

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

Phillips-Van Heusen Corporation

-----  
(Name of Issuer)

Common Stock, par value \$1.00 per share

-----  
(Title of Class of Securities)

718592 10 8

-----  
(CUSIP Number)

David A. Boillot, Esq.  
Coudert Brothers  
1114 Avenue of the Americas  
New York, New York 10036  
Tel: (212) 626-4414

-----  
(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications)

March 22, 1995

-----  
(Date of Event which Requires Filing  
of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box [ ].

Check the following box if a fee is being paid with the statement [X]. (A fee is not required only if the reporting person: (1) has a previous statement on file reporting beneficial ownership of more than five percent of the class of securities described in Item 1; and (2) has filed no amendment subsequent thereto reporting beneficial ownership of five percent or less of such class.) (See Rule 13d-7.)

Note: Six copies of this statement, including all exhibits, should be filed with the Commission. See Rule 13d-1(a) for other parties to whom copies are to be sent.

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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 -----

1 Name of Reporting Person  
 S.S. or I.R.S. Identification No. of Above Person  
 Vaneton International Inc.

2 Check the Appropriate Box If a Member of a Group\*  
 a.    
 b.

3 SEC Use Only

4 Source of Funds\*  
 WC, BK

5 Check Box If Disclosure of Legal Proceedings Is Required Pursuant  
 to Items 2(d) or 2(e)

6 Citizenship or Place of Organization  
 British Virgin Islands

Number of Shares Beneficially Owned By Each Reporting Person With	7	Sole Voting Power
	8	Shared Voting Power
		2,835,794
	9	Sole Dispositive Power
	10	Shared Dispositive Power
		2,835,794

11 Aggregate Amount Beneficially Owned by Each Reporting Person  
 2,835,794

12 Check Box If the Aggregate Amount in Row (11) Excludes Certain Shares\*

13 Percent of Class Represented By Amount in Row (11)  
 10.7%

14 Type of Reporting Person\*  
 CO

\*SEE INSTRUCTIONS BEFORE FILLING OUT!

SCHEDULE 13D

CUSIP NO. 718592 10 8  
 -----

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1 Name of Reporting Person  
 S.S. or I.R.S. Identification No. of Above Person

Dr. Richard Lee

2 Check the Appropriate Box If a Member of a Group\*  
 a.    
 b.

3 SEC Use Only

4 Source of Funds\*

AF

5 Check Box If Disclosure of Legal Proceedings Is Required Pursuant to  
 Items 2(d) or 2(e)

6 Citizenship or Place of Organization

United Kingdom

Number of Shares Beneficially Owned By Each Reporting Person With	7	Sole Voting Power
	8	Shared Voting Power
		2,835,794
	9	Sole Dispositive Power
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11 Aggregate Amount Beneficially Owned by Each Reporting Person

2,835,794

12 Check Box If the Aggregate Amount in Row (11) Excludes Certain Shares\*

13 Percent of Class Represented By Amount in Row (11)

10.7%

14 Type of Reporting Person\*

IN

\*SEE INSTRUCTIONS BEFORE FILLING OUT!

### SCHEDULE 13D

This statement on Schedule 13D is being filed by Vaneton International Inc. and Dr. Richard Lee (sometimes hereinafter referred to as the "Reporting Persons") with respect to the acquisition of shares of the common stock, par value \$1.00 per share (the "Common Stock"), of Phillips-Van Heusen Corporation (the "Issuer"), a Delaware corporation.

#### ITEM 1. SECURITY AND ISSUER

This statement relates to shares of Common Stock of the Issuer. The principal executive offices of the Issuer are located at 1290 Avenue of the Americas, New York, New York 10104.

#### ITEM 2. IDENTITY AND BACKGROUND

(a), (b), (c) and (f). The names of the persons filing this statement are Vaneton International Inc., a company incorporated under the laws of the British Virgin Islands ("Vaneton"), and Dr. Richard Lee, a citizen of the United Kingdom. Pursuant to Rule 13(d)-1(f) under the Securities Exchange Act of 1934, as amended, Vaneton and Dr. Richard Lee file this statement jointly on behalf of each of them. A copy of their Joint Filing Agreement is attached hereto as Exhibit 1.

The principal business of Vaneton is to hold Common Stock of the Issuer. The address of the principal business office of Vaneton is P.O. Box 3340, Road Town, Tortola, British Virgin Islands. The names, addresses, citizenship and present principal occupations or employments, and the name, principal business, and address of any corporation or other organization in which such employment is conducted, of the executive officers and directors of Vaneton are set forth on Schedule A hereto.

The present principal occupation or employment of Dr. Richard Lee is serving as a Director of TAL Apparel Limited. The address of the principal business office of Dr. Richard Lee is 6/F TAL Building, 49 Austin Road, Kowloon, Hong Kong.

Pursuant to a Stock Purchase Agreement dated February 14, 1995, as amended by the First Amendment Agreement dated March 17, 1995 (said Stock Purchase Agreement, as amended by said First Amendment Agreement, is hereinafter referred to as the "Stock Purchase Agreement") between South China (Jersey) Holdings Limited, a Jersey, Channels Islands Company ("SCJH") and certain shareholders of the Issuer, copies of which are attached hereto as Exhibits 2 and 3, respectively, SCJH agreed to acquire approximately 10.7% of the outstanding shares of Common Stock of the Issuer. Pursuant to an Assignment Agreement dated March 20, 1995 between SCJH and Vaneton (the "Assignment Agreement"), a copy of which is attached hereto as Exhibit 4, SCJH assigned its rights under the Stock Purchase Agreement to Vaneton.

SCJH directly owns 56.2% of the voting stock of Vaneton. SCJH also owns 100% of the voting stock of TAL Apparel Limited, a Hong Kong corporation ("TAL"), which in turn owns 46% of the voting stock of Upper Stream Corporation, a Liberian corporation ("USC"). USC owns 11.4% of the voting stock of Vaneton.

Dr. Richard Lee is the beneficial owner of 55% of the voting stock of Lees Holdings Incorporated, a Panamanian corporation ("LHI"), which owns 8.8% of the voting stock of SCJH and 32.4% of the voting stock of Vaneton. LHI also owns 50% of Lees Investments Corporation, a

Panamanian corporation ("LIC"), which owns 71.3% of the voting stock of SCJH.

USC, TAL, SCJH, LIC and LHI are hereinafter referred to as the "Related Persons."

The address of the principal business office of TAL is 5th Floor, TAL Building, 49 Austin Road, Kowloon, Hong Kong. TAL is principally engaged in the garment manufacturing and exporting business. The address of the principal business office of USC is 80 Broad Street, P.O. Box 292, Monrovia, Liberia. USC is an unregistered mutual fund. The address of the principal business office of SCJH is P.O. Box 621, Le Gallais Chambers, 54 Bath Street, St. Helier, Jersey, JE4 8YD, Channel Islands. The address of the principal business office of both LIC and LHI is the Comosa Building, 8/F, Manuel Maria Icaza & Samuel Lewis Avenue, P.O. Box 55-0324, Panama, Republic of Panama. SCJH, LIC and LHI are all holding companies.

(d) and (e). Neither of the Reporting Persons, none of the executive officers or directors of Vaneton or any of the Related Persons has, during the last five years, (i) been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

### ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION

Pursuant to the Stock Purchase Agreement, on March 22, 1995, Vaneton purchased 2,835,794 shares of Common Stock of the Issuer (the "Shares") from certain shareholders of the Issuer. Vaneton paid an aggregate of \$51,044,292.00 (the "Purchase Price") to Lawrence S. Phillips, in his individual capacity and as a trustee of the trusts created under (i) the Second Amended and Restated Trust Agreement dated January 12, 1995 made by Madelyn S. Phillips (the "Trust A Trust Agreement"), (ii) the Third Amended and Restated Trust Agreement dated December 12, 1994 made by Madelyn S. Phillips (the "Trust B Trust Agreement") and (iii) the Trust Indenture dated November 15, 1989 made by Carol Phillips Green, as grantor (the "Carol Phillips Green 1989 GRIT Trust Agreement"); Carol Phillips Green, in her individual capacity and as a trustee of the trusts created under (i) the Trust A Trust Agreement, (ii) the Trust B Trust Agreement and (iii) the Trust Indenture dated October 31, 1989 made by Lawrence S. Phillips, as grantor (the "Lawrence S. Phillips 1989 GRIT Trust Agreement"); Cathy Green, solely in her capacity as a trustee of the trust created under the Carol Phillips Green 1989 GRIT Trust Agreement; Madelyn S. Phillips, solely in her individual capacity; Roxane Phillips, solely in her individual capacity; Laura Phillips, solely in her individual capacity; and Douglas Green, solely in his individual capacity.

In connection with the acquisition of the Shares, SCJH entered into a Loan Agreement with Chemical Bank, Hong Kong Branch dated March 17, 1995, a copy of which is attached hereto as Exhibit 5 (the "Loan Agreement"), pursuant to which SCJH borrowed \$28,000,000. SCJH advanced a portion of the proceeds of the loan to LHI, which in turn contributed that amount to the capital of Vaneton. The balance of the proceeds of the loan was contributed to the capital of Vaneton directly by SCJH. The balance of the Purchase Price was obtained from the working capital of Vaneton.

Pursuant to the terms of the Loan Agreement, SCJH will repay the loan in ten equal semi-annual installments of \$2,800,000 each, commencing on June 20, 1995. The loan consists of the A Facility in the principal amount of \$23,000,000 and the B Facility in the principal amount of \$5,000,000. Interest

is payable on the last day of each interest period at the rate per annum equal to (i) in the case of the A Facility, 1% plus the Singapore Interbank Market rate for the relevant period and (ii) in the case of the B Facility, 0.25% plus the deposit interest rate payable by Chemical Bank from time to time on an amount equivalent to the size of the B Facility. Vaneton has entered into a Deed of Charge, a copy of which is attached hereto as Exhibit 6 (the "Deed of Charge"), pursuant to which it has pledged all the Shares to Chemical Bank as security for the obligations of SCJH under the Loan Agreement.

#### ITEM 4. PURPOSE OF TRANSACTION

Vaneton acquired the 2,835,794 shares of Common Stock of the Issuer purchased on March 22, 1995 for investment purposes. The Reporting Persons may consider making additional purchases of shares of the Common Stock of the Issuer in open-market or private transactions, the extent of which purchases would depend upon prevailing market or other conditions. Alternatively, the Reporting Persons may sell all or a portion of their shares of Common Stock in open-market or private transactions, depending upon prevailing market conditions or other factors.

Except as otherwise indicated above, none of the reporting Persons has any plans or proposals which relate to or would result in any of the events, actions or conditions specified in paragraphs (a) through (j) of the instructions to Item 4 or any similar action or effect. Nothing in this statement on Schedule 13D shall be deemed to preclude the Reporting Persons from developing or implementing any such plan or proposal in the future.

#### ITEM 5. INTEREST IN SECURITIES OF THE ISSUER

(a), (b) and (c). Vaneton directly owns 2,835,794 shares of Common Stock of the Issuer, representing approximately 10.7% of the shares of Common Stock of the Issuer outstanding as of the date hereof. For purposes of Rule 13d-3 of the general rules and regulations under the Securities Exchange Act of 1934, as amended, Dr. Richard Lee may be deemed to beneficially own 2,835,794 shares of Common Stock of the Issuer, or approximately 10.7% of such shares currently outstanding. Pursuant to the Stock Purchase Agreement, Vaneton has agreed to purchase up to 35,000 shares of Common Stock of the Issuer currently held in the Issuer's 401(k) Plan for the account of one of the shareholders at such time as such shareholder or his Individual Retirement Account, as the case may be, shall be entitled to sell such shares.

Dr. Richard Lee may be deemed to have shared power to control the voting and disposition of the 2,835,794 shares of Common Stock of the Issuer.

Except for the transaction described above, there have been no transactions in the shares of the Common Stock of the Issuer by either of the Reporting Persons, the Related Persons or any of the executive officers or directors identified in response to Item 2 during the 60 days preceding the filing of this statement on Schedule 13D.

(d). Not applicable.

(e). Not applicable.

ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER

Pursuant to the Assignment Agreement, SCJH assigned its rights under the Stock Purchase Agreement to Vaneton.

Pursuant to the Loan Agreement, Chemical Bank, Hong Kong Branch, loaned \$28,000,000 to SCJH in order to finance a portion of the Purchase Price for the Shares payable by Vaneton pursuant to the Stock Purchase Agreement. Vaneton has, pursuant to the Deed of Charge, pledged the Shares to Chemical Bank as security for the obligations of SCJH under the Loan Agreement.

Except as set forth in this Item 6 or in response to other specific items to this statement on Schedule 13D, the Reporting Persons (and those persons identified in response to Item 2) do not have any arrangements, contracts, understandings or relationships (legal or otherwise) with respect to the securities of the Issuer, including but not limited to the transfer or voting of any shares of the Common Stock of the Issuer, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss or the giving or the withholding of proxies.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS

The following materials are filed herewith as Exhibits:

Exhibit 1 Joint Filing Agreement, dated March 23, 1995, by and between Vaneton and Dr. Richard Lee.

Exhibit 2 Stock Purchase Agreement, dated February 14, 1995, by and among SCJH and Lawrence S. Phillips, in his individual capacity and as a trustee of the trusts created under (i) the Trust A Trust Agreement, (ii) the Trust B Trust Agreement and (iii) the Carol Phillips Green 1989 GRIT Trust Agreement; Carol Phillips Green, in her individual capacity and as a trustee of the trusts created under (i) the Trust A Trust Agreement, (ii) the Trust B Trust Agreement and (iii) the Lawrence S. Phillips 1989 GRIT Trust Agreement; Cathy Green, solely in her capacity as a trustee of the trust created under the Carol Phillips Green 1989 GRIT Trust Agreement; Madelyn S. Phillips, solely in her individual capacity; Roxane Phillips, solely in her individual capacity; Laura Phillips, solely in her individual capacity; and Douglas Green, solely in his individual capacity.

Exhibit 3 First Amendment Agreement, dated March 17, 1995, by and among SCJH and Lawrence S. Phillips, in his individual capacity and as a trustee of the trusts created under (i) the Trust A Trust Agreement, (ii) the Trust B Trust Agreement and (iii) the Carol Phillips Green 1989 GRIT Trust Agreement; Carol Phillips Green, in her individual capacity and as a trustee of the trusts created under (i) the Trust A Trust Agreement, (ii) the Trust B Trust Agreement and (iii) the Lawrence S. Phillips 1989 GRIT Trust Agreement; Cathy Green, solely in her capacity as a trustee of the trust created under the Carol Phillips Green 1989 GRIT Trust Agreement; Madelyn S. Phillips, solely in her individual capacity; Roxane Phillips, solely in her individual capacity; Laura Phillips, solely in her individual capacity; and Douglas Green, solely in his individual capacity.

- Exhibit 4 Assignment Agreement, dated March 20, 1995, by and between SCJH and Vaneton.
- Exhibit 5 Loan Agreement, dated March 17, 1995, by and between SCJH and Chemical Bank, Hong Kong Branch.
- Exhibit 6 Deed of Charge, dated March 17, 1995, made by Vaneton in favor of Chemical Bank, Hong Kong Branch.



SIGNATURE

After reasonable inquiry and to the best of his knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: March 31, 1995

VANETON INTERNATIONAL INC.

DR. RICHARD LEE

By: Richard Lee  
-----  
Name: Dr. Richard Lee  
Title: Director

Richard Lee  
-----

SCHEDULE A

LIST OF EXECUTIVE OFFICERS AND DIRECTORS  
OF VANETON INTERNATIONAL INC.

	Name -----	Position -----	Address -----	Principal Occupation -----	Citizen of -----
1.	Dr. Richard Lee	Director	6/F TAL Building 49 Austin Road Kowloon Hong Kong	Director of TAL Apparel Limited*	United Kingdom
2.	Dr. Harry Nai-Shee Lee	Director	4/F TAL Building 49 Austin Road Kowloon Hong Kong	Director of TAL Apparel Limited*	United States
3.	Mr. Alexander Kwok-Hung Chan	Director	5/F TAL Building 49 Austin Road Kowloon Hong Kong	Director of TAL Apparel Limited*	Canada

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\*TAL Apparel Limited is principally engaged in the garment manufacturing and exporting business. Its address is 5th Floor, TAL Building, 49 Austin Road, Kowloon, Hong Kong.

EXHIBIT INDEX

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- 3 First Amendment Agreement dated March 17, 1995 by and among South China (Jersey) Holdings Limited and Lawrence S. Phillips, in his individual capacity and as a trustee of the trusts created under (i) the Second Amended and Restated Trust Agreement dated January 12, 1995 made by Madelyn S. Phillips (the "Trust A Trust Agreement"), (ii) the Third Amended and Restated Trust Agreement dated December 12, 1994 made by Madelyn S. Phillips (the "Trust B Trust Agreement") and (iii) the Trust Indenture dated November 15, 1989 made by Carol Phillips Green, as grantor (the "Carol Phillips Green 1989 GRIT Trust Agreement"); Carol Phillips Green, in her individual capacity and as a trustee of the trusts created under (i) the Trust A Trust Agreement, (ii) the Trust B Trust Agreement and (iii) the Trust Indenture dated October 31, 1989 made by Lawrence S. Phillips, as grantor; Cathy Green, solely in her capacity as a trustee of the trust created under the Carol Phillips Green 1989 GRIT Trust Agreement; Madelyn S. Phillips, solely in her individual capacity; Roxane Phillips, solely in her individual capacity; Laura Phillips, solely in her individual capacity; and Douglas Green, solely in his individual capacity.
- 4 Assignment Agreement dated March 20, 1995 by and between South China (Jersey) Holdings Limited and Vaneton International Inc.

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JOINT FILING AGREEMENT

In accordance with Rule 13d-1(f) under the Securities Exchange Act of 1934, as amended, the persons named below each hereby agrees that the Schedule 13D filed herewith and any amendments thereto relating to the acquisition of shares of common stock of Phillips-Van Heusen Corporation is filed jointly on behalf of each such person.

Dated: March 23, 1995

Dr. Richard Lee  
-----  
Richard Lee

VANETON INTERNATIONAL INC.

By: Richard Lee  
-----  
Name: Dr. Richard Lee  
Title: DIRECTOR

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT is entered into as of this 14th day of February, 1995, by and between South China (Jersey) Holdings Limited, a Jersey, Channel Islands company (the "Buyer"); Lawrence S. Phillips ("LSP"), in his individual capacity and as a trustee of the trusts created under (i) the Second Amended and Restated Trust Agreement dated January 12, 1995 made by Madelyn S. Phillips (the "Trust A Trust Agreement"), (ii) the Third Amended and Restated Trust Agreement dated December 12, 1994 made by Madelyn S. Phillips (the "Trust B Trust Agreement") and (iii) the Trust Indenture dated November 15, 1989 made by Carol Phillips Green, as grantor (the "Carol Phillips Green 1989 GRIT Trust Agreement"); Carol Phillips Green ("CPG"), in her individual capacity and as a trustee of the trusts created under (i) the Trust A Trust Agreement, (ii) the Trust B Trust Agreement and (iii) the Trust Indenture dated October 31, 1989 made by Lawrence S. Phillips, as grantor (the "Lawrence S. Phillips 1989 GRIT Trust Agreement" and, together with the Trust A Trust Agreement, the Trust B Trust Agreement and the Carol Phillips Green 1989 GRIT Trust Agreement, the "Trust Agreements"; the trusts created under the Trust Agreements are sometimes hereinafter collectively referred to as the "Trusts"); Cathy Green ("CG"), solely in her capacity as a trustee of the trust created under the Carol Phillips Green 1989 GRIT Trust Agreement; Madelyn S. Phillips ("MSP"), solely in her individual capacity; Roxane Phillips ("RP"), solely in her individual capacity; Laura Phillips ("LP"), solely in her individual capacity; and Douglas Green ("DG"), solely in his individual capacity. LSP, CPG, and CG in their capacities as trustees under the Trusts are sometimes hereinafter referred to as the "Trustees" and the Trustees, together with LSP, CPG, MSP, RP, LP and DG, in their individual capacities, are hereinafter collectively referred to as the "Shareholders."

W I T N E S S E T H:

WHEREAS, (i) each of LSP, CPG, MSP, RP, LP and DG is the beneficial owner of the number of shares of Common Stock, par value \$1.00 per share (the "Common Stock"), of Phillips-Van Heusen Corporation, a Delaware corporation (the "Corporation"), set forth opposite his or her name in Part A of Schedule 1 attached hereto and made a part hereof, (ii) the Trustees are the owners, for the use and benefit of the respective beneficiaries (collectively, the "Beneficiaries") pursuant to the terms of the respective Trust Agreements, of the number of shares of Common Stock of the Corporation set forth opposite their names in Part B of Schedule 1, and (iii) LSP has the right to acquire, pursuant to stock options which are currently exercisable, the number of shares of Common Stock set forth opposite his name in Part C of Schedule 1 (the "Option Shares"); and

WHEREAS, on the terms and conditions hereinafter set forth, each Shareholder is willing to sell, and the Buyer is willing to purchase, the number of shares of the Common Stock of the Corporation set forth opposite the name of such Shareholder on Schedule 1 attached hereto and made a part hereof.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

1. Sale by the Shareholders.

Subject to the terms and conditions of this Agreement, each Shareholder agrees to sell, convey, transfer and deliver to the Buyer at the Closing described in Section 3 hereof (the "Closing"), and the Buyer agrees to purchase, the number of shares of the Common Stock of the Corporation set forth opposite the name of such Shareholder on Schedule 1 (such shares being hereinafter collectively referred to as the "Shares"). Such sale, conveyance, transfer and delivery of the Shares by the Shareholders to the Buyer shall be free and clear of any and all liabilities, obligations, pledges, security interests, liens and encumbrances. The Shareholders agree that such Shares shall be delivered to the Buyer at the Closing duly endorsed for transfer to the Buyer with a full warranty that by such transfer the Buyer will receive good and marketable title thereto, free and clear of any and all liabilities, obligations, pledges, security interests, liens and encumbrances, other than those created, or which arise as a result of the ownership of the Shares, by the Buyer. The Shareholders shall be responsible for the payment of all transfer taxes, if any, payable in connection with such sale, conveyance, transfer and delivery.

2. Purchase Price.

Subject to the terms and conditions of this Agreement, and in consideration of the sale and transfer of the Shares to the Buyer, at the Closing the Buyer shall pay to each Shareholder by transfer of immediately available funds the sum set forth opposite the name of such Shareholder on Schedule 1, or \$18.00 per Share (the "Purchase Price").

3. Closing.

The Closing of the transaction provided for herein shall take place at the offices of Shereff, Friedman, Hoffman & Goodman LLP, 919 Third Avenue, New York, New York 10022, no later than the date which is the third business day after the day on which the conditions set forth in Sections 6 and 7 hereof have been satisfied, at 10:00 a.m. New York City time (the "Closing Date") or at such other time and place as the parties may mutually agree.

4. Representations and Warranties of the Shareholders.

Each of the Shareholders, severally but not jointly, represents and warrants that with respect to the Shares being sold by such Shareholder hereunder and to the extent that such representations and warranties are applicable to such Shareholder:

(a) Ownership. The Shares are, and on the Closing Date the Option Shares will be, validly issued and outstanding, fully paid and nonassessable. Each of the Shareholders is the beneficial owner, and on the Closing Date will be the record and beneficial owner, of the number of shares of the Common Stock of the Corporation set forth opposite the name of such Shareholder on Schedule 1 being sold hereunder, free and clear of all claims, liens, charges, commitments, restrictions, equities or other encumbrances or rights of any person not a party to this Agreement of any nature whatsoever, except that (i) in the case of the Shares owned by the Trustees, such Shares are owned solely for the benefit of the Beneficiaries of the Trusts pursuant to the terms of the Trust Agreements, (ii) in the case of the Option Shares, LSP has the right to acquire such Shares and will be the record and beneficial owner of the Option Shares on the Closing Date and (iii) in the case of Shares owned by LSP, certain of such Shares are currently held in, and are subject to the terms of, a margin account (the "Margin Shares"). Except, in the case of the Shares owned by the Trustees, for the Trust Agreements, there are no agreements, arrangements or understandings (including, without limitation, options or rights of first refusal) to which any of the Shareholders is a party or by which any of them is bound which provide for the purchase, sale or other disposition of any of the Shares (other than the Margin Shares) or any interest therein or which grant to any third party any interest or right therein. At the Closing, each Shareholder will have full power of disposition over, and full right to sell, assign, transfer and setover to the Buyer good and marketable title to, the Shares to be sold by such Shareholder hereunder, free and clear of all claims, liens, encumbrances, charges and equities whatsoever, or contractual obligations or commitments in respect thereof to the Corporation, other shareholders or to third parties, or restrictions as to ownership, voting or transferability imposed by any agreement or arrangement or by any government authority, other than those created, or which arise as a result of the ownership of the Shares, by the Buyer.

(b) Trust Agreements. Schedule 2 attached hereto and made a part hereof sets forth the sole and duly appointed trustees of each of the Trusts, and none of such Trustees have resigned or been removed or replaced. True and correct copies of each of the Trust Agreements, including all amendments thereto through the date hereof, have heretofore been delivered to the Buyer. The Trustees have adequate power and authority to own the assets held by the Trusts, including without limitation, the Shares held by the Trusts. Neither the Trustees nor any of the Beneficiaries has heretofore in any way assigned, transferred or encumbered, or permitted the assignment, transfer or encumbrance of, either voluntarily or involuntarily, all or any part of the assets currently held by the Trusts, including, without limitation, the Shares held by the Trusts.



(c) Beneficiaries. Schedule 2 attached hereto and made a part hereof sets forth the current income Beneficiaries of each of the Trusts.

(d) Execution of the Agreement. Each of LSP, CPG, MSP, RP, LP and DG has all necessary legal capacity, right, power and authority to execute and deliver this Agreement in his or her individual capacity and to consummate the transaction contemplated hereby. The execution and delivery of this Agreement by the Trustees and the performance by them of their obligations hereunder have been duly and validly authorized and approved by all action required under applicable law relating to the Trusts and under the terms of the Trust Agreements. The Trustees have full authority under the terms of the Trust Agreements and any other document relating to or applicable to the Trusts to execute and deliver this Agreement on behalf of the Trusts and to perform their obligations hereunder.

(e) Binding Agreement. This Agreement constitutes the legal, valid and binding agreement of each Shareholder, enforceable in accordance with its terms against each of LSP, CPG, MSP, RP, LP and DG in their individual capacities, the Trustees and the Trusts.

(f) No Violation. Neither the execution of this Agreement, the consummation of the transactions contemplated hereby nor the compliance with or fulfillment of the terms and conditions hereof will: (i) violate or conflict with any provision of the Trust Agreements or any other document relating to or applicable to the Trusts, (ii) violate or conflict with, result in the breach or termination of, or otherwise vary, or constitute a default (or an event which, with the lapse of time, or the giving of notice, or both, will constitute a default) under, any contract or other instrument to which any of the Shareholders are parties or by which any of the Shareholders are bound or (iii) violate or conflict with any law, regulation, ordinance, judgment, order, writ, injunction or decree or any other requirement of any court or governmental or regulatory body of any jurisdiction that prevents the making of, or the consummation of the transactions contemplated by, this Agreement.

(g) Consents. Except for filings with the Federal Trade Commission ("FTC") and the United States Department of Justice ("DOJ") pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), no consent, approval, authorization or order of, registration or filing with, or notice to, any governmental authority or court is required under applicable law, for the execution, delivery and performance of or compliance by any of the Shareholders with this Agreement or the consummation by any of the Shareholders of any other transaction contemplated hereby.

5. Representations and Warranties of the Buyer.

(a) Investment Purpose. The Buyer represents and warrants that the Buyer is purchasing the Shares for investment only and not with a view to the distribution

thereof in violation of the Securities Act of 1933, as amended, but subject, nevertheless, to the disposition of the Shares being at all times within its control. The Buyer acknowledges that within three years prior to the date hereof, LSP acquired an aggregate of 11,909 shares of Common Stock of the Corporation in satisfaction of certain commissions owed to him by the Trusts. The number of shares so acquired (the "Commission Shares") and the dates of acquisition are set forth on Schedule 3 hereto. The Buyer acknowledges that (x) the Commission Shares are "restricted securities" (as such term is defined in Rule 144 promulgated under the Securities Act of 1933, as amended) and may only be sold in accordance with the registration requirements of such Act or pursuant to an available exemption therefrom and (y) the certificate(s) representing the Commission Shares may bear an appropriate restrictive legend and have stop transfer orders entered against them in the stop transfer books maintained by the Corporation.

(b) Due Organization and Good Standing. The Buyer is a company duly organized, validly existing and in good standing under the laws of Jersey, Channel Islands.

(c) Execution of the Agreement. The execution, delivery and performance of this Agreement by the Buyer and the consummation by the Buyer of the transactions contemplated hereby have been duly authorized by all necessary corporate action of the Buyer.

(d) Binding Agreement. This Agreement constitutes the legal, valid and binding agreement of the Buyer, enforceable in accordance with its terms against the Buyer.

(e) No Violation. Neither the execution of this Agreement, the consummation of the transactions contemplated hereby nor the compliance with or fulfillment of the terms and conditions hereof will: (i) violate or conflict with any provision of the Memorandum and Articles of Association of the Buyer, (ii) violate or conflict with, result in the breach or termination of, or otherwise vary, or constitute a default (or an event which, with the lapse of time, or the giving of notice, or both, will constitute a default) under, any contract or other instrument to which the Buyer is a party or by which the Buyer is bound or (iii) violate or conflict with any law, regulation, ordinance, judgment, order, writ, injunction or decree or any other requirement of any court or governmental or regulatory body of any jurisdiction that prevents the making of, or the consummation of the transactions contemplated by, this Agreement.

(f) Consents. Except for filings with the FTC and the DOJ pursuant to the HSR Act, no consent, approval, authorization or order of, registration or filing with, or notice to, any governmental authority or court is required under applicable law, for the execution, delivery and performance of or compliance by the Buyer with this Agreement or the consummation by the Buyer of any other transaction contemplated hereby.

(g) Financial Capacity. The net worth of the Buyer is in excess of the aggregate Purchase Price being paid for all of the Shares to be sold to the Buyer hereunder.

6. Conditions Precedent to Obligations of Buyer.

All obligations of the Buyer under this Agreement are subject to the fulfillment of each of the following conditions prior to or at the Closing:

(a) Validity of the Shareholder's Representations and Warranties. Except for changes contemplated and permitted by this Agreement, the representations and warranties of the Shareholders contained in this Agreement or in any certificate or document delivered to the Buyer pursuant hereto shall be deemed to have been made again at and as of the Closing and shall then be true in all material respects, and the Shareholders shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by them prior to or at the Closing.

(b) Antitrust Matters. Any filings required to be made by the Corporation under the HSR Act shall have been made, and the specified waiting period with respect to such filing and the filing to be made by the Buyer shall have expired without the receipt of any objections from the appropriate governmental agencies.

(c) No Material Adverse Change. From the date of this Agreement to the Closing, the Corporation shall not have suffered any material adverse change in its business condition (financial or otherwise), property or assets.

(d) Closing Documents. The Buyer shall have received at the Closing the following documents, which shall be in form and substance satisfactory to the Buyer and its counsel:

(i) Certificates representing the Shares duly endorsed for transfer to the Buyer, or accompanied by duly executed stock powers, free of any restrictive legends other than with respect to the Commission Shares.

(ii) A Consent in the form attached hereto as Exhibit A with respect to each of the Trusts duly executed by each of the current income Beneficiaries of such Trust.

(iii) An opinion of Rosenman & Colin addressed to The Bank of New York, the Corporation's transfer agent (the "Transfer Agent"), in form and substance satisfactory to the Transfer Agent, together with such other documents and instruments as the Transfer Agent may require in order to issue to the Buyer a certificate representing the Shares to be purchased hereunder, free of, except in the case of the Commission Shares, any restrictive legend.

(iv) A receipt from the Shareholders for payment of the Purchase Price (as described in Section 2 hereof).

(v) Opinions of Weitzner, Levine, Hamburg & Chill and Shereff, Friedman, Hoffman & Goodman LLP, in form and substance reasonably satisfactory to the Buyer and its counsel.

#### 7. Condition Precedent to Obligation of the Shareholder.

All obligations of the Shareholders under this Agreement are subject to the fulfillment of each of the following conditions prior to or at the Closing:

(a) Validity of the Buyer's Representations and Warranties. Except for changes contemplated and permitted by this Agreement, the representations and warranties of the Buyer contained in this Agreement or in any certificate or document delivered to the Shareholders pursuant hereto shall be deemed to have been made again at and as of the Closing and shall then be true in all material respects, and the Buyer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

(b) Antitrust Matters. Any filings required to be made by the Corporation under the HSR Act shall have been made, and the specified waiting period with respect to such filing and the filing to be made by the Buyer shall have expired without the receipt of any objections from the appropriate governmental agencies.

(c) Purchase Price. The Shareholders shall have received the Purchase Price due at the Closing in accordance with the provisions of Section 2.

#### 8. Covenants of the Buyer.

(a) HSR Filing. As soon as practicable after the date hereof, the Buyer shall file with the FTC and the DOJ the Notification and Report Form required under the HSR Act requesting early termination of the applicable waiting period. The Buyer shall cooperate with the Corporation and use its best efforts to assist the Corporation in making and pursuing such filings and shall promptly respond to all requests for additional information or documentation.

(b) 401(k) Shares. The Buyer hereby agrees to purchase, at a purchase price of \$18.00 per share, up to 35,000 shares of Common Stock currently held in the Corporation's 401(k) Plan for the account of LSP at such time as LSP or his Individual Retirement Account, as the case may be, shall be entitled to sell such shares.

9. Indemnification of Buyer.

(a) Shareholders' Agreement to Indemnify. Each of LSP, CPG, MSP, RP, LP, DG and the Trustees, severally, but not jointly, agrees to defend, indemnify and hold harmless the Buyer against and in respect of any and all losses, claims, liabilities, damages, expenses (including reasonable attorneys' fees) or deficiencies resulting from a breach of any representation, warranty, covenant or agreement of such Shareholder made in connection with or contained in this Agreement and any nonfulfillment by such Shareholder of any obligation under this Agreement or, in the case of the Trustees, any claim asserted by any of the Beneficiaries of the relevant Trust related to the sale of the Shares hereunder.

(b) Notice of Liability. The Buyer shall, in a timely manner, provide an indemnifying party with notice of any third party actions, suits, proceedings, claims, demands or assessments subject to the indemnification provisions of this Section 9 (collectively, "Third Party Claims") and shall otherwise make available all relevant information material to the defense of any Third Party Claims against it. The indemnifying party shall have the right to elect to assume the defense of any Third Party Claim with counsel reasonably satisfactory to the Buyer and to settle and compromise any Third Party Claim; provided, however, that such settlement or compromise shall be effected only with the consent of the Buyer, which consent shall not be unreasonably withheld. The failure by the Buyer to give timely notice or to provide copies of documents or to furnish relevant data in connection with any Third Party Claim shall not constitute a defense (in part or in whole) to any claim for indemnification by the Buyer, except and only to the extent that such failure shall result in any prejudice to the indemnifying party.

(c) Amount of Indemnification. The maximum aggregate liability of any Shareholder under this Section 9, including the maximum aggregate liability of any Trust in respect of the indemnification made by the Trustee(s) of such Trust pursuant to this Section 9, shall not exceed the Purchase Price for the Shares sold by such Shareholder or Trustee(s) on behalf of the Beneficiaries of such Trust, as the case may be.

10. Miscellaneous.

(a) Survival of Representations and Warranties. All representations and warranties made by the Shareholders and the Buyer under this Agreement in connection with the transactions contemplated herein or in any certificate, list or other instrument delivered pursuant hereto shall survive the Closing and any investigation made at any time with respect thereto.

(b) Waiver. Any failure of any of the parties hereto to comply with any of its obligations or agreements or to fulfill any conditions herein contained may be waived only by a written waiver from the other parties.

(c) Notices. All notices, requests or other communications hereunder shall be in writing and shall be deemed to have been duly delivered pursuant to this Agreement if delivered, or if telecopied, or if sent by registered or certified mail, postage prepaid, return receipt requested, to the parties at the following addresses (or at such other addresses as shall be designated in writing by a party):

If to the Shareholders, to:

c/o Steven G. Chill, Esq.  
Weitzner, Levine, Hamburg & Chill  
437 Madison Avenue  
New York, New York 10022  
Telecopy No.: (212) 752-2922

with a copy to:

Shereff, Friedman, Hoffman & Goodman LLP  
919 Third Avenue  
New York, New York 10022  
Telecopy No: (212) 758-9526  
Attention: Scott Zimmerman, Esq.

If to the Buyer, to:

South China (Jersey) Holdings Limited  
Ordnance House  
31 Pier Road  
St. Helier  
Jersey, Channel Islands

with a copy to:

Coudert Brothers  
1114 Avenue of the Americas  
New York, New York 10036  
Telecopy No: (212) 626-4120  
Attention: David A. Boillot, Esq.

(d) Captions and Paragraph Headings. Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

(e) Entire Agreement. The making, execution and delivery of this Agreement by the parties has been induced by no representations, statements, warranties or agreements other than those herein expressed. This Agreement embodies the entire understanding of the parties and there are no other agreements or understandings, written or oral, in effect between the parties relating to the subject matter hereof, unless expressly referred to by reference herein. This Agreement may be amended or modified only by an instrument executed by the parties or their duly authorized agents. The Shareholders and the Buyer make no representations or warranties not specifically referred to in this Agreement. This Agreement supersedes and terminates all prior arrangements and agreements between the parties.

(f) Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(g) Successors and Assigns. None of the parties hereto may assign this Agreement without the prior written consent of the other parties; provided that the Buyer can assign this Agreement to one or more of its affiliates; provided that the Buyer shall guarantee in a manner satisfactory to the Shareholder the obligations of the assignee to pay the Purchase Price hereunder. Any impermissible attempted assignment of this Agreement without such prior written consent shall be void. This Agreement and the provisions hereof shall be binding upon and inure to the benefit of, in the case of each Shareholder, his, her or its heirs, beneficiaries (including the Beneficiaries of any Trust), personal representatives, executors, successors and assigns, and, in the case of the Buyer, its successors and assigns.

(h) Governing Law; Submission to Jurisdiction. The validity, construction, operation and effect of any and all of the terms and provisions of this Agreement shall be determined and enforced in accordance with the internal laws of the State of New York

without regard to the conflicts of law. Each of the parties hereto, by its execution of this Agreement:

(i) irrevocably submits to the jurisdiction of the state courts of the State of New York and to the jurisdiction of the United States District Court for the Southern District of New York for the purpose of any suit, action or other proceeding arising out of or based on this Agreement (and each other agreement delivered or to be delivered in connection herewith) or the subject matter hereof or thereof; and

(ii) waives, to the extent not prohibited by applicable law, and agrees not to assert, by way of motion, as a defense or otherwise, in any such proceeding brought in any of the above-named courts, any claim that it is not subject personally to the jurisdiction of such courts, that its property is exempt or immune from attachment or execution, that any such proceeding is brought in an inconvenient forum, that the venue of such proceeding is improper, or that this Agreement (and each other agreement delivered or to be delivered in connection herewith) or the subject matter hereof or thereof may not be enforced in or by such court.

The parties hereto hereby agree that any action brought under this Agreement (and each other agreement delivered or to be delivered in connection herewith) shall be brought exclusively in one of the above-mentioned courts.

The parties hereto hereby consent to service of process in any such proceeding in any manner permitted by the laws of the State of New York and agree that service of process by registered or certified mail, return receipt requested, at its address specified in or pursuant to Section 10(c) is reasonably calculated to give actual notice.



IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the date first above written.

SOUTH CHINA (JERSEY) HOLDINGS LIMITED

By: Richard Lee

-----  
Name: Dr. Richard Lee  
Title: DIRECTOR

By: Lawrence S. Phillips

-----  
Lawrence S. Phillips, individually,  
and as a Trustee under the Trusts  
created under the Trust A Trust  
Agreement, the Trust B Trust  
Agreement and the Carol Phillips  
Green 1989 GRIT Trust Agreement

By: Carol P. Green

-----  
Carol P. Green, individually, and  
as a Trustee under the Trusts  
created under the Trust A Trust  
Agreement, the Trust B Trust  
Agreement and the Lawrence S.  
Phillips 1989 GRIT Trust Agreement

By: Cathy Green

-----  
Cathy Green, solely in her capacity  
as a Trustee under the Trust created  
under the Carol Phillips Green 1989  
GRIT Trust Agreement

By: Madelyn S. Phillips

-----  
Madelyn S. Phillips, solely in her  
individual capacity

By: Roxane Phillips

-----  
Roxane Phillips, solely in her  
individual capacity

By: Laura Phillips

-----  
Laura Phillips, solely in her  
individual capacity

By: Douglas Green

-----  
Douglas Green, solely in his  
individual capacity

EXHIBIT A

CONSENT

The undersigned, on behalf of himself/herself and on behalf of all contingent remaindermen of the trust created under \_\_\_\_\_ (the "Trust"), hereby irrevocably ratifies, confirms and approves (i) the sale of the Shares held by the Trust (the "Trust Shares") on the terms and conditions set forth in this Agreement, and (ii) all actions taken by \_\_\_\_\_ and \_\_\_\_\_ (the "Trustees") in effecting the sale, including, without limitation, the execution and delivery of this Agreement by the Trustees and the performance by the Trustees of their obligations under this Agreement. Without limitation of the foregoing, the undersigned, on behalf of himself/herself and on behalf of all contingent remaindermen of the Trust, hereby irrevocably acknowledges and agrees that the purchase price, payable in accordance with the terms of this Agreement, represents full and adequate consideration for the sale of the Trust Shares.

The undersigned hereby agrees that, in the event and to the extent that he or she receives any distribution from the Trust which is attributable to any payment to the Trust pursuant to this Agreement or income earned in respect thereof (whether upon the termination of the Trust or otherwise), the undersigned, in his or her individual capacity, shall be jointly and severally liable with the Trustees for any and all indemnification of the Buyer by the Trustees hereunder. Each of the undersigned agrees that the foregoing obligations shall be binding upon and inure to the benefit of his or her respective heirs, beneficiaries, personal representatives, executors, administrators, successors and assigns.

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SCHEDULE 1  
SHAREHOLDINGS

OWNER	NUMBER OF SHARES HELD	TOTAL PURCHASE PRICE
-----		
PART A.		
Lawrence S. Phillips	647,497	\$ 11,654,946.00
Carol P. Green	145,448	\$ 2,618,064.00
Madelyn S. Phillips	75,601	\$ 1,360,818.00
Roxane Phillips	790	\$ 14,220.00
Douglas Green	3,000	\$ 54,000.00
Laura Phillips	2,550	\$ 45,900.00
PART B.		
Carol P. Green and Lawrence S. Phillips, as Trustees under SECOND AMENDED AND RESTATED TRUST AGREEMENT, dated January 12, 1995, made by Madelyn S. Phillips, as grantor ("Trust A")	916,685	\$ 16,500,330.00
Lawrence S. Phillips and Carol P. Green, as Trustees under THIRD AMENDED AND RESTATED TRUST AGREEMENT, dated December 12, 1994, made by Madelyn S. Phillips, as grantor ("Trust B")	965,223	\$ 17,374,014.00
Carol P. Green, as Trustee under TRUST INDENTURE dated October 31, 1989, made by Lawrence S. Phillips, as grantor ("Lawrence S. Phillips 1989 GRIT")	194,000	\$ 3,492,000.00
Cathy Green and Lawrence S. Phillips, as Trustees under TRUST INDENTURE dated November 15, 1989, made by Carol P. Green ("Carol P. Green 1989 GRIT")	85,000	\$ 1,530,000.00

OWNER	NUMBER OF SHARES HELD	TOTAL PURCHASE PRICE
PART C.		
Lawrence S. Phillips (options)	42,648	\$ 767,664.00

SCHEDULE 2

TRUSTS

TRUST CREATED UNDER	TRUSTEES	BENEFICIARIES
<p>1. SECOND AMENDED AND RESTATED TRUST AGREEMENT, dated January 12, 1995, made by Madelyn S. Phillips, as grantor ("Trust A")</p>	<p>Carol P. Green and Lawrence S. Phillips</p>	<p>Madelyn S. Phillips</p>
<p>2. THIRD AMENDED AND RESTATED TRUST AGREEMENT, dated December 12, 1994, made by Madelyn S. Phillips, as grantor ("Trust B")</p>	<p>Lawrence S. Phillips and Carol P. Green</p>	<p>Madelyn S. Phillips</p>
<p>3. TRUST INDENTURE dated October 31, 1989, made by Lawrence S. Phillips, as grantor ("Lawrence S. Phillips 1989 GRIT")</p>	<p>Carol P. Green</p>	<p>Lawrence S. Phillips</p>
<p>4. TRUST INDENTURE dated November 15, 1989, made by Carol P. Green ("Carol P. Green 1989 GRIT")</p>	<p>Cathy Green and Lawrence S. Phillips</p>	<p>Carol P. Green</p>

SCHEDULE 3

COMMISSION SHARES

	DATE ACQUIRED	NUMBER OF SHARES
Lawrence S. Phillips	2/14/94	3850
	2/14/94	3100
	12/22/93	940
	12/22/93	575
	1/20/93	64
	1/20/93	3380

FIRST AMENDMENT AGREEMENT

THIS FIRST AMENDMENT AGREEMENT dated as of the 17th day of March 1995 is entered into by and among South China (Jersey) Holdings Limited, a Jersey, Channel Islands company (the "Buyer"); Lawrence S. Phillips ("LSP"), in his individual capacity and as a trustee of the trusts created under (i) the Second Amended and Restated Trust Agreement dated January 12, 1995 made by Madelyn S. Phillips (the "Trust A Trust Agreement"), (ii) the Third Amended and Restated Trust Agreement dated December 12, 1994 made by Madelyn S. Phillips (the "Trust B Trust Agreement") and (iii) the Trust Indenture dated November 15, 1989 made by Carol Phillips Green, as grantor (the "Carol Phillips Green 1989 GRIT Trust Agreement"); Carol Phillips Green ("CPG"), in her individual capacity and as a trustee of the trusts created under (i) the Trust A Trust Agreement, (ii) the Trust B Trust Agreement and (iii) the Trust Indenture dated October 31, 1989 made by Lawrence S. Phillips, as grantor (the "Lawrence S. Phillips 1989 GRIT Trust Agreement" and, together with the Trust A Trust Agreement, the Trust B Trust Agreement and the Carol Phillips Green 1989 GRIT Trust Agreement, the "Trust Agreements"; the trusts created under the Trust Agreements are sometimes hereinafter collectively referred to as the "Trusts"); Cathy Green ("CG"), solely in her capacity as a trustee of the trust created under the Carol Phillips Green 1989 GRIT Trust Agreement; Madelyn S. Phillips ("MSP"), solely in her individual capacity; Roxane Phillips ("RP"), solely in her individual capacity; Laura Phillips ("LP"), solely in her individual capacity; and Douglas Green ("DG"), solely in his individual capacity. LSP, CPG, and CG in their capacities as trustees under the Trusts are sometimes hereinafter referred to as the "Trustees" and the Trustees, together with LSP, CPG, MSP, RP, LP and DG, in their individual capacities, are hereinafter collectively referred to as the "Shareholders."

W I T N E S S E T H:

WHEREAS, the Buyer and the Shareholders entered into that certain Stock Purchase Agreement dated February 14, 1995 (the "Stock Purchase Agreement") pursuant to which the Buyer has agreed to purchase from the Shareholders, and the Shareholders have agreed to sell to the Buyer, the number of shares of Common Stock, par value \$1.00 per share (the "Common Stock") of Phillips-Van Heusen Corporation, a Delaware corporation (the "Corporation"), described therein; and

WHEREAS, the parties to the Stock Purchase Agreement wish to amend the terms thereof to reflect the reduction in the number of shares of Common Stock to be sold by LSP and Trust B thereunder.



NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

1. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Stock Purchase Agreement.

2. Schedule 1 of the Stock Purchase Agreement is hereby amended to read in its entirety as set forth in Exhibit A hereto.

3. Except to the extent each is expressly amended by the terms of this First Amendment Agreement, all terms and conditions of the Stock Purchase Agreement and all other instruments and agreements executed thereunder remain in full force and effect.

4. The validity, construction, operation and effect of any and all of the terms and provisions of this Agreement shall be determined and enforced in accordance with the internal laws of the State of New York without regard to the conflicts of law.

IN WITNESS WHEREOF, the parties hereto have duly executed this First Amendment Agreement on the date first above written.

SOUTH CHINA (JERSEY) HOLDINGS  
LIMITED

By: R. Lee  
-----  
Name: R. Lee  
Title: Director

By: Lawrence S. Phillips  
-----  
Lawrence S. Phillips, individually,  
and as a Trustee under the Trusts  
created under the Trust A Trust  
Agreement, the Trust B Trust  
Agreement and the Carol Phillips  
Green 1989 GRIT Trust Agreement

By: Carol P. Green  
-----  
Carol P. Green, individually, and as  
a Trustee under the Trusts created  
under the Trust A Trust Agreement,  
the Trust B Trust Agreement and the  
Lawrence S. Phillips 1989 GRIT Trust  
Agreement

By: Cathy Green  
-----  
Cathy Green, solely in her capacity  
as a Trustee under the Trust created  
under the Carol Phillips Green 1989  
GRIT Trust Agreement

By: Madelyn S. Phillips  
-----  
Madelyn S. Phillips, solely in her  
individual capacity

By: Roxane Phillips  
-----  
Roxane Phillips, solely in her  
individual capacity

By: Laura Phillips  
-----  
Laura Phillips, solely in her  
individual capacity

By: Douglas Green  
-----  
Douglas Green, solely in his  
individual capacity

## EXHIBIT A TO FIRST AMENDMENT AGREEMENT

## SCHEDULE 1

## SHAREHOLDINGS

Owner	Number of Shares Held	Total Purchase Price
Part A.		
Lawrence S. Phillips	647,497	\$11,654,946.00
Carol P. Green	145,448	\$ 2,618,064.00
Madelyn S. Phillips	75,601	\$ 1,360,818.00
Roxane Phillips	790	\$ 14,220.00
Douglas Green	3,000	\$ 54,000.00
Laura Phillips	2,550	\$ 45,900.00
Part B.		
Carol P. Green and Lawrence S. Phillips, as Trustees under SECOND AMENDED AND RESTATED TRUST AGREEMENT, dated January 12, 1995, made by Madelyn S. Phillips, as grantor ("Trust A")	916,685	\$16,500,330.00
Lawrence S. Phillips and Carol P. Green, as Trustees under THIRD AMENDED AND RESTATED TRUST AGREEMENT, dated December 12, 1994, made by Madelyn S. Phillips, as grantor ("Trust B")	765,223	\$13,774,014.00
Carol P. Green, as Trustee under TRUST INDENTURE dated October 31, 1989, made by Lawrence S. Phillips, as grantor ("Lawrence S. Phillips 1989 GRIT")	194,000	\$ 3,492,000.00

Owner	Number of Shares Held	Total Purchase Price
Cathy Green and Lawrence S. Phillips, as Trustees under TRUST INDENTURE dated November 15, 1989, made by Carol P. Green ("Carol P. Green 1989 GRIT")	85,000	\$ 1,530,000.00

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT is entered into as of this 20th day of March, 1995 by and between South China (Jersey) Holdings Limited (hereinafter called the "Assignor"), a Jersey, Channel Islands Company, with its registered office at LeGallais Chambers, 54 Bath Street, St. Helier, Jersey, Channel Islands, and Vaneton International Inc. (hereinafter called the "Assignee"), a corporation organized and existing under the laws of the British Virgin Islands, and having its registered office at P.O. Box 3340, Road Town, Tortola, British Virgin Islands.

W I T N E S S E T H

WHEREAS, Assignor entered into that certain Stock Purchase Agreement dated February 14, 1995, as amended by the First Amendment Agreement dated March 17, 1995 (said Stock Purchase Agreement as amended by said First Amendment Agreement is hereinafter referred to as the "Stock Purchase Agreement") by and among Assignor and Lawrence S. Phillips ("LSP"), in his individual capacity and as a trustee of the trusts created under (i) the Second Amended and Restated Trust Agreement dated January 12, 1995 made by Madelyn S. Phillips (the "Trust A Trust Agreement"), (ii) the Third Amended and Restated Trust Agreement dated December 12, 1994 made by Madelyn S. Phillips (the "Trust B Trust Agreement") and (iii) the Trust Indenture dated November 15, 1989 made by Carol Phillips Green, as grantor (the "Carol Phillips Green 1989 GRIT Trust Agreement"); Carol Phillips Green ("CPG"), in her individual capacity and as a trustee of the trusts created under (i) the Trust A Trust Agreement, (ii) the Trust B Trust

Agreement and (iii) the Trust Indenture dated October 31, 1989 made by Lawrence S. Phillips, as grantor (the "Lawrence S. Phillips 1989 GRIT Trust Agreement" and, together with the Trust A Trust Agreement, the Trust B Trust Agreement and the Carol Phillips Green 1989 GRIT Trust Agreement, the "Trust Agreements"; the trusts created under the Trust Agreements are sometimes hereinafter collectively referred to as the "Trusts"); Cathy Green ("CG"), solely in her capacity as a trustee of the trust created under the Carol Phillips Green 1989 GRIT Trust Agreement; Madelyn S. Phillips ("MSP"), solely in her individual capacity; Roxane Phillips ("RP"), solely in her individual capacity; Laura Phillips ("LP"), solely in her individual capacity; and Douglas Green ("DG"), solely in his individual capacity (LSP, CPG, and CG in their capacities as trustees under the Trusts are sometimes hereinafter referred to as the "Trustees" and the Trustees, together with LSP, CPG, MSP, RP, LP and DG, in their individual capacities, are hereinafter collectively referred to as the "Shareholders") pursuant to which Assignor has agreed to purchase from the Shareholders, and the Shareholders have agreed to sell to Assignor, the number of shares of Common Stock, par value \$1.00 per share (the "Common Stock") of Phillips-Van Heusen Corporation, a Delaware corporation (the "Corporation"), described therein; and

WHEREAS, Assignor wishes to assign all of its right, title and interest in the Stock Purchase Agreement to Assignee, and Assignee wishes to accept such assignment.

NOW THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Assignment. Assignor hereby assigns to Assignee all its right, title and interest in the Stock Purchase Agreement and Assignee, in consideration of said assignment, agrees to assume all the obligations and liabilities of Assignor under the Stock Purchase Agreement.

2. Governing Law. The validity, construction, operation and effect of any and all of the terms and provisions of this Agreement shall be determined and enforced in accordance with the internal laws of the State of New York without regard to the conflicts of law.

IN WITNESS WHEREOF, the parties hereto have duly executed this Assignment Agreement on the date first above written.

SOUTH CHINA (JERSEY) HOLDINGS LIMITED

By: R. Lee  
-----  
Name: R. Lee  
Title: Director

VANETON INTERNATIONAL INC.

By: R. Lee  
-----  
Name: R. Lee  
Title: Director

DATED 17th MARCH 1995

A TERM LOAN FACILITY OF US\$28,000,000.00

made by

CHEMICAL BANK  
HONG KONG BRANCH

to

SOUTH CHINA (JERSEY) HOLDINGS LIMITED

J O H N S O N

Solicitors

S T O K E S &

Hong Kong

M A S T E R



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THIS AGREEMENT is dated the 17th day of March, 1995 and made BETWEEN:-

- (1) SOUTH CHINA (JERSEY) HOLDINGS LIMITED as Borrower; and
- (2) CHEMICAL BANK, HONG KONG BRANCH as Lender.

IT IS HEREBY AGREED as follows:-

1. Purpose and Definitions

1.1 This Agreement sets out the terms and conditions upon and subject to which the Lender agrees to make available to the Borrower a term loan facility of up to United States Dollars Twenty Eight Million (US\$28,000,000) for the purpose of financing part of the acquisition costs by the Chargor of shares in Phillips-Van Heusen.

1.2 In this Agreement, unless the context otherwise requires, the following words and expressions shall have the following meanings:-

"Agreement" means this loan agreement;

"Banking Day", unless otherwise specified, means a day on which banks are open for business in Hong Kong, Singapore and (if payment is required to be made on such day) on which banks are open for business in New York City, but excluding Saturdays;

"Borrower" means South China (Jersey) Holdings Limited, a company established under the laws of Channel Islands and having its office at Le Gallais Chambers, 54 Bath Street, St. Helier, Jersey, Channel Islands; "Borrowed Money" means Indebtedness incurred in respect of (i) money borrowed or raised, (ii) any bond, note, loan stock, debenture or similar instrument, (iii) acceptance or documentary credit facilities, (iv) deferred payments for assets or services acquired, (v) rental payments under leases (whether in respect of land, machinery, equipment or otherwise) entered into primarily as a method of raising finance or of financing the acquisition of the asset leased, (vi) guarantees, bonds, standby letters of credit or other instruments issued in connection with the performance of contracts and (vii) guarantees or other assurances against financial loss in respect of Indebtedness of any person falling within any of (i) to (vi) above;

"Charge over Deposit" means the charge over deposit to be executed by the Borrower in favour of the Lender whereby the Borrower agrees to charge its deposit of not less than US\$5,000,000 in such account with the Lender as may be accepted by the Lender as security for the Borrower's obligations under this Agreement and the Security Documents, being in such form as the Lender may require;

"Chargor" means Vaneton International Inc., a company incorporated in the British Virgin Islands, having its registered office at P.O. Box 3340, Road Town, Tortola, British Virgin Islands;

"Deed of Charge" means the deed of charge to be executed by the Chargor in favour of the Lender whereby the Chargor charges all the shares held by it in Phillips-Van Heusen to the Lender as security for the Borrower's obligations under this Agreement and the Security Documents, being in such form as the Lender may require;

"Default" means any Event of Default or any event which with the giving of notice or lapse of time or the satisfaction of any other condition (or any combination thereof) would constitute an Event of Default;

"Drawdown Date" means the date being a Banking Day falling not later than 31 March 1995, on which the Loan is to be drawn down;

"Drawdown Notice" means the notice of drawing substantially in the form set out in the Schedule hereto;

"Encumbrance" means any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, security interest, title retention or other encumbrance of any kind securing or any right conferring a priority of payment in respect of any obligation of any person but does not include liens arising in the ordinary course of trading by operation of law and not by way of contract;

"Event of Default" means any of the events or circumstances described in Clause 10;

"Facilities" means the loan facilities of up to US\$28,000,000 extended by the Lender to the Borrower hereunder comprising "A Facility" as described in Clause 2.1(a) and "B Facility" as described in Clause 2.1(b) and the Facility shall mean either of them;

"Final Maturity Date" means 31 March 2000;

"Group" means the Borrower and its subsidiaries at any relevant time and "member of the Group" shall be construed accordingly;

"Indebtedness" means any obligation for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent;

"Interest Payment Date" means the last day of an Interest Period;

"Interest Period" means each period for the calculation of interest in respect of the Loan ascertained in accordance with Clause 3.2;

"Lender" means Chemical Bank, a banking corporation incorporated under the laws of the State of New York, United States of America, operating through its Hong Kong office at 44th Floor, Edinburgh Tower, 15 Queen's Road Central, Hong Kong which definition shall include its successors and assignees;

"Loan" means the aggregate principal amount owing to the Lender under this Agreement at any relevant time;

"Margin" means: (a) in respect of an Interest Period applicable to A Facility, one per cent. (1%) per annum; and (b) in respect of an Interest Period applicable to B Facility, zero point twenty five per cent. (0.25%) per annum;

"Repayment Date(s)" means subject to Clause 6.3 each of the 10 dates falling at six (6) months intervals, commencing on the day falling three (3) months after the Drawdown Date and thereafter on the even day of each succeeding six (6) months;

"Security Documents" includes (i) the Deed of Charge, (ii) the Charge over Deposit and (iii) any such other documents as may have been or shall from time to time hereafter be executed to secure the Loan, interest thereon and all other monies from time to time owing (whether the same shall be due and payable or not) by the Borrower pursuant to this Agreement and/or to all or any of such documents;

"Shares" means the common stock of US\$1.00 each in Phillips-Van Heusen, a company listed on the New York Stock Exchange;

"SIBOR" means in relation to a particular period the arithmetic mean (expressed as a percentage rounded upwards, if necessary, to four decimal places) of the rates quoted by the Lender to be that at which deposits in US Dollars and in an amount comparable with the amount in relation to which SIBOR is to be determined and for a period equal to the relevant period were being offered by first class banks to the Lender in the Singapore Interbank Market at or about 11 a.m. (Singapore time) on the second Banking Day before the first day of such period;

"subsidiary" means a subsidiary as defined in Section 2(4) of the Companies Ordinance (Cap.32) of the laws of Hong Kong;

"US Dollars" and "US\$" means the lawful currency at any relevant time hereunder of the United States of America.

- 1.3 References to a time of day are to Hong Kong time unless otherwise specified.
- 1.4 Clause headings and the table of contents are inserted for convenience of reference only and shall be ignored in the interpretation of this Agreement.
- 1.5 In this Agreement, unless the context otherwise requires:
- (a) references to Clauses and Schedules are to be construed as references to clauses of, and schedules to, this Agreement and references to this Agreement include its Schedules;

- (b) references to any enactment shall be deemed to include references to such enactment as re-enacted, amended, extended, consolidated or replaced, and any orders, decrees, proclamations, regulations, instruments or other subordinate legislation made thereunder;
- (c) words importing the plural shall include the singular and vice versa; and
- (d) references to a person shall be construed as references to an individual, firm, company, corporation, unincorporated body of persons or any State or any agency thereof.

## 2. Amount and Drawdown

2.1 Subject to Clause 2.2, the Lender relying upon each of the representations, warranties and undertakings set out in Clauses 7 and 8 hereby agrees to make available to the Borrower loan facilities of US\$28,000,000 comprising:-

- (a) the A Facility: being a facility of US\$23,000,000 under which the Borrower may draw in full in one lump sum on the Drawdown Date; and
- (b) the B Facility: being a facility of US\$5,000,000 under which the Borrower may draw in full in one lump sum on the Drawdown Date subject to the terms of this Agreement Provided That the Lender shall have received, not later than 11 a.m. on the third Banking Day before the proposed Drawdown Date, the Drawdown Notice, specifying the Drawdown Date (which shall be a Banking Day) and the initial Interest Period which shall be one, two, three or six months. A Drawdown Notice shall be effective on actual receipt by the Lender and once given shall be irrevocable.

2.2 The Facilities shall end on the Final Maturity Date whereupon the Loan, all interest accrued thereon and all other sums payable under this Agreement shall be repaid by the Borrower to the Lender.

## 3. Interest

3.1 Interest shall be payable by the Borrower on the Loan in respect of each Interest Period relating thereto on each Interest Payment Date at the rate per annum determined by the Lender to be the aggregate of in the case of A Facility (i) the Margin and (ii) SIBOR and in the case of B Facility the Margin and (ii) the deposit interest rate payable by the Lender from time to time on an amount equivalent to the size of B Facility.

3.2 The Borrower may, not later than 11 a.m. on the third Banking Day prior to the commencement of an Interest Period, by notice to the Lender select an Interest Period for the Loan of one (1), two (2), three (3) or six (6) months but so that:-

- (a) the first Interest Period will be as specified in the Drawdown Notice and will commence upon the Drawdown Date and each subsequent Interest Period will commence forthwith upon expiry of the previous Interest Period;
- (b) in the absence of any determination by the Borrower the Interest Period shall be deemed to be one (1) month or if the Lender shall certify that US Dollars are not available to it for the Interest Period so selected or deemed to be selected by the Borrower, the Interest Period shall be of the length reasonably determined by the Lender which shall be conclusive and binding on the Borrower;
- (c) the expiry of any Interest Period shall not exceed beyond the Final Maturity Date of the Facilities referred to in Clause 2.2;
- (d) an Interest Period which would otherwise end beyond a Repayment Date shall end on such Repayment Date; and
- (e) if any Interest Period would otherwise end on a day which is not a Banking Day, that Interest Period shall be extended to the next succeeding Banking Day unless it would thereby end in the next calendar month, in which event such Interest Period shall end on the preceding Banking Day.

3.3 If the Borrower fails to pay any sum (including, without limitations any sum payable pursuant to this Clause 3.3) on its due date(s) for payment under this Agreement or any of the Security Documents, the Borrower shall pay interest on such sum on demand from the due date up to the date of actual payment (as well after as before judgment) at a rate determined by the Lender to be two per cent per annum above the aggregate of the Margin and SIBOR. Such interest shall be due and payable on the last day of each period as determined by the Lender.

3.4 The certificate of the Lender as to any rate of interest determined by it pursuant to this Agreement shall, in the absence of manifest error, be conclusive and binding on the Borrower.

#### 4. Repayment and Prepayment

4.1 The Borrower shall repay the Loan in ten (10) equal semi-annual installments of US\$2,800,000 each on each of the Repayment Dates.

4.2 The Borrower may by giving not less than five (5) Banking Days' prior notice in writing to the Lender specifying the amount to be prepaid and the proposed date of such prepayment (which notice shall be irrevocable and shall oblige the Borrower to prepay the relevant amount on the date specified) prepay the Loan in whole or in part (and if in part, in a minimum amount of US\$ 1,000,000 or an integral multiple thereof) without premium or penalty (but with accrued interest on the principal amount to be prepaid to

the date of prepayment and any other sum then payable under this Agreement) on any Repayment Dates. Where the Borrower prepays on a day other than any Repayment Dates or gives less than five Banking Days' prior notice in writing, the Borrower shall reimburse the Lender the greater of (i) any losses that the Lender incurs, arising from such prepayments, from the date of prepayment to the next Repayment Date and (ii) 1% on the amount prepaid.

4.3 Every notice of prepayment shall be effective only on actual receipt by the Lender. The Borrower may not prepay the Loan or any part thereof save as expressly provided in this Agreement.

4.4 In the event that the Chargor shall fail to acquire 3,200,000 Shares within 6 months from the date hereof, the Lender may by giving not less than five (5) Banking Days' prior notice in writing require the Borrower to prepay the Loan together with accrued interests on the next immediate Repayment Date in an amount calculated as follows:-

(number of Shares charged by		
3,200,000 - the Chargor in favour of		
the Lender)		
----- X		US\$28,000,000
3,200,000		

Where the Borrower prepays on a day other than a Repayment Date, the Borrower shall reimburse the Lender the greater of (i) any losses that the Lender incurs, arising from such prepayments, from the date of prepayment to the next Repayment Date and (ii) 1% on the amount prepaid.

5. Fees and Expenses

5.1 The Borrower shall pay to the Lender on demand:-

(a) all expenses on a full and unqualified indemnity basis (including legal and out-of-pocket expenses) incurred by the Lender in connection with the negotiation, preparation, execution and, where relevant, registration of this Agreement and the Security Documents and of any amendment or extension of or the granting of any waiver or consent under this Agreement and/or any of the Security Documents;

(b) all expenses on a full and unqualified indemnity basis (including legal and out-of-pocket expenses) incurred by the Lender in connection with the enforcement of, or preservation of or, the attempted enforcement of, or preservation of any rights under, this Agreement and/or any of the Security Documents, or otherwise in respect of the monies owing under this Agreement and/or any of the Security Documents; and

(c) interest at the rate referred to in Clause 3.3 on such expenses from the date on which such expenses were incurred to the date of payment (as well after as before judgment).

5.2 The Borrower shall pay all stamp, documentary, registration or other like duties, taxes, fees or charges (including any duties, taxes, fees or charges payable by the Lender) imposed on or in connection with this Agreement and/or any of the Security Documents or the Loan and shall indemnify the Lender against any liability arising by reason of any delay or omission by the Borrower to pay such duties, taxes, fees or charges.

6. Payments

6.1 All payments to be made by the Borrower under this Agreement and/or any of the Security Documents shall be made in full without set-off or counterclaim of any nature whatsoever and, subject to Clause 6.2, free and clear of and without any present and future withholdings, taxes, levies, duties, imposts or deductions of whatever nature which may be required by the laws of Hong Kong or Channel Islands or elsewhere, in US Dollars in same day available funds not later than 11:00 a.m. on the due date by transfer to such account(s) of the Lender as designated by the Lender from time to time.

6.2 If at any time the Borrower is required by any applicable law, regulation or regulating requirement or any governmental authority, monetary agency or central bank to make any deduction or withholding in respect of any taxes, duties or other charges or withholdings of whatever nature from any payment due under this Agreement or any of the Security Documents, the sum due from the Borrower in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Lender receives on the due date for such payment a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made and the Borrower shall indemnify the Lender against any losses or costs incurred by it by reason of any failure of the Borrower to make any such deduction or withholding or by reason of any increased payment not being made on the due date for such payment. The Borrower shall promptly deliver to the Lender any receipts, certificates or other proof evidencing the amounts (if any) paid or, payable in respect of any such deduction or withholding as aforesaid.

6.3 When any payment under this Agreement or any of the Security documents would otherwise be due, on a day which is not a Banking Day, the next succeeding Banking Day shall be substituted for such day, unless such Banking Day falls in the next calendar month, in which case the immediately preceding Banking Day shall be substituted therefor.

6.4 All interest under this Agreement or any of the Security Documents shall accrue from day to day and be calculated on the actual number of days elapsed in a year of 360 days.



- 6.5 Any certificate or determination of the Lender as to any rate of interest or any other amount payable under this Agreement or any of the Security Documents shall be conclusive and binding on the Borrower in the absence of manifest error.
- 6.6 The Lender shall maintain, in accordance with its usual practice, an account or accounts evidencing the amounts from time to time lent by, owing to and paid to it under this Agreement and the Security Documents. Such account or accounts shall in the absence of manifest error be conclusive as to the amount from time to time owing by the Borrower to the Lender under this Agreement and the Security Documents.
- 6.7 All sums to be advanced by the Lender to the Borrower under this Agreement shall be remitted in US Dollars on the Drawdown Date to such account of the Borrower as specified in the Drawdown Notice.
- 6.8 The Borrower authorises the Lender to apply any credit balance to which the Borrower is then entitled on any account of the Borrower with the Lender at any of its branches in or towards satisfaction of any sum then due and payable from the Borrower to the Lender under this Agreement. For this purpose the Lender is authorised to purchase with the monies standing to the credit of such account such currencies as may be necessary to effect such application. The Lender shall not be obliged to exercise any right given to it by this Clause 6.8. The Lender shall notify the Borrower forthwith upon the exercise or purported exercise of any right of set-off giving full details in relation thereto.

7. Representations and Warranties

7.1 The Borrower hereby represents and warrants to the Lender that:

- (a) the Borrower is duly incorporated and validly existing under the laws of Channel Islands and has power to carry on its business as it is now being conducted and to own its property and other assets;
- (b) the Borrower has power to execute, deliver and perform its obligations under this Agreement and/or the Security Documents to which it is a party, all necessary corporate, shareholder and other action has been or will be taken by it to authorise the execution, delivery and performance of this Agreement and/or the Security Documents to which it is a party, no limitation on its powers to borrow will be exceeded as a result of transactions contemplated under this Agreement and this Agreement constitutes and the Security Documents to which it is a party will constitute valid and legally binding obligations of the Borrower enforceable in accordance with its terms;
- (c) the execution, delivery and performance of its obligations under and compliance by the Borrower with the provisions of this Agreement and/or the Security

Documents to which it is a party will not (i) contravene any applicable law, statute, rule, regulation, authorization or any judgment, decree or permit to which it is subject, or (ii) conflict with or result in any breach of or constitute a default under any agreement or other instrument to which the Borrower is a party or is subject or by which it or any of its property is bound, or (iii) contravene or conflict with any provisions of the Borrower's constitutional documents;

- (d) every consent, authorization, license or approval of, or registration with, or declaration to governmental or public bodies or authorities or courts required by the Borrower (ff any) in connection with the execution, delivery, performance, validity, enforceability or admissibility in evidence of this Agreement and/or the Security Documents to which it is a party or the performance by the Borrower of its obligations hereunder or thereunder has been, or in the case of the Security documents, will prior to the execution thereof, obtained or made and is, or in the case of the Security Documents, will prior to the execution thereof be, in full force and effect and there has been no default in the observance of any of the conditions or restrictions imposed in or in connection with any of the same;
- (e) no material litigation, arbitration or administrative proceeding is taking place, pending or, to its knowledge, threatened against the Borrower or any of its subsidiaries or could have a material adverse effect on the business, assets or financial condition of the Borrower or any of its subsidiaries;
- (f) the audited financial statements of the Borrower and the unaudited consolidated financial statements of the Borrower and its subsidiaries in respect of the financial year ended on 31st March 1994 as delivered to the Lender have been prepared in accordance with generally accepted international accounting principles and practices which have been consistently applied and present fairly and accurately the financial position of the Borrower and the consolidated financial position of the Borrower and its subsidiaries respectively as at such date and the results of the operations of the Borrower and the consolidated results of the operations of the Borrower and its subsidiaries respectively for the financial year ended on such date and, as at such date, neither the Borrower nor any of its subsidiaries had any significant liabilities (contingent or otherwise) which are not disclosed by, or reserved against in, such financial statements and the Borrower did not have any unrealized anticipated losses;
- (g) there has been no material adverse change in the financial position of the Borrower and its subsidiaries from that set forth in the financial statements referred to in Clause 7.1(f);
- (h) no Default has occurred and is continuing;

- (i) the Borrower and/or its subsidiaries are not in default in the payment of any principal of or interest on any Indebtedness for Borrowed Money and are not in breach of or in default under any provision of any indenture, deed of trust, agreement or other instrument to which it is a party and under or subject to which any such Indebtedness for Borrowed Money has been issued and is outstanding, and no event, condition or act which with the giving of notice or lapse of time, or both, would constitute an event of default under any such indenture, deed of trust, agreement or other instrument has occurred or is continuing which has not been properly waived or remedied thereunder;
- (j) the obligations of the Borrower under this Agreement and/or the Security Documents to which it is a party are direct, general and unconditional obligations of the Borrower, and rank at least pari passu in all respects with all its other present and future, unsecured and unsubordinated indebtedness and obligations (including contingent obligations), with the exception of indebtedness and obligations mandatorily preferred by law and not by contract;
- (k) the information, exhibits and reports furnished by the Borrower and/or any of its subsidiaries to the Lender in connection with the negotiation and preparation of this Agreement and each of the Security Documents are true and accurate in all material respects and not misleading, do not omit material facts and all reasonable enquiries have been made to verify the facts and statements contained therein; there are no other facts the omission of which would make any fact or statement therein misleading;
- (l) the Borrower and its subsidiaries and their respective assets are not entitled to immunity on the grounds of sovereignty or otherwise from any legal action or proceeding (which shall include, without limitation, suit, attachment prior to judgment, execution or other enforcement);
- (m) all advances, loans or other monies made available to the Borrower by its shareholders or stockholders or any related or associated company shall rank after and inferior to the Loan and the Borrower's Indebtedness under this Agreement; and
- (n) the choice by the Borrower of Hong Kong law to govern this Agreement and the Security Documents and the submission by the Borrower to the non-exclusive jurisdiction of the Hong Kong courts are valid and binding.

7.2 The representations and warranties in Clause 7.1 (and so that the representation and warranty in Clause 7.1(f) shall for this purpose refer to the then latest financial statements delivered to the Lender under Clause 8.1) shall be deemed to be repeated by the Borrower, on and as of each day from the date of this Agreement until all monies due or owing by the Borrower under this Agreement and the Security Documents have been

paid in full as if made with reference to the facts and circumstances existing at each such date.

8. Undertakings

8.1 The Borrower hereby undertakes with the Lender that, from the date of this Agreement and so long as any monies are owing under this Agreement or the Security Documents, the Borrower will :-

- (a) use the Loan exclusively for the purpose specified in Clause 1.1;
- (b) ensure that its and/or the Chargor's obligations and liabilities under this Agreement and/or the Security Documents shall rank at all times at least pari passu with all its and/or the Chargor's other present or future, joint or several, unsecured and unsubordinated obligations and indebtedness, with the exception of indebtedness and obligations mandatorily preferred by law and not by contract;
- (c) obtain, maintain in full force and effect and comply in all material respects with any conditions and restrictions (if any) imposed in or in connection with, every consent, authorization, license or approval of governmental or public bodies or authorities or courts, and do, or cause to be done, all other acts and things, which may from time to time be necessary or desirable under applicable law for the continued due performance of all its and the Chargor's obligations under this Agreement and the Security Documents;
- (d) prepare its financial statements and consolidated financial statements in accordance with generally internationally accepted accounting principles and practices consistently applied in respect of each financial year and (save in case of the consolidated financial statements of the Borrower and its subsidiaries) cause the same to be certified by its auditors and submit the same to the Lender as soon as practicable but not later than 150 days after the end of the financial year;
- (e) provide the Lender with such financial and other information concerning the Borrower as the Lender may from time to time reasonably require;
- (f) file or cause to be filed all tax returns required to be filed in all jurisdictions in which it is situate or carries on business or is otherwise subject to taxation and pay all taxes shown to be due and payable on such returns or any assessments made against it (other than those being contested in good faith and where such payment may be lawfully withheld);
- (g) promptly inform the Lender of any occurrence of which it becomes aware which might adversely affect its ability or the ability of any member of the Group to perform its obligations under the Security Documents (or any of them) to which

it is party and of any Default forthwith upon becoming aware thereof and will from time to time, if so requested by the Lender, confirm to the Lender in writing that, save as otherwise stated in such confirmation, no Default has occurred and is continuing.

8.2 The Borrower undertakes with the Lender that from the date of this Agreement and so long as any monies are owing under this Agreement or the Security Documents, it will ensure that Lees Investment Corporation and Lees Holdings Incorporation shall, from time to time, remain shareholders of not less than 60% of the issued share capital of the Borrower.

8.3 The Borrower undertakes with the Lender that from the date of this Agreement and so long as any monies are owing under this Agreement or the Security Documents, it will not, without the prior written consent of the Lender merge or consolidate with any other company or person which consent shall not be unreasonably withheld;

## 9. Conditions Precedent

9.1 The Lender shall not be obliged to make any amount available under this Agreement unless it shall have received, before the Drawdown Notice is given, the following documents in form and substance satisfactory in all respects to the Lender as it may reasonably require and consider sufficient for the purpose of the Facilities :-

- (a) this Agreement duly executed by the Borrower;
- (b) certified copies of all consents, licenses, approvals and authorizations of all governmental agencies and authorities required for or in connection with the execution, delivery, performance, validity and enforceability of this Agreement and the Security Documents;
- (c) evidence satisfactory to the Lender in all respects that the terms of this Agreement and the Security documents and the execution and performance thereof have been duly approved and authorised by the board of directors and the shareholders of the Borrower and parties to the Security Documents;
- (d) a favourable legal opinion issued by a firm of lawyers in Channel Islands to be chosen by the Lender with respect to the legality, validity and enforceability of this Agreement, the Security Documents and all other related documents;
- (e) a favourable legal opinion issued by a firm of lawyers in the British Virgin Islands with respect to the legality, validity and enforceability of the Deed of Charge;

- (f) a favourable legal opinion issued by a firm of lawyers in the United States with respect to the legality, validity and enforceability of the Deed of Charge; (g) certified true copies of all constitutional documents of the Borrower and the Chargor and such of their other incorporation documents as the Lender may reasonably require, together with an up-to-date specimen signature list of their respective directors, secretary and persons authorised to sign the Drawdown Notice and to give other notice and instruction to the Lender;
- (h) letter of acceptance addressed to the Lender and issued by the service agent appointed by the Borrower pursuant to Clause 15.2 confirming the acceptance by such service agent of its appointment;
- (i) the Deed of Charge duly executed by the parties hereto; and
- (j) the Charge Over Deposit duly executed by the parties thereto.

9.2 The conditions precedent set out in Clause 9.1 are inserted for the sole benefit of the Lender, and may be waived in whole or in part, with or without conditions by the Lender on or before the Drawdown Date without prejudicing the right of the Lender to require fulfillment of such conditions in whole or in part at any time thereafter.

#### 10. Events of Default

10.1 There shall be an Event of Default if:-

- (a) the Borrower fails to pay any sum payable by it under this Agreement and/or any of the Security Documents at the time stipulated in this Agreement or the relevant Security Document or in the currency or in the manner stipulated in this Agreement or the relevant Security Document; or
- (b) the Borrower or any other party to the Security Documents defaults in the due performance of or commits any breach of or omits to observe any of its obligations or undertakings under this Agreement and/or any of the Security Documents and, in respect of any such breach or omission which in the opinion of the Lender is capable of remedy, such action as the Lender may require shall not have been taken within seven (7) days of the Lender notifying the Borrower or any other party to the Security Documents of such required action; or
- (c) any representation or warranty made or deemed to be made or repeated by or in respect of the Borrower or any other party to the Security Documents in or pursuant to this Agreement and/or any of the Security Documents or in any notice, certificate or statement referred to in or delivered under this Agreement and/or any of the Security Documents is or proves to have been incorrect in any material respect; or

- (d) any Indebtedness of the Borrower or any of its subsidiaries in respect of Borrowed Money is not paid when due or becomes due or capable of being declared due prior to the date when it would otherwise have become due (unless as a result of the exercise by the Borrower of a voluntary right of prepayment) or any guarantee or indemnity given by the Borrower or any of its subsidiaries in respect of such Indebtedness is not honored when due and called upon, the occurrence of which, in the reasonable opinion of the Lender, would materially and adversely affect the ability of the Borrower to perform its obligation hereunder; or
- (e) any consent, authorization, license or approval of or registration with or declaration to governmental or public bodies or authorities or courts required by the Borrower or any other party to the Security Documents in connection with, the execution, delivery, performance, validity, enforceability or admissibility in evidence of this Agreement and/or any of the Security Documents to which it is a party or the performance by the Borrower or any other party to the Security Documents of its obligations hereunder or thereunder is modified in a manner unacceptable to the Lender or is not granted or is revoked or terminated or expires and is not renewed or otherwise ceases to be in full force and effect; or
- (f) an encumbrancer takes possession of the whole or any material part of the assets, rights or revenues of the Borrower or any of its subsidiaries or a distress, execution, sequestration or other process is levied or enforced upon or sued against any of the undertakings, assets, rights or revenues of the Borrower or any of its subsidiaries and is not discharged within fifteen (15) days; or
- (g) the Borrower or any of its subsidiaries stops or suspends payment of its debts or is unable to or admits inability to pay its debts as they fall due or commence negotiations with one or more of its creditors with a view to the general readjustment or rescheduling of all or part of its debts or propose or enter into any composition or other arrangements for the benefit of his creditors generally or proceedings are commenced in relation to the Borrower or any of its subsidiaries under any law, regulation or procedure relating to reconstruction or readjustment of debt; or
- (h) the Borrower or any of its subsidiaries takes any action or any legal proceedings are started or other steps taken for (i) the Borrower or any of its subsidiaries to be adjudicated or found bankrupt or insolvent (ii) the winding-up or dissolution of the Borrower or any of its subsidiaries (other than voluntary liquidation of any of its subsidiaries) or (iii) the appointment of a liquidator, trustee, receiver or similar officer of the Borrower or any of its subsidiaries or of the whole or any part of its undertakings, assets, rights or revenues; or

- (i) any event occurs or proceeding is taken with respect to the Borrower or any of its subsidiaries in any jurisdiction to which it is subject which has an effect equivalent or similar to any of the events mentioned in sub-clause (f), (g) or (h) of this Clause 10.1; or
- (j) the Security Documents shall at any time and for any reason become revoked, invalid or unenforceable or otherwise cease to remain in full force and effect, or if the validity or enforceability of the Security Documents shall at any time and for any reason be contested, or it becomes impossible or unlawful for the Borrower or any other party to the Security Documents to fulfil any of its substantial covenants and obligations contained in this Agreement or the Security Documents to which it is a party or for the Lender to exercise the rights vested in it thereunder or otherwise; or
- (k) the Borrower suspends or ceases to carry on its business; or
- (l) any other event occurs or circumstance arises which is likely materially and adversely to affect the ability of the Borrower or any other party to the Security Documents to perform all or any of its material obligations under or otherwise to comply with the material terms of this Agreement and/or any of the Security Documents to which it is a party or affect the security created by this Agreement and/or any of the Security Documents; or
- (m) the Borrower or any other party to the Security Documents repudiates this Agreement or any of the Security Documents to which it is a party or does or causes or permits to be done any act or thing reasonably evidencing an intention to repudiate this Agreement or any of the Security Documents; or
- (n) all or a material part of the undertakings, assets, rights or revenues, or shares or other ownership interests in the Borrower or any of its subsidiaries are seized, nationalized, expropriated or compulsorily acquired by or under the authority of any government; or
- (o) it becomes unlawful at any time for the Borrower to perform all or any of its obligations under this Agreement.

10.2 The Borrower shall notify the Lender forthwith in writing of any occurrence of an Event of Default or any event which, with the giving of notice and/or the lapse of time and/or upon the fulfillment of any other condition under Clause 10.1 might constitute an Event of Default.

10.3 The Lender may at any time after the happening of an Event of Default, unless and until that Event of Default and any others shall have been fully remedied to the satisfaction of the Lender, by notice in writing to the Borrower declare that the Loan and all interest



thereon, and all other sums owing or payable hereunder have become immediately due and payable, whereupon the same shall become immediately due and payable, and the Borrower shall forthwith repay the Loan and all interest accrued and all other sums payable under or in relation to this Agreement and the Security Documents to the Lender.

11. Indemnity

11.1 The Borrower shall indemnify the Lender on demand, without prejudice to any of the Lender's other rights under this Agreement and/or any of the Security Documents against any loss (including loss of profit) liabilities, damages, costs or expense which the Lender shall certify (except in the case of manifest error) as sustained or incur as a consequence of (a) any default in payment by the Borrower of any sum due under this Agreement or any of the Security documents when due; (b) the occurrence of any Event of Default; (c) any prepayment of the Loan or part thereof being made under Clauses 4 and 12 otherwise than on the Repayment Date; (d) the Loan not being drawdown for any reason (excluding default by the Lender) after the Drawdown Notice has been given by the Borrower including, in any such case, but not limited to, any loss or expense incurred in maintaining or funding the Loan or any part thereof or in liquidating or re-employing deposits from third parties acquired to effect or maintain, the Loan or any part thereof.

11.2 No payment to the Lender under this Agreement or any of the Security Documents pursuant to any judgment or order of any court or tribunal or otherwise shall operate to discharge the obligation of the Borrower in respect of which it was made unless and until payment in full shall have been received in US Dollars and to the extent that the amount of any such payment is not received in US Dollars and shall on actual conversion into US Dollars fall short of the amount of the obligation expressed in US Dollars, the Lender shall have a further and separate cause of action against the Borrower for the recovery of such sum as shall after conversion into US Dollars be equal to the amount of the shortfall. Any amount due from the Borrower under this Clause 11.2 shall be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of this Agreement or any of the Security Documents.

12. Illegality and Increased Costs

12.1 If at any time as a result of any change to present or future applicable law, regulation or regulatory requirement or any judgment, order or direction of any court, tribunal or authority binding upon the Lender and renders it unlawful for the Lender to make, fund or allow to remain outstanding all or any part of the Loan hereunder, then the Lender's obligation to make the Loan available shall cease and the Lender shall promptly inform the Borrower in writing and require the Borrower, on the earlier of the last Repayment Date and the last day permitted under the relevant law, regulation, regulatory requirement, judgment, order or direction, to repay the Loan (without premium or penalty) together with accrued interest thereon and all other monies owing hereunder.

- 12.2 If by reason of (a) any change in law, regulations or regulatory requirement or any judgment, order or direction of any court, tribunal or authority binding upon the Lender or in its interpretation or application after the date hereof or the introduction of any new law, regulations or regulatory requirements to which the Lender may be subject to and/or (b) compliance by the Lender with any direction, request or requirement of any central bank or other fiscal, monetary or other authority made or coming into force after the date hereof (whether or not having the force of law) and/or (c) any change in present market conditions, the Lender incurs as a result of its having entered into and/or performing its obligations hereunder and/or as a result of the Loan being outstanding hereunder, any increase in the cost to the Lender of making, funding or maintaining the Loan or the Lender becomes subject to any additional taxes, levies or payments (not being a payment of profits tax on its overall net income) on or calculated by reference to the Loan then (a) the Borrower shall indemnify the Lender against such amount as may be certified by the Lender in writing to be such increased cost (or such portion of such increased cost as is, in the reasonable opinion of the Lender, attributable to its making, funding or maintaining the Loan) or (b) the Lender shall be able to exercise the right to alter the basis on which interest is charged under the Facilities in respect of advances made. The certificate of the Lender as to the amount of such increased cost to be indemnified by the Borrower shall be conclusive and binding on the Borrower save for manifest error.
- 12.3 When the Loan is prepaid by the Borrower pursuant to this Clause 12, the Borrower shall, at the time of such prepayment, pay to the Lender accrued interest thereon to the date of actual payment, any additional amount payable under Clause 12.2 and all other sums payable by the Borrower to the Lender pursuant to this Agreement, (including, without limitation, any amounts payable under Clause 11) and pursuant to the Security Documents or any of them.
13. Assignment
- 13.1 This Agreement shall be binding upon, and enure for the benefit of, the Lender and the Borrower and their respective successors.
- 13.2 Neither the Borrower nor the Lender may assign or transfer any of its rights or obligations under this Agreement.
14. Miscellaneous
- 14.1 Every notice under this Agreement shall be in writing and may be sent by post or by fax to the Borrower or the Lender at their respective addresses and fax numbers notified in writing by either party from time to time. Except that any notice given by the Borrower to the Lender will not be effective unless actually received by the Lender, every notice given to the Borrower by the Lender shall be deemed to have been received three Banking Days after its posting or one Banking Day after its transmission by fax.

- 14.2 No failure or delay by the Lender in exercising any right, power, privilege or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, privilege or remedy preclude any other or further exercise thereof or the exercise of any other right, power, privilege or remedy. The rights and remedies provided under this Agreement are cumulative and not exclusive of any rights and remedies provided by law.
- 14.3 This Agreement shall not be amended, modified, changed or waived except by an instrument in writing, signed by the Lender and the Borrower.
- 14.4 Any provision of this Agreement prohibited by or unlawful or unenforceable under any applicable law actually applied by any court of competent jurisdiction shall, to the extent required by such law, be severed from this Agreement and rendered ineffective so far as is possible without modifying the remaining provisions of this Agreement. Where however the provisions of any such applicable law may be waived, they are hereby waived by the parties hereto to the full extent permitted by such law to the end that this Agreement shall be a valid and binding agreement enforceable in accordance with its terms.
15. Law and Jurisdiction
- 15.1 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong and the parties hereto hereby irrevocably submit to the non-exclusive jurisdiction of the Hong Kong Courts.
- 15.2 The Borrower hereby irrevocably authorise and appoint Tapsec Limited, 5th Floor, TAL Building, 49, Austin Road, Kowloon, Hong Kong to accept notice of all legal process arising out of or in connection with this Agreement or any matters connected herewith and service on such agent shall be deemed to be service on the Borrower.
- 15.3 The submission of the Borrower to the jurisdiction of the Hong Kong Courts shall not restrict the right of the Lender to take proceedings against the Borrower in any other courts having, claiming or accepting jurisdiction over the Borrower or any of its assets, nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction whether concurrently or not.
- 15.4 The Borrower irrevocably waives any objection which the Borrower may now or hereafter have to the laying of venue of any legal action or proceeding arising out of or in connection with this Agreement in any court, and irrevocably waives any claim which the Borrower may now or hereafter have that any such legal action or proceeding has been brought in an inconvenient forum.

IN WITNESS whereof the parties hereto have caused this Agreement to be duly executed on the day and year first above written.

THE SCHEDULE

Form of Drawdown Notice

To: Chemical Bank,  
Hong Kong Branch,  
44th Floor, Edinburgh Tower,  
15 Queen's Road Central,  
Hong Kong

, 1995

US\$28,000,000 Term Loan  
Agreement dated 1995  
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We refer to the above Agreement and hereby give you irrevocable notice that we wish to drawdown US\$28,000,000.00 on 21 March 1995 and select a first Interest Period in respect thereof of one month. The funds should be credited to Chemical Bank, New York, N.Y., ABN no. 021000128, for the account of Coudert Brothers account no. 611-121018;

We confirm that:-

- (i) no Event of Default, or other event or circumstance which, with the giving of notice and/or lapse of time might constitute an Event of Default, has occurred or is continuing that has not been properly waived or remedied;
- (ii) the representations and warranties contained in Clause 7 of the Agreement are true and correct at the date hereof as if made with respect to the facts and circumstances existing at such date;
- (iii) the borrowing to be effected by the Loan will be within our corporate powers, has been validly authorised by appropriate corporate action and will not cause any limit on our borrowings (whether imposed by statute, regulation, agreement or otherwise to be exceeded;
- (iv) we are not aware of any facts or circumstances which may constitute a default on our part under any agreement binding on us or which may have any adverse effect on our financial position; and
- (v) the undertakings contained in Clause 8 of the Agreement have at all times been duly complied with, observed and performed.

Words and expressions defined in the Agreement shall have the same meanings when used herein.

For and on behalf of  
South China (Jersey) Holdings Limited

By: RICHARD LEE  
-----  
Name: Dr. Richard Lee  
Title: Director

SIGNED by Dr. Richard Lee  
for and on behalf of SOUTH CHINA  
(JERSEY) HOLDINGS LIMITED  
in the presence of:-

Richard Lee

TONG GEE FIT  
TRAINEE SOLICITOR  
JOHNSON STOKES & MASTER

SIGNED by Paul C. Li, Vice  
President, for and on behalf of  
CHEMICAL BANK Hong Kong Branch  
in the presence of.--

Paul C. Li

CHARGE OVER SECURITIES

TO: Chemical Bank  
Hong Kong Branch  
44th Floor, Edinburgh Tower  
15, Queen's Road Central  
Hong Kong

1. Definitions

"Bank" means Chemical Bank and its successors and assigns;

"Banking Facilities" means such facilities as the Bank may make or continue to make available to the Borrower pursuant to the Loan Agreement;

"Borrower" means South China (Jersey) Holdings Limited, a company incorporated in the Channel Islands whose registered office is at Le Gallais Chambers, 54 Bath Street, St. Helier, Channel Islands;

"Chargor" means Vaneton International Inc., a company incorporated in the British Virgin Islands whose registered office is at P.O. Box 3340, Road Town, Tortola, British Virgin Islands;

"Event of Default" has the meaning ascribed to the term in the Loan Agreement;

"Exchange Rate" means the rate for converting one currency into another currency which the Bank determines to be prevailing in the relevant foreign exchange market at the relevant time, such determination to be conclusive and binding on the Chargor;

"Loan Agreement" means the loan agreement dated 17th March 1995 and signed between the Borrower and the Bank;

"person" includes an individual, firm, company, corporation and an unincorporated body of persons;

"Process Agent" means Tapsec Limited, 5th Floor, TAL Building, 49, Austin Road, Kowloon, Hong Kong;

"Secured Moneys" means (i) all moneys in any currency owing by the Borrower to the Bank at any time, pursuant to the Loan Agreement, (ii) interest on such moneys (both before and after any demand or judgment) to the date on which the Bank receives payment, at the rates payable by the Borrower or which would have been payable but for any circumstance which restricts payment, (iii) any expense of the Bank in making payment in respect of the Securities

on behalf of the Chargor (but without the Bank being under any obligation to do so) as a result of failure by the Chargor to make such payment when due and (iv) all expenses of the Bank in enforcing this Charge on a full indemnity basis;

"Securities" means (i) 2,800,000 Shares which are owned by the Chargor, (ii) all future Shares which will be owned by the Chargor, (iii) all dividends, interest, distributions and other moneys derived therefrom and (iv) all accretions, allotments, and other benefits accruing or arising in respect thereof; and

"Shares" means the common stocks of US\$1.00 each in Phillips-Van Heusen, a US company.

## 2. Charge

2.1 In consideration of the Banking Facilities, the Chargor, as beneficial owner, charges, by way of first fixed charge, to the Bank all the right, title and interest of the Chargor in and to the Securities as a continuing security for the obligations of the Borrower in respect of the Secured Moneys.

2.2 A certificate of balance signed by any duly authorised officer of the Bank shall be conclusive evidence against the Chargor of the amount of the Secured Moneys owing at any time.

2.3 The Bank shall be entitled to retain this Charge for such period as the Bank may certify to the Chargor to be appropriate in order to protect the interests of the Bank in respect of the Secured Moneys.

## 3. Continuing and Additional Charge

This Charge is a continuing security and is in addition to, shall not be affected by and may be enforced despite the existence of any other security held by the Bank. Any restriction on the right of consolidating securities shall not apply to this Charge.

## 4. Undertaking

The Chargor undertakes:

- (a) that the Securities are and shall be in the sole beneficial ownership of the Chargor, free from encumbrances and claims, except pursuant to this Charge;
- (b) to pay all calls and make all other payments in respect of the Securities when due;

- (c) not to or attempt to encumber, transfer, sell, dispose of or otherwise deal with any of the Securities except as directed by or with the consent of the Bank in writing (which consent shall not be unreasonably withheld); and
- (d) not to take any action which might prejudice the value of the Securities and/or the effectiveness of this Charge.

5. Authorisation

The Chargor authorises the Bank:

- (a) to appoint any other person as its nominee or agent to hold and to keep possession and control of the Securities;
- (b) without prejudice to its rights hereunder as a chargee of the Securities and upon the occurrence of an Event of Default, to register the Securities, at the discretion of the Bank, in the name of the Bank and/or its nominee;
- (c) to exercise or procure the exercise of the voting rights attaching to the Securities, so far as legally permissible, as if the Bank were the sole legal and beneficial owner and, otherwise, the Chargor shall not vote in a manner which may adversely affect the value of the Securities;
- (d) until an Event of Default occurs, to pay over to the Chargor any dividends, interest or other payments paid in respect of the Securities;
- (e) after consultation with the Chargor, to determine whether or not to take any action which may be called for in respect of the Securities as to offers, redemptions or any other matter; and
- (f) to return to the Chargor securities which may not have the same serial number or identification as those originally deposited with or received by the Bank, or any nominee or agent of the Bank.

6. Enforcement of Charge

If the Borrower has failed to pay any of the Secured Moneys when due or the Chargor is in default under any of the terms of this Charge or if either the Borrower or the Chargor is unable or admits to being unable to pay its debts, as they become due, or is subject to any proceedings in or analogous to insolvency, bankruptcy or liquidation or if legal process is applied for, levied or enforced against the Securities or any other assets of the Borrower or the Chargor, the Bank shall be entitled to enforce this Charge and may, without demand, notice, legal process or any other action with respect to the Borrower or the Chargor, realise, sell or otherwise dispose of all or some of the Securities, at any time and in any way it deems



expedient, free from any restrictions and claims and the Bank shall not be liable for any loss arising out of such realisation, sale or disposal.

7. Power of Attorney and Further Assurance

7.1 The Chargor hereby irrevocably appoints the Bank to be the attorney for the Chargor and in the name and on behalf and as the act or deed of the Chargor or otherwise, without any reference to or consent from the Chargor, to execute all documents and to do all things as may be required for the full exercise of all or any of the powers hereby conferred on the Bank and its rights under this Charge as it may consider expedient in connection with the exercise of such powers and rights.

7.2 At the request of the Bank, the Chargor shall execute such documents and perform such acts as the Bank may consider expedient in connection with the exercise of its powers and rights under this Charge.

8. Limitation on Liability and Indemnity

8.1 The Bank shall not be liable to the Chargor or any other person for any act, delay or failure to act, on the part of the Bank or any other person, in respect of the Securities unless due to the negligence or wilful default of the Bank, its nominees or any of their respective officers or employees.

8.2 The Chargor shall indemnify the Bank, its nominees and their respective officers and employees against all liabilities, claims, costs and damages of any kind which may be incurred by any of them and all actions or proceedings which may be brought by or against them in connection with the Securities and the exercise of the powers and rights of the Bank under this Charge, unless due to the negligence or wilful default of the Bank, its nominees or any of their respective officers or employees.

9. Set-off

The Bank may, at any time and without notice, apply any credit balance to which the Chargor is entitled on any account with the Bank in or towards satisfaction of the Secured Moneys. For this purpose, the Bank is authorised to purchase, at the Exchange Rate, such other currencies as may be necessary to effect such application with the moneys standing to the credit of such account.

10. Lien

The Bank is authorised to exercise a lien over all property of the Chargor coming into the possession or control of the Bank, for custody or any other reason and whether or not in the ordinary course of banking business, with power for the Bank to sell such property to satisfy the Secured Moneys.

11. Chargor as Principal Obligor

The liability of the Chargor under this Charge shall not be discharged or otherwise affected by reason of the Bank entering into any agreement or arrangement with the Borrower or any other person or by reason of any legal limitation, disability or incapacity or any other act, omission or circumstance which, but for this provision, would discharge the Chargor to any extent.

12. Chargor as Trustee

12.1 The Chargor shall not, until the whole of the Secured Moneys have been received by the Bank, exercise any rights of subrogation, indemnity, set-off or counterclaim against the Borrower or any rights to participate in any security the Bank has in respect of the Secured Moneys or, unless required by the Bank to do so, to prove in the bankruptcy or liquidation of the Borrower. The Chargor shall hold any amount recovered, as a result of the exercise of any of such rights, on trust for the Bank and shall pay the same to the Bank immediately on receipt.

12.2 The Chargor has not taken any security from the Borrower and agrees not to do so until the Bank has received the whole of the Secured Moneys. Any security taken by the Chargor in breach of this provision and all moneys at any time received in respect thereof shall be paid to the Bank immediately on receipt.

13. Chargor's Accounts

The Bank may, at any time, continue any existing account and open any new account in the name of the Chargor and no subsequent transactions, receipts or payments involving such new accounts shall affect the liability of the Chargor.

14. Payments

14.1 No payment to the Bank under this Charge pursuant to any judgment, court order or otherwise shall discharge the obligation of the Chargor in respect of which it was made unless and until payment in full has been received in the currency in which it is payable under this Charge and, to the extent that the amount of any such payment shall, on actual conversion into such currency, at the Exchange Rate, fall short of the amount of the obligation, expressed in this currency, the Chargor shall be liable for the shortfall.

14.2 Any moneys paid to the Bank in respect of the Secured Moneys may be applied in or towards satisfaction of the same or placed to the credit of such account as the Bank may determine with a view to preserving its rights to prove for the whole of the Secured Moneys.

14.3 If any moneys paid to the Bank in respect of the Secured Moneys are required to be repaid by virtue of any law relating to insolvency, bankruptcy or liquidation or for any other reason, the Bank shall be entitled to enforce this Charge as if such moneys had not been paid.

15. No Waiver

No act or omission by the Bank pursuant to this Charge shall affect its rights, powers and remedies hereunder or any further or other exercise of such rights, powers or remedies.

16. Assignment

The Chargor may not assign or transfer any rights or obligations of the Chargor hereunder. The Bank may assign any of its rights hereunder to a person in whose favour it has made an assignment of all or any of the Banking Facilities.

17. Communications

Any notice, demand or other communication under this Charge shall be in writing addressed to the Chargor at the last address registered with the Bank and addressed to the Bank at its Hong Kong branch or such other address as the Bank may notify to the Chargor for this purpose and may be delivered personally, by leaving it at such address, by post, facsimile transmission or telex and shall be deemed to have been delivered to the Chargor at the time of personal delivery or on leaving it at such address or on the next day following the day of posting or on the day of despatch, if sent by facsimile transmission or telex, and to the Bank on the day of actual receipt.

18. Severability

Each of the provisions of this Charge is severable and distinct from the others and, if one or more of such provisions is or becomes illegal, invalid or unenforceable, the remaining provisions shall not be affected in any way.

19. Governing Law and Jurisdiction

19.1 This Charge is governed by and shall be construed in accordance with the laws of Hong Kong.

19.2 The Chargor submits to the non-exclusive jurisdiction of the Hong Kong Courts but this Charge may be enforced in the Courts of any competent jurisdiction.

20. Process Agent

Service of any legal process on the Process Agent shall constitute service on the Chargor.

21. Execution

This Charge has been entered into by the Chargor under seal on 17 March, 1995.

EXECUTED and SEAL by the  
Chargor in the presence:

) Richard Lee  
)

TONG GEE FIT  
TRAINEE SOLICITOR  
JOHNSON STOKES &  
MASTER

[COMMON SEAL OF VANETON INTERNATIONAL INC.]