LINMARK

[For Immediate Release]

LINMARK Announces FY2004 Interim Results

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NET PROFIT ROSE TO US$7.0 MILLION (HK$54.6 MILLION)

EXPANSION OF VALUE-ADDED SERVICES HELPED TO LIFT NET PROFIT MARGINS

(HONG KONG, 18 December, 2003) – **Linmark Group Limited** ("Linmark"/the "Group") (stock code: 915), a one-stop global sourcing agent, today announced its interim results for the six months ended 31 October 2003.

For the six months under review, the Group's strategy in expanding its value-added services has successfully lifted net profit margins. Net profit after tax was 3.3% higher at US$7.0 million (HK$54.6 million). Basic earnings per share were approximately 1.1 US cents (8.6 HK cents) for the period under review. However, the outbreak of Severe Acute Respiratory Syndrome ("SARS") affected the Group's overall performance. Shipment volume was at approximately US$291.5 million (HK$2,273.7 million), 6.7% lower than the same period of last year. Turnover was reported at approximately US$21.2 million (HK$165.4 million), 8.6% lower than the same period of last year.

The Board of Directors has declared the payment of an interim dividend at HK2.5 cents per share (US0.32 cent).

Mr. Lu-yen Wang, **Chairman** of Linmark, said, "Same with many other industries, market conditions during the period, especially in the early part of the period posted some challenges. Many buying trips had to be cancelled and orders postponed because of SARS. However, growth of our value-added services has helped to off-set the impact, and contributed well in lifting our overall net profit margins. This reaffirms our direction of going beyond traditional sourcing by tapping lucrative opportunities along the supply chain."

The U.S. remained the Group's largest market during the period with turnover contribution at 34.0%, and the Canadian market was the second largest with turnover contribution at 29.9%. Linmark's presence in the European and other markets was significantly larger as evidenced from a higher turnover contribution at 36.1% during the period, as compared to 27.6% in the same period of last year.

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Expansion of value-added services played an important part in explaining this growth. In addition to its contribution to the bottom line of business, turnover from value-added services also reported a growth of 20.0% to reach approximately US$6.6 million (HK$51.5 million), making up 31.3% of total turnover during the period. This shows that the Group's diversification strategy has made impressive progress.

Buying agency fee and service income continued to constitute the largest part of the Group's turnover. During the period, it accounted for 82.0% of total turnover. The remaining 18.0% was accounted for by sale of merchandise.

The Group had cash and bank balances of approximately US$40.8 million (HK$318.2 million) as at end of period. It also continued to operate under a debt-free model with no outstanding net debt as at 31 October 2003.

Mr. Steven Feniger, CEO of Linmark said, "What underlies our results for the period is that we are beginning to see the benefits of value-added services, which started to be introduced around 18 months ago. The ability to offer these services enhanced our role as a sourcing partner and increased our diversity within the industry. They not only help us in winning new customers, but also enable us to offer additional services to our existing customers."

The Group is pleased to report that a number of its value-added services grew satisfactorily. Specifically, its label, trim and packaging division, CU Packaging & Design, became the nominated supplier for a number of accounts and its social compliance division, IGCS Group was appointed as the exclusive auditor for several customers outside of its sourcing customer base. In addition, the Group also introduced eServices as a business model to sell its sophisticated I.T. system L.O.G.O.N. services to all parties along the supply chain.

The Group's hardgoods business performed steadily, accounting for 12.0% of total turnover. Despite this, Linmark's commitment in boosting this business segment continues. In November 2003, the Group completed its first acquisition, ISO International (Holdings) Limited ("ISO") a supply chain management company specialising in home lifestyle consumer electronic goods with a strong customer base in Europe.

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"In many aspects, ISO is a perfect key to facilitate growth. Its satisfactory track record will contribute immediately to our turnover as well as profit, and its strong presence in Europe will help towards our diversification plan. Most importantly, it allows us to seize opportunities in the rapidly growing consumer electronic goods market and therefore drives the growth of the hardgoods business. The acquisition is also highly welcomed by our existing customers as our sourcing capability is enhanced further," commented Mr. Feniger.

As for the second half of the year, the management maintains their overall positive view. In particular, they expect to see continual growth in value-added services, and increased presence in European markets as contribution from newly signed on customers become more apparent. The Group is also positive in developing its hardgoods business further given the expertise of ISO.

Mr. Feniger concluded, "We are expecting to pick up the delayed orders due to SARS outbreak in the remaining half of the financial year, which should help to boost our top line of business. At the same time, our proactive yet disciplined merger and acquisition strategy remains, and we will continue to identify suitable opportunities to complement our organic growth. I look forward to seeing further growth in our business."

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About Linmark Group Limited

Linmark, listed on The Stock Exchange of Hong Kong Limited in May 2002, is a one-stop global sourcing agent. With presence in 29 cities in 20 countries and territories, the Group offers comprehensive and efficient sourcing solutions to its customers, the majority of whom are leading retail chain operators, well-known brands, wholesalers, mail order houses and departments stores in North America, Europe, Asia and Africa. Examples include Hudson's Bay Company, Brylane, Federated Department Stores, Jockey, J.C. Penney, Mothercare, Calvin Klein® Jeans, Chaps by Ralph Lauren®, Speedo®, Edcon, etc.

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