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LINMARK GROUP LIMITED

林麥集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 915

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 APRIL 2012

FINAL RESULTS HIGHLIGHTS:

- Shipment value amounted to approximately US$258.3 million (equivalent to HK$2,014.7 million), a decrease of approximately 7.8% as compared to approximately US$280.2 million (equivalent to HK$2,185.6 million) for the last year.

- Revenue increased by approximately 5.0% to approximately US$100.6 million (equivalent to HK$784.7 million) as compared to approximately US$95.8 million (equivalent to HK$747.2 million) for the last year.

- Profit for the year amounted to approximately US$2.8 million (equivalent to HK$21.8 million), an increase of approximately 366.7% as compared to approximately US$0.6 million (equivalent to HK$4.7 million) for the last year.

- The Directors recommend the payment of a final dividend of 0.50 HK cent per ordinary share for the year ended 30 April 2012.

AUDITED FINAL RESULTS

The board ("**Board**") of directors ("**Directors**") of Linmark Group Limited ("**Company**") announces the audited condensed consolidated financial information of the Company and its subsidiaries (together, the "**Group**" or "**Linmark**") for the year ended 30 April 2012, together with comparative figures for the previous year, as follows:

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement

	Note	**2012** ***US$'000***	2011 *US$'000*
Revenue	*3*	**100,621**	95,763
Cost of sales		**(77,123)**	(72,791)
Gross profit		**23,498**	22,972
Other income		**1,454**	1,367
General and administrative expenses		**(22,014)**	(22,007)
Gain on disposal of subsidiaries		**191**	13
Loss on dissolution of a subsidiary		**(97)**	–
Restructuring costs		**–**	(1,556)
Share of loss of a jointly-controlled entity		**(1)**	(2)
Profit before tax	*4*	**3,031**	787
Income tax expense	*5*	**(247)**	(142)
Profit for the year attributable to owners of the Company		**2,784**	645
Earnings per share attributable to ordinary equity holders of the Company (expressed in US cent)	*7*		
– Basic		**0.4**	0.1
– Diluted		**0.4**	0.1

Details of the dividends to shareholders of the Company are set out in Note 6.

Condensed Consolidated Statement of Comprehensive Income

	2012	2011
	US$'000	*US$'000*
Profit for the year	**2,784**	645
Other comprehensive income		
Exchange differences:		
Translation of foreign operations	**75**	(144)
Reclassification adjustments included in the consolidated income statement		
– loss on dissolution of a subsidiary	**97**	–
– loss on disposal of subsidiaries	**1**	–
Other comprehensive income/(loss) for the year	**173**	(144)
Total comprehensive income for the year	**2,957**	501

Condensed Consolidated Statement of Financial Position

	Note	**2012** *US$'000*	2011 *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**998**	360
Goodwill		**26,333**	26,333
Available-for-sale financial asset		**84**	84
Investment in a jointly-controlled entity		**12**	13
Deferred tax assets		**113**	109
Total non-current assets		**27,540**	26,899
CURRENT ASSETS			
Inventories		**–**	25
Trade receivables	*9*	**5,367**	5,061
Prepayments, deposits and other receivables	*11(b)*	**3,332**	2,774
Bank deposit with initial term of over three months		**1,997**	–
Cash and cash equivalents		**17,816**	17,538
Total current assets		**28,512**	25,398
CURRENT LIABILITIES			
Trade payables	*10*	**5,997**	6,672
Accruals and other payables		**8,574**	6,313
Tax payable		**1,468**	1,413
Total current liabilities		**16,039**	14,398
NET CURRENT ASSETS		**12,473**	11,000
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,013**	37,899
NON-CURRENT LIABILITY			
Post-employment benefits		**1,070**	1,151
Total non-current liability		**1,070**	1,151
NET ASSETS		**38,943**	36,748
EQUITY			
Issued capital		**13,661**	13,661
Reserves		**25,282**	23,087
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**38,943**	36,748

Notes:

1. Basis of preparation

The condensed consolidated annual financial statements of the Group for the year ended 30 April 2012 have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and the disclosure requirements of the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). They have been prepared under the historical cost convention, except for an available-for-sale financial asset, which has been measured at fair value. These financial statements are presented in United States dollars ("**US$**").

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the condensed consolidated financial statements of the Group are consistent with those followed in the preparation of the audited financial statements of the Group for the year ended 30 April 2011, except for the adoption of the following new and revised IFRSs, which comprise standards and interpretations approved by the International Accounting Standard Board ("**IASB**"), and International Accounting Standards ("**IASs**") and the new International Financial Reporting Interpretation Committee ("**IFRIC**") interpretations approved by the International Accounting Standards Committee that remain in effect.

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 Amendments	*Related Party Disclosures*
IFRIC-Int 14 Amendments	Amendments to IFRIC-Int 14 *Prepayments of a Minimum Funding Requirement*
IFRIC-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

Other than as further explained below regarding the impact of IAS 24 Amendments and amendments to IFRS 3, IAS 1 and IAS 27 included in Improvements to IFRSs 2010, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IAS 24 Amendments *Related Party Disclosures*

IAS 24 Amendments clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in Note 11.

(b) Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- IFRS 3 *Business Combinations*: The amendment clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- IAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

3. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) sales of merchandise including garments, fashion accessories, labels, hardgoods and consumer electronic products; and

(b) provision of services including procurement service and value-added services relating to the procurement agency business.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, gain on disposal of a yacht, gain on disposal of subsidiaries, loss on dissolution of a subsidiary, restructuring costs, share of loss of a jointly-controlled entity as well as corporate and other unallocated expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 30 April 2012	**Sales of merchandise** *US$'000*	**Provision of services** *US$'000*	**Total** *US$'000*
Segment revenue:			
Revenue from external customers	**86,156**	**14,465**	**100,621**
Segment results	**1,316**	**1,857**	**3,173**
Interest income			**55**
Loss on dissolution of a subsidiary			**(97)**
Gain on disposal of subsidiaries			**191**
Share of loss of a jointly-controlled entity			**(1)**
Corporate and other unallocated expenses			**(290)**
Profit before tax			**3,031**
Income tax expense			**(247)**
Profit for the year			**2,784**
Other segment information:			
Depreciation	**146**	**231**	**377**
Capital expenditures	**344**	**678**	**1,022**
Impairment of trade receivables	**34**	**89**	**123**

Year ended 30 April 2011	Sales of merchandise *US$'000*	Provision of services *US$'000*	Total *US$'000*
Segment revenue:			
Revenue from external customers	80,577	15,186	95,763
Segment results	1,023	1,452	2,475
Interest income			5
Gain on disposal of a subsidiary			13
Gain on disposal of a yacht			192
Restructuring costs			(1,556)
Share of loss of a jointly-controlled entity			(2)
Corporate and other unallocated expenses			(340)
Profit before tax			787
Income tax expense			(142)
Profit for the year			645
Other segment information:			
Depreciation	189	214	403
Capital expenditures	53	91	144
Impairment of trade receivables	50	308	358

Geographical information

(a) ***Revenue from external customers***

	2012	2011
	US$'000	*US$'000*
Australia	**37,433**	32,128
Africa	**24,472**	21,072
Europe	**20,280**	18,816
North America	**11,655**	9,509
Hong Kong	**1,213**	1,100
Others	**5,568**	13,138
	100,621	95,763

The revenue information above is based on the location of the customers.

(b) ***Non-current assets***

	2012	2011
	US$'000	*US$'000*
Hong Kong	**27,069**	26,407
Others	**274**	299
	27,343	26,706

The non-current assets information above is based on the location of assets and excludes an available-for-sale financial asset and deferred tax assets.

Information about major customers

Revenue from major customers, each of them amounted to 10% or more of the Group's revenue is set out below:

	Operating segment	**2012**	2011
		US$'000	*US$'000*
Customer A	Sales of merchandise	**32,496**	23,290
Customer B	Sales of merchandise	**24,466**	21,098
		56,962	44,388

4. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	2012	2011
	US$'000	*US$'000*
Depreciation	**377**	403
Gain on disposal of subsidiaries	**(191)**	(13)
Loss on dissolution of a subsidiary	**97**	–
Gain on disposal of items of property, plant and equipment	**(14)**	(191)
Impairment of trade receivables	**123**	358

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2012	2011
	US$'000	*US$'000*
Current		
– Hong Kong	**250**	123
– Outside Hong Kong	**106**	74
Overprovision in prior years	**(105)**	(40)
Deferred	**(4)**	(15)
Total tax charge for the year	**247**	142

6. Dividends

	2012	2011
	US$'000	*US$'000*
Interim, paid of 0.88 HK cent (2011: 0.31 HK cent) per ordinary share	**773**	272
Final, proposed, of 0.50 HK cent (2011: Nil) per ordinary share	**439**	–
	1,212	272

On 18 January 2012, an interim dividend of 0.88 HK cent per ordinary share was paid to shareholders of the Company in respect of the six months ended 31 October 2011.

The Directors recommend the payment of a final dividend of 0.50 HK cent per ordinary share in respect of the year ended 30 April 2012. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the final dividend will be paid in cash on or about 17 September 2012 to shareholders whose names appear on the register of members of the Company on 4 September 2012.

7. Earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the year.

The Group had no dilutive potential ordinary shares in issue for the year ended 30 April 2012.

The calculation of diluted earnings per share for the year ended 30 April 2011 is based on the profit for that year attributable to owners of the Company, adjusted to reflect the interest on the share options. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during that year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of the basic and diluted earnings per share is based on:

	2012	2011
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation *(US$'000)*	**2,784**	645
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *('000)*	**683,069**	680,568
Effect of dilution – weighted average number of ordinary shares:		
Share options *('000)*	**–**	8,830
	683,069	689,398

8. Additions in property, plant and equipment

During the year ended 30 April 2012, the Group spent approximately US$1,022,000 (2011: US$144,000) on acquisition of property, plant and equipment.

9. Trade receivables

The general credit terms granted to customers range from 60 days to 90 days. An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2012 *US$'000*	2011 *US$'000*
Within 30 days	**4,207**	3,392
31 to 60 days	**785**	1,020
61 to 90 days	**265**	373
91 to 365 days	**227**	559
Over 1 year	**545**	532
	6,029	5,876
Impairment	**(662)**	(815)
	5,367	5,061

Note:

The trade receivables aged over 90 days are being carefully monitored by the management. Approximately US$0.7 million (2011: US$0.8 million) of these balances was covered by the impairment.

10. Trade payables

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2012 US$'000	2011 US$'000
Within 30 days	**3,416**	3,518
31 to 60 days	**2,026**	2,455
61 to 90 days	**227**	268
91 to 365 days	**260**	139
Over 1 year	**68**	292
	5,997	6,672

11. Related party transactions

(a) During the years ended 30 April 2012 and 2011, the Group had the following significant related party transactions:

	Note	2012 US$'000	2011 US$'000
Rental expenses paid to related companies	*(i)*	**350**	128
Commission income received from a related company	*(ii)*	**–**	22
Sampling charges paid to a related company	*(iii)*	**–**	18

Notes:

(i) Rental expenses were determined based on the market rate and floor area.

(ii) Commission income was received based on the commission rate agreed by the parties.

(iii) Sampling charges were determined based on the amount agreed by both parties.

(b) Balance with a related party

At 30 April 2012, the Group had prepaid rent and rental deposit of US$24,000 (2011: Nil) to a related company.

(c) Compensation of key management personnel of the Group

	2012 US$'000	2011 US$'000
Short term employee benefits	**1,198**	1,844
Post-employment benefits – defined contribution plans	**49**	66
Equity-settled share option expense	**4**	21
Total compensation paid to key management personnel	**1,251**	1,931

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

During the year ended 30 April 2012, the Group continued to be confronted with highly challenging business conditions, due largely to economic uncertainties in Europe and the United States. This consequently led to a contraction in shipment value to approximately US$258.3 million (equivalent to HK$2,014.7 million), a decline of approximately 7.8% compared to approximately US$280.2 million (equivalent to HK$2,185.6 million) last year. Nevertheless, the Group was able to report increases in both revenue and gross profit for the year as a result of increased focus on higher margin businesses. Revenue rose by approximately 5.0% year on year from approximately US$95.8 million (equivalent to HK$747.2 million) to approximately US$100.6 million (equivalent to HK$784.7 million), while gross profit climbed by roughly 2.2% from approximately US$23.0 million (equivalent to HK$179.4 million) last year to approximately US$23.5 million (equivalent to HK$183.3 million) this year.

On cost side, Linmark also faced escalating labour costs along with high inflation in its key sourcing markets over the year. Nevertheless, the Group successfully contained general and administrative expenses to a similar level with last year, amounting to approximately US$22.0 million (equivalent to HK$171.6 million). In addition, the restructuring activities of the Group carried out last year had been completed and there were no similar activities in the year under review. Restructuring cost incurred last year amounted to approximately US$1.6 million (equivalent to HK$12.5 million).

As a result, the Group achieved a profit after tax of approximately US$2.8 million (equivalent to HK$21.8 million), an increase of approximately 366.7% over approximately US$0.6 million (equivalent to HK$4.7 million) recorded last year.

Segmental Analysis

Operating segmentation

The Group is organised into business units based on its products and services. It maintains two reportable operating segments; specifically, i) sales of merchandise including garments, fashion accessories, labels, hardgoods and consumer electronic products; and ii) provision of services including procurement and value-added services relating to the procurement agency business.

	Shipment value For the year ended 30 April	
	2012	2011
	US$' million	*US$' million*
Provision of services	**172.1**	199.6
Sales of merchandise	**86.2**	80.6
Total	**258.3**	280.2

During the year under review, shipment value from the provision of services declined by approximately 13.8% to approximately US$172.1 million (equivalent to HK$1,342.4 million), accounting for roughly 66.6% of the Group's total shipment value. The decline was largely due to a decrease in inspection business, which brought relatively low margin to the Group.

Shipment value from sales of merchandise increased by approximately 6.9% to approximately US$86.2 million (equivalent to HK$672.4 million), contributing to around 33.4% of the Group's total shipment value. The increase in shipments was mainly attributable to organic growth and business from new customers.

Geographical segmentation

	Shipment value For the year ended 30 April	
	2012	2011
	US$' million	*US$' million*
North America	**120.2**	133.7
Europe	**70.3**	71.1
Others	**67.8**	75.4
Total	**258.3**	280.2

During the year under review, shipments to North America decreased by approximately 10.1% to approximately US$120.2 million (equivalent to HK$937.6 million). Nevertheless, North America remained Linmark's largest market, contributing approximately 46.5% of the Group's total shipment value.

Shipments to Europe decreased slightly to approximately US$70.3 million (equivalent to HK$548.3 million). Europe thus accounted for approximately 27.2% of the Group's total shipment value.

Shipments grouped under "Others", comprising mainly shipments to the southern hemisphere, amounted to approximately US$67.8 million (equivalent to HK$528.8 million), representing approximately 26.3% of the Group's total shipment value.

Update on Indian Tax Case

In November 2010, the Income Tax Appellate Tribunal ("**ITAT**") in India issued an order ("**ITAT Order**") regarding the tax appeals lodged by the Group. The ITAT Order held that only 50% of the commission income was attributed to the India operations of Linmark International (Hong Kong) Limited ("**Linmark HK**"), a subsidiary of the Company. Consequently, Linmark HK was not liable to pay tax and related interest in respect of its India operations for the years 1999/2000 to 2005/2006.

In February and May 2011, Linmark HK received an income tax refund from the tax authority of India totalling approximately INR19,031,000 (equivalent to approximately HK$2,800,000 or US$361,000).

In August 2011, the Commissioner of Income Tax (Appeals) ("**CITA**") in India issued an order ("**CITA Order**") and held that the penalty levied on Linmark HK in March 2010 had been rescinded; hence, Linmark HK was not liable to pay the penalty levied.

However, according to the advice of the Group's tax adviser, the ITAT Order and CITA Order may be subject to further appeal by the tax authority in India against the issues decided in favour of Linmark HK. In view of this uncertainty, the Group will not recognise the tax credit in the profit and loss accounts until the refund of tax previously paid is certain.

Hong Kong Tax Case

As of the date of this announcement, the Group received protective assessments amounting to approximately HK$84,000,000 (equivalent to US$10,769,000) from the Inland Revenue Department in Hong Kong ("**IRD**") in respect of queries on the modus operandi of the Group and the chargeability of the profits for the years of assessment from 2003/2004 to 2005/2006.

In response to enquiries from IRD, an independent tax adviser has been engaged to handle this case and the relevant information has been furnished to IRD for review. In addition, Tax Reserve Certificates amounting to HK$3,250,000 (equivalent to US$417,000) have been purchased by two subsidiaries of the Company in pursuit of the holdover of tax demanded under the protective assessments for these years.

Taking into account the advice given by the independent tax adviser, the Group maintains the view that sufficient tax provision has been made in the financial statements.

Financial Review

The Group's financial position remains healthy with a fixed bank deposit of approximately US$2.0 million (equivalent to HK$15.6 million), plus cash and cash equivalents of approximately US$17.8 million (equivalent to HK$138.8 million) as at 30 April 2012. In addition, the Group has total banking facilities of approximately US$32.9 million (equivalent to HK$256.6 million) including borrowing facilities of approximately US$0.4 million (equivalent to HK$3.1 million) as at 30 April 2012.

The Group has a current ratio of 1.8 and a gearing ratio of zero, based on no interest-bearing borrowings and total equity of approximately US$38.9 million (equivalent to HK$303.4 million) as at 30 April 2012. There have not been any material changes in the Group's borrowings since 30 April 2012.

Trade receivables increased from approximately US$5.1 million (equivalent to HK$39.8 million) as at 30 April 2011 to approximately US$5.4 million (equivalent to HK$42.1 million) as at 30 April 2012. Gross trade receivables aged over 90 days, which amounted to approximately US$0.8 million (equivalent to HK$6.2 million), are being carefully monitored by the management. Approximately US$0.7 million (equivalent to HK$5.5 million) of these balances were covered by the impairment.

The Group's net asset value as at 30 April 2012 was approximately US$38.9 million (equivalent to HK$303.4 million).

The Group had no material contingent liability as at 30 April 2012 and there has been no material change since then.

The majority of the Group's transactions during the year under review were denominated in US dollars and Hong Kong dollars. To minimise exchange risks, sales and purchases are generally transacted in the same currency.

Remuneration Policy and Staff Development Scheme

As at 30 April 2012, the Group had 416 staff members. Total staff costs for the year under review amounted to approximately US$14.4 million (equivalent to HK$112.3 million) (2011: US$15.7 million (equivalent to HK$122.5 million)). The Group offers competitive remuneration schemes to its employees based on industry practices, along with 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.

Creditors' Voluntary Liquidation of Linmark Electronics Limited ("LEL")

On 28 July 2009, LEL, a company incorporated in the United Kingdom ("**UK**") and a 60% subsidiary of the Company, filed a notice of appointment of administrators in the UK ("**Administration**"), pursuant to which joint administrators ("**Administrators**") of LEL were appointed ("**Appointment**") according to paragraph 22 of Schedule B1 to the Insolvency Act 1986 of the UK. Upon the Appointment, the legal control of business of LEL was transferred from the directors of LEL to the Administrators. Since then, the Company has lost control over the financial and operating policies of LEL and therefore, the financial results of LEL have ceased to be consolidated with those of the Group upon the Appointment.

As stated in the announcement of the Company dated 27 January 2010, according to the Administrators, on 25 January 2010 (UK time), LEL moved from Administration to creditors' voluntary liquidation ("**Liquidation**") and the Administrators were appointed the liquidators ("**Liquidators**") pursuant to paragraph 83 of Schedule B1 to the Insolvency Act 1986 of the UK and as approved by the creditors of LEL. It was also stated in the said announcement that the Liquidators would adjudicate creditors' claims following which they anticipated paying a dividend to the creditors of LEL; and further that following such process, the Liquidators would take steps to dissolve LEL.

In June 2012, the Group received a first and final dividend amounting to approximately GBP44,000 (equivalent to US$69,000) as one of the creditors of LEL, and such amount will be recorded in the financial statements of the Group for the year ending 30 April 2013. It is expected that the Liquidators would be undertaking the required statutory and administrative steps to close the Liquidation and to dissolve LEL in about six months.

As disclosed in the interim report of the Company for the six months ended 31 October 2009, the unaudited total net liabilities of LEL included in the consolidated statement of financial position of the Group amounted to approximately US$5.3 million (equivalent to HK$41.3 million). Upon the commencement of the Liquidation, a non-cash profit of approximately US$5.3 million (equivalent to HK$41.3 million) was recognised in the consolidated income statement for the year ended 30 April 2010 of the Group as a gain on liquidation of a subsidiary. Save for the gain on liquidation of a subsidiary and dividend income as mentioned above, the Board does not expect the Liquidation to have any other material impact on the Group.

Prospects

In the light of lingering concerns over the European sovereign debt crisis, the state of the global economy remains uncertain. Economy in Eurozone continues to be weak while economic recovery in the United States is anticipated to be slower than previously expected. As both regions are saddled with high unemployment, the business environment will remain highly difficult. Combined with further waning of consumer confidence, retailers particularly in Europe are expected to be more conservative towards replenishing inventory.

Faced with such uncertain outlook, the management will focus more efforts on bolstering relations with existing customers and partners; providing more value-added services, including product and fabric development; promoting cross-selling activities; and identifying more effective sourcing opportunities. At the same time, the Group will direct greater resources towards promoting its higher margin businesses, as well as explore new markets to achieve business growth.

Promoting growth will invariably call for effective cost controls as well. Despite the expected further escalation of labour cost in the markets the Group operates in, the management will aim at containing overall operating expenses, which will include exploring alternative markets for sourcing.

In addition to seeking organic growth, the management will look out for merger and acquisition opportunities that will enhance the Group's product portfolio and markets or open the way to new business horizons – the main emphasis being on enhancing profit contributions to the Group and maximise shareholders' value.

Despite the apparently turbulent business conditions that are anticipated to persist, the management remains cautiously optimistic about Linmark's financial performance in the coming year.

DIVIDENDS

An interim dividend of 0.88 HK cent per ordinary share was declared and paid during the year under review.

The Directors recommend the payment of a final dividend of 0.50 HK cent per ordinary share in respect of the year ended 30 April 2012. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the final dividend will be paid in cash on or about 17 September 2012 to shareholders whose names appear on the register of members of the Company on 4 September 2012.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

For the purpose of ascertaining the shareholders' rights of attending and voting at the forthcoming annual general meeting, the register of members of the Company will be closed from Thursday, 23 August 2012 to Monday, 27 August 2012, both days inclusive. In order to be entitled to attend the annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4.30 p.m. on Wednesday, 22 August 2012.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

For the purpose of determining the entitlement to the final dividend in respect of the year ended 30 April 2012, the register of members of the Company will be closed from Friday, 31 August 2012 to Tuesday, 4 September 2012, 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 registrar of the Company, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4.30 p.m. on Thursday, 30 August 2012.

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 2012.

REVIEW OF RESULTS

The audit committee, comprising the three independent non-executive Directors referred to below, 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 prepared by the external auditors to the audit committee in respect of the audit of the financial statements of the Group for the year ended 30 April 2012.

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

CORPORATE GOVERNANCE

On 1 April 2012, the Code on Corporate Governance Practices ("**Former CG Code**") was amended and renamed as Corporate Governance Code and Corporate Governance Report ("**New CG Code**"). The Company has adopted the Code Provisions ("**Code Provisions**") as stated in the New CG Code as the Code of the Company in substitution for and to the exclusion of the Former CG Code with effect from 1 April 2012.

Currently, there are four Board committees, namely, audit committee, remuneration committee, nomination committee and executive committee. During the year under review, the Board established the nomination committee and dissolved the investment committee and merged the functions of the investment committee with those of the executive committee.

The Board also reviewed and amended the terms of reference of the executive committee, audit committee and remuneration committee, and adopted the terms of reference and modus operandi of the Board pursuant to which the Board is also responsible for the corporate governance function.

During the relevant periods of the year under review, the Company fully complied with the Code Provisions in the Former CG Code and New CG Code, save for the following:

1. **For the period from 1 May 2011 to 31 March 2012**
   Deviation from/modifications made to the Former CG Code:
   – deviation from Code Provision A.2.1
   – modifications made to Code Provision B.1.3 (from 1 May 2011 to 15 September 2011)

2. **For the period from 1 April 2012 to 30 April 2012**
   Deviation from the New CG Code:
   – deviation from Code Provision A.2.1
   – deviation from Code Provision A.4.3

Code Provision A.2.1

Mr. WANG Lu Yen, the chairman of the Company, is also the chief executive officer of the Company. Such practice deviates from Code Provision A.2.1 of the Former CG Code and New CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

In view of Mr. WANG Lu Yen's extensive experience in the industry and in-depth knowledge of the Group's operation and business, the Board believes that Mr. Wang is instrumental in formulating and implementing the Group's strategies. The Board expects that the Group will benefit from a unified chairman and chief executive officer position that provides clarity of leadership and allows efficient decision-making in strategic matters as well as the Group's day-to-day business. However, as the corporate needs of the Group may change from time to time, the Board will review regularly the board composition and division of responsibilities to ensure balance of power and corporate governance practices appropriate for the size and structure of the Group's business.

Code Provision B.1.3

The terms of reference of the remuneration committee were in compliance with the Code Provisions except that Code Provisions B.1.3(a) and B.1.3(b) of the Former CG Code have been combined and modified such that the remuneration committee had the power to do such things and to approve all matters in relation to compensation regarding all the Directors and senior management of the Group in accordance with the terms and conditions of their respective agreement/contract with the Company, or as the case may be, the relevant subsidiary of the Company. In addition, the remuneration committee was also delegated with the authority to exercise all the powers of the Board in relation to the share option scheme of the Company.

On 16 September 2011, the Board amended the terms of reference of the remuneration committee so that there would be no more deviation in such terms of reference from the Code Provisions of the Former CG Code. Following this change, the Board as a whole is responsible for determining the remuneration of non-executive Directors whereas the remuneration committee would continue to have the authority to approve the remuneration of the executive Directors and the senior management of the Group as well as share options related matters.

With effect from 1 April 2012, the Company further amended the terms of reference of the remuneration committee to make them correspond with the New CG Code and adopted Code Provision B.1.2(c)(i) out of the two models suggested by the New CG Code. As a result of the adoption of Code Provision B.1.2(c)(i), the Board as a whole is responsible for determining the remuneration of non-executive Directors whereas the remuneration committee has the authority to approve the remuneration of the individual executive Directors and the senior management of the Group as well as share options related matters.

Code Provision A.4.3

Mr. WANG Arthur Minshiang has served as an independent non-executive Director for more than nine years. The further appointment of Mr. Wang without the approval by way of passing a separate resolution of the shareholders is regarded as a deviation from Code Provision A.4.3 of the New CG Code effective on 1 April 2012.

To comply with this new Code Provision A.4.3, Mr. WANG Arthur Minshiang will retire voluntarily at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

The Board is of the opinion that Mr. WANG Arthur Minshiang remains independent notwithstanding the length of his service and believes that his valuable knowledge and experience in the Group's business and his general business acumen continue to generate significant contribution to the Company and the shareholders as a whole. The Company's circular to be despatched to shareholders of the Company on or about 27 July 2012 will contain the biographical information of Mr. WANG Arthur Minshiang and the detailed reasons behind the Board's recommendation of the continuing appointment of Mr. WANG Arthur Minshiang as an independent non-executive Director.

A corporate governance report of the Company with details of the policies and practices on corporate governance will be set out in the Company's 2012 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by the Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code during the year under review and up to the date of this announcement.

The Company has also established written guidelines on no less exacting terms than the Model Code ("**Employees Written Guidelines**") for securities transactions by relevant employees who are likely to be in possession of unpublished price-sensitive information in relation to the Company and its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises two executive Directors, being Mr. WANG Lu Yen (Chairman and Chief Executive Officer) and Mr. WONG Hing Lin, Dennis (Chief Financial Officer), one non-executive Director, being Mr. WONG Wai Ming and three independent non-executive Directors, being Mr. WANG Arthur Minshiang, Mr. TSE Hau Yin, Aloysius and Mr. Jakob Jacobus Koert TULLENERS.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

The results announcement is published on the designated website of the Stock Exchange for news dissemination at www.hkexnews.hk and on the Company's website at www.linmark.com. The 2012 annual report will be despatched to the shareholders and available on the same websites on or about 27 July 2012.

By Order of the Board
WANG Lu Yen
Chairman & Chief Executive Officer

Hong Kong, 13 July 2012

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* *For identification purpose only*