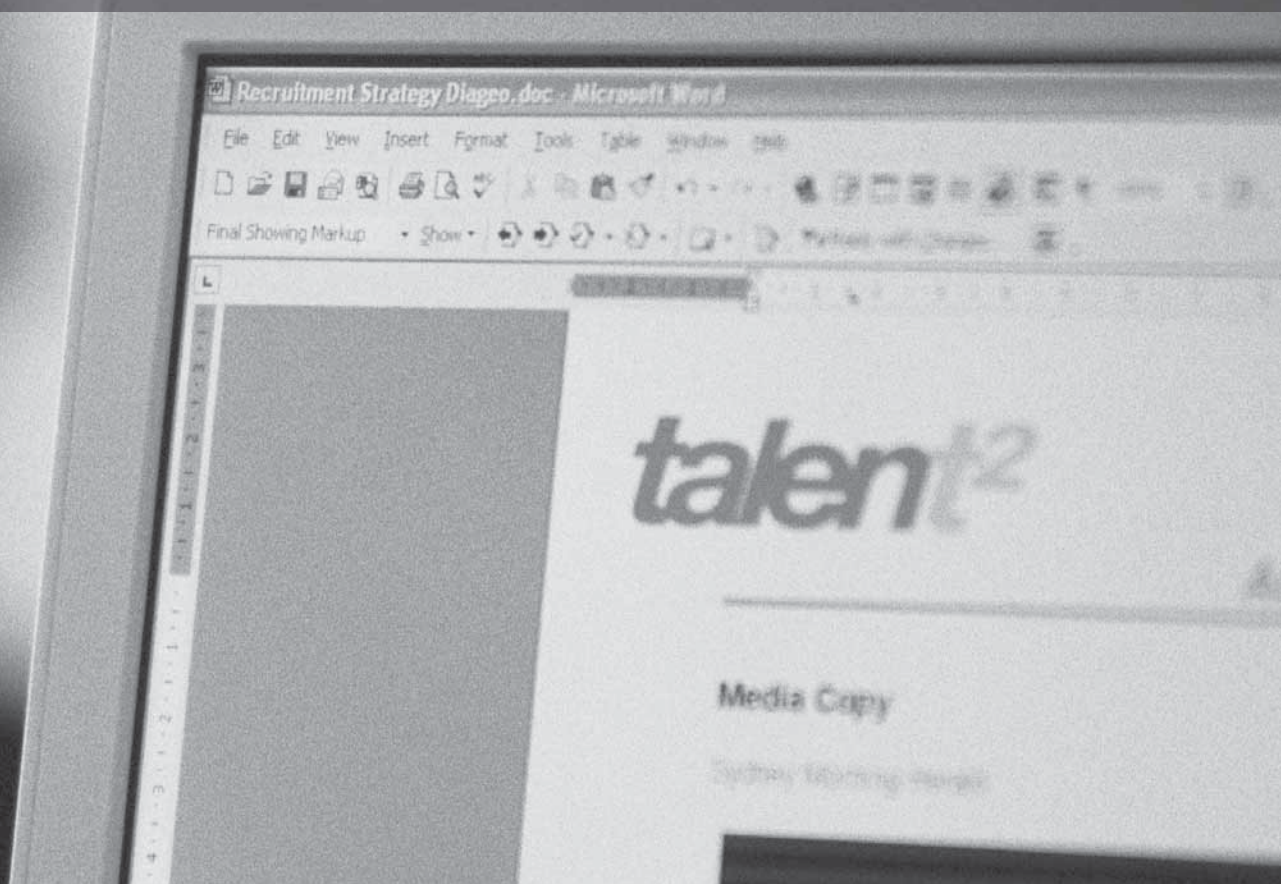


**Talent2 International Limited**

ABN 19 000 737 744

# **NOTICE OF 27 JUNE 2006 EXTRAORDINARY GENERAL MEETING**

**AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS**



## **A PROXY FORM IS ENCLOSED**

**Please read the Notice and Explanatory Memorandum carefully.**

**If you are unable to attend the meeting please complete and return the enclosed proxy form in accordance with the specified instructions.**

***talent<sup>2</sup>***

# Dear Shareholder

I have great pleasure in inviting you to attend an Extraordinary General Meeting (EGM) of Talent2 International Limited, to be held at the offices of Grant Thornton, Level 17, 383 Kent Street, Sydney, NSW, on Tuesday 27th June 2006 at 11:00am.

Your directors have convened this EGM to seek your approval as shareholders in the Company under section 256C(1) of the Corporations Act to distribute up to 3¢ a share of excess share capital to all shareholders, subject to receiving the pending class rulings from the Australian Taxation Office.

This 3¢ per share dividend would be in addition to the 2¢ partially franked dividend we announced back in March 2006 we intended to distribute to shareholders. Which means that the total combined distribution in your hand could amount to 5¢ per share, with appropriate approvals.

The proposed dividend represents excess capital from previous capital raisings which your Directors believe is no longer required. This is due to the Company's recent and ongoing strong performance, which is generating sufficient working capital to fund future expansion opportunities without the need for the Company to draw upon this excess cash. This return of capital could total approximately \$3.6 million, which stems from capital raisings made by the company back in 2002 and 2003.

Since then, Talent2's expansion policy has been predicated on funding new acquisitions by issuing new shares in the Company rather than drawing down upon its existing cash reserves. This policy has proved successful for the Company and for the sellers of our successful acquisitions. The advantage of this approach was to lock the sellers into the Company for an escrow period of up to 2 years, giving them all an incentive to assist in the development of the business going forward. As demonstrated by the Company's recent growth, this strategy has been successful.

Your directors now believe that the excess capital raised but never used by the Company should be returned to you our shareholders, rewarding you for your ongoing dilution. Your directors firmly believe that the resolution is in the best interests of your Company and its shareholders. Details are contained in your Notice of Meeting, together with a proxy form. If you are unable to attend the meeting, I strongly urge you to cast your vote by completing and returning your proxy form in favour of the resolutions.

I also take this opportunity to thank you for your continued support as a shareholder-partner. I look forward to welcoming you to the meeting.

Yours sincerely,



Mary Beth Bauer  
Chairman

26th May 2006

**P.S. Continuing to reduce the number of printed Annual Reports**

As you would be aware, we continue to focus on saving trees, saving time and saving company costs by continually reducing the number of shareholders that receive an unwanted or unnecessary copy of the printed annual report. If you have the facility to receive your company's annual report on-line and wish to do so, or you are receiving multiple copies of the annual report, please advise us by completing and returning the enclosed form.

# Talent2 International Limited

ABN 19 000 737 744

## Notice of extraordinary general meeting

Notice is hereby given to the members of Talent2 International Limited (the **Company**) that an extraordinary general meeting of the Company will be held at Grant Thornton, Level 17, 383 Kent Street, Sydney on Tuesday, 27th June 2006 at 11.00am.

The purpose of the meeting is to consider, and if thought fit, to pass the resolution referred to in this notice.

If you are unable to attend the meeting, we encourage you to complete and return the enclosed proxy form. The completed proxy form must be received by the Company no later than 9.00am on Monday, 26th June 2006. Proxy forms can be posted to the Company at P.O. Box 1516, Level 4, 77 Pacific Highway, North Sydney NSW 2059 or sent by facsimile marked to the attention of Michael Bermeister on (02) 9087 6395.

### Resolution

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That the following reduction of share capital of the Company is approved for all purposes including for the purpose of section 256C(1) of the Corporations Act:

- (a) a reduction of the share capital account of the Company by up to \$0.03 for each fully paid ordinary share on issue on the record date ("Record Date") to be set by the Directors of the Company for this purpose, but without any cancellation of any issued share; and
- (b) with the reduction of each ordinary share being effected and satisfied by the Company paying to holders of ordinary shares as at the Record Date the sum of up to \$0.03 for each ordinary fully paid share at the Record Date, with the payment to be affected at a time determined by the Directors of the Company and in the manner provided at that time by the Constitution of the Company for the payment of dividends ("Payment Date")

subject to the following occurring within 3 months after the date of this notice:

- (i) the Company receiving a Class Ruling from the Commissioner of Taxation in a form acceptable to the Directors; and
- (ii) having regard to the Class Ruling, the Directors determining the amount of the capital return per ordinary share (but not exceeding \$0.03 per ordinary share); and
- (iii) the Directors causing an announcement to be made to the Australian Stock Exchange including the following: the amount of the capital return per ordinary share (but not to exceed \$0.03 per ordinary share), the Record Date and the Payment Date.

with this resolution to take effect from the time of the announcement under paragraph (iii)."

### Explanatory memorandum

Shareholders are referred to the explanatory memorandum accompanying and forming part of this notice of meeting.

### Required majority

In accordance with the Corporations Act 2001 (Cth) and the Company's constitution:

- (a) this ordinary resolution must be passed at a meeting of which not less than 28 days written notice, specifying the intention and purpose of the resolution, has been given (unless consent to short notice has been received); and
- (b) this ordinary resolution must be passed by more than one half of the votes cast by shareholders entitled to vote on the resolution (whether in person or by proxy, attorney or representative).

### Entitlement to vote

The board has determined that for the purposes of the meeting, shares will be taken to be held by the persons who are the registered holders at 9:00 am on Monday 26th June 2006. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

### Proxies

A member entitled to attend and vote is entitled to appoint not more than 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where 2 proxies are appointed and the appointment does not specify the proportion or number of the member's votes, each proxy may exercise half of the votes. A proxy need not be a member.

### Proxy forms must be received at:

**Postal address:** P.O. Box 1516, Level 4, 77 Pacific Highway, North Sydney NSW 2059; or

**Facsimile number:** 61 2 9087 6395, not later than 9:00 am on Monday 26th June 2006. A proxy form is attached to this notice.

### By order of the Board

**Date: 26th May 2006**



Michael Bermeister  
Company Secretary

# Talent2 International Limited

ABN 19 000 737 744

## Explanatory memorandum to shareholders

This explanatory memorandum accompanies the notice of meeting dated 26th May 2006 for Talent2 International Limited (the **Company**) and has been prepared to provide shareholders of the Company with material information to enable them to make an informed decision on the business to be conducted at the forthcoming extraordinary general meeting (the **EGM**) to be held on Tuesday, 27th June 2006.

At the EGM the Company will seek the approval of its shareholders by ordinary resolution to reduce the share capital of the Company. The directors recommend that you read this explanatory memorandum and attend the EGM. If you are unable to attend but wish to vote, please complete the proxy form attached and ensure it reaches the address or facsimile on the proxy form no later than 9.00am on Monday, 26th June 2006.

### Equal Capital Reduction

The Company proposes a return of capital to its shareholders of up to \$0.03 per fully paid ordinary share, to return a total of up to approximately \$3.6 million to its shareholders. No shares will be cancelled in the proposed capital reduction.

The proposed capital reduction is to be effected by way of an equal reduction of capital and requires shareholder approval by an ordinary resolution pursuant to section 256C(1) of the Corporations Act 2001 (Cth) (the **Act**). The proposed capital reduction is conditional upon the Company receiving a Class Ruling from the Australian Taxation Office in a form acceptable to the Directors and will apply equally to each holder of fully paid ordinary shares in proportion to the number of fully paid ordinary shares they hold as at 5:00pm on the Record Date. The Record Date will be set by the Directors as soon as practicable but no later than three months from the date of this notice if the above condition is satisfied.

### Legal requirements

Under section 256B(1) of the Act, the Company may reduce its share capital if the reduction:

- (a) is fair and reasonable to the Company's shareholders as a whole;
- (c) does not materially prejudice the Company's ability to pay its creditors; and
- (d) is approved by the Company's shareholders under section 256C of the Act.

### Reasons for the capital reduction

The proposed capital return forms part of the Company's active capital management strategy and its commitment towards maximising shareholder returns.

Between August 2002 and September 2003, the Company embarked upon capital raisings through the placement of its ordinary shares and some equity based acquisitions. These capital raising activities allowed the Company to repay its then short term debts and use its remaining funds to invest in the growing business of Human Resource Outsourcing and the Company's geographic expansion into Asia.

Since September 2003, the Company has continued its expansion program, acquiring many strategic businesses in both Australia and Asia, each time funding these acquisitions by issuing new shares in the Company rather than drawing down upon its cash reserves. The advantage of this ongoing approach is that the sellers then have their exit value locked into the Company for an escrow period of up to 2 years, giving them an incentive to assist in the development of the business going forward.

Whilst the directors believe that this funding mechanism is value enhancing, the issue of shares to fund these acquisitions has diluted the proportional ownership of the Company by existing shareholders. Accordingly, the directors believe that the surplus funds originally earmarked to fund the expansion of Human Resource Outsourcing activities and the Company's geographic expansion into Asia, should now be returned to its shareholders, rewarding them for their ongoing dilution.

Various alternatives for returning the funds to shareholders have been considered by the board. The Directors believe that an equal capital reduction is the most effective mechanism.

### Effect of the reduction of capital on the Company

The capital reduction will involve a cash payment with effect from the Record Date of up to \$0.03 per share, with an estimated total value of up to \$3.6 million. This return will see a reduction of cash assets in the Company's statement of financial position of this amount and a diminution in shareholder's funds of the same amount. No adverse income tax consequences should arise for the Company from the capital return.

The capital return will not materially impact the Company's capacity to fund growth and future acquisitions, given the profitability of its existing businesses, the strong operating cashflow of the Company and its capacity to raise debt and equity financing if required.

In the opinion of the Directors the reduction of capital will not prejudice the Company's ability to pay its creditors as the Directors believe that the Company's existing cashflow and working capital resources are more than adequate to pay creditors in the ordinary course.

### Effect of the reduction of capital on shareholders

Subject to shareholder approval and other conditions precedent, each shareholder will receive a cash payment of up to \$0.03 per fully paid ordinary share held as at the Record Date. The capital return will not result in the cancellation of any shareholder's shares or the dilution of any shareholder's shareholding in the Company.

## Taxation implications for shareholders

The income tax consequences of the capital return will depend on the personal circumstances of each shareholder. The Company recommends that each shareholder seeks professional tax advice to confirm the specific tax treatment of the capital return. The following is a brief commentary of the potential income tax implications of the capital return. These comments are of a general nature and are not specific to individual circumstances. The Company accepts no liability in respect of the comments in this section.

The Company has sought a Class Ruling from the Australian Taxation Office in relation to the tax treatment of the capital return to shareholders. The capital return is conditional upon the Class Ruling confirming that the Australian tax consequences will be as set out below:

**Dividend:** The capital return will not be treated as a dividend for Australian income tax purposes

**Capital Gains Tax:** Where the shares are held on capital account, the capital gains tax ("CGT") treatment should be as follows:

### (1) Resident shareholders

#### (i) Pre-CGT shares

Shareholders who acquired their shares before 20 September 1985 will not be subject to CGT in respect of the capital return as any capital gain will be disregarded for Australian CGT purposes

#### (ii) Post-CGT shares

Where shareholders acquired their shares on or after 20 September 1985, the shareholders will not realise a capital gain from the capital return in respect of those shares but the cost base of the shares will be reduced by the amount of the capital return

### (2) Non-resident shareholders

Non-resident shareholders will not be liable to CGT in respect of the capital return provided that they and their associates have not, at any time during the five years preceding the capital return, beneficially owned at least 10% (by value) of the shares in the Company.

Shareholders who hold shares on revenue account with a profit making intention or as trading stock should seek their own tax advice in relation to the Australian tax implications of the proposed capital return.

## Timing and trading implications

Subject to the capital return proceeding, it will take effect in accordance with the timetable notified to the market. Full details of the Record Date, Payment Date and any other dates relevant to the proposed capital return will be announced following receipt of a satisfactory Class Ruling from the Australian Taxation Office.

## Payment methods

If the proposed capital reduction is approved by shareholders, the payment of the capital reduction will be satisfied by sending a cheque to those persons who are shareholders as at the Record Date.

Shareholders who have completed and returned to the Company, or the Company's share registry, an instruction for direct crediting of dividend payments, will receive the capital return, if approved, in the manner they have instructed in relation to the direct crediting of dividends.

Whilst the Company will endeavour to comply with shareholder payment instruction requests, it reserves absolutely the right to satisfy entitlements to the proposed capital return by cheque. Payment is effected at the risk of the shareholder.

## Recommendation

The Directors are of the opinion that the proposed capital reduction is fair and reasonable to all shareholders and recommend that shareholders vote in favour of the resolution to approve the capital reduction.



## How to complete the Proxy Form

### 1 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name and address of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the Company. Do not write the name of the issuer company or the registered securityholder in the space.

### 2 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### 3 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together in the same envelope.

### 4 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the security holders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the Company. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

### Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below **not later than at 9 am on Monday, 26th June 2006**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

### Documents may be lodged:

BY MAIL Michael Bermeister  
Company Secretary  
Talent2 International Limited  
P.O. Box 1516 Level 4, 77 Pacific Highway North Sydney NSW 2059

BY FAX 61 2 9087 6395

# Talent2 International Limited

ABN 19 000 737 744

## Proxy Form

**All correspondence to:**

Michael Bermeister  
Company Secretary  
Talent2 International Limited  
P.O. Box 1516  
Level 4, 77 Pacific Highway  
North Sydney  
NSW 2059 Australia  
Facsimile 61 2 9087 6395

I/We \_\_\_\_\_

of \_\_\_\_\_

### Appointment of Proxy

I/We being a member/s of Talent2 International Limited and entitled to attend and vote hereby appoint

the chairman of the Meeting (mark with an 'X')

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name and address of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Extraordinary General Meeting of Talent2 International Limited to be held at Grant Thornton, Level 17, 383 Kent Street, Sydney on Tuesday 27 June 2006 at 11am and at any adjournment of that meeting, in respect of  of my/our shares, or failing any number being specified, all of my/our shares in the Company.

### Resolution

Item 1. Approval of the capital reduction

For                      Against                      Abstain\*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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The Chairman of the Meeting intends to vote undirected proxies in favour of the resolution.

\*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**PLEASE SIGN HERE This section must be signed in accordance with the instructions on page six to enable your directions to be implemented.**

Individual or Security Holder 1

Sole Director and sole Company Secretary

Security Holder 1

Director

Security Holder 3

Director/Company Secretary

Contact Name \_\_\_\_\_ Contact Daytime Telephone \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_



