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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**

### **CONTINUING CONNECTED TRANSACTIONS**

As a result of the completion of the Acquisition on 19 October 2005, Dowry Peacock is 60%-owned by a wholly-owned subsidiary of the Company and 30%-owned by Mr. Ray NUGENT, a director of Dowry Peacock and 10%-owned by Lucky Marriot Consolidated Limited, an Independent Third Party.

The Company entered into the Service Agreement with Dowry Peacock on 10 April 2006 which serves as a top-level framework agreement between the Company and Dowry Peacock to regulate the transactions to be entered into by the Group and Dowry Peacock and its subsidiaries which constitute Continuing Connected Transactions of the Company under the Listing Rules by virtue of Dowry Peacock and its subsidiaries being associates of Mr. Ray NUGENT.

As the aggregate receivable value of the Continuing Connected Transactions during the term of the Service Agreement or the aggregate payable value of the Continuing Connected Transactions during the term of the Service Agreement, on an annual basis, are expected to be less than 25% of the applicable percentage ratios in respect of the Company and each of such aggregate receivable value and aggregate payable value, on an annual basis, is expected to be less than HK\$10,000,000, therefore, as provided under Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions will be exempt from independent shareholders' approval under the Listing Rules and they are only subject to annual review requirements of Rules 14A.37 to 14A.40 of the Listing Rules and reporting and announcement requirements of Rules 14A.45 to 14A.47 of the Listing Rules.

Details of the Continuing Connected Transactions will be disclosed in the annual report and accounts in accordance with Rules 14A.37, 14A.45 and 14A.46 of the Listing Rules.

### **INTRODUCTION**

Reference is made to the Announcements and Circular in relation to the Acquisition. The terms and expressions used herein shall have, unless otherwise stated, the same meanings as defined in the Announcements and the Circular.

As a result of the completion of the Acquisition on 19 October 2005, Dowry Peacock is 60%-owned by a wholly-owned subsidiary of the Company and 30%-owned by Mr. Ray NUGENT, a director of Dowry Peacock and 10%-owned by Lucky Marriot Consolidated Limited, an Independent Third Party.

The Company entered into the Service Agreement dated 10 April 2006 with Dowry Peacock for a term of three years. The Service Agreement serves as a top-level framework agreement between the Company and Dowry Peacock to regulate the transactions to be entered into by the Group and Dowry Peacock and its subsidiaries which constitute Continuing Connected Transactions of the Company under the Listing Rules by virtue of Dowry Peacock and its subsidiaries being associates of Mr. Ray NUGENT. The Services

include provision of management, administrative and consultancy services by the Group to Dowry Peacock and/or its subsidiary(ies), provision of sourcing services, agency services and/or services in relation to trading of merchandises or supply chain activities by the Group to Dowry Peacock and/or its subsidiary(ies) or provision of the sourcing services, agency services and/or services in relation to trading of merchandises or supply chain activities to be provided by Dowry Peacock and/or its subsidiary(ies) to the Group, provision of quality inspection services on merchandises by the Group to Dowry Peacock and/or its subsidiary(ies) and provision and receipt of such other services ancillary or to facilitate the business activities of the Group and Dowry Peacock and/or its subsidiaries.

The Continuing Connected Transactions will serve as a platform to allow the Company and Dowry Peacock and its respective subsidiaries to enjoy synergies in terms of complementary services that could be provided by one to another.

Dowry Peacock and its subsidiaries have not provided the Services to the Group before the Service Agreement is signed.

As the aggregate receivable value of the Continuing Connected Transactions during the term of the Service Agreement or the aggregate payable value of the Continuing Connected Transactions during the term of the Service Agreement, on an annual basis, are expected to be less than 25% of the applicable percentage ratios in respect of the Company and each of such aggregate receivable value and aggregate payable value, on an annual basis, is expected to be less than HK\$10,000,000, therefore, as provided under Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions will be exempt from independent shareholders' approval under the Listing Rules and they are only subject to annual review requirements of Rules 14A.37 to 14A.40 of the Listing Rules and reporting and announcement requirements of Rules 14A.45 to 14A.47 of the Listing Rules.

Disclosure of information will be made in the annual report and accounts with reference to the Continuing Connected Transactions pursuant to Rules 14A.37, 14A.45 and 14A.46 of the Listing Rules.

Details of the Continuing Connected Transactions are set out below.

## **SERVICE AGREEMENT**

**Date of the agreement:** 10 April 2006

**Parties:** The Company and Dowry Peacock

**Term:** Three years commencing from 10 April 2006

**Services and Service Fees:** 1. Provision of management, administrative and consultancy services by the Group to Dowry Peacock and/or its subsidiary(ies) on terms no less favourable to the Group than terms available to or from (as appropriate) an Independent Third Party in other like transactions with fees payable in cash to the Group on every quarter of the financial year of the Company or such payment time as agreed by the parties concerned and the fees payable will be determined by reference to normal commercial terms and on arm's length negotiations based on market prices having regard to the services to be offered.

2. Provision of sourcing services, agency services and/or services in relation to trading of merchandises or supply chain activities to be provided by the Group to Dowry Peacock and/or its subsidiary(ies) or provision of the sourcing services, agency services and/or services in relation to trading of merchandises or supply chain activities to be provided by Dowry Peacock and/or its subsidiary(ies) to the Group on terms no less favourable to the Group than terms available to or from (as appropriate) an Independent Third Party in other like transactions. The fees will be payable in cash within the normal credit period, at any one time not more than 90-day period from the date of invoices, or within such payment period as agreed by the parties concerned and such fees will be determined by reference to normal commercial terms and on arm's length negotiations based on market prices having regard to the services to be offered.
3. Provision of quality inspection services on merchandises by the Group to Dowry Peacock and/or its subsidiary(ies) on terms no less favourable to the Group than terms available to or from (as appropriate) an Independent Third Party in other like transactions. The fees will be payable in cash within the normal credit period, at any one time not more than 90-day period from the date of invoices, or within such payment period as agreed by the parties concerned and such fees will be based on normal commercial terms and determined on arm's length negotiations based on market prices having regard to the services to be offered.
4. Provision of such other services ancillary or to facilitate the business activities from the Group to Dowry Peacock and/or its subsidiaries or provision of such other services ancillary or to facilitate the business activities from Dowry Peacock and/or its subsidiary(ies) to the Group on terms no less favourable to the Group than terms available to or from (as appropriate) an Independent Third Party in other like transactions. The fees will be payable in cash within the normal credit period, at any one time not more than 90-day period from the date of invoices, or within such payment period as agreed by the parties concerned and such fees will be determined by reference to normal commercial terms and on arm's length negotiations based on market prices having regard to the services to be offered.

Based on the best estimation of the Directors, the aggregate receivable value of the Group under the Continuing Connected Transactions during the term of the Service Agreement with Dowry Peacock and/or its subsidiaries are estimated not to exceed HK\$10,000,000 annually or the aggregate payable value of the Group under the Continuing Connected Transactions during the term of the Service Agreement with Dowry Peacock and/or its subsidiaries are estimated not to exceed HK\$10,000,000 annually and would be based on arm's length negotiations and on terms no less favourable to the Group than terms available to or from (as appropriate) an Independent Third Party and the provision and receipt of the Services are carried out on a continuing or recurring basis in the ordinary course of business of the Company and Dowry Peacock.

The Company will comply with the requirements under Rule 14A.36 of the Listing Rules if the aggregate receivable value of the Continuing Connected Transactions or the aggregate payable value of the Continuing Connected Transactions exceeds the annual cap of HK\$10,000,000 or when the Service Agreement is renewed or where there are material changes to the terms of the Service Agreement.

The Directors (including the independent non-executive Directors) consider the terms of the Service Agreement were reached after arm's length negotiations which reflect normal commercial terms and thus far, as a whole, are fair and reasonable as the interests of the Company and the shareholders of the Company are concerned.

## **PRINCIPAL BUSINESS ACTIVITIES OF THE PARTIES**

The Company is an investment holding company. As a sourcing and supply chain management solutions provider, the Group principally acts as a procurement agent and is engaged in the trading of merchandises.

Dowry Peacock is an investment holding company whereby both Dowry Peacock and its subsidiaries are principally engaged in the business of supply chain management including consultancy, design, distribution and brand management of home entertainment products and consumer electronics products (such as audio visual products and electrical kitchen appliances) and refurbishment and waste management of consumer electronics and small domestic appliances.

## **DEFINITIONS**

“Acquisition”	The acquisition of 60% of the issued share capital of Dowry Peacock Group Limited.
“Announcements”	The announcements issued by the Company dated 16 August 2005 and 24 October 2005 respectively.
“Circular”	The circular issued by the Company on 30 September 2005 in relation to a very substantial acquisition of the Company.
“Company”	Linmark Group Limited, a company incorporated in Bermuda and the shares of which are listed on the Stock Exchange.
“Continuing Connected Transactions”	Connected transactions under the Service Agreement.
“Directors”	The board of directors of the Company.
“Dowry Peacock”	Dowry Peacock Group Limited which is 60%-owned by a wholly-owned subsidiary of the Company, 30%-owned by Mr. Ray NUGENT, a director of Dowry Peacock, and 10%-owned by Lucky Marriot Consolidated Limited, an Independent Third Party.
“Group”	The Company and its subsidiaries excluding Dowry Peacock and its subsidiaries.

“Independent Third Party”	Persons whom 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 independent of the Company and its connected persons (as that term is defined in the Listing Rules).
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange.
“Services”	The services as stated in the Service Agreement.
“Service Agreement”	An agreement dated 10 April 2006 entered into between the Company and Dowry Peacock.
“Service Fees”	The total service fees payable under the Service Agreement.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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

Hong Kong, 10 April 2006

*As at the date of this announcement, the executive Directors are WANG Lu Yen, Peter Loris SOLOMON, FU Jin Ming, Patrick, WONG Wai Ming and KHOO Kim Cheng and the independent non-executive Directors are WANG Arthur Minshiang, WOON Yi Teng, Eden and TSE Hau Yin, Aloysius.*

\* *For identification purpose only*

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