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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

AND

RESUMPTION OF TRADING

On 19 November 2004, a conditional Agreement was entered into between, inter alia, the Vendor, Success Giant (a wholly-owned subsidiary of the Company) 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 US\$29.1 million) (subject to downward adjustment as described below).

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 the past revenue and with its sole assets and liabilities being the Assets and the assumed Liabilities.

The Agreement and the transaction contemplated thereunder constitute a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules, and a circular containing details of the Agreement will be despatched to the Shareholders as soon as practicable in accordance with the requirement of the Listing Rules.

At the request of the Company, trading in the Shares has been suspended with effect from 2:30 p.m. on 19 November 2004. Application has been made for the resumption of trading in the Shares with effect from 9:30 a.m. on 29 November 2004 following the issue of this announcement.

1. INTRODUCTION

The Board is pleased to announce 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 US\$29.1 million) (subject to downward adjustment as described below).

Set out below are the key features of the Agreement.

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 announcement, the Assets amount to approximately HK\$88.2 million (equivalent to US\$11.3 million) and the assumed Liabilities amount to approximately HK\$63.2 million (equivalent to 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 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 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 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.

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 Plus (US\$ 0.1)	Plus HK\$ 0.7 Plus (US\$ 0.1)
	2006 HK\$ 20.3 (US\$ 2.6)	HK\$39.5 (US\$ 5.1)	Minus HK\$19.2 Minus (US\$ 2.5)	Minus HK\$ 19.2 Minus (US\$ 2.5)
Each additional installment payment amount shall be subject to adjustment.	2007 HK\$ 20.3 (US\$ 2.6)	HK\$48.4 (US\$ 6.2)	Minus HK\$28.1 Minus (US\$ 3.6)	Minus HK\$ 28.1 Minus (US\$ 3.6)
Total	HK\$226.6 (US\$ 29.1)			HK\$104.5 (US\$ 13.4)

Notes:

1. 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.
2. 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 US\$13.4 million) to the maximum of HK\$226.6 million (equivalent to 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 US\$3.2 million), including cash of at least HK\$8.0 million (equivalent to 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 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 US\$1.0 million).
3. 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 US\$0.1 million) (for 2005) and negative HK\$19.2 million (equivalent to US\$2.5 million) (for 2006) and negative HK\$28.1 million (equivalent to 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 US\$13.4 million) (being HK\$151.1 million (equivalent to US\$19.4 million) plus HK\$0.7 million (equivalent to US\$0.1 million) less HK\$19.2 million (equivalent to US\$2.5 million) and less HK\$28.1 million (equivalent to 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 US\$19.4 million) plus HK\$34.9 million (equivalent to US\$4.5 million) (first installment payment amount) plus HK\$20.3 million (equivalent to US\$2.6 million) (second installment payment amount) plus HK\$20.3 million (equivalent to 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 US\$0.6 million) (for the second installment payment amount) and HK\$20.0 million (equivalent to 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.

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.

4. SHAREHOLDERS' CIRCULAR AND OTHER INFORMATION

Based on the results of the "Five-test", the transaction constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules, and a circular containing details of the Agreement will be despatched to the Shareholders as soon as practicable in accordance with the requirement of the Listing Rules.

At the request of the Company, trading in the Shares has been suspended with effect from 2:30 p.m. on 19 November 2004. Application has been made for the resumption of trading in the Shares with effect from 9:30 a.m. on 29 November 2004 following the issue of this announcement.

As at the date of this announcement, the Board comprises five executive Directors, being Mr. WANG Lu Yen (Chairman), Mr. Steven Julien FENIGER (Chief Executive Officer), Mr. FU Jin Ming, Patrick, Mr. KHOO Kim Cheng and Mr. KWOK Chi Kueng, and three independent non-executive Directors, being Mr. WANG Arthur Minshiang, Mr. WONG Wai Ming and Dr. WOON Yi Teng, Eden.

5. DEFINITIONS

"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
“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 HK\$63.2 million (equivalent to 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
“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
“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

By Order of the Board
WANG Lu Yen
Chairman

Hong Kong, 26 November 2004

* *For identification purpose only*

Please also refer to the published version of this announcement in the (The Standard)