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# LINMARK

## LINMARK GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 915)**

### **VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PROPOSED ACQUISITION OF 60% INTEREST IN DOWRY PEACOCK GROUP**

**Financial Adviser**

**CAZENOVE**

Cazenove Asia Limited

On 16 August 2005, the Purchaser, a direct wholly-owned subsidiary of the Company, the Vendor and Dowry Peacock entered into the Sale and Purchase Agreement, pursuant to which, among other things, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell and procure the sale (as the case may be) to the Purchaser of the Sale Shares for a total consideration of GBP24,001,200 (approximately HK\$338.42 million) (subject to adjustments). The Consideration is to be satisfied (subject to adjustments) as to 85% in cash and as to 15% by the issue of the Consideration Shares at HK\$2.284 per Share. The market value of the Consideration Shares is approximately HK\$47.78 million, calculated on the basis of the closing price of HK\$2.15 per Share on 16 August 2005. On the basis that 22,225,279 Consideration Shares will fall to be issued, they would represent approximately 3.39% of the existing issued share capital of the Company and approximately 3.28% of the issued share capital of the Company enlarged by the issue of the Consideration Shares. The obligations of the Purchaser under the Sale and Purchase Agreement are guaranteed by the Company. Completion of the Acquisition is conditional upon the fulfillment of a number of conditions precedent described below.

The Acquisition constitutes a very substantial acquisition of the Company. Pursuant to Rule 14.49 of the Listing Rules, the Acquisition is therefore subject to the approval of the Shareholders at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition, no Shareholder is required to abstain from voting on the resolution to approve the Acquisition at the SGM. A circular containing, among other things, a notice convening the SGM to approve the Acquisition (including the issue of the Consideration Shares) and further details relating to the Acquisition will be despatched to the Shareholders as soon as practicable.

**As the Acquisition is subject to a number of conditions precedent, it may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

The Directors are pleased to announce that on 16 August 2005, the Purchaser, the Vendor and Dowry Peacock entered into the Sale and Purchase Agreement, further information relating to which are set out in section A below.

## A. THE SALE AND PURCHASE AGREEMENT

### Date

16 August 2005

### Parties

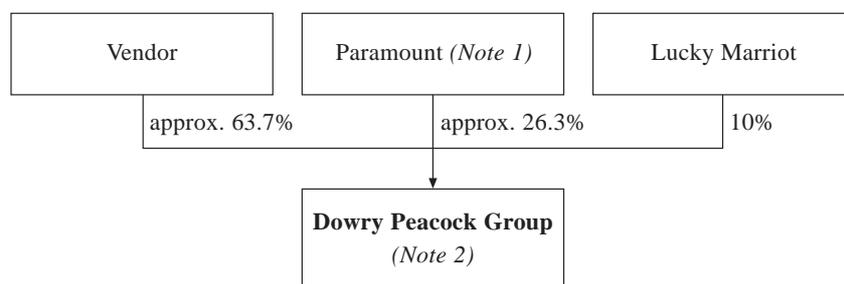
- (a) Benchmark Profits Limited (as purchaser) is a direct wholly-owned subsidiary of the Company and an investment holding company. The obligations of the Purchaser under the Sale and Purchase Agreement are guaranteed by the Company.
- (b) Ray NUGENT (as vendor). The Vendor is, as at the date of this announcement, also a director and member of senior management of Dowry Peacock.
- (c) Dowry Peacock (as target company). Dowry Peacock is a company incorporated in England and which is beneficially owned as to approximately 63.7% by the Vendor, approximately 26.3% by Paramount and 10% by Lucky Marriot as at the date of this announcement.

### Summary of the Acquisition

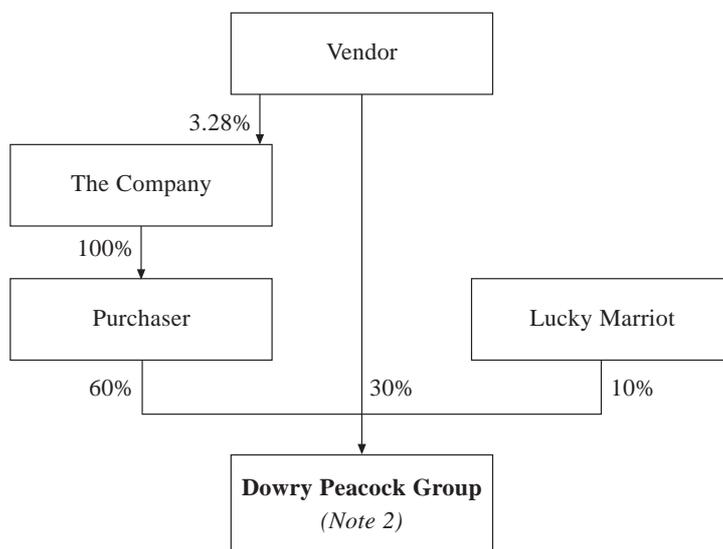
Subject to fulfillment of the conditions precedent described below, the Purchaser agreed to buy and the Vendor agreed to sell and procure the sale (as the case may be) to the Purchaser of the Sale Shares at a total consideration of GBP24,001,200 (approximately HK\$338.42 million) (subject to adjustments). The Consideration is to be paid in installments and is to be satisfied (subject to adjustments) as to 85% in cash and as to 15% by the issue of the Consideration Shares at HK\$2.284 per Share.

Upon completion of the Acquisition, the Purchaser will own 60% of the issued share capital of Dowry Peacock and the remaining 40% will continue to be held as to 30% by the Vendor and 10% by Lucky Marriot. The Purchaser will also have the benefit of the Purchase Option in respect of DGC and/or Dual France, as described further below. The following charts show the approximate shareholding and group structure of the Dowry Peacock Group immediately before and after completion of the Acquisition.

### Existing ownership structure of the Dowry Peacock Group



## Ownership structure of the Dowry Peacock Group immediately after Completion



### Notes:

1. Under the Sale and Purchase Agreement, the Vendor will procure Paramount to sell approximately 26.3% interest in Dowry Peacock to the Purchaser. Paramount has acknowledged in writing the terms of the proposed sale of its interest in Dowry Peacock.
2. The Purchaser has been granted the Purchase Option the exercise of which will cause Dowry Peacock to purchase the Other Company Shares from the Vendor, further details of which are described in the section headed "Post-Completion undertakings and arrangements" below.

### Sale Shares to be acquired

The Sale Shares represent 60% of the issued share capital of Dowry Peacock. As at the date of this announcement, the issued share capital of Dowry Peacock is held as to approximately 63.7% by the Vendor, approximately 26.3% by Paramount and 10% by Lucky Marriot. As at the date of this announcement, the Vendor, Paramount and Lucky Marriot are Independent Third Parties.

### Consideration

The total consideration for the Acquisition is GBP24,001,200 (approximately HK\$338.42 million) (subject to adjustments described below). The Consideration is to be satisfied as to 85% in cash and as to 15% by the issue of the Consideration Shares at HK\$2.284 per Share (subject to the adjustments described below which would increase or reduce, as the case may be, the cash portion of the Consideration payable).

The cash portion of the Consideration will be funded by internal resources. As at 30 April 2005, the Group had cash and bank balances of approximately US\$27,323,000 (approximately HK\$213.12 million).

The Consideration Shares will, when issued, rank pari passu in all respects with the Shares then in issue. The market value of the Consideration Shares is approximately HK\$47.78 million, calculated on the basis of the closing price of the HK\$2.15 per Share on 16 August 2005. On the basis that 22,225,279 Consideration Shares will fall to be issued which would represent approximately 3.39% of the existing issued share capital of the Company and approximately 3.28% of the issued share capital of the Company enlarged by the issue of the Consideration Shares.

### *Payment schedule*

The Consideration is to be paid in four installments, subject to adjustments. The following table sets out the amount of each installment, the percentage it represents of the total initial Consideration (before adjustments), the amount of the cash payable, the number of Consideration Shares issuable on each installment and the time each payment is to be made:

<b>Installment</b>	<b>Amount</b>	<b>Approximate percentage of Consideration (before adjustments)</b>	<b>Cash portion</b>	<b>Number of Consideration Shares issuable at HK\$2.284 per Share</b>	<b>Time of payment</b>
Initial Payment	GBP10,800,540 (approximately HK\$152.29 million)	45%	GBP9,180,459 (approximately HK\$129.44 million)	10,001,374	On Completion
Second installment	GBP4,400,220 (approximately HK\$62.04 million) <i>(Note 1)</i>	18.33%	GBP3,740,187 (approximately HK\$52.74 million)	4,074,635	On or before 31 July 2006
Third installment	GBP4,400,220 (approximately HK\$62.04 million) <i>(Notes 1 and 2)</i>	18.33%	GBP3,740,187 (approximately HK\$52.74 million)	4,074,635	On or before 31 July 2007
Fourth installment	GBP4,400,220 (approximately HK\$62.04 million) <i>(Notes 1 and 2)</i>	18.33%	GBP3,740,187 (approximately HK\$52.74 million)	4,074,635	On or before 31 July 2008

#### *Notes:*

1. These amounts are subject to adjustments as described below.
2. The amount of upward adjustment (if any) of the Consideration for FP06 is payable together with the third installment. The amount of upward adjustment (if any) of the Consideration for FP07 is payable together with the fourth installment.

The Consideration will be adjusted downwards or upwards, as the case may be, by reference to the extent to which the NPAT of the Dowry Peacock Group in respect of FP06, FP07 and FP08 is less than or more than the Profit Target for the relevant period as follows:

- If the NPAT of the Dowry Peacock Group in respect of FP06 is less than or (as the case may be) more than the Profit Target for FP06, the amount of the second installment of the Consideration is to be reduced or (as the case may be) increased by an amount equal to 18% of six times the amount of the shortfall/excess for the relevant year which is attributable to the equity interest represented by the Sale Shares (i.e.  $18\% \times 6 \times 60\% \times$  (the difference between the FP06 NPAT and the FP06 Profit Target)).

- If the NPAT of the Dowry Peacock Group in respect of FP07 is less than or (as the case may be) more than the Profit Target for FP07, the amount of the third installment of the Consideration (including any upward adjustment of the Consideration in respect of FP06) is to be reduced or (as the case may be) increased by an amount equal to 18% of six times the amount of the shortfall/excess for the relevant year which is attributable to the equity interest represented by the Sale Shares (i.e.  $18\% \times 6 \times 60\% \times$  (the difference between the FP07 NPAT and the FP07 Profit Target)).
- If the NPAT of the Dowry Peacock Group in respect of FP08 is less than or (as the case may be) more than the Profit Target for FP08, the amount of the fourth installment of the Consideration (including any upward adjustment of the Consideration in respect of FP07) is to be reduced or (as the case may be) increased by an amount equal to 18% of six times the amount of the shortfall/excess for the relevant year which is attributable to the equity interest represented by the Sale Shares (i.e.  $18\% \times 6 \times 60\% \times$  (the difference between the FP08 NPAT and the FP08 Profit Target)).
- The amount of downward adjustment to the Consideration is subject to the Reduction Adjustment Cap and is to be reflected by downward adjustment of the cash portion of the relevant installment(s) of Consideration to which that adjustment relates. The amount of upward adjustment to the Consideration is subject to the Increase Adjustment Cap and is to be paid in cash. The following table shows the Profit Target, the Reduction Adjustment Cap and the Increase Adjustment Cap in respect of each installment payment:

<b>Applicable installment of the Consideration</b>	<b>Profit Target (in respect of the 19 months period (in the case of FP06) or 12 months period (in the case of FP07 and FP08) to which it relates)</b>	<b>Reduction Adjustment Cap</b>	<b>Increase Adjustment Cap</b>
Second installment	GBP8,550,000 (FP06) (approximately HK\$120.56 million)	GBP3,740,187 (approximately HK\$52.74 million)	GBP810,000 (approximately HK\$11.42 million)
Third installment	GBP7,200,000 (FP07) (approximately HK\$101.52 million)	GBP3,740,187 (approximately HK\$52.74 million) plus any upward adjustment of the Consideration in respect of FP06	GBP842,400 (approximately HK\$11.88 million)
Fourth installment	GBP8,200,000 (FP08) (approximately HK\$115.62 million)	GBP3,740,187 (approximately HK\$52.74 million) plus any upward adjustment of the Consideration in respect of FP07	GBP567,000 (approximately HK\$7.99 million)

- If a Listing Event occurs, all adjustments to the Consideration shall lapse and cease to have effect and the balance of the Consideration then unpaid shall be due and payable by the Purchaser within 60 days after the Effective Date.

The multiple of six applied in the formulae for the adjustment of Consideration has been agreed after arm's length negotiations between the Vendor and the Purchaser by reference to the historical price to earning ratio (of approximately 7.4 times by reference to the NPAT of the Dowry Peacock Group in FP04) and the future growth of the Dowry Peacock Group.

#### *Basis of the Consideration*

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser after taking into consideration factors such as the historical NPAT of the Dowry Peacock Group, its projected NTA and cash balances as at Completion, its Profit Targets for FP06, FP07 and FP08 as well as the brands, trademarks and customer base currently owned and to be owned at Completion by the Dowry Peacock Group.

If, as at Completion, (i) the NTA of the Dowry Peacock Group is less than GBP4,560,000 (approximately HK\$64.30 million); or (ii) the total cash balance of the Dowry Peacock Group is less than GBP8,000,000 (approximately HK\$112.80 million) (except for any reduction in cash which has been used to settle the balance of consideration for the acquisition of the "Dual" trademark which has been registered in certain countries in Europe from an Independent Third Party before Completion); or (iii) the balance of total cash held in financial institutions excluding any amounts that either are deposits or instruments with a maturity of three months or longer or are not freely available for use due to contractual or legal restrictions of the Dowry Peacock Group is less than GBP4,000,000 (approximately HK\$56.40 million), the Vendor shall make up for that shortfall. However, the Vendor is only obliged to make payment up to the extent that the amount of Initial Payment received by the Vendor (net of such cash payment) will not be less than the NTA of the Dowry Peacock Group as at Completion. The amounts referred to above have been agreed after arm's length negotiations between the Vendor and the Purchaser.

The price at which the Consideration Shares are to be issued (being HK\$2.284 per Share) was also determined after arm's length negotiations between the Vendor and the Purchaser by reference to the average closing price of approximately HK\$2.175 per Share for the period of 30 consecutive trading days ended on 12 August 2005. The issue price represents approximately 6.23% premium over the closing price per Share on 16 August 2005, approximately 4.77% premium over the average closing price per Share for the period of 5 consecutive trading days ending on 16 August 2005, and 5% premium over the average closing price per Share for the period of 30 consecutive trading days ended on 12 August 2005.

#### **Conditions precedent**

Completion of the Sale and Purchase Agreement is subject to, among other things, the following conditions being satisfied or waived:

- (a) the warranties (which relate to the business, assets, liabilities and financial information of the Dowry Peacock Group) contained in the Sale and Purchase Agreement being true and correct in all material respects as at the date of the Sale and Purchase Agreement and as at Completion;
- (b) the Vendor and key management staff of the Dowry Peacock Group entering into service agreements in agreed terms with the Dowry Peacock Group, as applicable, on or before Completion;
- (c) the passing of resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at a special general meeting of the Company in accordance with Listing Rules requirements;

- (d) all necessary material consents, approvals and actions of filing with and notices to any governmental authority for the performance of, and all third party consents, notices and waivers from third parties doing business with Dowry Peacock Group members as specified in the Sale and Purchase Agreement which the Purchaser reasonably considers material in respect of, the Sale and Purchase Agreement having been obtained;
- (e) there having occurred no material adverse change in the business, financial condition, results, assets, liabilities, operations, customer or supplier relationships, sales or earnings or future prospects of the Dowry Peacock Group up till Completion; and
- (f) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares.

An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

If the conditions are not satisfied or waived by the Purchaser or the Vendor in writing (as the case may be) (other than condition (c), (d) and (f) which cannot be waived) on or before 31 October 2005, the Vendor or the Purchaser (as the case may be) has the right to terminate the Sale and Purchase Agreement. If either party exercises its termination rights, the Sale and Purchase Agreement will immediately become null and void, and neither party shall have any liability or obligation under the Sale and Purchase Agreement.

### **Completion**

Completion shall take place on the date the conditions precedent to the Sale and Purchase Agreement are all fulfilled or waived (as the case may be).

### **Post-Completion undertakings and arrangements**

#### *Purchase Option*

The Purchaser shall have the option, for a period of 18 months after Completion, to cause Dowry Peacock to purchase (i) the Other Company Shares of DGC or Dual France or both, as the Purchaser may elect, from the Vendor; or (ii) the businesses (including both assets and liabilities) and brands owned by DGC or Dual France or both, as the Purchaser may elect for a consideration (payable on exercise of the Purchase Option) of (i) Euro 100 (approximately HK\$966.40) (if the Purchase Option is exercised for both DGC and Dual France) or (ii) Euro 50 (approximately HK\$483.20) (if the Purchase Option is exercised for only one of them). The terms of the Purchase Option have been determined on an arm's length basis between the Vendor and the Purchaser after taking consideration of the existing operational status, size and profitability of DGC and Dual France. The Purchase Option gives the Group the opportunity to expand its operations to Germany and France through the operations of DGC and/or Dual France, if the Group wishes to do so.

Dual France is currently owned as to 55% by the Vendor, as to 15% by an existing director of certain members of the Dowry Peacock Group and as to 15% by a member of the management of the Dowry Peacock Group; and DGC is currently owned as to 64% by the Vendor, as to 10% by the same member of the management of the Dowry Peacock Group. An Independent Third Party (who is not part of the management of the Dowry Peacock Group) holds 15% of Dual France and 26% of DGC.

DGC and Dual France are principally engaged in the trading and distribution activities in Germany and France respectively under the "Nordmende" and "Dual" brands respectively under non-exclusive licence from certain members of the Dowry Peacock Group. The Purchase Option gives the Group the opportunity to expand its operations to Germany and France through the operations of DGC and/or Dual France, if the Group wishes to do so. The Company will comply with the requirements of Chapter 14 and/or Chapter 14A of the Listing Rules if and when it exercises the Purchase Option.

### *Continued management and non-compete*

Immediately upon Completion, the Purchaser will be entitled to appoint three and the Vendor will be entitled to appoint two out of a total of five directors of Dowry Peacock provided that the Vendor owns at least 30% of the issued share capital of Dowry Peacock. The Company will maintain majority board representation in Dowry Peacock for so long as Dowry Peacock is a subsidiary of the Company. It is intended that after Completion, the key management staff of the Dowry Peacock (including the Vendor) will continue to manage the business of the Dowry Peacock Group, subject to the terms of employment agreements to be signed with Dowry Peacock prior to Completion. The Company expects that the terms of the service contract with the Vendor post Completion will be commensurate to the terms of services of senior executives of his position and with his responsibilities in the industry. Currently, the Company does not have the intention to appoint the Vendor as a director of the Company.

The Vendor has undertaken in favour of the Purchaser that, among other things, he will not either for his own account or in conjunction with or on behalf of any person, for a period commencing on the date of the Sale and Purchase Agreement up to the second anniversary of the Expiry Date, in Hong Kong, the United Kingdom or elsewhere in the European Union or in such other place where any member of the Dowry Peacock Group conducts trade, business liaison or other operations, engage or be engaged or interested in or concerned with any business competing or likely to compete with the business operated by the Dowry Peacock Group or any member of the Group in whose business the Vendor becomes involved during his employment with Dowry Peacock after Completion from time to time. This does not, however, apply to the continuation of his existing participation as shareholder and director in DGC and Dual France. The Vendor has further agreed that for so long as he remains a director or controlling shareholder of those two companies, he will procure that the Dowry Peacock Group be given the first right to bid for any business opportunity that is within the scope of the Business or is available to both the Dowry Peacock Group on the one side and Dual France or DGC (as the case may be) on the other side. If the Purchaser does not exercise the Purchase Option, the Vendor shall have a period of six months from the date of expiry of the Purchase Option in which to dispose of his ownership interests in Dual France and DGC and to cease participation in their business activities. The non-compete undertaking and first right to bid will cease to apply to Dual France and DGC beginning at the time of such disposition by the Vendor.

The Purchaser has undertaken in favour of the Vendor that during the period from Completion and expiring on the first to occur of (i) the Expiry Date, or (ii) when the Vendor owns less than 30% of the total issued share capital of the Company or (iii) the occurrence of the Effective Date, among other things, it will not for its own account or in conjunction with or on behalf of any person and will procure that none of its affiliates (as defined under the Sale and Purchase Agreement, which definition would include the Company and its subsidiaries as at the date of this announcement) will enter into any business opportunities competing with the Business in the United Kingdom without first presenting such opportunities for consideration by the board of Dowry Peacock. Such undertaking, however, will not be breached by reason of the Purchaser being an affiliate of ISO International and its subsidiaries in respect of their business which may compete or potentially compete with the Business.

### *Arrangements regarding shares in Dowry Peacock*

Prior to the earlier of the Expiry Date or the Effective Date, the Vendor, Lucky Marriot and the Purchaser (being the shareholders of Dowry Peacock after Completion) will not, without the prior written consent of the Purchaser (in the case of the Vendor or Lucky Marriot) or Vendor (in the case of the Purchaser), sell, transfer, pledge, mortgage and/or create any interests or encumbrances in any shares of Dowry Peacock. The Purchaser has a first right of refusal over transfers of shares in Dowry Peacock by the Vendor or Lucky Marriot, and the Vendor has a similar right over transfers of shares in Dowry Peacock by the Purchaser. This first right of refusal will lapse upon the occurrence of a Listing Event. The Company will comply with the requirements of the Listing Rules if and when required.

In addition, each of the Vendor and the Purchaser has granted to the other, tag along rights so that if one wishes to sell its shares, the other has the right (within 7 days of notice) to elect to sell a proportionate number of shares at the same time to the same purchaser.

*Restrictions on disposals of the Consideration Shares*

The Vendor has undertaken that for a period of one year from the date that any Consideration Shares are issued to him, he will not (except with the prior written consent of the Purchaser) sell or otherwise dispose of any such Consideration Shares or enter into any agreement in respect of the votes attached to any such Consideration Shares.

**B. INFORMATION ON THE DOWRY PEACOCK GROUP**

The business of the Dowry Peacock Group commenced in 1995 and is principally engaged in the business of consultancy, design, sourcing, planning, procurement, quality inspection, brand and warranty management of life entertainment and consumer electronics products (such as audio visual products and electrical kitchen appliances). Its principal customers are prominent food and mass merchandise retailers in the United Kingdom.

At Completion, the key brands owned by the Dowry Peacock Group will include (i) “Dual”, a brand for consumer electronics products primarily sold in France and the United Kingdom; (ii) “Nordmende”, a brand for consumer electronics and small domestic appliances products primarily sold in Germany and the United Kingdom; (iii) “Pacific”, a brand for consumer electronics and small domestic appliances products primarily sold in the United Kingdom; and (iv) “Digilogic”, a brand for consumer electronics products primarily sold in the United Kingdom.

The following table shows the audited combined financial information of the Dowry Peacock Group for the two years ended 30 September 2004:

	<b>For the year ended 30 September 2004</b>	<b>For the year ended 30 September 2003</b>
Net profit before taxation and extraordinary items	GBP7,674,000 (approximately HK\$108.20 million)	GBP2,573,000 (approximately HK\$36.28 million)
Net profit after taxation and extraordinary items	GBP5,384,000 (approximately HK\$75.91 million)	GBP1,787,000 (approximately HK\$25.20 million)

The audited combined net asset value of the Dowry Peacock Group as at 30 September 2004 was GBP5,072,000 (approximately HK\$71.52 million).

**C. REASONS FOR AND EFFECTS/BENEFITS OF THE ACQUISITION**

Since the listing of the shares of the Company in May 2002, the Group has been expanding its business successfully both organically and by acquisitions. With the successful integration of the operations of ISO International which was acquired by the Group in November 2003 and the Group’s more recent acquisition of the business of Tamarind International Limited in December 2004, the Acquisition represents another milestone of the Group in its expansion of its supply chain management business. The Acquisition also enables the Group to expand further its hardgoods business as well as diversify its customer base in Europe. Upon completion of the Acquisition, the members of the Dowry Peacock Group will become subsidiaries of the Company and their results, assets and liabilities will be consolidated in the accounts of the Company. The Directors expect the Dowry Peacock Group to make

positive contributions to the Group's revenue and earnings. In addition, the Directors expect that the Group could in the future, after Completion, with the integration of the operations of the Dowry Peacock Group and those of the Group, enjoy synergies in terms of the complementary services that could be provided by the Group and the Dowry Peacock Group to customers, and cross selling opportunities for the Group's apparel business to its enlarged customer base.

On the basis that 22,225,279 Consideration Shares will fall to be issued under the Acquisition and no changes to the issued share capital of the Company before the issue of such Shares, the interest in the Company held by Roly International Holdings Ltd., the ultimate holding company of the Company, will be reduced from approximately 66.69% to approximately 64.51%.

The Directors consider the Acquisition to be in the interests of the Company and the Shareholders as a whole and the terms of the Sale and Purchase Agreement including the Consideration and the terms on which the Consideration Shares are to be issued to be fair and reasonable.

## **D. GENERAL**

The Company is an investment holding company. As a sourcing and supply chain management solutions provider, the Group principally acts as procurement agent and is engaged in the trading of merchandise and represents an expansion of its activities in both the range of services which the Group provides as well as geographical coverage. The Acquisition constitutes a very substantial acquisition of the Company. Pursuant to Rule 14.49 of the Listing Rules, the Acquisition is therefore subject to the approval of the Shareholders at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition, no Shareholder is required to abstain from voting on the resolution to approve the Acquisition at the SGM. A circular containing, among other things, a notice convening the SGM to approve the Acquisition (including the issue of the Consideration Shares) and further details relating to the Acquisition will be despatched to the Shareholders as soon as practicable.

As at the date of this announcement, the executive Directors are WANG Lu Yen, Steven Julien FENIGER, FU Jin Ming, Patrick, WONG Wai Ming, KHOO Kim Cheng and KWOK Chi Kueng and the independent non-executive Directors are WANG Arthur Minshiang, WOON Yi Teng, Eden and TSE Hau Yin, Aloysius.

## **E. DEFINITIONS**

In this announcement, unless the context requires otherwise, the following terms have the meanings as set out below:

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement;
“associate”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“Business”	the business of supply chain management, including projects/products design consultancy, sourcing, distribution, procurement, quality inspection, brand management, warranty management and fulfillment with specialisation in consumer electronics and small domestic appliances, and refurbishment and waste management of consumer electronics and small domestic appliances;
“Business Day”	any day other than Saturday on which commercial banks and financial institutions in Hong Kong are open for business;

“Company”	Linmark Group Limited, a company incorporated in Bermuda and the Shares of which are listed on the Stock Exchange;
“Completion”	completion of the Acquisition;
“Consideration”	a total of GBP24,001,200 (approximately HK\$338.42 million) (subject to adjustments), being the total price for the purchase of the Sale Shares pursuant to the Sale and Purchase Agreement;
“Consideration Shares”	a total of 22,225,279 new Shares which will fall to be issued at the price of HK\$2.284 per Share in partial satisfaction of the Consideration;
“DGC”	DGC GmbH (formerly known as Nordmende GmbH), a company incorporated in Germany;
“Directors”	the directors of the Company;
“Dowry Peacock”	Dowry Peacock Group Limited, a company incorporated in England and which is beneficially owned as to approximately 63.7% by the Vendor, approximately 26.3% by Paramount and 10% by Lucky Marriot as at the date of this announcement;
“Dowry Peacock Group”	Dowry Peacock and its subsidiaries from time to time, including DGC and Dual France upon completion of the transfer of the Other Company Shares to the Purchaser pursuant to the exercise of the Purchase Option;
“Dual France”	Dual France Sarl, a company incorporated in France;
“Effective Date”	if a Listing Event occurs prior to the Expiry Date, the date on which such shares are listed on a stock exchange or the completion date of any other transaction of the Listing Events;
“Euro”	Euro, the lawful currency of the European Union;
“Expiry Date”	the date on which the Dowry Peacock Group’s financial statements for FP08 shall have been approved by the board of directors of Dowry Peacock and duly audited by the Purchaser’s accountants;
“FP06”	the 19 months period ending 30 April 2006;
“FP07”	the 12 months period ending 30 April 2007;
“FP08”	the 12 months period ending 30 April 2008;
“GBP”	British pound sterling, the lawful currency of the United Kingdom;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“IAS”	International Accounting Standards or International Financial Reporting Standards issued by the International Accounting Standards Board;
“Independent Third Parties”	persons who themselves are, and (in the case of corporate entities) their ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules) and who are not connected persons of the Company (as that term is defined in the Listing Rules);
“Initial Payment”	the first installment of the Consideration in an aggregate amount of GBP10,800,540 (approximately HK\$152.29 million);
“ISO International”	ISO International (Holdings) Limited, a wholly-owned subsidiary of the Company;
“Increase Adjustment Cap”	the maximum amount by which the second installment or (as the case may be) the third installment of the Consideration is to be increased as a result of adjustments to that particular installment;
“Listing Event”	Listing Event means any of the following events: <ul style="list-style-type: none"> <li>(i) the listing of at least a majority of the ordinary shares of any member of the Dowry Peacock Group on any stock exchange;</li> <li>(ii) the listing of the Business (or a majority of the assets of the Business) on any stock exchange other than as provided in (i) above, through a merger with or acquisition of a company listed or to be listed on such stock exchange, or by way of a reverse takeover or back door listing or any other transaction having the same effect;</li> <li>(iii) the acquisition of Dowry Peacock, the Business or a material part of the assets constituting the Business by a private company or a public listed company; or</li> <li>(iv) if the Purchaser ceases to have a shareholding interest of at least 51% in either of (1) the Dowry Peacock Group or (2) if the Dowry Peacock Group (or any part thereof) is held by an intermediate holding companies within the Group, in such intermediate holding companies, or if the Company ceases to control, directly or indirectly for any reason whatsoever, the Dowry Peacock Group or any part thereof;</li> </ul>
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Lucky Marriot”	Lucky Marriot Consolidated Limited, a company incorporated in Labuan and which holds 10% of the issued share capital of Dowry Peacock as at the date of this announcement;

“NPAT”	the consolidated net profit after provision for all forms of taxation arising in any jurisdiction in which any member of Dowry Peacock Group is incorporated, operates or is otherwise subject to taxation for the relevant financial year, determined in accordance with IAS and audited by the Purchaser’s accountants and otherwise in accordance with the Sale and Purchase Agreement;
“NTA”	net tangible assets determined in accordance with IAS and in accordance with the Sale and Purchase Agreement;
“Other Company Shares”	such number of shares as will represent 64% and 55% of the total issued share capital of DGC and Dual France respectively;
“Paramount”	Paramount Consolidated Limited, a company incorporated in Labuan, and which holds approximately 26.3% of the issued share capital of Dowry Peacock as at the date of this announcement;
“Profit Target”	the target NPAT for FP06, FP07 and FP08 respectively by reference to which certain adjustments to the Consideration may be made as described in the paragraph headed “Consideration” in section A of this announcement;
“Purchase Option”	the option granted by the Vendor to the Purchaser to cause Dowry Peacock to purchase the Other Company Shares of DGC or Dual France or both, as the Purchaser may elect, from the Vendor or the businesses (including both assets and liabilities) and brands owned by DGC or Dual France or both, as the Purchaser may elect as described in the sub-paragraph headed “Purchase Option” in section A of this announcement;
“Purchaser”	Benchmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability, which is a direct wholly-owned subsidiary of the Company, or a wholly-owned subsidiary of the Company to which it may novate the Sale and Purchase Agreement;
“Reduction Adjustment Cap”	the maximum amount which the second installment or (as the case may be) the third installment of the Consideration is to be reduced as a result of adjustments to that particular installment;
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 16 August 2005 entered into among the Purchaser, the Vendor and Dowry Peacock in relation to, among other things, the Acquisition;
“Sale Shares”	an aggregate of 180 ordinary shares of GBP1.00 in the share capital of Dowry Peacock representing 60% of the issued share capital of Dowry Peacock at Completion;
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Shareholder(s)”	holder(s) of the Shares;
“Share(s)”	ordinary share(s) of US\$0.02 each in the share capital of the Company;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“Vendor”	Ray NUGENT, who beneficially owns approximately 63.7% of the issued share capital of Dowry Peacock as at the date of this announcement.

*Unless otherwise specified in this announcement, translations of GBP, Euro and US\$ into HK\$ are made in this announcement, for illustration only, at the rate of GBP1.00 to HK\$14.10, Euro 1.00 to HK\$9.664 and US\$1.00 to HK\$7.80. No representation is made that any amounts in GBP, Euro, US\$ or HK\$ could have been or could be converted at those rates or at any other rates.*

By Order of the Board of  
**LINMARK GROUP LIMITED**  
**WANG Lu Yen**  
*Chairman*

Hong Kong, 16 August 2005

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