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 2008

FINAL RESULTS HIGHLIGHTS

– Shipment value amounted to approximately US$590.7 million (equivalent to HK$4,607.5 million), a decrease of approximately 32.4% as compared to approximately US$874.1 million (equivalent to HK$6,818.0 million) for the last year.

– Revenue dropped by approximately 24.5% to approximately US$289.7 million (equivalent to HK$2,259.7 million) as compared to approximately US$383.6 million (equivalent to HK$2,992.1 million) for the last year.

– Loss for the year under review amounted to approximately US$20.4 million (equivalent to HK$159.1 million) while the loss for the last year amounted to approximately US$30.9 million (equivalent to HK$241.0 million).

– The Directors do not recommend the payment of a final dividend for the year ended 30 April 2008.

AUDITED RESULTS

The board ("Board") of directors ("Directors") of Linmark Group Limited ("Company" or "Linmark") announces the audited condensed consolidated financial information of Company and its subsidiaries (together, the "Group") for the year ended 30 April 2008, together with comparative figures for the previous year, as follows:

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement

	Note	**2008** **US$'000**	2007 US$'000
Revenue	*3*	**289,707**	383,583
Cost of sales		**(260,109)**	(329,897)
Gross profit		**29,598**	53,686
Other income		**2,594**	2,593
General and administrative expenses		**(39,855)**	(45,925)
Impairment loss on goodwill	*4*	**(3,000)**	(2,494)
Impairment loss on purchase consideration recoverable	*4*	**–**	(5,699)
Impairment loss on patents and trademarks	*5*	**(10,254)**	(51,529)
Write-back of purchase consideration payable	*5*	**–**	21,469
Operating loss	*6*	**(20,917)**	(27,899)
Interest income		**598**	905
Finance costs		**(418)**	(1,164)
Share of loss of a jointly controlled entity		**(45)**	(53)
Loss before income tax		**(20,782)**	(28,211)
Income tax credit/(expense)	*7*	**365**	(2,659)
Loss for the year		**(20,417)**	(30,870)
Attributable to:			
Equity holders of the Company		**(12,789)**	(11,062)
Minority interest		**(7,628)**	(19,808)
		(20,417)	(30,870)
Dividends	*8*		
– Interim, paid		**–**	1,529
– Final, paid		**–**	2,150
		–	3,679
Loss per share for loss attributable to equity holders of the Company (expressed in US cents per share)	*9*		
– Basic and diluted		**(1.9)**	(1.7)

Condensed Consolidated Balance Sheet

	Note	**2008** **US$'000**	2007 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**2,758**	3,501
Intangible assets		**43,223**	57,594
Other asset		**84**	83
Investment in a jointly controlled entity		**23**	68
Deferred income tax assets		**1,221**	–
		47,309	61,246
CURRENT ASSETS			
Inventories		**13,030**	9,792
Trade receivables	*11*	**21,428**	31,351
Prepayments, deposits and other receivables		**5,105**	7,065
Amount due from a related company	*13 (b)*	**5**	64
Cash and cash equivalents		**16,752**	30,405
		56,320	78,677
CURRENT LIABILITIES			
Trade payables	*12*	**24,543**	31,331
Accruals and other payables		**10,765**	13,939
Warranty provision		**9,365**	2,953
Short-term bank loan		**–**	5,000
Trust receipts bank loan		**1,284**	1,046
Balance of consideration payable for acquisitions of subsidiaries/businesses and assets – due within one year		**1,149**	3,752
Dividend payable to a minority shareholder of a subsidiary		**1,030**	1,039
Current income tax liabilities		**1,786**	3,931
		49,922	62,991
NET CURRENT ASSETS		**6,398**	15,686
TOTAL ASSETS LESS CURRENT LIABILITIES		**53,707**	76,932
NON-CURRENT LIABILITIES			
Balance of consideration payable for acquisitions of subsidiaries/businesses and assets – due after one year		**–**	1,149
Post-employment benefits		**1,189**	1,362
Deferred income tax liabilities		**–**	116
		1,189	2,627
NET ASSETS		**52,518**	74,305

	2008	2007
	US$'000	*US$'000*
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**13,500**	13,418
Reserves	**34,501**	48,762
	48,001	62,180
Minority interest	**4,517**	12,125
TOTAL EQUITY	**52,518**	74,305

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). They have been prepared under the historical cost convention.

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

2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of and as described in the Group's annual financial statements for the year ended 30 April 2007 except for the adoption of new accounting policies below.

Effective from 1 May 2007, the Group adopts the first-in, first-out ("FIFO") costing method to determine the cost of its inventories in preparing the consolidated financial statements. Previously, cost was determined on the weighted average basis. FIFO costing method has been used as the Directors consider that it will more appropriately reflect the recent cost levels of the Group's inventory.

The Directors estimate that the change in accounting policy has an immaterial impact on the Group's inventories as at 30 April 2008 and each of the prior years presented. As such, a prior year adjustment as required by International Accounting Standard ("IAS") 8 has not been incorporated.

(i) Standards, amendments and interpretations effective in 2007 and relevant to the Group's operations

The following standards, amendments and interpretations are mandatory for the year ended 30 April 2008 and are relevant to the Group's operations:

– IFRS 7, "Financial Instruments: Disclosures", and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments.

– International Financial Reporting Interpretations Committee Interpretation ("IFRIC-Int") 10, "Interim Financial Reporting and Impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

- IFRIC-Int 11, "IFRS 2 – Group and Treasury Share Transactions", provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's consolidated financial statements.

(ii) New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following are the new standards, amendments and interpretations to existing standards that have been published and are mandatory for annual periods beginning on or after 1 January 2008 or later periods that the Group has not early adopted:

- IAS 1 (Revised), "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009). IAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. The Group will apply IAS 1 (Revised) from 1 May 2009.

- IAS 23 (Amendment), "Borrowing Costs" (effective for annual periods beginning on or after 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amendment) from 1 May 2009 but is currently not applicable to the Group as there are no qualifying assets.

- IFRS 8, "Operating Segments" (effective for annual periods beginning on or after 1 January 2009). IFRS 8 supersedes IAS 14, "Segment Reporting", which requires segments to be reported based on the Group's internal reporting pattern as they represent components of the Group regularly reviewed by management. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The Group will apply IFRS 8 for annual periods beginning from 1 May 2009.

- IAS 27 (Revised), "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply IAS 27 (Revised) from 1 May 2010.

- IFRS 3 (Revised), "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, re-acquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other IFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply IFRS 3 (Revised) from 1 May 2010.

– IFRS 2 (Amendment), "Share-based Payment Vesting Conditions and Cancellations" (effective for annual periods beginning on or after 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply IFRS 2 (Amendment) from 1 May 2009, but it is not expected to have any impact on the Group's financial statements.

(iii) Amendments and interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

– IAS 32 and IAS 1 (Amendments), "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective for annual periods beginning on or after 1 January 2009). The amendments require some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity.

– IFRIC-Int 12, "Service Concession Arrangements" (effective for annual periods beginning on or after 1 January 2008). IFRIC-Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC-Int 12 is not relevant to the Group's operations because none of the group entities provide for public sector services.

– IFRIC-Int 13, "Customer Loyalty Programmes" (effective for annual periods beginning on or after 1 July 2008). IFRIC-Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC-Int 13 is not relevant to the Group's operations because none of the group entities operate any loyalty programmes.

– IFRIC-Int 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction" (effective for annual periods beginning on or after 1 January 2008). IFRIC-Int 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

(iv) Standards, amendments and interpretations effective for annual periods beginning on 1 May 2007 but not relevant to the Group's operations

The following standards, amendments and interpretations to published standards are mandatory for annual periods beginning on or after 1 January 2007 but are not relevant to the Group's operations:

– IFRIC-Int 7, "Applying the Restatement Approach under IAS 29, Financial Reporting in Hyper-inflationary Economies"; and

– IFRIC-Int 9, "Re-assessment of Embedded Derivatives".

3. SEGMENTAL INFORMATION

An analysis of the Group's segmental information for the year under review and the previous year by business and geographical segments is as follows:

Primary reporting format – business segments

At 30 April 2008, the Group is organised on a worldwide basis into two main business segments: (i) sales of merchandise (garment, labels and consumer electronic products); and (ii) provision of services (procurement service and value-added services relating to the procurement agency business).

The segment information for the year ended 30 April 2008 is as follows:

	Sales of merchandise *US$'000*	Provision of services *US$'000*	Total *US$'000*
REVENUE			
External revenue	**272,006**	**17,701**	**289,707**
SEGMENT RESULTS	**(5,069)**	**(1,851)**	**(6,920)**
Impairment loss on goodwill	**–**	**(3,000)**	**(3,000)**
Impairment loss on patents and trademarks	**(10,254)**	**–**	**(10,254)**
Interest income			**598**
Finance costs			**(418)**
Share of loss of a jointly controlled entity			**(45)**
Unallocated corporate expenses			**(743)**
Loss before income tax			**(20,782)**
Income tax credit			**365**
Loss for the year			**(20,417)**
Segment assets	**81,901**	**18,167**	**100,068**
Deferred income tax assets			**1,221**
Unallocated corporate assets			**2,340**
Total assets			**103,629**
Segment liabilities	**40,074**	**7,943**	**48,017**
Current income tax liabilities			**1,786**
Unallocated corporate liabilities			**1,308**
Total liabilities			**51,111**
Capital expenditure	**240**	**750**	**990**
Depreciation charge	**1,014**	**701**	**1,715**
Amortisation of intangible assets	**154**	**1,004**	**1,158**
Impairment of trade and other receivables	**145**	**427**	**572**

The segment information for the year ended 30 April 2007 is as follows:

	Sales of merchandise *US$'000*	Provision of services *US$'000*	Total *US$'000*
REVENUE			
External revenue	357,287	26,296	383,583
SEGMENT RESULTS	9,563	3,444	13,007
Impairment loss on goodwill	–	(2,494)	(2,494)
Impairment loss on purchase consideration recoverable	–	(5,699)	(5,699)
Impairment loss on patents and trademarks	(51,529)	–	(51,529)
Write-back of purchase consideration payable	21,469	–	21,469
Interest income			905
Finance costs			(1,164)
Share of loss of a jointly controlled entity			(53)
Unallocated corporate expenses			(2,653)
Loss before income tax			(28,211)
Income tax expense			(2,659)
Loss for the year			(30,870)
Segment assets	107,958	24,787	132,745
Unallocated corporate assets			7,178
Total assets			139,923
Segment liabilities	45,289	10,213	55,502
Current income tax liabilities			3,931
Deferred income tax liabilities			116
Unallocated corporate liabilities			6,069
Total liabilities			65,618
Capital expenditure	2,198	465	2,663
Depreciation charge	731	844	1,575
Amortisation of intangible assets	–	921	921
Impairment of trade and other receivables (excluding impairment of purchase consideration recoverable)	1,646	1,741	3,387

Segment assets consist of primarily property, plant and equipment, intangible assets, inventories, receivables and operating cash attributable to individual business segment. They exclude assets held for corporate use.

Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings.

Capital expenditure comprise additions to property, plant and equipment, intangible assets and including additions resulting from the acquisitions through business combinations.

Secondary reporting format – geographical segments

The Group's two business segments operate primarily in five main geographical locations. The following table provides an analysis of the Group's revenue, total assets and capital expenditure by geographical locations.

	Revenue		**Total assets**		**Capital expenditure**	
	2008	2007	**2008**	2007	**2008**	2007
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Europe	**187,904**	268,173	**39,409**	55,627	**69**	457
Australia	**39,240**	33,981	**–**	–	**–**	–
Africa	**21,597**	34,098	**10**	19	**–**	–
North America	**17,491**	21,749	**–**	–	**–**	–
Hong Kong	**5,369**	7,530	**61,427**	81,375	**839**	2,039
Others	**18,106**	18,052	**2,783**	2,902	**82**	167
	289,707	383,583	**103,629**	139,923	**990**	2,663

Revenue is allocated based on the location of customers. Total assets and capital expenditure are allocated based on the location of those assets.

4. IMPAIRMENT LOSS ON GOODWILL AND PURCHASE CONSIDERATION RECOVERABLE

In November 2003, the Group acquired the entire equity interest in ISO International (Holdings) Limited ("ISO") for a consideration of approximately US$19,872,000 (equivalent of approximately HK$155,000,000). This consideration is subject to downward adjustments if the profit after taxation of ISO cannot achieve the pre-determined levels for each of the years ended 30 April 2004, 2005 and 2006.

For the year ended 30 April 2006, the profit after taxation of ISO did not achieve the abovementioned pre-determined level. According to the related sale and purchase agreement, the purchase consideration (and consequently goodwill) has to be reduced by approximately US$7,686,000. During the year ended 30 April 2007, the Group has recorded a reversal of the outstanding consideration payable for the acquisition of ISO of approximately US$1,987,000, a receivable from the vendor (who is also a director of ISO) of approximately US$5,699,000 and an impairment of goodwill of approximately US$2,494,000.

The Directors and the Group's management were of the view that there is uncertainty associated with the collectibility of the aforementioned receivable and, accordingly, an impairment of the entire amount of approximately US$5,699,000 was recognised in the income statement for the year ended 30 April 2007.

During the year under review, the Group recognised a further impairment of goodwill of approximately US$3,000,000. The charge is made based on the results of the impairment test for ISO as a cash generating unit using the value-in-use model in accordance with IAS 36.

5. IMPAIRMENT LOSS ON PATENTS AND TRADEMARKS AND WRITE-BACK OF PURCHASE CONSIDERATION PAYABLE

In October 2005, the Group acquired a 60% equity interest in Dowry Peacock Group Limited ("Dowry Peacock"), a company incorporated in the United Kingdom, for a total consideration of approximately US$41,774,000, of which approximately US$21,915,000 (equivalent of approximately £11,220,000) was payable according to a pre-determined formula contingent on Dowry Peacock's achievement of specified profit targets during specified periods after the acquisition. The Directors and the Group's management were of the view at the date of the acquisition that the achievement of the aforementioned profit targets was probable and, accordingly, the entire amount of the contingent consideration of US$21,915,000 was recognised as part of the purchase consideration and a liability.

The profit targets for periods up to 30 April 2007 have not been met. In this connection, the Directors and the Group's management have revised their estimates of (i) the amount of the contingent consideration that is probable, and (ii) the fair value of the patents and trademarks acquired as part of the acquisition by reference to a valuation performed by Sallmanns (Far East) Limited, an independent firm of valuers, as at 30 April 2007. Based on these revised estimates, the estimated purchase consideration was reduced by approximately US$21,469,000 and an impairment of patents and trademarks of approximately US$51,529,000 was recorded. These amounts were recognised in the income statement during the year ended 30 April 2007.

During the year under review, the Group recognised an impairment charge of US$10,254,000 in connection with these patents and trademarks. The charge is made based on the results of the impairment test for the patents and trademarks using the fair value less costs to sell model in accordance with IAS 36, which was made by reference to a valuation performed by Vigers Appraisal & Consulting Limited, an independent firm of valuers, as at 30 April 2008.

6. OPERATING LOSS

Operating loss has been arrived at after (crediting)/charging:

	2008	2007
	US$'000	*US$'000*
Reimbursement income from customers	**(324)**	(682)
Depreciation of property, plant and equipment	**1,715**	1,575
Amortisation of intangible assets	**1,158**	921
Loss on disposal of property, plant and equipment	**2**	392

7. INCOME TAX (CREDIT)/EXPENSE

	2008	2007
	US$'000	*US$'000*
Current income tax		
– Hong Kong profits tax	**816**	1,329
– overseas taxation	**175**	1,341
Deferred income tax	**(1,356)**	(11)
	(365)	2,659

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong.

Taxation on overseas (other than Hong Kong) profits has been calculated on the estimated assessable profits at the rates of taxation prevailing in the countries in which the Group operates.

In January 2007, Linmark International (Hong Kong) Limited, a subsidiary of the Company, received from the tax authority in India certain assessment orders relating to the operations of the Group's liaison office in India ("India Liaison Office") for tax assessment years 1999/2000 to 2004/2005. The total amount of the tax assessment amounted to approximately US$10,500,000 (equivalent of approximately INR474,884,000). The Group has lodged objections to the India tax authority against the aforesaid assessment orders and paid a deposit to the India tax authority of approximately US$280,000 (equivalent of INR12,500,000). Prior to the receipt of the assessment orders, the Group has already maintained a tax provision of approximately US$800,000 in respect of the operation of the India Liaison Office for tax assessment years 1999/2000 to 2004/2005. Having considered the advices from a firm of attorney in India and an independent firm of certified public accountants (who is not the Company's auditor), the Group has recorded a further provision of approximately US$228,000 in respect of its tax obligation for tax assessment years up to 2007/2008 during the year ended 30 April 2007.

On 14 March 2008, The Commissioner of Income Tax (Appeals) ("CITA") of India issued an order ("Order") and held that the India Liaison Office is liable to tax in India. The Order further held that 72% of the commission is attributable to India with actual expenses of the India Liaison Office be allowed, subject to verification by the India tax authority. Subsequent to the issuance of the Order, the Director of Income Tax of India has issued a tax payment demand to Linmark International (Hong Kong) Limited for US$555,000 (equivalent of approximately INR21,900,000), the payment of which was made before the end of March 2008. The payment was calculated based on estimate of the income and expenses as submitted by the India Liaison Office for tax assessment years 1999/2000 to 2005/2006, and included tax liability and interests. The India tax authority is in the process of verifying the income and expenses and at this moment has no outstanding information request to the Group. Under the advice of an independent firm of certified public accountants (who is not the Company's auditor), the Group has lodged appeals to the Tax Tribunal in India on 16 May 2008 contesting that CITA has erred in facts and in law as well as the 72% attribution mentioned above. The Group is of the view that adequate provision has been made for the potential tax liability in India.

8. DIVIDENDS

On 2 October 2007, a dividend of 2.5 HK cents per share was paid to shareholders of the Company as the final dividend in respect of the year ended 30 April 2007.

The Directors do not recommend the payment of an interim dividend for the six months ended 31 October 2007 and a final dividend for the year ended 30 April 2008.

9. LOSS PER SHARE

Basic loss per share for the year ended 30 April 2008 is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Loss attributable to equity holders of the Company (US$'000)	**(12,789)**	(11,062)
Weighted average number of ordinary shares in issue ('000)	**671,925**	667,839
Basic loss per share (US cents)	**(1.9)**	(1.7)

No diluted loss per share has been presented as the outstanding share options were anti-dilutive.

10. ADDITIONS IN PROPERTY, PLANT AND EQUIPMENT

During the year ended 30 April 2008, the Group spent approximately US$990,000 (2007: US$2,256,000) on acquisition of property, plant and equipment.

11. TRADE RECEIVABLES

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

	2008	2007
	US$'000	*US$'000*
0 - 30 days	**12,338**	23,035
31 - 60 days	**3,333**	4,375
61 - 90 days	**3,831**	2,790
91 - 365 days	**2,036**	2,065
Over 1 year	**6,125**	5,696
	27,663	37,961
Less: Provision for impairment of trade receivables	**(6,235)**	(6,610)
	21,428	31,351

12. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	2008	2007
	US$'000	*US$'000*
0 - 30 days	**19,293**	24,940
31 - 60 days	**2,169**	3,168
61 - 90 days	**1,329**	361
91 - 365 days	**468**	2,430
Over 1 year	**1,284**	432
	24,543	31,331

13. RELATED PARTY TRANSACTIONS

(a) During the year under review, the Group had the following material related party transactions:

Identity of related parties	*Note*	**Nature of transactions**	**2008** ***US$'000***	2007 *US$'000*
Sky Fame Group Limited	*(i)*	Rental expense	**128**	–
Turmar Limited	*(i)*	Rental expense	**–**	109
Ken Ball Limited	*(i)*	Rental expense	**135**	108
DGC GmbH	*(ii)*	Royalty income	**95**	93
DGC GmbH	*(iii)*	Inspection income	**37**	50

Sky Fame Group Limited and Turmar Limited are 100% owned by Mr. WANG Lu Yen, a Director, and his spouse.

Ken Ball Limited is 100% owned by Mr. Peter Loris SOLOMON, a Director.

DGC GmbH is 64% owned by Mr. Raymond Anthony NUGENT, a director of Dowry Peacock, a 60% owned subsidiary of the Company.

Notes:

(i) Rental expense was determined based on market rate and floor area.

(ii) Royalty income was charged in accordance with the terms of agreement made between the parties.

(iii) Inspection income was determined based on the rate agreed by both parties.

(b) The amount due from a related company was unsecured, non-interest bearing and repayable within one year. The outstanding balances at 30 April 2008 and 2007 were receivables from DGC GmbH.

(c) Key management compensation:

	2008	2007
	US$'000	*US$'000*
Salaries, bonuses and allowances	**1,155**	1,675
Pension costs – definded contribution plans	**78**	90
Share options – value of employment services	**80**	42
	1,313	1,807

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

For the year ended 30 April 2008, shipment value amounted to approximately US$590.7 million (equivalent to HK$4,607.5 million), a decrease of approximately 32.4% as compared to approximately US$874.1 million (equivalent to HK$6,818.0 million) for last year. The decrease was mainly attributable to a decline from the traditional commission-based business and drop in sales from the electronics division operated by Dowry Peacock. Revenue decreased by approximately 24.5% to approximately US$289.7 million (equivalent to HK$2,259.7 million).

For the year ended 30 April 2008, the Group reported a loss after tax of approximately US$20.4 million (equivalent to HK$159.1 million), against a loss after tax of approximately US$30.9 million (equivalent to HK$241.0 million) for last year. The loss for the year under review was attributed to (1) non-cash items of approximately US$13.3 million (equivalent to HK$103.7 million), representing the impairment losses on goodwill and patents and trademarks and (2) weak trading results of Dowry Peacock which was largely attributed to higher warranty charges arising from customer returns and write-down in returned stock.

Operating expenses excluding finance costs decreased by approximately US$6.1 million (equivalent to HK$47.6 million) to approximately US$39.9 million (equivalent to HK$311.2 million). The decrease was attributable to several factors, namely, decline in doubtful debts, reduction in staff and downsizing of certain offices. The decline also reflects the effectiveness of the Group's cost and credit control measures put in place during the year under review.

Dowry Peacock experienced a difficult year as it had been impacted by higher warranty charges arising from customer returns, write-down in returned stock, and decline in sales due to weaker demand from some of its key customers. In March 2008, a new management team was put in place to lead this business going forward. For the year ended 30 April 2008, Dowry Peacock reported a loss after tax (including trademark impairment charges) amounting to US$19.1 million (equivalent to HK$149.0 million).

Segmental analysis

The table below shows the shipment value to different markets during the year under review as compared to amounts in the previous year:

	Shipment value For the year ended 30 April	
	2008	2007
	US$'million	*US$'million*
Europe	**218.7**	320.9
North America	**218.0**	303.8
Others	**154.0**	249.4
Total	**590.7**	874.1

During the year under review, shipment to Europe decreased by approximately 31.8% to approximately US$218.7 million (equivalent to HK$1,705.9 million). The decrease in shipment was mainly attributable to a drop in sales from the electronics division in the UK. Europe now represents the Group's largest market, contributing to approximately 37.0% of the Group's total shipment.

Shipment to North America accounts for approximately 36.9% of the Group's total shipment. Shipment to North America decreased by 28.2% largely due to a drop in hardgoods business as well as weaker-than-expected demand from certain customers in North America.

Shipment grouped under "Others", mainly representing shipment to the southern hemisphere, amounted to approximately US$154.0 million (equivalent to HK$1,201.2 million). The drop was mainly due to the departure of a key customer in the beginning of the year under review as well as the lower-than-expected orders from South Africa as a result of the temporary import quota imposed by the South African authority earlier in the year under review.

Indian tax case

In January 2007, the Group lodged objections to the India tax authority against the assessment orders charging the Group for a tax liability of approximately US$10.5 million (equivalent to HK$81.9 million) in respect of the operation of the Group's liaison office in India ("India Liaison Office") for tax assessment years 1999/2000 to 2004/2005. In March 2008, The Commissioner of Income Tax (Appeals) ("CITA") of India issued an order that the India Liaison Office is liable to tax in India. Total tax payment demanded by the Director of Income Tax of India in respect of tax assessment years 1999/2000 to 2005/2006 amounted to approximately US$835,000 (equivalent to approximately HK$6.5 million) which has already been paid. However, under the advice of an independent firm of certified public accountants (who is not the Company's auditor) engaged by the Group, the Group has lodged appeals to the Tax Tribunal in India in May 2008. The Group is of the view that adequate provision has been made for the potential tax liability in India.

Financial Review

The Group's financial position remains healthy with cash and cash equivalents of approximately US$16.8 million (equivalent to HK$131.0 million) as at 30 April 2008. In addition, the Group has total banking facilities of approximately US$62.9 million (equivalent to HK$490.6 million) including borrowing facilities of approximately US$7.6 million (equivalent to HK$59.3 million) as at 30 April 2008.

The Group has a current ratio of 1.1 and a low gearing ratio of 0.02, based on interest-bearing borrowings of approximately US$1.3 million (equivalent to HK$10.1 million) and total equity of approximately US$52.5 million (equivalent to HK$409.5 million) as at 30 April 2008. There has not been any material change in the Group's borrowings since 30 April 2008.

During the year under review, trade receivables decreased from approximately US$31.4 million (equivalent to HK$244.9 million) as at 30 April 2007 to approximately US$21.4 million (equivalent to HK$166.9 million) as at 30 April 2008.

The Group's net asset value as at 30 April 2008 was approximately US$52.5 million (equivalent to HK$409.5 million).

As at 30 April 2008, there was a fixed and floating debenture over the assets of Dowry Peacock to cover banking facilities granted to its subsidiary in the ordinary course of business. The Group had no material contingent liability as at 30 April 2008 and there has been no material change since then.

Foreign exchange exposure

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

As the exchange rate of US dollars and Hong Kong dollars is pegged, management considers the foreign exchange risk in this respect is not significant. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, as the net foreign exchange exposure of the foreign operations is not significant, the Group does not actively hedge this foreign exchange exposure. During the year under review, the Group used foreign exchange forward contracts to manage foreign exchange risks from Sterling transactions. There was no outstanding foreign exchange forward contract as at 30 April 2008.

The Group periodically reviews monetary assets and liabilities held in currencies other than US dollars and Hong Kong dollars to ensure that net exposure is kept at an acceptable level, and will consider hedging significant foreign currency exposure should the need arise.

Remuneration Policy and Staff Development Scheme

As at 30 April 2008, the Group had 716 staff. The total staff costs for the year under review amounted to approximately US$24.3 million (equivalent to HK$189.5 million) (2007: US$26.7 million (equivalent to HK$208.3 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.

Prospects

The Group has secured new customers during the year under review. Management expects the new customer base will make a positive contribution to the Group's revenue next year.

While management expects moderate growth in certain markets, the overall trading environment for the Group will continue to be challenged by rising fuel and labor costs, inflation and a weak US dollar. With current economic slowdown in both the US and UK and its potential spillover effects into other markets, management expects business climate to be increasingly challenging and uncertain as we move into the new financial year. However, management will continue to look for ways to promote sales and cross-selling opportunities, consolidate its operations and maximise operating efficiencies.

In respect of Dowry Peacock, the new management recognises that markets are changing in the UK and are implementing strategic programmes in response to the current market conditions. Future focus will be on expanding the current range of licensed branded products and putting in efforts to further develop its own range of brands both in the UK and other markets in Europe to improve margins and at the same time to reduce the reliance on commoditised electronic products. Furthermore, specific actions have been taken with an aim to reduce both the incidence and financial impact of customer returns.

With a strengthened foundation as a result of business consolidation and widespread restructuring initiatives made during the past two years, management is optimistic about the Group's long-term prospects.

DIVIDENDS

No interim dividend was declared and paid during the year under review.

The Directors do not recommend the payment of a final dividend in respect of the year ended 30 April 2008.

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 2008.

REVIEW OF RESULTS

The audit committee, comprising the three independent non-executive directors referred to below, has reviewed with management and the Company's external auditor 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 auditor to the audit committee in respect of the audit of the financial statements of the Group for the year ended 30 April 2008.

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

For the year under review, the Company has fully complied with the Code Provisions of the Code on Corporate Governance Practices of the Company, save for Code Provision B.1.3.

Code Provision B.1.3

The terms of reference of the remuneration committee were in compliance with the Code Provisions except modifications have been made to Code Provision B.1.3(a) such that the remuneration committee has the power to do such things and to approve all matters in relation to compensation regarding all the Directors and the 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 and Code Provision B.1.3(b) has been deleted. In addition, the remuneration committee is also delegated to exercise all the powers of the Board in relation to the share option scheme of the Company.

Management considers that the remuneration committee can better serve its functions under the modified terms of reference of the remuneration committee set out above ("Modified Terms") as its duties under the Modified Terms are more extensive and onerous than those prescribed in the Code Provisions. The Company therefore proposes that the remuneration committee shall continue to abide by the provisions of the Modified Terms in the future. Management will review the terms regularly and make appropriate changes if necessary.

A corporate governance report of the Company will be set out in the Company's 2008 annual report.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises three executive directors, being Mr. WANG Lu Yen (chairman), Mr. Peter Loris SOLOMON (chief executive officer) and Mr. KHOO Kim Cheng, two non-executive directors, being Mr. WONG Wai Ming and Mr. Mark HSU 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 ANNUAL REPORT

The results announcement is published on the designated website of The Stock Exchange of Hong Kong Limited for news dissemination at www.hkexnews.hk and on the Company's website at www.linmark.com. The 2008 annual report will be despatched to the shareholders and available on the same websites on or about 12 August 2008.

By Order of the Board
WANG Lu Yen
Chairman

Hong Kong, 31 July 2008

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* *For identification purpose only*