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LINMARK
LINMARK GROUP LIMITED
林麥集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 915)

DISCLOSEABLE TRANSACTION
ACQUISITION OF
THE BUSINESS AND ASSETS OF
TAMARIND INTERNATIONAL LIMITED

Financial adviser



A letter from the Board of the Company is set out on pages 3 to 8 of this circular.

* For identification purpose only

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

| | |
|---------------------------|--|
| “Agreement” | the agreement for the sale and purchase of the Business and Assets of Tamarind International Limited dated 19 November 2004 entered into between, inter alia, the Vendor, Success Giant and the Company relating to the acquisition of the Business and the Assets as well as the assumed Liabilities |
| “Assets” | the specified fixed and current assets related to the Business and rights under certain assumed contracts relating to customers |
| “associates” | has the meaning ascribed thereto in the Listing Rules |
| “Board” | the board of Directors |
| “Business” | the business relating to sourcing services currently carried out by the Vendor which business includes, among other services, product range planning and design, sampling, selection of suppliers, quality assurance, logistics and order management in relation to customer products and order management |
| “Company” | Linmark Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange |
| “Completion” | completion of the Agreement |
| “Directors” | the directors of the Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Latest Practicable Date” | 9 December 2004, the latest practicable date prior to the issue of this circular for ascertaining certain information contained herein |
| “Liabilities” | relates to certain payables, accruals and provisions of the Business, certain contractual entitlements, office leases, office equipment, computer licence, office administrative contracts and the actuarial valuation of the potential aggregate long service entitlements that would be payable by the Vendor to all transferred employees at the date of Completion. As at 31 March 2004, the balance of the Liabilities was approximately HK\$63.2 million (equivalent to approximately US\$8.1 million) |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “NPAT” | the net profit after taxation of any period/year of the Business determined after the pro forma adjustments specified in the Agreement and audited by the independent accountants accepted by the Vendor and Success Giant |

DEFINITIONS

| | |
|-----------------------------------|---|
| “PRC” | the People’s Republic of China |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Shareholders” | holders of the Shares |
| “Shares” | ordinary shares of US\$0.02 each in the capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Success Giant” or “Purchaser” | Success Giant Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company, the purchaser of the Business and the Assets as well as the assumed Liabilities under the Agreement |
| “UK” | United Kingdom |
| “Vendor” | Tamarind International Limited, a company incorporated in Hong Kong with limited liability and the vendor of the Business and the Assets as well as the assumed Liabilities under the Agreement |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “US\$” | United States dollars, the lawful currency of the United States of America |

For the purpose of this circular, conversion of Hong Kong dollars into US dollars is calculated at the exchange rate of HK\$7.80 to US\$1.00 for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.

LINMARK

LINMARK GROUP LIMITED

林麥集團有限公司*

(Incorporated in Bermuda with limited liability)

Executive Directors:

WANG Lu Yen (*Chairman*)
Steven Julien FENIGER (*Chief Executive Officer*)
FU Jin Ming, Patrick
KHOO Kim Cheng
KWOK Chi Kueng

Independent non-executive Directors:

WANG Arthur Minshiang
WONG Wai Ming
WOON Yi Teng, Eden

*Head office and principal place of
business in Hong Kong:*

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Office Tower One
The Harbourfront
18 Tak Fung Street
Hungghom
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Hong Kong

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

15 December 2004

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION ACQUISITION OF THE BUSINESS AND ASSETS OF TAMARIND INTERNATIONAL LIMITED

1. INTRODUCTION

The Board announced on 26 November 2004 that on 19 November 2004 a conditional Agreement was entered into between, inter alia, the Vendor, Success Giant and the Company. Pursuant to the Agreement, the Vendor agreed to dispose of the Business and the Assets and Success Giant agreed to acquire such Business and Assets as well as to assume certain related Liabilities of the Business from the Vendor at a maximum total purchase price of HK\$226.6 million (equivalent to approximately US\$29.1 million) (subject to downward adjustment as described below).

The transaction constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. The purpose of this circular is to provide you with further information on the Agreement.

* For identification purpose only

2. THE AGREEMENT

2.1 The Parties

The Purchaser:

Success Giant, a wholly-owned subsidiary of the Company

The Vendor:

Tamarind International Limited, a company incorporated in Hong Kong with limited liability, an independent third party. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the ultimate beneficial owner of Tamarind International Limited is Potter Acquisitions Limited, also an independent third party. Potter Acquisitions Limited is the ultimate holding company of the Vendor and Stirling Group Limited is the intermediate holding company of the Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, neither Tamarind International Limited nor Potter Acquisitions Limited, nor any of their respective associates is connected to the directors, chief executives and substantial shareholders of the Company and its subsidiaries and/or their respective associates.

The Purchaser's guarantor:

The Company

The Vendor's guarantor:

Stirling Group Limited, the 100% owner of the Vendor

2.2 Date of the Agreement

19 November 2004

2.3 The Business and the Assets to be acquired as well as the related Liabilities

The Vendor has agreed to sell and Success Giant has agreed to purchase, on and with effect from the date of Completion, the Business and the Assets (i.e. the business relating to sourcing services currently carried out by the Vendor together with the related Assets of the Business) and Success Giant has also agreed to assume certain related Liabilities of the Business from the Vendor.

As at 31 March 2004, the latest practicable date for the purpose of ascertaining such information prior to the issue of this circular, the Assets amount to approximately HK\$88.2 million (equivalent to approximately US\$11.3 million) and the assumed Liabilities amount to approximately HK\$63.2 million (equivalent to approximately US\$8.1 million).

Upon Completion, Success Giant, a newly incorporated wholly-owned subsidiary of the Company, will own the Business and the Assets as well as assume the related Liabilities. As of the date of Completion, Success Giant will commence operations as a new corporate entity with the purpose of engaging in the business of sourcing services with no record of past revenue and with its sole assets and liabilities being the Assets and the assumed Liabilities.

2.4 Consideration and basis of determining the consideration

In consideration of the sale of the Business and the Assets as well as the assumed Liabilities, Success Giant shall pay to the Vendor a maximum total purchase price of HK\$226.6 million (equivalent to approximately US\$29.1 million) (subject to downward adjustment as described below). The Assets represent approximately 48% of the assets of the Vendor, and selected customers of the Business generate approximately 81% of the turnover of the Vendor for the year ended 31 March 2004.

The consideration is the result of arm's length negotiations between the Vendor and the Company and was agreed on normal commercial terms between the parties. The level and structure was determined by the Directors after an analysis of the Business and in reliance on representations made by the management of the Vendor about the potential of the Business going forward.

As a condition precedent to the acquisition, selected key customers' contracts are to be novated and such customers become customers of the Purchaser. Accordingly, in order to reconcile the net profit attributable to the aforesaid selected customers, the Company has made the assumption that the net profit attributable to such customers is pro rata to the amount that such customers contribute to the turnover of the Vendor. Consequently, the net profits (after deducting all charges except taxation) of the Business and the Assets to be acquired from the Vendor is assumed to be approximately HK\$23.4 million (equivalent to approximately US\$3.0 million) for the year ended 31 March 2004. Therefore, the maximum purchase price represents a historical price earnings multiple of 9.7 times to the profit before taxation of the Business for the last financial year ended 31 March 2004. The Directors have concluded that the consideration as an earnings multiple arising from the Business and the Assets to be acquired is reasonable as it represents an earnings accretive acquisition.

To protect the Company from less than satisfactory performance of the Business in the future, the purchase price was structured to provide for a series of installments that would only be paid in full provided certain benchmark or reference NPAT levels were achieved by the selected customers who will become customers of the Purchaser under the Agreement. Such benchmark or reference NPAT levels have been considered by the Directors by reference to the historical profits generated by all the customers of the Vendor, not simply the net profits generated by the selected customers. Accordingly, the Directors believe such basis to be fair and reasonable. The formulation and structure of the purchase price (with the relevant adjustment factors) were considered by the Company, therefore, to be reasonable.

2.5 Settlement and escrow arrangement

Total maximum amount of the purchase price is HK\$226.6 million (equivalent to approximately US\$29.1 million) which is to be paid in cash through one initial payment and three subsequent installments, which are subject to adjustment as described below.

The Directors expect to settle the purchase price from the Group's internal resources.

LETTER FROM THE BOARD

Each installment is subject to adjustment if the NPAT of Success Giant for the relevant period to which the installment relates varies from the benchmark NPAT (“Benchmark NPAT”) specified for such installment payment.

| Payment date <i>(Note 1)</i> | | Installment payment amount <i>(Note 2)</i> <i>(in millions)</i> | Benchmark NPAT <i>(in millions)</i> | Adjustment to the purchase price <i>(Note 3)</i> <i>(in millions)</i> | Minimum aggregate adjusted purchase price <i>(Note 2)</i> <i>(in millions)</i> |
|---|------|--|---|--|---|
| Initial payment on Completion | | HK\$151.1 (US\$ 19.4) | | | HK\$151.1 (US\$ 19.4) |
| Additional installment payment amount shall be paid in three installments. Each installment is payable after the release of the audited accounts of Success Giant for the 12-month period ending 31 March 2005, 2006 and 2007 respectively. | 2005 | HK\$ 34.9 (US\$ 4.5) | HK\$34.2 (US\$ 4.4) | Plus HK\$ 0.7 (US\$ 0.1) | Plus HK\$ 0.7 (US\$ 0.1) |
| | 2006 | HK\$ 20.3 (US\$ 2.6) | HK\$39.5 (US\$ 5.1) | Minus HK\$19.2 (US\$ 2.5) | Minus HK\$ 19.2 (US\$ 2.5) |
| | 2007 | HK\$ 20.3 (US\$ 2.6) | HK\$48.4 (US\$ 6.2) | Minus HK\$28.1 (US\$ 3.6) | Minus HK\$ 28.1 (US\$ 3.6) |
| Each additional installment payment amount shall be subject to adjustment. | | _____ | | | _____ |
| Total | | <u>HK\$226.6</u> <u>(US\$ 29.1)</u> | | | <u>HK\$104.5</u> <u>(US\$ 13.4)</u> |

Notes:

- Since Success Giant will only commence operations from the date of Completion, the NPAT for the 12-month period ending 31 March 2005 will be made up of the pro forma NPAT for the Business for the period from 1 April 2004 through the date of Completion and the NPAT of Success Giant from the date of Completion through 31 March 2005.
- Per the adjustment provisions, the aggregate cash payments by Success Giant for the acquisition of the Business and the Assets as well as the assumption of the related Liabilities of the Business will range from the minimum of HK\$104.5 million (equivalent to approximately US\$13.4 million) to the maximum of HK\$226.6 million (equivalent to approximately US\$29.1 million) as described below, subject to the completion accounts, which will be the pro forma accounts of the Business as at close of business on the date of Completion prepared and agreed in accordance with the Agreement. At Completion, the Vendor is required to transfer to the Purchaser net tangible assets of HK\$25.0 million (equivalent to approximately US\$3.2 million), including cash of at least HK\$8.0 million (equivalent to approximately US\$1.0 million) (the “Requirements”). In the event that either of the Requirements is not met, the Vendor shall pay to the Purchaser the amount of shortfall. Conversely, if the net tangible assets of the Business transferred to the Purchaser at Completion exceed HK\$25.0 million (equivalent to approximately US\$3.2 million), the Purchaser shall repay the excess amount to the Vendor, up to a maximum of HK\$8.0 million (equivalent to approximately US\$1.0 million).
- The adjustment is made in accordance with the mechanism as described below.

The amount of downward adjustment to be made to each payment amount for each installment shall be equivalent to the difference between the Benchmark NPAT of Success Giant (subject to *Note 1* as set out above) and the pro forma NPAT of Success Giant of that specific period. The aforesaid adjustment is subject to a maximum downward adjustment equal to the difference between the Benchmark NPAT of Success Giant and the relevant installment payment amount.

The maximum aggregate price adjustment arising from the purchase price installment payment amounts, therefore, will be positive HK\$0.7 million (equivalent to approximately US\$0.1 million) (for 2005) and negative HK\$19.2 million (equivalent to approximately US\$2.5 million) (for 2006) and negative HK\$28.1 million (equivalent to approximately US\$3.6 million) (for 2007) which, in the case of the latter two payments, will require a payment from the Vendor back to, or to the order of, Success Giant thereby reducing the total purchase price payable by Success Giant. Hence, after the maximum aggregate adjustment, the minimum aggregate purchase price payment by Success Giant for the acquisition of the Business and the Assets as well as the assumed Liabilities will amount to HK\$104.5 million (equivalent to approximately US\$13.4 million) (being HK\$151.1 million (equivalent to approximately US\$19.4 million) plus HK\$0.7 million (equivalent to approximately US\$0.1 million) less HK\$19.2 million (equivalent to approximately US\$2.5 million) and less HK\$28.1 million (equivalent to approximately US\$3.6 million)).

The maximum aggregate purchase price payment by Success Giant for the Assets and the Business as well as the assumed Liabilities will be HK\$226.6 million (being HK\$151.1 million (equivalent to approximately US\$19.4 million) plus HK\$34.9 million (equivalent to approximately US\$4.5 million) (first installment payment amount) plus HK\$20.3 million (equivalent to approximately US\$2.6 million) (second installment payment amount) plus HK\$20.3 million (equivalent to approximately US\$2.6 million) (third installment payment amount)).

In order to provide security for the Vendor's contingent obligation to pay the abovementioned adjustments to the purchase price with respect to the latter two installment payments, the Vendor shall, within a designated period after the Vendor receives the audited financial statements of Success Giant for the 12-month period ending 31 March 2005 and 2006 respectively, pay a sum and/or maintain a sum of HK\$5.0 million (equivalent to approximately US\$0.6 million) (for the second installment payment amount) and HK\$20.0 million (equivalent to approximately US\$2.6 million) (for the third installment payment amount) with an escrow agent (an independent third party to be agreed between the Vendor and Success Giant).

2.6 Completion of the Agreement

Subject to the satisfaction of the conditions set out on the Agreement, Completion is expected to be on or before 31 January 2005 (or any other later date as may be mutually extended by the parties to the Agreement).

3. BACKGROUND TO AND REASONS FOR THE TRANSACTION CONTEMPLATED UNDER THE AGREEMENT

The Group is a sourcing and supply chain management solutions provider. It principally acts as a procurement agent and is engaged in the trading of merchandise.

The Business as configured to be acquired does not have a track record. The Vendor commenced business in 1977. The Vendor currently carries on the business of sourcing services, operating through offices in Hong Kong, China and the Philippines (with operations in the UK through a subsidiary). The Purchaser will acquire the business of the Vendor, with the exception of its UK subsidiary operations.

LETTER FROM THE BOARD

As mentioned in the chairman's statement in the annual report of the Group for the year ended 30 April 2004, the Company will continue to adhere to its growth strategies, which include the signing up of new customers, the expansion of its value-added services and hardgoods businesses, and merging with or acquiring companies (which may be procurement agents or companies engaged in trading of merchandises) that will enhance the Group's business.

The Business encompasses a diversified customer portfolio, including a number of major customers across a wide geography, ranging from Europe and South Africa to Australia, thereby broadening the Group's customer base both in terms of numbers and geographically. As the Vendor has been operating the Business since 1977, the management and sales team have had extensive experience in building the Business.

In view of the nature and composition of the customers and the experience of the management and sales team who manage and run the Business (and who will be offered with no less favourable terms to join the Purchaser as full time employees with effect from the date of the Completion), the Directors believe that the Business, Assets and assumed Liabilities that are the subject of the transaction provide an excellent opportunity for the Group to develop and build new customer relationships, to expand its business geographically, to benefit from an existing earnings accretive business that can be further developed and to entice more experienced senior management to join the Group. Taking into account the terms of the Agreement as mentioned above and the reasons for the transaction contemplated under the Agreement mentioned in this section, the Directors (including the independent non-executive Directors) are of the view that the terms of the subject acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Immediately upon Completion, the Vendor is required to transfer to the Company net tangible assets of HK\$25.0 million (equivalent to approximately US\$3.2 million (including cash of at least HK\$8.0 million (equivalent to approximately US\$1.0 million)) and the purchase price payable by the Company for acquiring the Assets, Business and assumed Liabilities will be settled in cash. Consequently, there will be no impact on the net assets value of the Company and no immediate impact on the earnings of the Company. In addition, as Completion is expected to take place by the end of January 2005, the Assets and Business will only render about three-month's contribution towards the earnings of the Group for the financial year ending 30 April 2005. Based on the due diligence undertaken by the Company, as the Assets and the Business to be acquired have been profitable historically, the acquisition is expected to have a positive impact on the earnings of the Group for the financial year ending 30 April 2005.

4. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully
For and on behalf of the Board
WANG Lu Yen
Chairman

RESPONSIBILITY STATEMENT

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short position of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(1) Interests and short positions in the shares of the Company and its associated corporations

| Company/Name of associated corporations | Name of Directors | Capacity | Number and class of securities <i>(Note 1)</i> | Percentage shareholding in the same class of securities as at the Latest Practicable Date |
|---|--------------------------|---|---|--|
| Company | WANG Lu Yen | Beneficial owner | 620,000 Shares (L) | 0.09% |
| Company | WANG Lu Yen | Interest of a controlled corporation <i>(Note 2)</i> | 437,340,000 Shares (L) | 66.81% |
| Company | KHOO Kim Cheng | Beneficial owner | 170,000 Shares (L) | 0.03% |
| Company | KWOK Chi Kueng | Beneficial owner | 212,000 Shares (L) | 0.03% |
| Company | WANG Arthur Minshiang | Beneficial owner | 260,000 Shares (L) | 0.04% |

| Company/Name of associated corporations | Name of Directors | Capacity | Number and class of securities <i>(Note 1)</i> | Percentage shareholding in the same class of securities as at the Latest Practicable Date |
|--|--------------------------|---|---|--|
| Roly International Holding Ltd. ("Roly International") <i>(Note 3)</i> | WANG Lu Yen | Beneficial owner | 20,200,000 ordinary shares (L) | 4.96% |
| Roly International <i>(Note 3)</i> | WANG Lu Yen | Interest of spouse <i>(Note 4)</i> | 350,000 ordinary shares (L) | 0.09% |
| Roly International <i>(Note 3)</i> | WANG Lu Yen | Interest of a controlled corporation <i>(Note 5)</i> | 121,243,500 ordinary shares (L) | 29.78% |
| Roly International <i>(Note 3)</i> | FU Jin Ming, Patrick | Beneficial owner | 3,000,000 ordinary shares (L) | 0.74% |
| Roly International <i>(Note 3)</i> | KHOO Kim Cheng | Beneficial owner | 2,172,000 ordinary shares (L) | 0.53% |
| Roly International <i>(Note 3)</i> | KWOK Chi Kueng | Beneficial owner | 482,000 ordinary shares (L) | 0.12% |
| Byford International Limited ("Byford") <i>(Note 6)</i> | WANG Lu Yen | Interest of a controlled corporation <i>(Note 7)</i> | 134,609,990 ordinary shares (L) | 67.30% |
| Westman Linmark (Thailand) Ltd. <i>(Note 8)</i> | WANG Lu Yen | Beneficial owner | 2 preference shares (L) | 0.07% |
| Westman Linmark (Thailand) Ltd. <i>(Note 8)</i> | Steven Julien FENIGER | Beneficial owner | 1 preference share (L) | 0.03% |

| Company/Name of associated corporations | Name of Directors | Capacity | Number and class of securities <i>(Note 1)</i> | Percentage shareholding in the same class of securities as at the Latest Practicable Date |
|---|-------------------------|------------------|---|--|
| Westman Linmark (Thailand) Ltd. <i>(Note 8)</i> | FU Jin Ming, Patrick | Beneficial owner | 1 preference share (L) | 0.03% |
| Westman Linmark (Thailand) Ltd. <i>(Note 8)</i> | KHOO Kim Cheng | Beneficial owner | 1 preference share (L) | 0.03% |
| Westman Linmark (Thailand) Ltd. <i>(Note 8)</i> | KWOK Chi Kueng | Beneficial owner | 1 preference share (L) | 0.03% |

Notes:

- The letter “L” represents the Directors’ interests in the shares.
- As at the Latest Practicable Date, Mr. WANG Lu Yen, Mrs. WANG LIAW Bin Bin, his wife, and Megastar Holdings Limited, a company controlled by Mr. WANG Lu Yen, held approximately 34.83% of the issued share capital of Roly International. Mr. WANG Lu Yen is thus deemed, by virtue of the SFO, to be interested in all the Shares in which Roly International is interested.
- As at the Latest Practicable Date, Roly International, the ultimate holding company of the Company, through RGS Holdings Limited, held 437,340,000 Shares, representing 66.81% of the issued share capital of the Company. As at the Latest Practicable Date, the issued share capital of Roly International was US\$40,713,376.40 divided into 407,133,764 shares of US\$0.10 each.
- These shares in Roly International were held by Mrs. WANG LIAW Bin Bin, the wife of Mr. WANG Lu Yen.
- These shares in Roly International were held by Megastar Holdings Limited, the entire issued share capital of which is owned by Mr. WANG Lu Yen. Mr. WANG Lu Yen is a director of Megastar Holdings Limited.
- As at the Latest Practicable Date, Roly International, the ultimate holding company of Byford, through Pacific Genius Group Limited (“PGGL”), held 134,609,990 shares, representing 67.30% of the issued share capital of Byford. As at the Latest Practicable Date, the issued share capital of Byford is HK\$2,000,000 divided into 200,000,000 shares of HK\$0.01 each.
- These shares in Byford were held by PGGL, the entire issued share capital of which is owned by Roly International. As at the Latest Practicable Date, Mr. WANG Lu Yen, Mrs. WANG LIAW Bin Bin, his wife, and Megastar Holdings Limited, a company controlled by Mr. WANG Lu Yen, held approximately 34.83% of the issued share capital of Roly International. Mr. WANG Lu Yen is thus deemed, by virtue of the SFO, to be interested in all the shares of Byford in which Roly International is interested.

8. Westman Linmark (Thailand) Ltd. is a subsidiary of the Company. As at the Latest Practicable Date, the issued share capital of Westman Linmark (Thailand) Ltd. was 12,000,000 Baht divided into 2,940 ordinary shares of 2,000 Baht each and 3,060 preference shares of 2,000 Baht each.

(2) **Interests and short positions in the underlying shares of the Company and its associated corporations**

| Company/ Name of associated corporations | Name of Directors | Capacity | Number of underlying shares (as further comprised and detailed in paragraphs 2.1 to 2.3 below) (Note) |
|---|--------------------------|---|--|
| Company | Steven Julien FENIGER | Beneficial owner | 17,760,000 (L) |
| Company | FU Jin Ming, Patrick | Beneficial owner | 7,230,000 (L) |
| Company | KHOO Kim Cheng | Beneficial owner | 8,320,000 (L) |
| Company | KWOK Chi Kueng | Beneficial owner | 5,910,000 (L) |
| Roly International | WANG Lu Yen | Beneficial owner | 6,650,000 (L) |
| Roly International | WANG Lu Yen | Interest of spouse | 87,500 (L) |
| Roly International | WANG Lu Yen | Interest of a controlled corporation | 30,310,875 (L) |
| Roly International | Steven Julien FENIGER | Beneficial owner | 1,150,000 (L) |
| Roly International | FU Jin Ming, Patrick | Beneficial owner | 750,000 (L) |
| Roly International | KHOO Kim Cheng | Beneficial owner | 8,593,000 (L) |
| Roly International | KWOK Chi Kueng | Beneficial owner | 161,250 (L) |

Note: The letter “L” represents the Directors’ interests in the shares.

(2.1) Options granted to the Directors under the Company's share option scheme and remained outstanding as at the Latest Practicable Date were as follows:

Options granted by the Company

| Name of Directors | Date of grant | Number of underlying Shares comprised in the options | Exercise price per share (HK\$) | Exercise period |
|--------------------------|---------------|--|--|-----------------------|
| Steven Julien FENIGER | 21/05/2002 | 6,240,000 | 2.550 | 21/05/2003–20/05/2008 |
| | 27/06/2002 | 1,660,000 | 2.220 | 27/06/2003–26/06/2008 |
| | 06/11/2002 | 4,700,000 | 1.600 | 06/11/2003–05/11/2008 |
| | 30/05/2003 | 1,960,000 | 2.125 | 30/05/2004–29/05/2009 |
| | 30/03/2004 | <u>3,200,000</u> | 2.975 | 30/03/2005–29/03/2010 |
| | | <u>17,760,000</u> | | |
| FU Jin Ming, Patrick | 21/05/2002 | 4,200,000 | 2.550 | 21/05/2003–20/05/2008 |
| | 06/11/2002 | 1,200,000 | 1.600 | 06/11/2003–05/11/2008 |
| | 30/05/2003 | 830,000 | 2.125 | 30/05/2004–29/05/2009 |
| | 30/03/2004 | <u>1,000,000</u> | 2.975 | 30/03/2005–29/03/2010 |
| | | <u>7,230,000</u> | | |
| KHOO Kim Cheng | 21/05/2002 | 3,800,000 | 2.550 | 21/05/2003–20/05/2008 |
| | 06/11/2002 | 2,200,000 | 1.600 | 06/11/2003–05/11/2008 |
| | 30/05/2003 | 920,000 | 2.125 | 30/05/2004–29/05/2009 |
| | 30/03/2004 | <u>1,400,000</u> | 2.975 | 30/03/2005–29/03/2010 |
| | | <u>8,320,000</u> | | |
| KWOK Chi Kueng | 21/05/2002 | 3,000,000 | 2.550 | 21/05/2003–20/05/2008 |
| | 06/11/2002 | 1,080,000 | 1.600 | 06/11/2003–05/11/2008 |
| | 30/05/2003 | 830,000 | 2.125 | 30/05/2004–29/05/2009 |
| | 30/03/2004 | <u>1,000,000</u> | 2.975 | 30/03/2005–29/03/2010 |
| | | <u>5,910,000</u> | | |

(2.2) Pursuant to the share option scheme of Roly International, the ultimate holding company of the Company, the Directors and employees of the Group may, at the discretion of the directors of Roly International, be granted options to subscribe for shares of Roly International. Options granted by Roly International to the Directors and remained outstanding as at the Latest Practicable Date were as follow:

Options granted by Roly International

| Name of Directors | Date of grant | Number of underlying shares of Roly International comprised in the options | Exercise price per share (US\$) | Exercise period |
|-------------------|---------------|--|--|-----------------------|
| WANG Lu Yen | 23/08/2004 | <u>1,600,000</u> | 0.248 | 23/08/2005–22/08/2010 |
| | | <u>1,600,000</u> | | |
| Steven Julien | 22/11/2002 | 600,000 | 0.138 | 22/11/2003–21/11/2008 |
| FENIGER | 30/03/2004 | <u>200,000</u> | 0.321 | 30/03/2005–29/03/2010 |
| | | <u>800,000</u> | | |
| KHOO Kim Cheng | 10/02/2000 | 1,350,000 | 0.150 | 10/02/2001–09/02/2005 |
| | 07/03/2002 | 2,000,000 | 0.130 | 07/03/2004–06/03/2010 |
| | 22/11/2002 | 1,500,000 | 0.138 | 22/11/2003–21/11/2008 |
| | 09/05/2003 | 2,000,000 | 0.151 | 09/05/2004–08/05/2009 |
| | 30/03/2004 | <u>1,200,000</u> | 0.321 | 30/03/2005–29/03/2010 |
| | | <u>8,050,000</u> | | |

(2.3) On 29 April 2004, Roly International issued bonus warrants carrying the right to subscribe for new ordinary shares of US\$0.10 each in the share capital of Roly International to its shareholders whose names were on the register of members of Roly International as at 26 April 2004 on the basis of one bonus warrant for every four existing ordinary shares of Roly International held by them. Each bonus warrant entitles the holder to subscribe for one new share of Roly International at the exercise price of S\$0.75 at any time during the period commencing on 29 April 2004 and expiring on 28 April 2009. Warrants issued to the Directors and remained outstanding as at the Latest Practicable Date were as follows:

Warrants issued by Roly International

| Name of Directors | Capacity | Number of underlying shares of Roly International outstanding as at the Latest Practicable Date |
|--------------------------|--|--|
| WANG Lu Yen | Beneficial owner | 5,050,000 |
| | Interest of spouse (<i>Note 1</i>) | 87,500 |
| | Interest of a controlled corporation (<i>Note 2</i>) | 30,310,875 |
| Steven Julien FENIGER | Beneficial owner | 350,000 |
| FU Jin Ming, Patrick | Beneficial owner | 750,000 |
| KHOO Kim Cheng | Beneficial owner | 543,000 |
| KWOK Chi Kueng | Beneficial owner | 161,250 |

Notes:

1. These warrants in Roly International were held by Mrs. WANG LIAW Bin Bin, the wife of Mr. WANG Lu Yen.
2. These warrants in Roly International were held by Megastar Holdings Limited, the entire issued share capital of which is owned by Mr. WANG Lu Yen. Mr. WANG Lu Yen is a director of Megastar Holdings Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company held any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTERESTS PURSUANT TO PART XV OF THE SFO

As at the Latest Practicable Date, according to the register required to be kept by the Company under Section 336 of the SFO and so far as was known to the Directors or chief executive of the Company, the following shareholders (other than the directors and chief executive of the Company whose interests and short positions in the Shares and the underlying Shares are set out above) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meeting of any other member of the Group.

| Name of Shareholders | Capacity | Number of Shares held (Note 1) | Approximate percentages of interests as at the Latest Practicable Date |
|---|---------------------------------------|-----------------------------------|--|
| RGS Holdings Limited | Beneficial owner | 437,340,000 (L) | 66.81% |
| Roly International (Note 2) | Interests of a controlled corporation | 437,340,000 (L) | 66.81% |
| Arisaig Greater China Fund Limited | Beneficial owner | 32,766,000 (L) | 5.01% |
| Arisaig Partners (Mauritius) Limited (Note 3) | Investment manager | 32,766,000 (L) | 5.01% |
| Lindsay William Ernest COOPER (Note 4) | Interests of a controlled corporation | 32,766,000 (L) | 5.01% |

Notes:

- The letter "L" represents the entity's interests in the Shares.
- The entire issued share capital of RGS Holdings Limited is owned by Roly International.
- Arisaig Partners (Mauritius) Limited is the fund manager of Arisaig Greater China Fund Limited.
- Mr. Lindsay William Ernest COOPER owns 100% interest in Madeleine Ltd which in turn owns 33.33% interest in Arisaig Partners (Holdings) Ltd. Arisaig Partners (Holdings) Ltd, through its wholly-owned subsidiary Arisaig Partners (BVI) Limited, owns 100% interest in Arisaig Partners (Mauritius) Limited.

According to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors or chief executive of the Company, other than the interest disclosed herein, there was no other person (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

DIRECTORS' INTEREST IN SERVICE CONTRACTS

Each of Messrs. WANG Lu Yen, Steven Julien FENIGER, FU Jin Ming, Patrick, KHOO Kim Cheng and KWOK Chi Kueng has entered into a service agreement with the Company for an initial term of three years from 1 May 2002, and will continue thereafter until terminated by either party by giving to the other not less than six months' notice in writing.

Each of Messrs. WANG Arthur Minshiang and WONG Wai Ming was appointed on 22 April 2002 and Dr. WOON Yi Teng, Eden was appointed on 28 January 2003. Each of their terms of appointment is for a term of two years and the terms of Messrs. WANG Arthur Minshiang and WONG Wai Ming have been renewed for a further two years. The independent non-executive Directors have the right to terminate their respective appointments at any time by giving the Company at least one month's notice in writing.

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

COMPETING INTERESTS

None of the Directors and his associates has an interest in a business apart from the Company's business which competes, or is likely to compete, either directly or indirectly, with the Company's business.

MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company is at 20th Floor, Office Tower One, The Harbourfront, 18 Tak Fung Street, Hung Hom, Kowloon, Hong Kong.
- (c) The company secretary of the Company is Ms. CHEUNG Hoi Yin, Brenda, who is an associate member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators, the UK.
- (d) The qualified accountant of the Company is Mr. KWOK Chi Kueng, an executive Director, who is an associate member of The Chartered Institute of Management Accountants, the UK, and a fellow member of the Hong Kong Institute of Certified Public Accountants (formerly named as Hong Kong Society of Accountants).
- (e) The branch share registrars and transfer office of the Company in Hong Kong is Standard Registrars Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.