LINMARK GROUP LIMITED

林麥集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 915

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2012

INTERIM RESULTS HIGHLIGHTS:

- Shipment value amounted to approximately US$146.2 million (equivalent to HK$1,140.4 million), a decrease of approximately 4.7% as compared to approximately US$153.4 million (equivalent to HK$1,196.5 million) for the corresponding period last year.

- Revenue decreased by approximately 4.7% to approximately US$54.4 million (equivalent to HK$424.3 million) as compared to approximately US$57.1 million (equivalent to HK$445.4 million) for the corresponding period last year.

- Profit for the period under review amounted to approximately US$3.3 million (equivalent to HK$25.7 million), an increase of approximately 83.3% as compared to approximately US$1.8 million (equivalent to HK$14.0 million) for the corresponding period last year. The profit included the Indian tax refunds of approximately US$0.8 million (equivalent to HK$6.3 million). Excluding the Indian tax refunds, the Group's profit would be approximately US$2.5 million (equivalent to HK$19.5 million), representing an increase of approximately 38.9% as compared to the same period last year.

- The Directors have declared the payment of an interim dividend of 1.6 HK cents per ordinary share in respect of the six months ended 31 October 2012.

UNAUDITED INTERIM RESULTS

The board ("**Board**") of directors ("**Directors**") of Linmark Group Limited ("**Company**") announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (together, the "**Group**" or "**Linmark**") for the six months ended 31 October 2012, together with comparative figures for the previous corresponding period, as follows:

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Condensed Consolidated Interim Income Statement

		For the six months ended 31 October	
		2012	2011
		(Unaudited)	(Unaudited)
	Note	***US$'000***	*US$'000*
REVENUE	*3*	**54,418**	57,128
Cost of sales		**(39,781)**	(43,885)
Gross profit		**14,637**	13,243
Other income		**539**	607
General and administrative expenses		**(12,358)**	(11,911)
Share of loss of a jointly-controlled entity		**(1)**	(1)
PROFIT BEFORE TAX	*4*	**2,817**	1,938
Income tax credit/(expense)	*5*	**531**	(89)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**3,348**	1,849
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (expressed in US cent)	*7*		
– Basic		**0.5**	0.3
– Diluted		**0.5**	0.3

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

Condensed Consolidated Interim Statement of Comprehensive Income

	For the six months ended 31 October	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
PROFIT FOR THE PERIOD	**3,348**	1,849
OTHER COMPREHENSIVE INCOME		
Exchange differences:		
– translation of foreign operations	**88**	118
– reclassification adjustment for loss on dissolution of a subsidiary included in the consolidated income statement	**–**	97
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**88**	215
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**3,436**	2,064

Condensed Consolidated Interim Statement of Financial Position

	Note	31 October 2012 (Unaudited) US$'000	30 April 2012 (Audited) US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**1,384**	998
Goodwill		**26,333**	26,333
Available-for-sale financial asset		**84**	84
Investment in a jointly-controlled entity		**11**	12
Deferred tax assets		**113**	113
Total non-current assets		**27,925**	27,540
CURRENT ASSETS			
Trade receivables	*9*	**7,829**	5,367
Prepayments, deposits and other receivables		**4,082**	3,332
Bank deposit with initial term of over three months		**–**	1,997
Cash and cash equivalents		**22,576**	17,816
Total current assets		**34,487**	28,512
CURRENT LIABILITIES			
Trade payables	*10*	**6,550**	5,997
Accruals and other payables		**11,265**	8,574
Tax payable		**1,648**	1,468
Total current liabilities		**19,463**	16,039
NET CURRENT ASSETS		**15,024**	12,473
TOTAL ASSETS LESS CURRENT LIABILITIES		**42,949**	40,013
NON-CURRENT LIABILITY			
Post-employment benefits		**1,007**	1,070
Total non-current liability		**1,007**	1,070
NET ASSETS		**41,942**	38,943
EQUITY			
Issued capital		**13,661**	13,661
Reserves		**28,281**	25,282
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**41,942**	38,943

Notes:

1. **Basis of preparation**

The condensed consolidated interim financial statements of the Group for the six months ended 31 October 2012 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* and the disclosure requirements of the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

This condensed consolidated interim financial information is presented in United States dollars ("**US$**"), unless otherwise stated.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 30 April 2012.

2. **Changes in accounting policy and disclosures**

The principal accounting policies adopted in the preparation of the condensed consolidated interim financial statements of the Group are consistent with those followed in the preparation of the audited annual financial statements of the Group for the year ended 30 April 2012, except for the adoption of the amended International Financial Reporting Standards ("**IFRSs**") and IAS as noted below.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012

The adoption of these amendments has had no significant financial effect on these interim financial information and there have been no significant changes to the accounting policies applied in these condensed consolidated interim financial statements.

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, loss on dissolution of a subsidiary, 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.

The following tables present revenue and profit for the Group's reportable segments for the six months ended 31 October 2012 and 2011.

	Sales of merchandise (Unaudited) *US$'000*	2012 Provision of services (Unaudited) *US$'000*	Total (Unaudited) *US$'000*
Segment revenue:			
Revenue from external customers	**45,339**	**9,079**	**54,418**
Segment results	**1,171**	**1,784**	**2,955**
Interest income			**33**
Share of loss of a jointly-controlled entity			**(1)**
Corporate and other unallocated expenses			**(170)**
Profit before tax			**2,817**
Income tax credit			**531**
Profit for the period			**3,348**
Other segment information:			
Depreciation	**138**	**250**	**388**
Capital expenditures	**236**	**540**	**776**
(Reversal of impairment)/Impairment of trade receivables	**(14)**	**36**	**22**

	Sales of merchandise (Unaudited) *US$'000*	2011 Provision of services (Unaudited) *US$'000*	Total (Unaudited) *US$'000*
Segment revenue:			
Revenue from external customers	48,743	8,385	57,128
Segment results	735	1,434	2,169
Interest income			6
Loss on dissolution of a subsidiary			(97)
Share of loss of a jointly-controlled entity			(1)
Corporate and other unallocated expenses			(139)
Profit before tax			1,938
Income tax expense			(89)
Profit for the period			1,849
Other segment information:			
Depreciation	67	106	173
Capital expenditures	219	333	552
Impairment of trade receivables	181	112	293

4. Profit before tax

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

	For the six months ended 31 October	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Depreciation	**388**	173
Loss on dissolution of a subsidiary	**–**	97
Gain on disposal of items of property, plant and equipment	**–**	(1)
Impairment of trade receivables	**22**	293

5. Income tax (credit)/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 period. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 31 October	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Current		
– Hong Kong	**241**	169
– Outside Hong Kong	**23**	13
Underprovision/(Overprovision) in prior years		
– Indian tax refunds	**(806)**	–
– Others	**11**	(62)
Deferred	**–**	(31)
Total tax (credit)/expense for the period	**(531)**	89

6. Dividends

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

On 17 September 2012, a final dividend of 0.50 HK cent per ordinary share in respect of the year ended 30 April 2012 was paid to shareholders of the Company.

The Directors have declared the payment of an interim dividend of 1.6 HK cents per ordinary share in respect of the six months ended 31 October 2012 and such interim dividend will be paid in cash on or about 15 January 2013 to shareholders whose names appear on the register of members of the Company on 9 January 2013.

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately US$3,348,000 (2011: US$1,849,000), and the weighted average number of 683,069,279 (2011: 683,069,279) ordinary shares in issue during the period.

The Group had no dilutive potential ordinary shares in issue for the periods ended 31 October 2012 and 2011.

8. Additions in property, plant and equipment

During the six months ended 31 October 2012, the Group spent approximately US$776,000 (2011: US$552,000) on acquisition of items 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:

	31 October 2012 (Unaudited) ***US$'000***	30 April 2012 (Audited) *US$'000*
Within 30 days	**5,519**	4,207
31 to 60 days	**1,280**	785
61 to 90 days	**666**	265
91 to 365 days	**436**	227
Over 1 year	**466**	545
	8,367	6,029
Impairment	**(538)**	(662)
	7,829	5,367

Note:

The trade receivables aged over 90 days are being carefully monitored by the management. Approximately US$0.5 million (30 April 2012: US$0.7 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:

	31 October 2012 (Unaudited) ***US$'000***	30 April 2012 (Audited) *US$'000*
Within 30 days	**4,550**	3,416
31 to 60 days	**1,531**	2,026
61 to 90 days	**291**	227
91 to 365 days	**91**	260
Over 1 year	**87**	68
	6,550	5,997

11. Related party transactions

(a) During the six months ended 31 October 2012, the Group had the following significant related party transactions:

	For the six months ended 31 October	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Rental expenses paid to related companies	**409**	154

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

(b) Balance with a related party

At 31 October 2012, the Group had prepaid rent and rental deposit of US$24,000 (30 April 2012: US$24,000) to a related company.

(c) Compensation of key management personnel of the Group:

	For the six months ended 31 October	
	2012	2011
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Short term employee benefits	**647**	516
Post-employment benefits – defined contribution plans	**35**	24
Equity-settled share option expense	**1**	3
Total compensation paid to key management personnel	**683**	543

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

During the period under review, the global economy remained weak while the pace of economic recovery in the United States ("**US**") was slow and the sovereign debt crisis in Europe continued to erode consumer confidence. Due to the resulting lower demand, the Group's shipment value declined to approximately US$146.2 million (equivalent to HK$1,140.4 million), a decrease of approximately 4.7% when compared with approximately US$153.4 million (equivalent to HK$1,196.5 million) recorded for the corresponding period last year. Revenue decreased by approximately 4.7% to approximately US$54.4 million (equivalent to HK$424.3 million).

Despite the difficult business environment, the Group increased gross profit by around 10.6% from approximately US$13.2 million (equivalent to HK$103.0 million) for the same period last year to approximately US$14.6 million (equivalent to HK$113.9 million). The rise was mainly due to greater focus on higher margin businesses.

General and administrative expenses for the period increased around 4.2% to approximately US$12.4 million (equivalent to HK$96.7 million) from approximately US$11.9 million (equivalent to HK$92.8 million) for the same period last year, as more resources were devoted to business development.

For the six months ended 31 October 2012, the Group's profit increased around 83.3% to approximately US$3.3 million (equivalent to HK$25.7 million), when compared with approximately US$1.8 million (equivalent to HK$14.0 million) recorded for the same period last year. The profit included the Indian tax refunds of approximately US$0.8 million (equivalent to HK$6.3 million), the details of which are set out in the paragraph headed "Indian Tax Case" below. Excluding the Indian tax refunds, the Group's profit would have amounted to approximately US$2.5 million (equivalent to HK$19.5 million), representing a year-on-year increase of approximately 38.9%.

Segmental Analysis

Operating segmentation

The Group's business comprises two operating segments: (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 six months ended 31 October	
	2012	2011
	(Unaudited)	(Unaudited)
	US$' million	*US$' million*
Provision of services	**100.9**	104.7
Sales of merchandise	**45.3**	48.7
Total	**146.2**	153.4

During the period under review, shipment value from the provision of services declined by approximately 3.6% to approximately US$100.9 million (equivalent to HK$787.0 million), accounting for roughly 69.0% of the Group's total shipment value. The modest decline was mainly due to a drop in the relatively low margin inspection business.

Due to weaker demand in Europe and the southern hemisphere, shipment value from sales of merchandise decreased by approximately 7.0% to approximately US$45.3 million (equivalent to HK$353.3 million), contributing around 31.0% of the Group's total shipment value.

Geographical segmentation

	Shipment value For the six months ended 31 October	
	2012	2011
	(Unaudited)	(Unaudited)
	US$' million	*US$' million*
North America	**75.9**	70.9
Europe	**39.1**	44.4
Others	**31.2**	38.1
Total	**146.2**	153.4

North America continued to be the largest market of the Group, contributing approximately 51.9% of the Group's total shipment value. During the period under review, shipments to North America increased by approximately 7.1% to approximately US$75.9 million (equivalent to HK$592.0 million). The increase in shipments was mainly attributable to organic growth and business from new customers.

Affected by the weaker demand, shipments to Europe decreased by around 11.9% to approximately US$39.1 million (equivalent to HK$305.0 million), thereby accounting for approximately 26.7% of the Group's total shipment value.

Shipments grouped under "Others" comprising mainly shipments to the southern hemisphere declined by approximately 18.1% to approximately US$31.2 million (equivalent to HK$243.4 million) due to the effect of conservative consumer sentiment on demand.

Indian Tax Case

Subsequent to the date of the Company's annual report for the year ended 30 April 2012 ("**2012 Annual Report**"), Linmark International (Hong Kong) Limited ("**Linmark HK**"), a subsidiary of the Company received refunds from the tax authority in India ("**Tax Authority**") in respect of the penalty rescinded by the Commissioner of Income Tax (Appeals) in India pursuant to an order ("**CITA Order**") totalling approximately INR23.5 million (equivalent to approximately HK$3.5 million or US$445,000). Together with the refund of approximately INR19.0 million (equivalent to approximately HK$2.8 million or US$361,000) which has already been received by Linmark HK as previously disclosed in the 2012 Annual Report, Linmark HK received a total refund of approximately INR42.5 million (equivalent to approximately HK$6.3 million or US$806,000).

Based on the advice from the tax adviser of Linmark HK, the time limits for filing an appeal against the order issued by the Income Tax Appellate Tribunal and the CITA Order in India have lapsed and the chance of any further appeal by the Tax Authority is remote. Accordingly, the Group recognised the said refunds totalling approximately INR42.5 million (equivalent to approximately HK$6.3 million or US$806,000) as tax credit in the income statement. A voluntary disclosure in this regard has been made on 26 October 2012 pursuant to Rule 13.09 of the Listing Rules.

Hong Kong Tax Case

Reference was made to the disclosure under the paragraph headed "Hong Kong Tax Case" in the Management Discussion and Analysis section of the 2012 Annual Report regarding certain enquiries previously received from the Inland Revenue Department in Hong Kong on the modus operandi of the Group and the chargeability of the profits thereof ("**HK Tax Case**").

There has been no further significant development on the HK Tax Case since the last financial year ended 30 April 2012. 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 cash and cash equivalents of approximately US$22.6 million (equivalent to HK$176.3 million) as at 31 October 2012. In addition, the Group has total banking facilities of approximately US$20.3 million (equivalent to HK$158.3 million) including borrowing facilities of approximately US$0.4 million (equivalent to HK$3.1 million) as at 31 October 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$41.9 million (equivalent to HK$326.8 million) as at 31 October 2012. There has not been any material change in the Group's borrowings since 31 October 2012.

Affected by the seasonality of the Group's business, with higher revenue in the first half of the financial year than in the second half of the financial year, trade receivables increased from approximately US$5.4 million (equivalent to HK$42.1 million) as at 30 April 2012 to approximately US$7.8 million (equivalent to HK$60.8 million) as at 31 October 2012. Trade receivables aged over 90 days, which amounted to approximately US$0.9 million (equivalent to HK$7.0 million), are being carefully monitored by the management. Approximately US$0.5 million (equivalent to HK$3.9 million) of these balances were covered by the impairment.

The Group's net asset value as at 31 October 2012 was approximately US$41.9 million (equivalent to HK$326.8 million).

The Group had no material contingent liability as at 31 October 2012 and there has been no material change since then.

The majority of the Group's transactions during the period 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 31 October 2012, the Group had 408 staff (as at 31 October 2011: 416 staff). Total staff costs for the period under review amounted to approximately US$8.5 million (equivalent to HK$66.3 million) (2011: US$7.4 million (equivalent to HK$57.7 million)). The Group offers competitive remuneration schemes to its employees based on industry practices and depending on the performance of the individual and the Group. In addition, share options and discretionary bonuses are 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**") pursuant 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 creditors of LEL; and further that following such process, the Liquidators would take steps to dissolve LEL.

In June 2012 and November 2012, the Group received a first and final dividend, and a second and final dividend amounting to approximately GBP44,000 and GBP3,000 (equivalent to US$69,000 and US$5,000) respectively as one of the creditors of LEL, and such amount totalling approximately GBP47,000 (equivalent to US$74,000) were recorded in the financial statements of the Group for the six months ended 31 October 2012. It is expected that the Liquidators would be undertaking the required statutory and administrative steps to close the Liquidation and to dissolve LEL.

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

The global environment is expected to remain challenging for the rest of the financial year as the sluggish economic recovery in the US and unresolved debt crisis in Europe will continue to burden the world economy.

Against this backdrop, the Group will strive to provide more value-added services, strengthen partnerships with existing customers and promote cross-selling opportunities. At the same time, it will continue to diversify its portfolio by developing more quality products that enhance the profit contributions. The new customers secured during the review period are expected to contribute revenue to the Group in the upcoming six months. To gain positive momentum for the business, continuous efforts and resources will be put to acquire new customers.

The management will also closely monitor and manage expenses, as well as assess potential merger and acquisition opportunities as they arise.

The Group expects that the aforementioned strategies and plans will bring positive results for the rest of the financial year despite the challenges ahead.

INTERIM DIVIDEND

The Directors have declared the payment of an interim dividend of 1.6 HK cents per ordinary share in respect of the six months ended 31 October 2012 and such interim dividend will be paid in cash on or about 15 January 2013 to shareholders whose names appear on the register of members of the Company on 9 January 2013.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the interim dividend for the period under review, the register of members of the Company will be closed from Monday, 7 January 2013 to Wednesday, 9 January 2013, 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, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4.30 p.m. on Friday, 4 January 2013.

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 period under review.

REVIEW OF RESULTS

The unaudited condensed consolidated interim financial information of the Group for the six months ended 31 October 2012 have been reviewed by Ernst & Young, the external auditors of the Company, in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. 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 review of the Group's unaudited condensed consolidated interim financial information for the six months ended 31 October 2012. There was no disagreement by the external auditors or the audit committee with the accounting treatment adopted by the Company.

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

CORPORATE GOVERNANCE

A corporate governance report has been published and included in the 2012 Annual Report, in which the Company reported the adoption of the code provisions ("**Code Provisions**") in the Corporate Governance Code and Corporate Governance Report ("**New CG Code**") with effect from 1 April 2012 contained in Appendix 14 to the Listing Rules as the Corporate Governance Code of the Company.

During the period under review, the Company fully complied with the Code Provisions in the New CG Code, save for the following:

– deviation from Code Provision A.2.1
– deviation from Code Provision A.4.3 (from 1 May 2012 to 27 August 2012)

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 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 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.

To comply with this, Mr. WANG Arthur Minshiang retired voluntarily and was re-elected as Director at the annual general meeting of the Company held on 27 August 2012.

Save as disclosed above, the corporate governance practices adopted by the Company during the period under review are in line with those practices set out in the 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 period 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 RESULTS AND INTERIM 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 2013 interim report will be despatched to the shareholders and available on the same websites on or about 24 December 2012.

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

Hong Kong, 17 December 2012

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* *For identification purpose only*