LINMARK

LINMARK GROUP LIMITED

林麥集團有限公司*

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2002

INTERIM RESULTS HIGHLIGHTS:

- Shipment volume for the first half of this financial year amounted to approximately US$312.3 million (equivalent to HK$2.4 billion), increasing by about 20.1% compared to the corresponding period of last year
- Turnover for the first half of this financial year amounted to approximately US$23.2 million (equivalent to HK$181.0 million), increasing by about 45.2% compared to the corresponding period of last year
- Net profit after tax for the six months ended 31 October 2002 amounted to approximately US$6.8 million (equivalent to HK$53.0 million), increasing by about 18.9% compared to the corresponding period of last year
- Basic earnings per share amounted to 1.1 US cents (equivalent to 8.6 HK cents)
- Interim dividend of 2.4 HK cents (equivalent to 0.3 US cent) per share

LINMARK GROUP LIMITED

UNAUDITED RESULTS

The board of directors ("Directors") of Linmark Group Limited ("Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries ("Group") for the six months ended 31 October 2002 with comparative figures for the previous corresponding period are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the six months ended 31 October 2002

		For the six months ended 31 October	
		2002	2001
		(Unaudited)	(Audited)
	Notes	***US$'000***	*US$'000*
Turnover	3	**23,200**	15,973
Cost of sales		**(4,216)**	(353)
Gross profit		**18,984**	15,620
Other operating income		**888**	500
Administrative expenses		**(12,872)**	(10,265)
Profit from operations	4	**7,000**	5,855
Finance costs		**(1)**	–
Gain on dissolution of a subsidiary		**–**	37
Profit before taxation		**6,999**	5,892
Taxation	5	**(200)**	(175)
Profit for the period		**6,799**	5,717
Dividends	6	**1,992**	3,800
Earnings per share - Basic	7	**1.1 US cents**	1.1 US cents

LINMARK GROUP LIMITED

CONDENSED CONSOLIDATED BALANCE SHEETS

As at 31 October 2002

	Notes	**As at 31 October 2002 (Unaudited)** ***US$'000***	As at 30 April 2002 (Audited) *US$'000*
Non-current assets			
Machinery and equipment		**1,769**	1,358
Other asset		**119**	119
Deferred expenditure		**3,014**	3,014
		4,902	4,491
Current assets			
Trade receivables	8	**9,237**	4,758
Prepayments, deposits and other receivables		**1,813**	2,187
Bank balances and cash		**32,266**	2,122
		43,316	9,067
Current liabilities			
Trade payables	9	**1,966**	100
Accruals and other payables		**1,926**	1,484
Amount due to a fellow subsidiary		**13**	–
Obligations under a finance lease – due within one year		**22**	22
Taxation payable		**1,061**	873
		4,988	2,479
Net current assets		**38,328**	6,588
Total assets less current liabilities		**43,230**	11,079
Non-current liabilities			
Obligations under a finance lease – due after one year		**17**	28
Provision for employee retirement benefits		**1,085**	1,035
Deferred taxation		**17**	30
		1,119	1,093
		42,111	9,986
Capital and reserves			
Share capital		**12,948**	40
Reserves		**29,163**	9,946
		42,111	9,986

Notes:

1. GROUP REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda on 25 January 2002.

It became the holding company of the Group on 22 April 2002 as a result of a corporate reorganisation ("Group Reorganisation") for the purpose of the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The shares of the Company were listed on the Stock Exchange on 10 May 2002.

The Group resulting from the Group Reorganisation is regarded as a restructure of enterprises under common control. Accordingly, the condensed financial statements have been prepared as if the Company had always been the holding company of the Group from the beginning of the earliest period presented in a manner similar to the pooling of interests method.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and with International Accounting Standard 34 "Interim financial reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention and the accounting policies adopted which are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 April 2002.

3. SEGMENTAL INFORMATION

An analysis of the Group's revenue and profit for the period by principal activities and geographical markets is as follows:

By Principal Activities

	For the six months ended 31 October 2002			
	Sales of merchandise *US$'000*	Service rendered *US$'000*	Elimination *US$'000*	Total *US$'000*
REVENUE				
External revenue	5,012	18,188	–	23,200
SEGMENT RESULTS	486	5,874	–	6,360
Interest income				640
Finance costs				(1)
Profit before taxation				6,999
Taxation				(200)
Profit for the period				6,799

	For the six months ended 31 October 2001			
	Sales of merchandise	Service rendered	Elimination	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
REVENUE				
External revenue	381	15,592	–	15,973
SEGMENT RESULTS	28	5,792	–	5,820
Interest income				35
Gain on dissolution of a subsidiary				37
Profit before taxation				5,892
Taxation				(175)
Profit for the period				5,717

By Geographical Markets

	For the six months ended 31 October 2002				
	Canada	**United States**	**Europe**	**Others**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***	***US$'000***
REVENUE					
External revenue	**8,289**	**8,505**	**1,306**	**5,100**	**23,200**
SEGMENT RESULTS	**1,926**	**2,590**	**417**	**1,427**	**6,360**
Interest income					**640**
Finance costs					**(1)**
Profit before taxation					**6,999**
Taxation					**(200)**
Profit for the period					**6,799**

	For the six months ended 31 October 2001				
	Canada	United States	Europe	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
REVENUE					
External revenue	7,003	3,821	1,109	4,040	15,973
SEGMENT RESULTS	2,551	1,392	404	1,473	5,820
Interest income					35
Gain on dissolution of a subsidiary					37
Profit before taxation					5,892
Taxation					(175)
Profit for the period					5,717

4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	For the six months ended 31 October	
	2002	2001
	US$'000	*US$'000*
Depreciation of machinery and equipment	**368**	215

5. TAXATION

	For the six months ended 31 October	
	2002	2001
	US$'000	*US$'000*
The charge comprises:		
Hong Kong profits tax		
– current period	**39**	–
Income tax in other jurisdictions		
– current period	**170**	175
– underprovision in prior period	**4**	–
Deferred taxation	**(13)**	–
	200	175

Hong Kong profits tax is calculated at 16 per cent. of the estimated assessable profits for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

There was no material unprovided deferred taxation during the period.

6. DIVIDENDS

During the six months ended 31 October 2001, an interim dividend of US$3,800,000 was paid by a subsidiary to its then shareholder prior to the Group Reorganisation.

On 27 September 2002, a dividend of 3.0 HK cents per share was paid to shareholders of the Company as the final dividend for the year ended 30 April 2002.

The Directors have determined that an interim dividend of 2.4 HK cents per share in respect of the financial year ending 30 April 2003 should be paid to the shareholders of the Company whose names appear on the register of members of the Company on 29 January 2003.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 31 October 2002 was based on the profit for the period of approximately US$6,799,000 and on the weighted average number of 639,345,652 shares in issue during the period.

The calculation of the basic earnings per share for the six months ended 31 October 2001 was based on the profit for the period of approximately US$5,717,000 and on the 499,200,000 shares in issue and issuable comprising 2,000,000 shares in issue as at 30 April 2002 and 497,200,000 shares to be issued pursuant to the capitalisation issue as more fully described in the prospectus of the Company dated 30 April 2002.

No diluted earnings per share has been presented because the exercise prices of the Company's options were higher than the average market price for shares for the six months ended 31 October 2002.

8. TRADE RECEIVABLES

The credit terms granted to customers range from 60 to 90 days. The aged analysis of trade receivables is as follows:

	As at 31 October 2002 *US$'000*	As at 30 April 2002 *US$'000*
Aged:		
0 - 30 days	**4,973**	2,873
31 - 60 days	**3,042**	1,356
61 - 90 days	**380**	319
Over 90 days	**1,451**	1,025
	9,846	5,573
Less: Allowances for doubtful debts	**(609)**	(815)
	9,237	4,758

9. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	As at 31 October 2002 *US$'000*	As at 30 April 2002 *US$'000*
Aged:		
0 - 30 days	**1,097**	–
31 - 60 days	**123**	–
61 - 90 days	**284**	–
Over 90 days	**462**	100
	1,966	100

10. RELATED PARTY TRANSACTIONS

			For the six months ended 31 October	
Name of related parties	*Notes*	**Nature of transactions**	**2002** *US$'000*	2001 *US$'000*
Subsidiaries of Roly International Holdings Ltd.	(i)	Commission income	**3**	6
	(ii)	Administrative charge	**57**	289
	(iii)	Sales	**10**	–
Turmar Limited	(iv)	Rental expense	**65**	–

Subsidiaries of Roly International Holdings Ltd. are fellow subsidiaries of the Company.

Turmar Limited is a company owned by Mr. Wang Lu Yen, a director of the Company, and his spouse.

Notes:

(i) Commission income is based on a percentage of the shipment amount.

(ii) Administrative charge represents reimbursements to a fellow subsidiary.

(iii) Sales are based on cost plus a percentage of profit mark-up.

(iv) Rental expense is determined based on market rate and floor area.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

Despite the continuing global economic slowdown during the first half of the financial year ending 30 April 2003, the Group was able to achieve encouraging results and steady business growth. For the six months ended 31 October 2002, the Group achieved shipment volume of approximately US$312.3 million, representing an increase of approximately 20.1% as compared to the corresponding period of last year. While the turnover, comprising commission income and sales of merchandise sourced by the Group, was recorded at approximately US$23.2 million, representing an increase of approximately 45.2% as compared to the corresponding period of last year, the sales of merchandise which command a lower margin than the buying services have reduced the gross profit margin to 81.8% as compared to 97.8% recorded in the same period of last year. Nevertheless, this new move into sales of merchandise to customers, which incorporates Linmark's own designs, is more profitable than the Group's traditional buying agency business. Accordingly, despite the decrease in the overall gross profit margin, this new business is supporting the continual strength of the net profit as a percentage of gross profit (at approximately 36%). Net profit attributable to shareholders for the period under review was approximately US$6.8 million, approximately 18.9% higher than the corresponding period of last year. As a stamp of recognition of its market standing, the Group has also been included as a constituent stock in the Hang Seng HK Composite Index – SmallCap from 2 September 2002, classified under the services category.

Canadian Market

During the period under review, the Group maintained its market diversification strategy. As a result of management's effort, new customers from the US and elsewhere have reduced the Group's reliance on the Canadian market from 43.8% of turnover in the corresponding period of last year to the current level of 35.7%. While Canada remained one of the Group's largest markets in the first half of the financial year ending 30 April 2003, the US market, accounting for 36.7% of turnover, surpassed Canada to become the Group's single largest market during the period.

Affected by the economic downturn, consumer confidence and purchasing power in Canada remained weak. To enhance the Group's business in Canada, the Group initiated more proactive marketing and sales strategies and began offering additional value-added services to provide customers with one-stop supply chain management solutions. As a result, despite the challenges, the Group's turnover in Canada rose to approximately US$8.3 million during the period under review, representing an increase of approximately 18.4% over the last corresponding period. In addition to traditional sourcing services, the Group will continue to offer value-added services, such as private label development and packaging and trim services, to its Canadian customers. The progress has been encouraging and more private label development projects have been secured and will be executed in the rest of the financial year.

US Market

Although the 911 incident has impeded the recovery of the US economy, the Group's turnover in the US market saw remarkable growth, driven mainly by new customers and better than expected performance of certain pre-existing customers. During the period under review, the US market accounted for 36.7% of the Group's turnover making it the Group's fastest growing and largest market. Turnover attributable to the US market amounted to approximately US$8.5 million, representing an increase of approximately 122.6% over the last corresponding period. The Group will continue its efforts to generate new business through broader services and deeper market coverage.

European Market

During the period under review, the Group recorded turnover in the European market of approximately US$1.3 million, a rise of approximately 17.8% over that of the last corresponding period. To promote growth in this important market, the management will strategically accelerate the Group's penetration in the European market in the coming years. The management is confident that its committed efforts to expand the sales network and customer base in Europe will soon bear fruit, and business in this market will accelerate further.

Other Markets

During the period under review, the Group's turnover in other markets grew 26.2% over the last corresponding period to approximately US$5.1 million. The management will actively expand business in these markets in line with its market diversification strategy.

Hardgoods Development

During the period under review, the Group's turnover in hardgoods contributed approximately 11.0% of total turnover compared to 21.4% in the corresponding period of last year. The introduction of new customers in the beginning of the financial year fuelled the Group's softgoods business, which delivered stronger than expected growth during the period. As such, the relative importance of the hardgoods business, as measured by its turnover contribution declined. In August 2002, the Group successfully secured a new hardgoods customer in the pet accessories area, underscoring its efforts and determination to grow this business. In addition to expanding its customer base, the Group is also currently working with a number of existing softgoods customers who are diversifying into the hardgoods business. By strengthening the relationships with its customers and developing innovative offerings based on sophisticated knowledge of the market and consumer needs, the Group anticipates that this business will enhance the Group's hardgoods turnover in the coming years. To strengthen execution and offering, the Group has increased its product development capabilities and investment in human capital.

L.O.G.O.N.

The Group's web-based information technology system L.O.G.O.N. (Linmark Online Global Operating Network) is now linked to all major customers. During the period under review, the Group successfully implemented the L.O.G.O.N. system in all its offices and expanded its functions to include RFQ (request for quotation) and developed the first phase of its E-Office Human Resources Intranet system, allowing the Group to further streamline and enhance its operating efficiencies. The Group will continue to invest in the enhancement of its L.O.G.O.N. system to reinforce the connectivity and integration with customers and suppliers as part of its global supply chain management solutions.

Value-added Services

During the period under review, the Group successfully launched and implemented various value-added businesses, including product development and design services, packaging and trim services, quality assurance and social compliance auditing services. The initial target is to migrate certain existing customers to these higher margin businesses. Although the contribution from these value-added services during the period was not significant, it is anticipated that the contribution will grow steadily in the coming years.

China Expansion

With China's growing importance as the Group's strategic sourcing hub post-WTO accession, the Group has continued to expand its sourcing network in China following the opening of its Shenzhen sourcing office in May 2002. For the remainder of this financial year, the Group will maintain its aggressive expansion into other strategic cities in China together with the hiring and training of local PRC staff. In line with this strategy, the Group has streamlined the headcount of its offices in Singapore, Taiwan, Korea and Hong Kong and anticipates that both synergies and savings will contribute positively in the coming years.

Prospects

During the first half of the financial year ending 30 April 2003, the global economy continued to be volatile with weak consumer confidence, in view of the uncertainties associated with the possibility of US military action against Iraq. These uncertainties are expected to linger into the second half of the financial year. Notwithstanding the situation, the management is determined to stay on its expansion path. Leveraging its dynamic business structure and professional management team, organic growth is expected to be an important element in driving future growth.

Management remains cautiously optimistic as the Group's orders for the remainder of this financial year are now visible, and barring any unforeseen circumstances, the Group is confident of achieving its business plan for the financial year ending 30 April 2003.

The trend for retailers and brands to outsource their sourcing requirements is expected to further increase as they become more reliant on direct sourcing from Asia. Riding this trend, the Group is making solid progress in its discussions with a number of potential new customers and management remains confident that these discussions will bear fruit in the next financial year.

In addition to organic growth, the Group will also pursue growth by acquisition. With cash on hand of approximately US$32.3 million, the Group is actively seeking strategic merger and acquisition opportunities.

Financial Review

The Group's financial position is very strong with cash and cash equivalents of approximately US$32.3 million as at 31 October 2002. In addition, the Group has banking facilities of approximately US$1.0 million which have not been utilised. The Group has continued to operate under a debt-free model with no outstanding debt as at 31 October 2002 except for a hire purchase loan for a motor vehicle at a net book value of approximately US$54,000. Up to the date of this announcement, there have been no material changes in the Group's borrowings since 31 October 2002.

The Group has a strong current ratio of 8.7 and a low gearing ratio of 0.001, based on liabilities of approximately US$39,000 and shareholders' equity of approximately US$42.1 million as at 31 October 2002. During the period under review, the Group's capital comprised solely shareholders' equity.

The Group's net asset value as at 31 October 2002 was approximately US$42.1 million.

As at 31 October 2002, the Group had no material contingent liability.

The majority of the Group's transactions are denominated in US dollars and Hong Kong dollars. Since Hong Kong dollar is pegged to US dollar, management believes that exchange risk is not significant.

Use of Proceeds of the Initial Public Offering

The Company's shares were listed on the Main Board of the Stock Exchange on 10 May 2002. Through the issue of 148.2 million new shares at HK$1.68 each, the Group raised approximately US$31.9 million. After deduction of listing related expenses, net proceeds were approximately US$27.8 million.

As at 31 October 2002, a total of approximately US$0.8 million of the net proceeds has been used for IT investment (L.O.G.O.N. system), and setting up of a sourcing office in Shenzhen. The remaining of the net proceeds of approximately US$27.0 million will be used as planned to further expand the sourcing network, enhancement of L.O.G.O.N. system, marketing and business development and mergers and acquisitions. While the Group continues to look for synergistic merger and acquisition targets, a substantial part of the cash on hand is placed into fixed bank deposits.

Remuneration and Staff Development Scheme

As at 31 October 2002, the Group employed about 669 staff. The total staff costs for the period under review amounted to US$7,969,000 (2001: US$5,896,000). The Group offers competitive remuneration schemes to its employees based on industry practices, individual and the Group's performance. In addition, share options and discretionary bonuses are also granted to eligible staff based on both the Group's as well as individual performance. It also offers fringe benefits such as professional tuition and training subsidies to staff to enhance their sense of loyalty and as part of the Group's emphasis on staff training and development.

INTERIM DIVIDEND

The Directors declared the payment of an interim dividend of 2.4 HK cents (equivalent to 0.3 US cent) per share in respect of the financial year ending 30 April 2003 payable on or about 6 February 2003 to shareholders whose names appear on the register of members of the Company on 29 January 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 January 2003 to 29 January 2003, both days inclusive. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Standard Registrars Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong (up to 10 January 2003) or Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (with effect from 13 January 2003) not later than 4.00 p.m. on 24 January 2003.

AUDIT COMMITTEE

The audit committee comprising Mr. WANG Arthur Minshiang and Mr. WONG Wai Ming, being the two independent non-executive directors of the Company, was set up on 22 April 2002 with written terms of reference. The audit committee has reviewed with the management and the Company's external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the Interim Report for unaudited financial statements for the six months ended 31 October 2002 of the Group issued by the external auditors.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 31 October 2002.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules since the listing date on 10 May 2002.

PUBLICATION OF THE INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraph 46 of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board
WANG Lu Yen
Chairman

Hong Kong, 8 January 2003

Principal Place of Business in Hong Kong:
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** For identification purpose only*

Please also refer to the published version of this announcement in The Standard dated on 09-01-2003.