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 2006

FINAL RESULTS HIGHLIGHTS

- Profit for the year amounted to approximately US$10.5 million (equivalent to HK$81.9 million), a decrease of approximately 28.7% as compared to the previous year.
- Turnover grew by approximately 220.9% to approximately US$288.3 million (equivalent to HK$2,248.7 million) as compared to the previous year.
- Shipment value amounted to approximately US$919.2 million (equivalent to HK$7,169.8 million), an increase of approximately 23.0% as compared to approximately US$747.5 million (equivalent to HK$5,830.5 million) for the previous year.
- Recommend the payment of a final dividend of 2.9 HK cents (equivalent to 0.37 US cent) per share.

AUDITED RESULTS

The board ("Board") of directors ("Directors") of Linmark Group Limited ("Company" or "Linmark") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 30 April 2006, together with comparative figures for the previous year, as follows:

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

	Notes	2006 US$'000	2005 US$'000
Revenue	3	**288,322**	89,837
Cost of sales		**(229,923)**	(41,513)
Gross profit		**58,399**	48,324
Other income		**2,601**	2,443
General and administrative expenses		**(50,521)**	(35,112)
Excess of interest in fair value of acquired subsidiaries' net assets over cost		**3,397**	—
Gain on dissolution of subsidiaries		**—**	13
Operating profit	4	**13,876**	15,668
Finance costs		**(549)**	(22)
Share of loss of a joint venture		**(49)**	(12)
Profit before income tax		**13,278**	15,634
Income tax expense	5	**(2,763)**	(880)
Profit for the year		**10,515**	14,754
Attributable to:			
Equity holders of the Company		**10,444**	14,754
Minority interest		**71**	—
		10,515	14,754
Dividends	6		
— Interim, paid		**2,350**	2,208
— Final, proposed		**2,479**	4,008
		4,829	6,216
Earnings per share (US cents)	7		
— Basic		**1.6**	2.3
— Diluted		**1.6**	2.2

Consolidated Balance Sheet

		At 30 April 2006 US$'000	At 30 April 2005 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**3,236**	3,119
Intangible assets		**113,415**	45,460
Other asset		**83**	83
Investment in a joint venture		**121**	170
		116,855	48,832
CURRENT ASSETS			
Inventories		**13,540**	55
Trade receivables	*9*	**34,522**	20,308
Prepayments, deposits and other receivables		**6,746**	3,709
Amounts due from related companies	*12(c)*	**193**	—
Cash and cash equivalents		**37,609**	27,323
		92,610	51,395
CURRENT LIABILITIES			
Trade payables	*10*	**44,589**	9,144
Accruals and other payables		**17,173**	6,588
Short-term bank loans		**8,850**	2,300
Balance of consideration payable for acquisitions of subsidiaries/ businesses and assets — due within one year		**12,286**	6,461
Current income tax liabilities		**2,901**	1,454
		85,799	25,947
NET CURRENT ASSETS		**6,811**	25,448
TOTAL ASSETS LESS CURRENT LIABILITIES		**123,666**	74,280
NON-CURRENT LIABILITIES			
Balance of consideration payable for acquisitions of subsidiaries/ businesses and assets — due after one year		**17,073**	7,192
Post-employment benefits		**1,691**	1,651
Deferred income tax liabilities		**125**	118
		18,889	8,961
NET ASSETS		**104,777**	65,319

	At 30 April 2006 US$'000	At 30 April 2005 US$'000
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**13,337**	13,113
Reserves	**61,907**	52,206
	75,244	65,319
Minority interest	**29,533**	—
TOTAL EQUITY	**104,777**	65,319

Notes:

1. Basis of preparation and principal accounting policies

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). 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.

The principal accounting policies applied in the preparation of these audited consolidated financial information are consistent with those applied in the preparation of annual financial statements as at and for the year ended 30 April 2005, except that the Group has adopted a number of new/revised International Accounting Standards ("IAS") and IFRS issued by the International Accounting Standards Board and a number of International Financial Reporting Interpretations Committee Interpretation ("IFRIC Interpretation") issued by the International Financial Reporting Interpretations Committee ("IFRIC"), which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group's accounting policies and the effect of adopting these new/revised policies are set out in Note 2 below.

2. Changes in accounting policies

During the year ended 30 April 2006, the Group adopted the following new/revised standards and interpretations of IFRS below, which are relevant to its operations. The comparatives as at and for the year ended 30 April 2005 have been amended as required, in accordance with the relevant requirements:

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 21	The Effects of Changes in Foreign Exchange Rates

IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 39	Financial Instruments: Recognition and Measurement
IAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
IFRS 2	Share-based Payment
SIC 12 (Amendment)	Consolidation — Special Purpose Entities
IFRIC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments

The adoption of IAS 1, 2, 8, 10, 16, 17, 21, 24, 27, 31, 32, 33, 39, 39 (Amendment), SIC 12 (Amendment), IFRIC Interpretation 1 and IFRIC Interpretation 2 did not result in substantial changes to the accounting policies of the Group. In summary:

- IAS 1 has affected the presentation of minority interest and other disclosures.
- IAS 2, 8, 10, 16, 17, 27, 31, 32, 33, 39, 39 (Amendment), SIC 12 (Amendment), IFRIC Interpretation 1 and IFRIC Interpretation 2 had no material effect on the Group's policies.
- IAS 21 had no material effect on the Group's policies. The functional currency of each of the Group entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.
- IAS 24 has extended the identification of related parties and some other related party disclosures.

The adoption of IFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 30 April 2005, the provision of share options to employees did not result in an expense in the income statement. Effective on 1 May 2005, the Group expenses the cost of share options in the income statement. As a transitional provision, the cost of share options granted after 7 November 2002 and had not yet vested on 1 May 2005 was expensed retrospectively in the income statement of the respective periods.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- IAS 16 — the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
- IAS 39 — does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis; and
- IFRS 2 — only retrospective application for all equity instruments granted after 7 November 2002 and not vested on 1 May 2005.

The adoption of IFRS 2 has resulted in an increase in general and administrative expenses and share option reserve by approximately US$448,000, a decrease in retained earnings by US$448,000 and a decrease in basic and diluted earnings per share by 0.07 US cent and 0.07 US cent, respectively.

The following new standards or interpretations that have been issued but are not yet effective for the year ended 30 April 2006 have not been early adopted. The adoption of such standards will not result in substantial changes to the Group's accounting policies:

IAS 19 (Amendment)	Employee Benefits
IAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39 (Amendment)	The Fair Value Option
IAS 39 (Amendment) and IFRS 4 (Amendment)	Financial Guarantee Contracts
IFRS 1 (Amendment)	First-time Adoption of International Financial Reporting Standards
IFRS 6 (Amendment)	Reporting Standards and Exploration for and Evaluation of Mineral Resources
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements — Capital Disclosures
IFRIC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IFRIC Interpretation 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC Interpretation 6	Liabilities Arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment

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 2006, 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 (garment-related procurement services, value-added services relating to the procurement agency business and project-based services).

The segment information for the year ended 30 April 2006 is as follows:

	Sales of merchandise *US$'000*	**Provision of services** *US$'000*	**Total** *US$'000*
Revenue			
External revenue	**249,930**	**38,392**	**288,322**
Segment result	**5,996**	**4,708**	**10,704**
Interest income			**814**
Excess of interest in fair value of acquired subsidiaries' net assets over cost			**3,397**
Finance costs			**(549)**
Share of loss of a joint venture			**(49)**
Unallocated corporate expenses			**(1,039)**
Profit before income tax			**13,278**
Income tax expense			**(2,763)**
Profit for the year			**10,515**
Segment assets	**158,885**	**43,472**	**202,357**
Unallocated corporate assets			**7,108**
Total assets			**209,465**
Segment liabilities	**78,163**	**14,632**	**92,795**
Current income tax liabilities			**2,901**
Deferred income tax liabilities			**125**
Unallocated corporate liabilities			**8,867**
Total liabilities			**104,688**
Capital expenditures	**65,953**	**920**	**66,873**
Depreciation charge	**305**	**1,134**	**1,439**
Impairment of trade receivables	**104**	**5,749**	**5,853**

The segment information for the year ended 30 April 2005 is as follows:

	Sales of merchandise *US$'000*	Provision of services *US$'000*	Total *US$'000*
Revenue			
External revenue	47,496	42,341	89,837
Segment result	1,745	13,029	14,774
Interest income			1,321
Gain on dissolution of subsidiaries			13
Finance costs			(22)
Share of loss of a joint venture			(12)
Unallocated corporate expenses			(440)
Profit before income tax			15,634
Income tax expense			(880)
Profit for the year			14,754
Segment assets	42,687	44,299	86,986
Unallocated corporate assets			13,241
Total assets			100,227
Segment liabilities	20,922	10,103	31,025
Current income tax liabilities			1,454
Deferred income tax liabilities			118
Unallocated corporate liabilities			2,311
Total liabilities			34,908
Capital expenditures	27,220	1,341	28,561
Depreciation charge	73	1,115	1,188
Impairment of trade receivables	267	414	681

Segment assets consist primarily of 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 expenditures comprise additions to property, plant and equipment, intangible assets and including additions resulting from the acquisitions through business combinations.

Unallocated assets and liabilities represent assets and liabilities not dedicated to a particular segment, consist primarily of taxation and corporate assets and liabilities.

Secondary reporting format — geographical segments

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

	Revenue		Total assets		Capital expenditures	
	2006	2005	**2006**	2005	**2006**	2005
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Europe	**172,749**	22,517	**106,070**	49	**65,550**	11
Australia	**33,447**	11,860	**—**	—	**—**	—
Africa	**30,531**	11,609	**52**	140	**—**	13
North America	**29,990**	28,906	**—**	—	**—**	—
Hong Kong	**8,753**	6,609	**99,607**	96,224	**979**	27,984
Others	**12,852**	8,336	**3,736**	3,814	**344**	553
	288,322	89,837	**209,465**	100,227	**66,873**	28,561

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

4. Operating profit

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

	2006	2005
	US$'000	*US$'000*
Interest income	**(814)**	(1,321)
Reimbursements from customers	**(737)**	(587)
Depreciation of property, plant and equipment	**1,439**	1,188

5. Income tax expense

	2006	2005
	US$'000	*US$'000*
Current income tax		
— Hong Kong profits tax	**1,624**	665
— overseas taxation	**1,139**	118
Deferred taxation	**—**	97
	2,763	880

6. Dividends

On 19 August 2005, a dividend of 4.8 HK cents per share was paid to shareholders of the Company as final dividend in respect of the year ended 30 April 2005.

On 12 January 2006, a dividend of 2.7 HK cents per share was paid to shareholders of the Company as interim dividend in respect of the year ended 30 April 2006.

The Directors recommend the payment of a final dividend of 2.9 HK cents per share in respect of the year ended 30 April 2006. Subject to shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid in cash on or about 30 August 2006 to shareholders whose names appear on the register of members of the Company on 23 August 2006.

7. Earnings per share

The calculation of basic earnings per share for the year ended 30 April 2006 was based on the profit attributable to equity holders of the Company of approximately US$10,444,000 (2005: US$14,754,000) and on the weighted average number of approximately 661,534,000 (2005: 654,593,000) shares in issue during the year under review.

The calculation of diluted earnings per share for the year ended 30 April 2006 was based on the profit attributable to equity holders of the Company of approximately US$10,444,000 (2005: US$14,754,000) and on the weighted average number of approximately 665,009,000 (2005: 663,986,000) shares issued and issuable, comprising the weighted average number of approximately 661,534,000 (2005: 654,593,000) shares in issue during the year and the weighted average number of approximately 3,475,000 (2005: 9,393,000) shares, as adjusted for the dilutive effect of share options outstanding during the year under review.

8. Additions in property, plant and equipment

During the year ended 30 April 2006, the Group spent approximately US$1,694,000 (2005: US$2,296,000) on acquisition of property, plant and equipment, including approximately US$280,000 (2005: US$883,000) resulting from acquisition of subsidiaries/businesses and assets (Note 11).

9. Trade receivables

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

	2006	2005
	US$'000	*US$'000*
0–30 days	**22,687**	13,237
31–60 days	**8,116**	3,453
61–90 days	**2,205**	578
Over 90 days *(Notes (i), (ii) and (iii))*	**7,091**	3,649
	40,099	20,917
Less: Provision for impairment of trade receivables	**(5,577)**	(609)
	34,522	20,308

Notes:

(i) As of the date of this announcement, approximately US$1.1 million of this balance has subsequently been settled since 30 April 2006.

(ii) Approximately US$2.3 million of this balance is attributable to Dowry Peacock Group Limited ("Dowry Peacock"), a newly acquired subsidiary of the Company.

(iii) Approximately US$1.6 million of this balance relates to customers which have credit terms of 90 days or more.

10. Trade payables

The aging analysis of trade payables is as follows:

	2006	2005
	US$'000	*US$'000*
0–30 days	**20,002**	6,547
31–60 days	**15,485**	759
61–90 days	**5,093**	227
Over 90 days	**4,009**	1,611
	44,589	9,144

11. Business combinations

On 19 October 2005, the Group acquired a 60% equity interest in Dowry Peacock, a company incorporated in the United Kingdom. This transaction is accounted for using the purchase method of accounting. The acquired business contributed revenues of approximately US$107,973,000 and net profit of approximately US$177,000 to the Group for the period from 19 October 2005 to 30 April 2006. If the acquisition had occurred on 1 May 2005, the Group's revenue for the year ended 30 April 2006 would have been approximately US$364,853,000 and profit for the year would have been approximately US$11,228,000.

The effect of the acquisition is summarised as follows:

	US$'000
Property, plant and equipment	280
Patents and trademarks	65,179
Inventories	4,244
Trade receivables	23,304
Prepayments, deposits and other receivables	235
Loan to a related company	1,432
Amounts due from related companies	306
Tax recoverable	591
Cash and cash equivalents	16,810
Trade payables	(29,134)
Accruals and other payables	(5,983)
Deferred income tax liabilities	(7)
Minority interest	(30,903)
Net assets acquired	46,354
Excess of interest in fair value of acquired subsidiaries' net assets over cost	(3,397)
Total consideration	42,957
Satisfied by:	
Fair value of cash consideration, including expense incurred in respect of the acquisition	36,689
Fair value of shares issued/to be issued	6,268
	42,957

	US$'000
Net cash outflow in respect of the acquisition	36,689
Fair value of cash consideration, including expense incurred in respect of the acquisition	(18,468)
Outstanding purchase consideration payable	(16,810)
Cash and cash equivalents acquired	1,411

12. Related party transactions

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

Identity of related parties	*Notes*	**Nature of transactions**	**2006** ***US$'000***	2005 *US$'000*
Subsidiaries of Roly International Holdings Ltd.	*(i)*	Rental expense	**95**	67
Turmar Limited	*(i)*	Rental expense	**130**	131
Ken Ball Limited	*(i)*	Rental expense	**108**	—
Premier Consultants Limited	*(ii)*	Consultancy fee	**73**	31

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

Turmar Limited is a company 100% owned by Mr. WANG Lu Yen, a director of the Company, and his spouse.

Ken Ball Limited is a company 100% owned by Mr. Peter Loris SOLOMON, a director of the Company.

Premier Consultants Limited is a company 100% owned by Mr. Barry Richard PETTITT, a director of ISO International (Holdings) Limited, a wholly owned subsidiary of the Company.

Notes:

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

(ii) Consultancy fee was charged in accordance with the terms of an agreement made between the parties.

(b) During the year under review, a minority shareholder of a subsidiary waived its entitlement of dividends of US$949,000 declared by that subsidiary (2005: Nil).

(c) The amounts due from related companies were unsecured, non-interest bearing and repayable within one year.

(d) Key management compensation:

	2006	2005
	US$'000	*US$'000*
Salaries, bonus and allowances	**2,601**	1,652
Pension costs — defined contribution plans	**59**	57
Share options, value of employment services	**119**	—
	2,779	1,709

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

For the year ended 30 April 2006, the Group's profit for the year decreased by approximately 28.7% to approximately US$10.5 million (equivalent to HK$81.9 million).

The amount took into account a one-time non-cash income of approximately US$3.4 million (equivalent to HK$26.5 million), representing the excess of interest in fair value of acquired subsidiaries' net assets over cost of investment in relation to the acquisition of 60% interest in Dowry Peacock; non-cash expenses of approximately US$0.7 million (equivalent to HK$5.5 million), representing share option expenses and amortisation of balance of consideration payable for acquisitions of subsidiaries/businesses and assets; increase in income tax expense of approximately US$1.9 million (equivalent to HK$14.8 million) which mainly attributable to the newly acquired subsidiaries/businesses; and provisions made to trade receivables.

Net profit after tax as a percentage of shipment value dropped from 1.97% to 1.14%.

Excluding the US$3.4 million and US$0.7 million non-cash items as mentioned above, the Group reported an approximately 47.3% decline in adjusted net profit after tax at approximately US$7.8 million (equivalent to HK$60.8 million), and the adjusted net profit after tax as a percentage of shipment value would be 0.85%.

The acquisitions undertaken by the Group since its initial public offering in May 2002 have seen its business model shift from predominantly commission-based to shipment value-based. As such, examining the Group's shipment value instead of turnover will more clearly reflect its performance.

During the year ended 30 April 2006, the Group reported an approximately 23.0% increase in shipment value from approximately US$747.5 million (equivalent to HK$5,830.5 million) to approximately US$919.2 million (equivalent to HK$7,169.8 million) as compared with the previous year. The significant increase was principally attributable to the Group's newly acquired subsidiaries/businesses.

The approximately 220.9% increase in turnover from approximately US$89.8 million (equivalent to HK$700.4 million) to approximately US$288.3 million (equivalent to HK$2,248.7 million) was mainly due to the newly acquired subsidiaries/businesses, which were accounted for on the basis of shipment value during the year under review.

Operating expenses including finance costs increased by approximately US$16.0 million (equivalent to HK$124.8 million) from approximately US$35.1 million (equivalent to HK$273.8 million) to approximately US$51.1 million (equivalent to HK$398.6 million). The increase was mainly due to additional operating expenses incurred by the newly acquired subsidiaries/businesses, business development activities, and costs associated with the group restructuring initiated in the last quarter of the year under review.

Segmental Analysis

The Group achieved a more diversified geographic spread for its business during the year under review. The additional businesses from acquisition of Tamarind International Limited ("Tamarind") in December 2004 and Dowry Peacock in October 2005 significantly boosted the Group's performance in Europe and the southern hemisphere. The table below compares the shipment value of the year under review with the previous year:

	Shipment Value	
	2006	2005
	US$'million	*US$'million*
North America	**444.5**	505.0
Europe	**237.2**	90.8
Others	**237.5**	151.7
	919.2	747.5

During the year under review, shipment value to Europe increased by approximately 161.2% from approximately US$90.8 million (equivalent to HK$708.2 million) to approximately US$237.2 million (equivalent to HK$1,850.2 million), accounting for approximately 25.8% of the Group's total shipment value.

Shipment value under "Others" is mainly attributable to shipment to the southern hemisphere which increased from approximately US$43.8 million (equivalent to HK$341.6 million) to approximately US$108.1 million (equivalent to HK$843.2 million). However, as a result of weakened demand from the Group's key customers in North America, shipment value to North America decreased by approximately 12.0% from approximately US$505.0 million (equivalent to HK$3,939.0 million) to approximately US$444.5 million (equivalent to HK$3,467.1 million). Nevertheless, North America remained as the Group's largest market, contributing to approximately 48.4% of the Group's total shipment value.

Textile safeguards introduced earlier by EU and the US which were intended as anti-surge measures to monitor the future Chinese exports through 2008 and possibly beyond 2009 added uncertainty to sourcing in China for our customers. However, riding on its global sourcing network, the Group is well positioned to find the best sourcing solutions for its customers regardless of market situation and trade policies.

The Group's commission-based activities experienced many challenges such as rising interest rates and escalating oil prices, and appreciation of the Renminbi during the year under review. There was a decline in shipment value from the previous year and a substantial amount of resources were injected into developing new businesses which did not generate meaningful returns. During the year under review, the Group experienced difficulties in its value-added services, inspection and advisory businesses. In addition to losing a key customer, the level of activities remained low. As a result, the Group has undertaken a review of its operations and in particular has adopted a conservative approach in making provisions on trade receivables during the year under review. Accordingly, commission-based business registered a significant decline in segmental profit from approximately US$13.0 million (equivalent to HK$101.4 million) to approximately US$4.7 million (equivalent to HK$36.7 million).

Trading based apparel sourcing activities remained strong and registered a healthy growth in profitability during the year under review. It was primarily attributable to the strong design capability which is significant in assisting its customers in providing saleable products to the market. In addition, tight control over its operation has further enhanced its profitability.

Changes in Management

On 28 February 2006, the Company announced the appointment of Mr. Peter Loris SOLOMON as its new chief executive officer in place of Mr. Steven Julien FENIGER. Since April 1991, Mr. Solomon has been a director and chief executive of Tamarind, the business of which was acquired by the Group in December 2004.

On 24 January 2006, the Company announced the appointment of Mr. WONG Hing Lin, Dennis as its chief financial officer following the resignation of Mr. KWOK Chi Kueng. Mr. Wong was formerly head of corporate development of Roly International Holdings Ltd., the ultimate holding company of the Company.

Acquisition

The Group completed the acquisition of 60% interest in Dowry Peacock on 19 October 2005. Dowry Peacock is a UK-based consumer electronics products brand owner and supply chain management company and is principally engaged in the business of consultancy, design, sourcing, planning, procurement, quality inspection, brand and warranty management of home entertainment and consumer electronics products. The post-acquisition performance of Dowry Peacock was below expectation as a result of volatility in the consumer electronics sector and unanticipated fluctuation of the Sterling against US dollars, which had adversely affected its operating margin.

To rectify the situation, Dowry Peacock is focusing on expanding its customer base across all Linmark's operating territories to grow turnover. It is also actively looking at sharpening its in-house design and engineering expertise to broaden its one-of-a-kind product offering to customers.

Corporate Governance

On 17 November 2005, Mr. WANG Lu Yen, chairman and executive director of Linmark, received the Directors of the Year Awards 2005. Instigated by The Hong Kong Institute of Directors with 66 project partners, the Awards co-organised with the Financial Services and Treasury Bureau of the Hong Kong Special Administrative Region Government, the Securities and Futures Commission and Hong Kong Exchanges and Clearing Limited recognise excellence in corporate governance and contribution to raising corporate governance standards in Hong Kong.

Financial Review

The Group's financial position remains healthy with cash and cash equivalents of approximately US$37.6 million (equivalent to HK$293.3 million) as at 30 April 2006. In addition, the Group has total banking facilities of approximately US$60.5 million (equivalent to HK$471.9 million) including borrowing facilities of approximately US$9.1 million (equivalent to HK$71.0 million).

The Group's current ratio was 1.1 and gearing ratio was low at 0.1, based on interest-bearing borrowing of approximately US$8.9 million (equivalent to HK$69.4 million) and total equity of approximately US$104.8 million (equivalent to HK$817.4 million) as at 30 April 2006. There has not been any material change in the Group's borrowings since 30 April 2006.

Trade receivables increased from approximately US$20.3 million (equivalent to HK$158.3 million) as at 30 April 2005 to approximately US$34.5 million (equivalent to HK$269.1 million) as at 30 April 2006, which was mainly due to the acquisition of Dowry Peacock. As at 30 April 2006, trade receivables aged over 90 days were approximately US$7.1 million (equivalent to HK$55.4 million) which are being carefully monitored by management.

The Group's net asset value as at 30 April 2006 was approximately US$104.8 million (equivalent to HK$817.4 million).

As at 30 April 2006, pledges of bank deposits amounted to approximately US$7.0 million (equivalent to HK$54.6 million) and there was a fixed and floating debenture over the assets of Dowry Peacock to cover banking facilities in the ordinary course of business. The Group had no material contingent liability as at 30 April 2006 and there has been no material change since then.

The majority of the Group's transactions during the year under review are denominated in US dollars, Hong Kong dollars and Sterling. During the year under review, foreign exchange risks from Sterling transactions are managed by the Group treasury with the use of foreign exchange forward contracts. There was no outstanding foreign exchange forward contracts as at 30 April 2006.

Remuneration Policy and Staff Development Scheme

As at 30 April 2006, the Group had 1,006 staff. The total staff costs for the year under review amounted to approximately US$28.2 million (equivalent to HK$220.0 million) (2005: US$22.7 million (equivalent to HK$177.1 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. The Group also offers fringe benefits such as professional tuition and training subsidies to staff to enhance their sense of loyalty and as part of the Group's emphasis on staff training and development.

Prospects

Along with the appointment of a new chief executive officer, the Group has thoroughly reviewed its structure, its network of sourcing offices and operational efficiencies. The new management identified certain non-performing offices, which have either been closed or will be closed. This exercise is expected to complete within the first half of the next financial year. The discontinuation of non-performing business development activities will have a direct impact of reducing the Group's operating costs. However, further restructuring costs are expected for the financial year ending 30 April 2007.

After careful evaluation, the Group reorganised its operational functions under four Strategic Business Units ("SBU") and each SBU is entrusted with a specific business objective allowing more focused allocation of resources for enhancing operational efficiencies and lowering operating cost. Management, through pushing for integration of all acquisitions into the Group, has created for the Group tremendous operational synergies and cross-selling opportunities, and a uniform platform on which to operate and grow its business.

The Dowry Peacock business continues to be a challenge and is expected to under achieve initial expectations. Increasing material costs, interest rate hikes and the price deflation of electronics products will continue to threaten its profitability. Management is currently negotiating with suppliers for better pricing that can ensure optimum margins and growth for the Group. Aggressive cross selling opportunities outside Dowry Peacock's traditional customer and geographic base are being explored. In addition, the Group has also tightened its control procedure to monitor the Group's Sterling/USD exchange to minimise margin frustration for the Group in a volatile exchange rate environment.

The Group will remain open to merger and acquisition opportunities. It will target companies with strong historical performance that can help it diversify and strengthen its offer across new markets.

Although the management sees short-term consolidation, long-term prospects of its business remain strong.

DIVIDENDS

An interim dividend of 2.70 HK cents per share was declared and paid during the year under review.

The Directors recommend the payment of a final dividend of 2.9 HK cents per share in respect of the year ended 30 April 2006. Subject to shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid in cash on or about 30 August 2006 to shareholders whose names appear on the register of members of the Company on 23 August 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 August 2006 to 23 August 2006, both days inclusive. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrars of the Company, Standard Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4.30 p.m. on 18 August 2006.

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 2006.

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 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 2006.

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

The Company has adopted most of the Code Provisions as stated in Appendix 14 to the Listing Rules as the Code on Corporate Governance Practices ("Code") of the Company.

As at 30 April 2006, the Company established the following board committees to embrace good corporate governance for the Group:

1. Executive Committee
2. Audit Committee
3. Remuneration Committee
4. Investment Committee
5. Strategy Committee

Terms of reference of each of the above committees were established and are available on the website of the Company (www.linmark.com).

A corporate governance report of the Company will be set out in the Company's 2006 annual report.

During the year under review, the Company has complied with the Code Provisions of the Code, except for the following deviations:

1. 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.

2. Code Provision E.1.2

Code Provision E.1.2 provides that the chairman of the Board should attend the annual general meeting of the Company. It has always been the intention of the Company to comply with this Code Provision. However, due to unexpected business commitment, Mr. WANG Lu Yen, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 19 August 2005.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises five executive directors, being Mr. WANG Lu Yen (chairman), Mr. Peter Loris SOLOMON (chief executive officer), Mr. FU Jin Ming, Patrick, Mr. WONG Wai Ming and Mr. KHOO Kim Cheng and three independent non-executive directors, being Mr. WANG Arthur Minshiang, Dr. WOON Yi Teng, Eden and Mr. TSE Hau Yin, Aloysius.

PUBLICATION OF THE RESULTS AND ANNUAL REPORT

The results announcement is published on the website of the Stock Exchange (www.hkex.com.hk). The 2006 annual report will be despatched to the shareholders and available on the same website on or about 31 July 2006.

By Order of the Board
WANG Lu Yen
Chairman

Hong Kong, 28 June 2006

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* *For identification purpose only*

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