LINMARK

LINMARK GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 915

CONTINUING CONNECTED TRANSACTIONS ARISING ON COMPLETION OF A VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF 60% INTEREST IN THE DOWRY PEACOCK GROUP

Reference is made to an announcement of the Company dated 16 August 2005 and a circular of the Company dated 30 September 2005 in relation to a very substantial acquisition of the Company. The Directors are pleased to announce that Completion of the Acquisition took place on 19 October 2005. As a result, Dowry Peacock became a 60%-owned subsidiary of the Company. The transactions under the Licence Agreements and Loan Agreement respectively constitute continuing connected transactions of the Company under the Listing Rules by virtue of the Vendor being a substantial shareholder of a subsidiary of the Company.

Reference is made to an announcement of the Company dated 16 August 2005 ("**Announcement**") and a circular of the Company dated 30 September 2005 ("**Circular**") in connection with a very substantial acquisition of the Company. Terms used herein shall have the same meanings as ascribed to them in the Announcement and the Circular unless otherwise specified.

The Directors are pleased to announce that Completion of the Acquisition took place on 19 October 2005. As a result, Dowry Peacock became a 60%-owned subsidiary of the Company. The Dowry Peacock Group has entered into various transactions with the Vendor and/or his associates which, upon Completion, constitute connected transactions of the Company under the Listing Rules by virtue of the Vendor being a substantial shareholder of a subsidiary of the Company. Such transactions are subject to connected transaction requirements of Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS WHICH ARE EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1. Licence Agreements

On 19 May 2005 and 27 June 2005, SUK, Dual France and DGC entered into two brand licence agreements ("**Licence Agreements**") respectively pursuant to which SUK granted to Dual France and DGC exclusive licences in certain countries and territories to use the "*Dual*" and "*Normende*" brands for a period of three years for a royalty fee of 0.75% of the net purchases of Dual France and DGC. Dual France and DGC were licensed by SUK to sell goods in specified classes carrying the "*Dual*" and "*Nordmende*" trademarks in France (in the case of Dual France) and in Germany, Austria, Switzerland, Liechtenstein, the Benelux countries, Croatia, Spain and Hungary (in the case of DGC).

Net purchases of Dual France and DGC refer to exworks prices, without carriage, duty or other surcharges. The rate of royalty fee is similar to that of the rate charged by SUK to an Independent Third Party licensee.

The aggregate annual consideration to be received by SUK under the Licence Agreements is estimated not to exceed HK$2.3 million for each of the three financial years ending 30 September 2008, based on the historical net purchases for DGC and Dual France for the financial year 2004–2005. There was no brand licencing agreement before the financial year 2004–2005 and the historical net purchases for DGC and Dual France prior to the financial year 2004–2005 is negligible.

As the aggregate annual licence fees payable during the term of the Licence Agreements are less than 2.5% of the applicable percentage ratios in respect of the Company, under Rule 14A.34 of the Listing Rules, they are only subject to reporting and announcement requirements of Rules 14A.45 to 14A.47 of the Listing Rules and annual review requirements of Rules 14A.37 to 14A.40 of the Listing Rules.

2. Loan Agreement

On 16 April 2005, SUK and DGC entered into a loan agreement ("**Loan Agreement**") pursuant to which DGC borrowed from SUK a sum of 1,663,704 Euro (approximately HK$16,078,000) ("**Loan**") to mature on 30 April 2006 which is repayable by monthly repayments of 50,000 Euro (approximately HK$483,200) commencing on 25 May 2005. Interest is currently payable at a rate which is 1% above the UK borrowing rate (being the rate at which SUK had obtained secured banking facilities from an Independent Third Party bank at the relevant time) and is on normal commercial terms. As disclosed in the Circular, as at 31 July 2005, the Dowry Peacock Group's bank facilities are secured by a fixed and floating debenture over the Dowry Peacock Group's assets in favour of the bank.

Loans have been granted by SUK to DGC since November 2001. On 16 April 2005, the parties decided to formalise the terms and conditions of the Loan and therefore, the Loan Agreement was entered into on 16 April 2005.

As at 31 March 2005, a sum of 1,663,704 Euro (approximately HK$16,078,000) of the Loan remained outstanding. As at 14 October 2005, a sum of 1,178,000 Euro (approximately HK$11,385,000) of the Loan remained outstanding.

As the Loan will not be repaid upon Completion, it constitutes financial assistance and a connected transaction of the Company. As the Loan is less than 2.5% of the applicable percentage ratios in respect of the Company, Rule 14A.66(2) of the Listing Rules requires that it is only subject to the reporting and announcement requirements of Rules 14A.45 to 14A.47 of the Listing Rules and annual review requirements of Rules 14A.37 to 14A.40 of the Listing Rules.

As Dual France and DGC are each owned as to over 30% as at Completion by the Vendor who, on Completion, is a substantial shareholder of Dowry Peacock, a 60%-owned subsidiary of the Company, Dual France and DGC are, as associates of a substantial shareholder of a subsidiary of the Company, constitute connected persons of the Group.

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

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

1. Licence Agreements

The Licence Agreements allow the Dowry Peacock Group to maintain and expand the markets in Germany, France and some other European countries for the "*Dual*" and "*Normende*" brands without setting up its own operations in these markets. The Dowry Peacock Group expects that the net purchases for DGC and Dual France will grow after the financial year 2004–2005.

The Directors (including the independent non-executive Directors) consider the terms of the Licence Agreements to be fair and reasonable and are on normal commercial terms which are in the interests of the Company and its Shareholders as a whole.

2. Loan Agreement

As a private company, it is difficult for DGC to obtain financing from other sources. This Loan had been provided to DGC to finance the working capital of the start-up of DGC's business with no security or indemnity provided by DGC to SUK. Under the Licence Agreements, SUK has been receiving royalty fees from DGC. In view of the estimated net purchases to be generated by DGC, the financial position of DGC, the repayment track record of DGC, the magnitude of the outstanding amount of the Loan, the less-than-seven-month tenor of the Loan, the different risk profile comparing to trade financing provided by the bank, and the right of Dowry Peacock to acquire 64% interest in DGC under the Purchase Option (the exercise of which will result in DGC becoming a fellow subsidiary of SUK), the Directors (including the independent non-executive Directors) have exercised their reasonable business judgment that it is of commercial interest and on normal commercial terms for making available the Loan to DGC on an unsecured basis. The Loan is a term loan and SUK does not have the right under the Loan Agreement to demand repayment at will. In view of that, and since as at the date of this announcement, DGC is current with its repayment obligations, no demand for full repayment by Completion has been made.

Having considered the economic benefits of the Loan and the reasons disclosed above, the Directors (including the independent non-executive Directors) consider the terms of the Loan Agreement to be fair and reasonable and are on normal commercial terms which are in the interests of the Company and its Shareholders as a whole.

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 merchandise.

SUK, a wholly-owned subsidiary of Dowry Peacock, is principally engaged in the business of supply chain management, including consultancy, design, sourcing, distribution, planning, procurement, quality inspection, brand and warranty 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.

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 exclusive licences in certain countries and territories granted by SUK. "*Nordmende*" and "*Dual*" are brands for consumer electronics and small domestic appliances products.

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

Hong Kong, 24 October 2005

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.

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