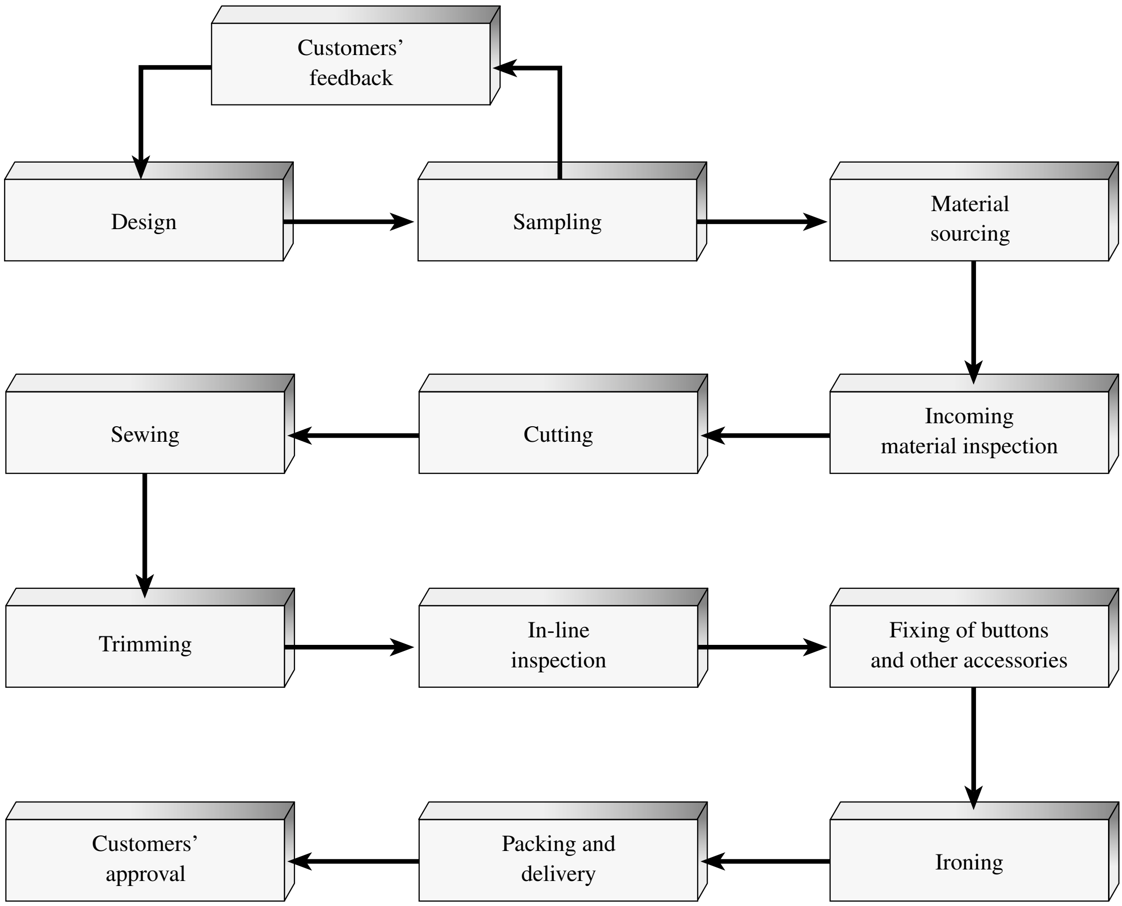
The manufacture of knitwear first commenced in December 2001. The production capacity and the production volume of Rontex (Ningbo) for the three months ended 31st March, 2002 is tabulated as follows:

	Three months ended 31st March, 2002	
	Capacity *(dozen units)*	**Volume** *(dozen units)*
Knitwear	30,000	6,200

(b) Manufacturing process

The Directors believe that the manufacture of knitwear is labour intensive and requires well-defined management and operating procedures to maintain efficiency and quality of manufacturing. The procedures involved in the manufacture of knitwear vary depending on the types and designs of the knitwear concerned, but generally involve cutting, sewing, trimming and ironing.

The following production flow chart generally illustrates the principal stages involved in the manufacture of knitwear:



(c) Purchase of raw materials

Presently, the Group procures raw materials for the manufacture of garments from 9 Independent suppliers, all of whom are located in the PRC. To obtain competitive pricing from the suppliers and to avoid over-reliance on any single source of supply of raw materials, the Group will try to procure the principal raw materials and accessories required for its manufacture of garment from more than one supplier. For the year ended 31st March, 2002, the Group's largest supplier of raw materials accounted for approximately 36% of the Group's total purchases of raw materials while the five largest suppliers accounted in aggregate for approximately 92% of the Group's total purchases of raw materials.

Since the manufacture of knitwear at Rontex (Ningbo) only commenced in December 2001, the Group has established rather short business relationships with these suppliers. To avoid over-reliance on these suppliers, the Group has not entered into any long-term contracts with these suppliers. The suppliers are also not required to manufacture exclusively for the Group. Notwithstanding the absence of any long-term contracts between the Group and the Independent suppliers, the Directors are not aware of any factor that may lead to the deterioration of such business relationship in future. It is because the Directors believe that there are abundant garment raw materials suppliers in the region and the required raw materials and accessories are readily available in the market. In addition, the Directors believe that the Group can easily locate alternate suppliers because the Group is one of the major exporters of PRC-manufactured garments to Chile and Peru with established market share and goodwill on prompt payments to its suppliers and reasonable credit terms.

TRADING OF PREMIUM PRODUCTS

The Group began to engage in the trading of toys and other premium products in 1987. Currently, the Group continues to engage in the trading of a variety of premium products including baby items, party items and leather belts, although the principal business activities of the Group have expanded to include the trading of garments since 1994 to meet the then demand from South American buyers, and the manufacture of garments subsequent to the establishment of Rontex (Ningbo) in August 2000.

As at 31st March, 2002, the Group engaged 63 Independent vendors in Hong Kong and the PRC for the procurement of the premium products. The Group has established business relationships with these 63 vendors for a period ranging from 1 to 7 years. For each of the three years ended 31st March, 2002, the five largest suppliers of premium products of the Group, all of which being Independent third parties, together accounted for approximately 46%, 42% and 49% of the Group's total purchases of premium products respectively. In addition, the largest supplier of premium products of the Group accounted for approximately 22%, 14% and 15% of the Group's total purchases of premium products respectively. To take advantage of different vendors' expertise in the production of different premium products, the Group engages these suppliers only on an order-to-order basis. No long-term contracts have been entered into with any of these 63 vendors. The vendors are also not required to manufacture exclusively for the Group. Notwithstanding the absence of any long-term contracts made between the Group and the vendors, the Directors are not aware of any factor that may lead to the deterioration of such business relationships in future.

PURCHASES AND SUPPLIES

The Group's purchases comprise purchase of garments and raw materials for the manufacture of garments and premium products, details of the purchases in relation to each of them are set out in the paragraph headed "Sourcing, manufacture and sale of garments" above. The Group's purchases are made in US dollars, RMB and Hong Kong dollars. During the Track Record Period, purchases of garments and premium products were made on an indent basis and by at sight letters of credit or on open account credit averaging 30 days, while purchases of raw materials for the Group's manufacture of garments were on cash on delivery basis. As a result, the creditors' turnover days of the Group during the Track Record Period were only 12 days, 11 days and 11 days respectively. The following tables show the settlement method and the geographical breakdown of the purchases of the Group for each of the three years ended 31st March, 2002:

	Year ended 31st March,					
	2000		**2001**		**2002**	
	$'000	*%*	*$'000*	*%*	*$'000*	*%*
Letters of credit	68,300	92.6	86,193	91.4	77,756	92.5
Open account credit	5,490	7.4	8,143	8.6	5,608	6.7
Cash on delivery	–	–	–	–	712	0.8
Total purchases	73,790	100.0	94,336	100.0	84,076	100.0

	Year ended 31st March,					
	2000		2001		2002	
	$'000	*%*	*$'000*	*%*	*$'000*	*%*
PRC	45,091	61	71,182	76	60,685	72
Hong Kong	28,699	39	23,154	24	23,391	28
Total purchases	73,790	100	94,336	100	84,076	100

As at the Latest Practicable Date, the Group's merchandising and sourcing department consisted of 5 and 1 full-time staff in connection with its garment products division and premium products division respectively, both of which are headed by Mr. Cheung, chairman of the Group.

As at the Latest Practicable Date, the Group had 21, 9 and 63 suppliers of garments, raw materials for garments and premium products respectively. The Group has also engaged Rontex (Beijing) for the supply of garment products.

For the year ended 31st March, 2002, the Group's largest supplier and the top five suppliers accounted for approximately 22.8% and 59.6% of the Group's total cost of purchase respectively. The Group has never experienced any significant difficulties in the sourcing of materials, accessories or finished products and the Directors do not anticipate any material difficulties in this respect in the foreseeable future. The Directors also do not expect any difficulty in replacing any of its suppliers in case they have difficulties in handling the Group's orders as the Directors believe that all the principal raw materials/products required by the Group can be purchased from a number of alternative suppliers. To the best knowledge of the Directors, none of the Directors or any shareholders of the Company owning more than 5% of the issued share capital of the Company (immediately following the completion of the Offer and the Capitalisation Issue and taking no account of the Shares which may be taken up under the Offer) or their respective associates (as defined in the Listing Rules) has any interest in any of the Group's five largest suppliers.

Since the Group's purchases of garments and premium products are made on an indent basis, it does not keep any material stock of such products. For the manufacture of garments, the Group maintains an up-to-date manual perpetual inventory record for detailed inventory quantities and movements. Furthermore, there exists adequate segregation of duties in the Group's manufacturing operations which forbids warehouse keepers from access to the accounting records with periodic inventory counts performed by separate personnel, thus enabling the Group to closely monitor its inventory quantities and movements. Accordingly, the Directors believe that the Group has established a sound and reliable internal control system for its manufacturing operations to ensure that inventory records are properly and accurately kept to reflect the actual movements of inventories. During the Track Record Period, the Group did not make any provision for obsolete, excessive and damaged stocks. The stock turnover days of the Group during the Track Record Period were less than two days.

CUSTOMERS

The Group has a solid customer base for the sale of garments including major department stores such as Ripley, La Polar, Johnson's and Corona throughout Chile. Most of the Group's garments are exported to Chile and Peru, which accounted for approximately 88% and 11% of the turnover of the Group derived from the sale of garment products for the year ended 31st March, 2002 respectively.

For the sale of premium products, the Group has a customer base including traders in Chile and Canada. Presently, the principal customers of the Group for its premium products are Argos and Funkins. The Group has established more than 15 years' business relationship with Argos, which is a trader of party items and baby items in Chile. Funkins of Canada is a trader of premium items, promotional and gift items, which has more than five years' business relationship with the Group. Most of the Group's premium products were exported to Chile and Canada, which aggregately accounted for approximately 78% of the total turnover in the trading of premium products of the Group for the year ended 31st March, 2002.

For each of the three years ended 31st March, 2002, the top five customers of the Group together accounted for approximately 72%, 60% and 62% of the Group's turnover and the largest customer group accounted for approximately 28%, 23% and 19% of the Group's turnover respectively. As at the Latest Practicable Date, the Group maintained 8 and 5 active customers for its garment and premium products respectively. To the best knowledge of the Directors, none of the Directors or shareholders of the Company who own more than 5% of the issued share capital of the Company (immediately following the completion of the Offer and the Capitalisation Issue and taking no account of the Shares which may be taken up by the Offer) or any of their respective associates (as defined in the Listing Rules) has any interest in any of the top five customers of the Group.

The Group normally has two months' confirmed orders on hand.

SALES AND MARKETING

Chile and Peru are the major markets for the Group's woven wear, knitwear, sweaters and premium products. The Group's turnover for each of the three years ended 31st March, 2002 by geographical distribution is analysed as follows:

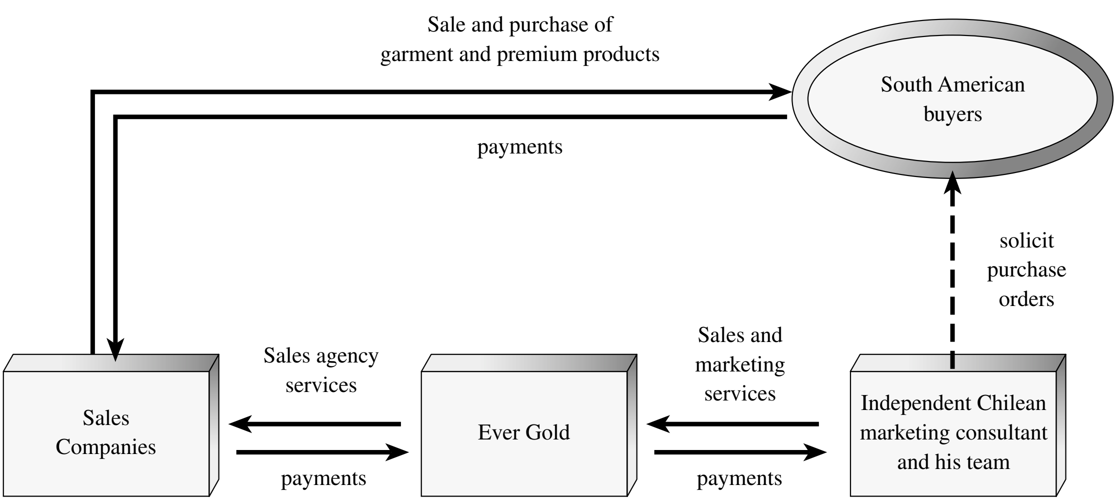
	Year ended 31st March,					
	2000		**2001**		**2002**	
	$'000	*%*	*$'000*	*%*	*$'000*	*%*
Chile	104,708	90.8	122,293	86.2	107,409	84.7
Peru	4,634	4.0	10,842	7.6	12,698	10.0
Canada	2,485	2.2	5,149	3.6	3,065	2.4
Argentina	2,799	2.4	3,743	2.6	1,542	1.2
Others *(Note)*	702	0.6	–	0.0	2,024	1.7
	115,328	100.0	142,027	100.0	126,738	100.0

Note: Others include Brazil, Paraguay, Columbia and Ecuador

As at the Latest Practicable Date, the sales and marketing functions of the Group were carried out by the Group's newly formed marketing team comprising 2 managers employed in July and August 2002 respectively who are responsible for the Japanese and European markets (being the new target markets of the Group), headed by Mr. Cheung, the chairman of the Company. On the other hand, the sales and marketing work for the South American markets is provided by Ever Gold principally through the engagement of an Independent Chilean marketing consultant. As Chile and Peru have been the Group's major markets, the Group further established Ever Gold, an indirect wholly-owned subsidiary, performing as a functional centre to evaluate the performance of its sales and marketing functions with respect to the South American markets.

By entering into sales agency agreements with Rontex (H.K.) (prior to 1st April, 2001, Take Luck) and Ronco Trading (the "Sales Companies"), Ever Gold could receive sales agency fee income from the Sales Companies with an unconditional guarantee that the Sales Companies, after deducting such sales agency fee expenses, would earn gross profit margins of 15% and 23% for the garment products and premium products respectively purchased by the South American buyers as solicited by Ever Gold. To actually solicit purchase orders from buyers in such South American countries, Ever Gold engages an Independent Chilean-based marketing consultant.

The Independent Chilean marketing consultant is required by Ever Gold to employ a team of marketing professionals and actively travel in the region to visit and entertain the existing and potential buyers and to solicit purchase orders with pre-determined range of prices for each of the garment or premium products sourced by the Group. The Independent Chilean marketing consultant will also visit the Group's Hong Kong office regularly together with the South American buyers to place purchase orders, discuss the latest trends and customers' preferences with Mr. Cheung, the chairman of the Company. The Directors consider that the current arrangement is in the best interests of the Group as the Independent Chilean marketing consultant is well-versed with the local Spanish-speaking culture and business environment and is well motivated under the present commission system calculated at a certain percentage of the invoiced value of goods sold by the Sales Companies to the South American buyers. In addition, the Directors believe that by evaluating the profit or loss of Ever Gold, the sales and marketing functions of the Group with respect to the principal markets and the price negotiation efforts of the Independent Chilean marketing consultant can be easily measured. The following diagram illustrates the principal activities of the Sales Companies and Ever Gold and their inter-relationships with the Independent Chilean marketing consultant and the South American buyers:



In order to keep up with the latest trends of woven wear, knitwear, sweaters and premium products in terms of colours, materials, styles and touches, the Group's newly formed marketing team comprising 2 managers headed by Mr. Cheung, the chairman of the Company and the team headed by the Independent Chilean marketing consultant also obtain information on trend through magazines and catalogues and attending exhibitions and trade fairs. Further details of the Group's arrangements with the Independent Chilean marketing consultant are set out in the paragraph headed "Taxation" under the section headed "Financial information" of this prospectus.

For the year ended 31st March, 2002, more than 90% of the Group's sales were covered by at sight letters of credit with the remaining portion of sales being made on open account basis with average credit terms of 30 days. All of the Group's sales are in US dollars. As at 31st March, 2002, there were trade receivables of approximately $550,000 aged more than 6 months. The trade receivables were attributable to an Argentina premium product customer, as there was financial crisis in Argentina for the year then ended and the Argentina government implemented a foreign currency restriction policy that curbed the outflow of US dollars from Argentina. Nevertheless, the Directors confirmed that the trade receivable balance with the Argentina premium product customer had subsequently been settled. Accordingly, no provision for bad debt was considered necessary. In fact, the Group did not experience any bad debts for each of the three years ended 31st March, 2002. Although the Group usually receives at sight letters of credit from its customers principally in the South American countries, there is a time lag of more than 4 weeks in collecting the sales proceeds from such letters of credit opening banks in the South American countries due to additional US dollars clearing procedures required through certain US intermediate banks. Accordingly, it is the Group's policy to discount all export bills to its banks to shorten the collection cycle and to ensure that its suppliers are paid promptly in order to maintain good working relationships with its suppliers. As a result, the Group's debtors' turnover days during the Track Record Period were only 13 days, 14 days and 14 days respectively.

For the year ended 31st March, 2002, there were no sales returns on the total sales of the Group.

QUALITY CONTROL

In order to maintain its competitive edge in the worldwide markets, the Group places emphasis on the quality control of its products. The Directors believe that the quality of the Group's products is one of its success factors.

For the Group's sale of garments and premium products sourced from Independent vendors, the Group would generally forward the customers' designs and specifications of the products to the suppliers, who would thereafter source the required raw materials and accessories for the orders. Sample products will be inspected and approved by the Group's customers before the vendors commence bulk manufacturing. Accordingly, the Group is not required by its customers to perform quality control functions on the products supplied by the suppliers.

The Group had set up a quality control team of 5 staff as at the Latest Practicable Date for its garment manufacturing business in order to ensure that the customers' prescribed quality standards are met. All incoming raw materials and accessories are inspected by the quality control team to ensure that their quality and colour satisfy the requirements prescribed by the Group as well as its customers. Quality checks are conducted at various stages of the manufacturing process to ensure that product specifications are met. All finished products are subject to inspection before they are packed and delivered to customers.

INVESTMENT IN AN ASSOCIATE

Rontex (Beijing) is a sino-foreign equity joint venture company established in the PRC on 27th September, 2000 originally owned as to 55% by the Group through Ronco Trading and 45% by 北京貴順合服裝有限公司 (Beijing Gui Shun He Garment Co., Ltd.), an Independent third party, with a total registered capital of US$444,550. On 6th March, 2002, Rontex (Beijing) increased its total registered capital by US$166,705 to US$611,255 which was contributed by 北京貴順合服裝有限公司 (Beijing Gui Shun He Garment Co., Ltd.) and the new Japanese investor, 日本KB環球株式會社 (KB International Limited of Japan), an Independent third party, as to US$111,692 and US$55,013 respectively for additional working capital purposes. The Group's equity interest in Rontex (Beijing) has since then been diluted to 40% accordingly.

Rontex (Beijing) is located in the Miyun county of Beijing. It occupies 22,400 sq.m. of land. The production plant comprises 16 single to 2-storey buildings with a total gross floor area of approximately 10,400 sq.m.. It currently employs more than 700 workers and is engaged in the manufacturing and sale of woven wear including men's suits for export mainly to Japan. For the year ended 31st December, 2001 of Rontex (Beijing), Rontex (Beijing) recorded a turnover and net profit after tax of approximately RMB3,841,000 (equivalent to approximately $3,590,000) and RMB1,113,000 (equivalent to approximately $1,040,000) respectively in accordance with its PRC statutory audited financial statements prepared under generally accepted accounting principles in the PRC.

Rontex (Beijing) first commenced the manufacture and sale of woven wear in September 2001. The production capacity and the production volume of Rontex (Beijing) for the seven months ended 31st March, 2002 is tabulated as follows:

	Seven months ended 31st March, 2002	
	Capacity	**Volume**
	(dozen units)	*(dozen units)*
Woven wear	41,300	6,390

In accordance with the articles of association of Rontex (Beijing), the Group is entitled to three out of six chairs in the board of directors. Hence, the Directors have confirmed that through the participation of the Group's representatives in the policy making process and in the management of Rontex (Beijing), the Group had exercised significant influence in Rontex (Beijing) during the Track Record Period. The Directors have confirmed that Rontex (Beijing) was recorded as an investment in an associate during the Track Record Period. Despite the fact that the Group had 55% interest in Rontex (Beijing) for the year ended 31st March, 2001, the Directors have confirmed that the Group could only exercise significant influence in Rontex (Beijing) but could not dominate its financial and operating policies as the Group does not have more than 50% control in the board of directors of Rontex (Beijing). Therefore, the Directors and the reporting accountants have confirmed that accounting for Rontex (Beijing) as an associate of the Group would more fairly present the Group's state of affairs during the Track Record Period.

In March 2002, the interest of the Group in Rontex (Beijing) was diluted from 55% to 40%. As a result, the Directors have confirmed that the revaluation surplus arising from an appreciation of land and building of Rontex (Beijing) for the year ended 31st March, 2001 was reversed proportionally to the dilution of interest for the year ended 31st March, 2002 which only resulted in movements in revaluation reserve. Since Rontex (Beijing) only commenced its sales operations in December 2001 and the Group recorded 40% share of profits of Rontex (Beijing) for the year ended 31st March, 2002, apart from the above revaluation surplus, no gain or loss arising from the dilution of interests was recorded in the income statement of the Group for the year then ended.

INVESTMENT IN LISTED EQUITY SECURITIES

For the two years ended 31st March, 2001, the Group had invested approximately $32.2 million and $5.9 million respectively in listed equity securities as advised by certain securities brokers and bankers. Although the transactions were frequent and numerous, the Directors had relied heavily on the advice of those securities brokers and bankers in such investments and did not actively participate in the investment decisions. Accordingly, the Directors do not consider these investments the Group's core activity during the Track Record Period. As such, the losses incurred from such investment activities of approximately $4.7 million for each of the two years ended 31st March, 2001 were recorded and included as other operating expenses in the Group's consolidated income statements for the two years then ended. Nevertheless, such investment activities in listed securities in Hong Kong had ceased after 31st March, 2001 and the whole investment portfolio was disposed of at carrying value in April 2001.

COMPETITION

There are a number of companies involved in the trading of garments in Hong Kong and the PRC. The Directors consider that the Group faces competition from them which mainly compete against the Group in price and quality. The Directors do not consider that there is a significant entry barrier to the industry of trading of garments except for the building up of steady business relationships with customers. The Directors also believe that it is difficult for new entrants to gain in-depth knowledge of and experience in the garment industry, which are essential to understand and meet customers' requirements. In addition, it usually takes considerable time for new entrants to the garment trading industry to establish their own reputation and goodwill.

The Directors do not consider that there is a significant entry barrier to the industry of manufacture of garments. However, the Directors believe that new entrants are required to invest significant resources to the establishment of production facilities.

The Directors do not consider that there is a significant entry barrier to the industry of trading of premium products except for the building up of steady business relationships with customers. In addition, it usually takes considerable time for new entrants to establish their own reputation and goodwill.

PRINCIPAL STRENGTHS

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

1. its more than 8 years' experience in the trading of a broad range of quality garments manufactured in the PRC to countries in South America, where most imports are only subject to minimal or free of controls in terms of import quotas, tariff and documentations;

2. its long established business relationship with its major customers in South America and their loyalty towards the Group;

3. its position as one of the major exporters of PRC-manufactured garments to the South American markets;

4. its low foreign exchange risk as all of the Group's sales are settled in US dollars. The Group also did not experience any bad debts for each of the three years ended 31st March, 2002;

5. its upstream integration of the manufacturing process caused by its investments in a number of manufacturing entities in the PRC will provide a more stable supply of garments to satisfy part of the Group's demand and allow the Group to enjoy the benefit of the diversification of export market to other countries such as Japan through the aforesaid manufacturing entities; and

6. its established relationship with its suppliers of garments and premium products.