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LINEFAN TECHNOLOGY HOLDINGS LIMITED

(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT RELATING TO RESULTS OF THE RETURN HEARING

At the return hearing on 12 July, 2002, the matters of two injunctions served on the Company on 28 June, 2002 were settled by the plaintiff and defendants by a consent order in the terms described as below. Further announcement will be made for the progress.

Reference is made to an announcement by the Company dated 3 July, 2002 (the “Announcement”). Terms used herein shall have the same meanings as defined in the Announcement.

Settlement

At the return hearing on 12 July, 2002, the matters of two ex parte injunctions served on the Company on 28 June, 2002 were settled by Mr. YIP (the “Plaintiff”) and the Company (“1st Defendant”), Mr. ZHU (“2nd Defendant”), Mr. HUNG (“3rd Defendant”), Ms. WANG (“4th Defendant”), Mr. GAO (“5th Defendant”), Ms. MA (“6th Defendant”) and Mr. HU (“7th Defendant”) by a consent order (“Consent Order”).

Terms agreed in the Consent Order

The 2nd to 7th Defendants undertake that, unless and until a lawful resolution (the “Resolution”) be passed by the members of the 1st Defendant at the extraordinary general meeting (as referred to hereinbelow), continuing the 2nd Defendant as chairman (such extraordinary general meeting to take place in any event not later than 13 August, 2002) of the 1st Defendant’s Board and the appointment of the 6th Defendant and 7th Defendant as Directors of the 1st Defendant, they will not whether by themselves or any of them, their respective employees, servants or agents, or otherwise howsoever, hold out:

- (1) the 2nd Defendant as the chairman of the Board; or
- (2) the 6th or 7th Defendants as Director of the 1st Defendant;

The 2nd Defendant undertakes that, unless and until the Resolution be passed (such extraordinary general meeting to take place in any event no later than 13 August, 2002), he will not, whether by himself, his servants, employees or agents, or otherwise howsoever, exercise any of the powers of chairman of the Board.

The 6th and 7th Defendants undertake that, unless and until the Resolution be passed, they or either of them will not, whether by themselves, or either of them, their respective employees, servants or agents, or otherwise howsoever, exercise any of the powers of the Directors of the 1st Defendant.

The Plaintiff and the 2nd to 7th Defendants undertake to use their best endeavours to ensure that the extraordinary general meeting be held not later than 13 August, 2002.

The Plaintiff undertakes to cause Ocean Grand Technology Company Limited, a shareholder of the Company to requisition within 21 days of the coming into effect of the Consent Order an extraordinary general meeting taking place no later than 13 August, 2002 (as referred to above) for the purpose, inter alia, of considering whether the 2nd Defendant be confirmed as chairman of the Board, and the 6th and 7th Defendants be confirmed as Directors of the 1st Defendant.

The Plaintiff undertakes not to institute contempt proceedings against the 2nd to 7th Defendants in relation to any alleged breaches of the Order made by Mr. Justice Hartmann on 28 June 2002.

The 2nd to 7th Defendants and each of them undertake not to seek any damages or inquiry as to damages on the Plaintiff’s cross-undertaking given to Mr. Justice Hartmann on 28 June, 2002.

The Plaintiff and the 2nd to 7th Defendants and each of them undertake that they, or any of them, will not appoint or procure the appointment of:

- (1) any of them as chairman of the Board (other than by virtue of election by the Directors at individual meetings of the Board); or
- (2) any additional directors of the 1st Defendant (other than as alternative director, if the Plaintiff or the 2nd to 5th Defendants so wish) pending the holding of the extraordinary general meeting.

The Plaintiff undertakes to withdraw this action upon the passing of a resolution of the Board (the “Board Resolution”) approving and continuing the terms of this order and upon the 1st Defendant executing an agreement in writing (the “Written Agreement”) consenting to terms of this Order (a copy whereof to be supplied to the Plaintiff’s solicitor forthwith)

The Plaintiff and the 2nd to 5th Defendants and each of them undertake to procure the passing of the Board Resolution at the next meeting of the Board.

The Plaintiff and the Defendants and each of them agree and continue that the withdrawal of this action on the aforesaid terms shall be wholly without prejudice to any claim or action by the Plaintiff, or anyone else, in respect of any complaints or claims against any of the Defendants other than in relation to the validity of the holding of the Board meeting of the 1st Defendant held on 1 June, 2002 and that the EGM which took place on 28 June, 2002 (the “Issue”) and that no estoppel whatsoever shall arise save only in relation to the Issue.

Further announcement will be made for the progress.

By order of the Board
Linefan Technology Holdings Limited
Lam Wai Keung
Company Secretary

Hong Kong, 15 July, 2002

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