LINMARK

LINMARK GROUP LIMITED

林麥集團有限公司*

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 APRIL 2003

FINAL RESULTS HIGHLIGHTS

- Shipment volume for this financial year amounted to approximately US$633.2 million (equivalent to HK$4,939.0 million), an increase of about 29.4% compared to last year (2002: US$489.4 million (equivalent to HK$3,817.3 million))
- Turnover amounted to approximately US$44.3 million (equivalent to HK$345.5 million), an increase of about 49.7% compared to last year (2002: US$29.6 million (equivalent to HK$230.9 million))
- Net profit after tax amounted to approximately US$12.3 million (equivalent to HK$95.9 million), an increase of about 48.2% compared to last year (2002: US$8.3 million (equivalent to HK$64.7 million))
- Proposed final dividend of 3.5 HK cents per share (2002: 3.0 HK cents per share)

AUDITED RESULTS

The board of directors ("Directors") of Linmark Group Limited ("Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries ("Group") for the year ended 30 April 2003 with comparative figures for the previous corresponding year are as follows:

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statements

	Notes	**2003** **US$'000**	2002 *US$'000*
Turnover	*3*	**44,294**	29,648
Cost of sales		**(7,104)**	(473)
Gross profit		**37,190**	29,175
Other operating income		**1,757**	1,214
Administrative expenses		**(26,233)**	(21,821)
Profit from operations		**12,714**	8,568
Interest on obligations under a finance lease		**(2)**	(2)
Gain on dissolution of a subsidiary		**–**	37
Profit before taxation	*4*	**12,712**	8,603
Taxation	*5*	**(384)**	(261)
Profit for the year		**12,328**	8,342
Dividends	*6*		
– Interim and special dividends, paid		**1,992**	10,800
– Final dividend, proposed		**2,928**	2,490
		4,920	13,290
Earnings per share (US cents)	*7*		
– Basic		**1.9**	1.7
– Diluted		**1.9**	N/A

Consolidated Balance Sheets

	Note	**30 April 2003** *US$'000*	30 April 2002 *US$'000*
NON-CURRENT ASSETS			
Machinery and equipment	*8*	**1,900**	1,358
Club membership		**119**	119
Deferred expenditure		**3,014**	3,014
		5,033	4,491
CURRENT ASSETS			
Trade receivables	*9*	**5,725**	4,758
Prepayments, deposits and other receivables		**1,762**	2,187
Amount due from a fellow subsidiary		**11**	–
Securities linked deposits		**6,019**	–
Bank balances and cash		**31,920**	2,122
		45,437	9,067
CURRENT LIABILITIES			
Trade payables	*10*	**767**	100
Accruals and other payables		**1,842**	1,484
Obligations under a finance lease			
– due within one year		**22**	22
Tax payable		**1,146**	873
		3,777	2,479
NET CURRENT ASSETS		**41,660**	6,588
TOTAL ASSETS LESS CURRENT LIABILITIES		**46,693**	11,079
NON-CURRENT LIABILITIES			
Obligations under a finance lease			
– due after one year		**6**	28
Post-employment benefits		**1,018**	1,035
Deferred taxation		**18**	30
		1,042	1,093
TOTAL NET ASSETS		**45,651**	9,986
CAPITAL AND RESERVES			
Share capital		**12,948**	40
Reserves		**32,703**	9,946
		45,651	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.

The Company became the holding company of the Group on 22 April 2002 as a result of the group 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 financial statements of the Group have been prepared as if the Company had always been the holding company of the Group from the beginning of the earliest period presented, using the pooling of interests method.

2. Principal Accounting Policies

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments, 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 year by principal activities and geographical markets is as follows:

By Principal Activities

	For the year ended 30 April 2003		
	Sales of merchandise *US$'000*	**Services rendered** *US$'000*	**Total** *US$'000*
REVENUE			
External revenue	**8,593**	**35,701**	**44,294**
SEGMENT RESULTS	**409**	**11,389**	**11,798**
Unallocated corporate expenses			**(321)**
Interest income			**1,237**
Finance costs			**(2)**
Profit before taxation			**12,712**
Taxation			**(384)**
Profit for the year			**12,328**

	For the year ended 30 April 2002		
	Sales of merchandise	Services rendered	Total
	US$'000	*US$'000*	*US$'000*
REVENUE			
External revenue	513	29,135	29,648
SEGMENT RESULTS	41	8,472	8,513
Interest income			55
Finance costs			(2)
Gain on dissolution of a subsidiary			37
Profit before taxation			8,603
Taxation			(261)
Profit for the year			8,342

By Geographical Markets

The following table provides an analysis of the Group's sales by geographical location of customers.

	2003	2002
	US$'000	*US$'000*
United States	**17,182**	8,378
Canada	**14,606**	11,089
Europe	**2,784**	2,089
Hong Kong	**3,244**	2,511
Others	**6,478**	5,581
	44,294	29,648

4. Profit Before Taxation

	2003	2002
	US$'000	*US$'000*
Profit before taxation has been arrived at after charging:		
Depreciation of machinery and equipment	**761**	526

5. Taxation

	2003	2002
	US$'000	*US$'000*
The charge comprises:		
Hong Kong profits tax		
– current year	**33**	–
Income tax in other jurisdictions		
– current year	**357**	287
– under/(over) provision in prior years	**6**	(24)
Deferred taxation	**(12)**	(2)
	384	261

6. Dividends

During the year ended 30 April 2002, an interim and a special dividend of an aggregate amount of US$10,800,000 were 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.

On 6 February 2003, a dividend of 2.4 HK cents per share was paid to shareholders of the Company as the interim dividend for the year ended 30 April 2003.

The Directors recommend the payment of a final dividend of 3.5 HK cents per share in respect of the year ended 30 April 2003. Subject to shareholders' approval, the final dividend will be paid in cash on or about 18 September 2003 to shareholders whose names appear on the register of members of the Company on 8 September 2003.

7. Earnings Per Share

The calculation of the basic earnings per share for the year ended 30 April 2003 is based on the profit attributable to shareholders of approximately US$12,328,000 and on the weighted average number of approximately 643,340,000 shares in issue during the financial year.

The calculation of the basic earnings per share for the year ended 30 April 2002 was based on the profit attributable to shareholders of approximately US$8,342,000 and on the 499,200,000 shares in issue and issuable comprising 2,000,000 shares in issue 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.

Diluted earnings per share is calculated based on the weighted average number of approximately 645,087,000 (2002: anti-dilutive) shares issued and issuable during the financial year.

8. Movements in Machinery and Equipment

During the year ended 30 April 2003, the Group spent approximately US$1,352,000 (2002: US$1,037,000) on acquisition of machinery and equipment.

9. Trade Receivables

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

	2003	2002
	US$'000	*US$'000*
0 – 30 days	**3,713**	2,873
31 – 60 days	**1,625**	1,356
61 – 90 days	**204**	319
Over 90 days	**891**	1,025
	6,433	5,573
Less: Allowance for doubtful debts	**(708)**	(815)
	5,725	4,758

10. Trade Payables

The aged analysis of trade payables is as follows:

	2003	2002
	US$'000	*US$'000*
0 – 30 days	**462**	–
31 – 60 days	**59**	–
61 – 90 days	**22**	–
Over 90 days	**224**	100
	767	100

11. Related Party Transactions

Identity of related parties	*Notes*	**Nature of transactions**	**2003** ***US$'000***	2002 *US$'000*
Subsidiaries of Roly International Holdings Ltd.	*(i)*	Commission income	**3**	64
	(ii)	Administrative charge	**57**	582
	(iii)	Sales of merchandise	**21**	–
Turmar Limited	*(iv)*	Rental expense	**131**	33

Subsidiaries of Roly International Holdings Ltd. are the 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 reimbursement 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

During the year ended 30 April 2003, the global economy continued to be volatile with weak consumer sentiment due to instability in the Middle East after the US-led war on Iraq and outbreak of SARS.

Despite these conditions, the Group delivered robust growth in both our turnover and net profit after tax attributable to shareholders. For the year ended 30 April 2003, the Group recorded shipment volume of approximately US$633.2 million (equivalent to HK$4,939.0 million), representing an increase of approximately 29.4% as compared to last year. Turnover, comprised commission income, sales of merchandise and service income, was recorded at approximately US$44.3 million (equivalent to HK$345.5 million), representing an increase of approximately 49.7% as compared to last year. Net profit after tax attributable to shareholders for the year under review was approximately US$12.3 million (equivalent to HK$95.9 million), an increase of approximately 48.2% when compared to last year. Net margin as a percentage of shipment volume improved by approximately 17.6% from 1.7% to 2.0% during the year under review due to prudent cost measures, improved operating efficiencies, the increase in shipment volume and contribution from higher margin value-added services for customers. Thanks to our global network and timely implementation of various contingency measures, the outbreak of SARS in the region did not cause any major disruptions to our operations during the year under review.

Market Overview

During the year under review, the Group enjoyed several successes in its strategy of market diversification.

US Market

During the year under review, the US market accounted for approximately 38.8% 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$17.2 million (equivalent to HK$134.2 million), representing an increase of approximately 105.1% over that of last year. The Group successfully integrated the Warnaco business as evidenced by the robust growth of this account during the year under review. Although the consumer sentiment remained cautious, the Directors are confident that the outlook remains good as they believe that the trend for outsourcing will continue. Meanwhile, the Group will continue its efforts to generate new business through broader services and deeper market coverage.

Canadian Market

As a result of the Group's successful offering of value-added services to provide our customers with total supply chain management solutions, the Group's turnover attributable to the Canadian market increased by approximately 31.7% from approximately US$11.1 million (equivalent to HK$86.6 million) in 2002 to approximately US$14.6 million (equivalent to HK$113.9 million) for the year under review. The growth was mainly attributable to the Group's value-added services, such as private label development and packaging and trim services.

The Canadian Government granted duty free and quota free status to many Least Developed Countries (LDC), including Bangladesh, during the year under review. As a result, the Group has shifted a portion of its sourcing base from other Asian countries to Bangladesh, thus increasing the share of sourcing generated from Bangladesh to Canada.

As the Canadian market has been affected by economic downturn, consumer confidence and purchasing power in Canada remains weak. As a result, the Group expects its first quarter results for the year ending 30 April 2004 will be affected but remains cautiously optimistic that any adverse impact will not continue due to the fast recovery expected after the removal of Canada from the list of SARS-affected areas.

European Market

During the year under review, the Group recorded turnover to the European market of approximately US$2.8 million (equivalent to HK$21.8 million), representing an increase of approximately 33.3% over that of the last year. Notwithstanding the increase in turnover attributable to the European market, the management's strategy is to aggressively expand the Group's penetration in such market in the coming years. In May 2003, the Group signed up Dr. Rehfeld Holding AG of Germany, one of the top 100 clothing suppliers in Europe, as a new customer. The management is confident that the Group will continue to see business growth in view of its commitment to expand the sales network and customer base in Europe.

Hong Kong and Other Markets

During the year under review, the Group's turnover to Hong Kong and other markets was approximately US$9.7 million (equivalent to HK$75.7 million), representing an increase of approximately 20.1% over that of the last year. The signing on of a new customer Edgars Consolidated Stores Limited (Edcon), a leading retail conglomerate in South Africa, in April 2003 further demonstrates the success of the Group's customer acquisition campaign, contributing to our strategy of market diversification to further reduce the Group's reliance on the North American market.

Hardgoods Development

During the year under review, the Group's turnover in hardgoods contributed approximately US$5.3 million (equivalent to HK$41.3 million), representing a modest increase of approximately 1.2% as compared to last year. To strengthen its execution and offerings, the Group recruited a new business director in charge of hardgoods in April 2003 to aggressively grow such business. In addition to expanding our customer base in North America, the Group anticipates expansion opportunities in the European and other markets in the near future.

L.O.G.O.N. System

During the year under review, the Group successfully linked the L.O.G.O.N. system to some of its key customers and vendors. The Group expects to have a fully-connected system among its key customers, vendors and the Group by the end of fiscal year 2004.

In addition to RFQ (Request For Quotation) and E-Office Human Resources Intranet, the Group further expanded the functionalities of L.O.G.O.N. system to include E-Approval and E-Fixed Asset modules and expects to complete the modules on E-Auction facility, E-Accounts Receivable and E-General Ledger within the next two years, allowing the Group to have a comprehensive web-based Enterprise Resource Planning (ERP) system to realize the full benefits and synergies of an advanced technological platform.

To augment its I.T. planning and execution capabilities, the Group recruited a new business director in charge of I.T. in May 2003. The Group will continue to invest in the enhancement of its L.O.G.O.N. system to further reinforce the connectivity and integration with its customers and vendors as part of our global supply chain management solutions.

Value-added Services

During the year under review, the Group's value-added services showed a promising start generating a turnover of approximately US$10.9 million (equivalent to HK$85.0 million). In addition to the Group's existing value-added services, including product development for private label business and design services, packaging and trim services and quality assurance, social compliance auditing services, the Group will further expand its offerings to existing and new customers. The management expects contributions from the Group's value-added services will continue to grow strongly in the coming years.

China Expansion

With China's growing importance as a strategic sourcing hub after its accession to the WTO, the Group has expanded its office network in China to include Shenzhen, Shanghai, Fuzhou, and Tianjin. The Group was a co-sponsor together with the China Commerce Association for General Merchandise (CCAGM) of the first and largest China Department Store Summit held in Beijing in March 2003 with very encouraging results. The management believes that the successful retail summit and its affiliation with the Group's parent company has helped the Group establish its credibility, providing a platform to introduce the Group's supply chain management solutions to potential department stores and retail groups in China which are looking for ways to improve their competitiveness and profitability in light of China's entry into the WTO.

Financial Review

The Group's financial position is strong with deposits and cash balances of approximately US$37.9 million (equivalent to HK$295.6 million) as at 30 April 2003. In addition, the Group has banking facilities of approximately US$1.0 million (equivalent to HK$7.8 million) which have not been utilised. The Group has continued to operate under a debt-free model with no outstanding net debt as at 30 April 2003 except a hire purchase loan for a motor vehicle at a net book value of approximately US$47,000 (equivalent to HK$367,000).

The Group has a strong current ratio of 12.0 and a negligible gearing ratio of less than 0.1%, based on interest bearing borrowings of approximately US$28,000 (equivalent to HK$218,000) to shareholders' equity of approximately US$45.7 million (equivalent to HK$356.5 million), as at 30 April 2003. During the year under review, the Group's capital comprised solely of shareholders' equity. There has not been any material change in the Group's borrowings since 30 April 2003.

The Group's net asset value as at 30 April 2003 was approximately US$45.7 million (equivalent to HK$356.5 million).

As at 30 April 2003, the Group had no material contingent liability and there has been no material change since then.

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

Human Resources

For the year under review, the Group has strengthened its senior management team with the hiring of a new corporate director, a former executive vice president in charge of operations at Colby, a sourcing company acquired by Li & Fung in 2000. The corporate director is responsible for the day-to-day operations of the Group to ensure operational efficiencies and customer-oriented culture. The two new business directors recruited separately for hardgoods and I.T. report to the corporate director. The Group will continue to invest in human capital to drive its business moving forward.

Remuneration Policy and Staff Development Scheme

As at 30 April 2003, the Group had 709 employees. The total staff costs for the year under review amounted to approximately US$16.9 million (equivalent to HK$131.8 million) (2002: US$12.8 million (equivalent to HK$99.8 million)).

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.

Prospects

The Group is concerned with the further weakening of an already slow global economy due to the yet to be determined effects of the Iraqi war and a possible re-occurrence of SARS. While the effects of SARS on the results of the Group was limited in the year under review, the management will monitor closely any possible impact in the upcoming periods. The management remains cautiously optimistic given the continuation of a global outsourcing trend. In the wake of the recent SARS episode, brand owners and retailers continue to seek partnerships with sourcing agents offering competitive and value-added solutions in the management of their global supply chains. The management also expects the new customers will make important contributions to the Group. Riding on the increasing trend of outsourcing, the management is confident in taking business further in the year ending 30 April 2004.

In addition to its network expansion in China, the Group's sourcing network was further strengthened with the addition of an office in Cambodia.

Meanwhile, with deposits and cash balances of approximately US$37.9 million (equivalent to HK$295.6 million), the Group is actively seeking strategic merger and acquisition opportunities.

Use of Proceeds of the Initial Public Offering

The shares of the Company 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 (equivalent to HK$248.8 million). After deduction of listing related expenses, net proceeds were approximately US$27.8 million (equivalent to HK$216.8 million).

As at 30 April 2003, a total of approximately US$1.5 million (equivalent to HK$11.7 million) of the net proceeds had been used for I.T. investment (L.O.G.O.N. system), and setting up of sourcing offices in China. The remaining net proceeds of approximately US$26.3 million (equivalent to HK$205.1 million) will be used as planned to further expand the sourcing network, enhancement of L.O.G.O.N. system, marketing and business development together with mergers and acquisitions. While the Group continues to look for synergistic merger and acquisition targets, a substantial part of the cash in hand has been placed into deposits.

DIVIDENDS

An interim dividend of 2.4 HK cents per share was declared and paid during the year under review.

The Directors recommend the payment of a final dividend of 3.5 HK cents per share in respect of the year ended 30 April 2003. Subject to shareholders' approval, the final dividend will be paid in cash on or about 18 September 2003 to shareholders whose names appear on the register of members of the Company on 8 September 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 September 2003 to 8 September 2003, both days inclusive. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Standard Registrars Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4.00 p.m. on 3 September 2003.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants. At present, members of the audit committee comprise Mr. WANG Arthur Minshiang, Mr. WONG Wai Ming and Dr. WOON Yi Teng, Eden, being the three independent non-executive directors of the Company. 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 report to the audit committee for audited financial statements of the Group for the year ended 30 April 2003 issued by the external auditors.

The audit committee has also reviewed the terms and conditions of connected transactions of the Company which took place during the year under review.

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 year ended 30 April 2003.

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 Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange since the listing date on 10 May 2002.

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

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) 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, 23 July 2003

Principal Place of Business in Hong Kong:
10th Floor, South Seas Centre, Tower II
75 Mody Road, Tsimshatsui
Kowloon, Hong Kong

* *For identification purpose only*

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