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 2007

FINAL RESULTS HIGHLIGHTS

- Shipment value amounted to approximately US$874.1 million (equivalent to HK$6,818.0 million), a decrease of approximately 4.9% as compared to approximately US$919.2 million (equivalent to HK$7,169.8 million) for the last year.

- Revenue grew by approximately 33.0% to approximately US$383.6 million (equivalent to HK$2,992.1 million) as compared to approximately US$288.3 million (equivalent to HK$2,248.7 million) for the last year.

- Loss for the year under review amounted to approximately US$30.9 million (equivalent to HK$241.0 million).

- Excluding the non-cash income of approximately US$3.4 million (equivalent to HK$26.5 million) in last financial year and non-cash items of approximately US$38.3 million (equivalent to HK$298.7 million) in financial year 2007, the Group's adjusted profit for the year under review increased by approximately 4.2% to approximately US$7.4 million (equivalent to HK$57.7 million).

- Recommend the payment of a final dividend of 2.5 HK cents (equivalent to 0.32 US cent) per share.

AUDITED CONSOLIDATED RESULTS

The board ("Board") of directors ("Directors") of Linmark Group Limited ("Company" or "Linmark") is pleased to announce the audited condensed consolidated financial information of the Company and its subsidiaries (together, the "Group") for the year ended 30 April 2007, together with comparative figures for the previous year, as follows:

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement

	Notes	**2007** *US$'000*	2006 *US$'000*
Revenue	*3*	**383,583**	288,322
Cost of sales		**(329,897)**	(229,923)
Gross profit		**53,686**	58,399
Other income		**2,593**	1,787
General and administrative expenses		**(45,925)**	(50,521)
Impairment loss on goodwill	*4*	**(2,494)**	–
Impairment loss on purchase consideration recoverable	*4*	**(5,699)**	–
Impairment loss on patents and trademarks	*5*	**(51,529)**	–
Write-back of purchase consideration payable	*5*	**21,469**	–
Excess of interest in fair value of acquired subsidiaries' net assets over cost		**–**	3,397
Operating (loss)/profit	*6*	**(27,899)**	13,062
Interest income		**905**	814
Finance costs		**(1,164)**	(549)
Share of loss of a jointly controlled entity		**(53)**	(49)
(Loss)/profit before income tax		**(28,211)**	13,278
Income tax expense	*7*	**(2,659)**	(2,763)
(Loss)/profit for the year		**(30,870)**	10,515
Attributable to:			
Equity holders of the Company		**(11,062)**	10,444
Minority interest		**(19,808)**	71
		(30,870)	10,515
Dividends	*8*		
– Interim, paid		**1,529**	2,350
– Final, proposed		**2,150**	2,479
		3,679	4,829
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company (expressed in US cents per share)	*9*		
– Basic		**(1.7)**	1.6
– Diluted		**(1.7)**	1.6

Condensed Consolidated Balance Sheet

	Notes	2007 US$'000	2006 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**3,501**	3,236
Intangible assets		**57,594**	113,415
Other asset		**83**	83
Investment in a jointly controlled entity		**68**	121
		61,246	116,855
CURRENT ASSETS			
Inventories		**9,792**	13,540
Trade receivables	*11*	**31,351**	34,522
Prepayments, deposits and other receivables		**7,065**	6,746
Amounts due from related companies	*13 (c)*	**64**	193
Cash and cash equivalents		**30,405**	37,609
		78,677	92,610
CURRENT LIABILITIES			
Trade payables	*12*	**31,331**	44,589
Accruals and other payables		**13,939**	14,815
Warranty provision		**2,953**	2,358
Short-term bank loans		**5,000**	8,850
Trust receipts bank loans		**1,046**	–
Balance of consideration payable for acquisitions of subsidiaries/businesses and assets – due within one year		**3,752**	12,286
Dividend payable to a minority shareholder of a subsidiary		**1,039**	–
Current income tax liabilities		**3,931**	2,901
		62,991	85,799
NET CURRENT ASSETS		**15,686**	6,811
TOTAL ASSETS LESS CURRENT LIABILITIES		**76,932**	123,666
NON-CURRENT LIABILITIES			
Balance of consideration payable for acquisitions of subsidiaries/businesses and assets – due after one year		**1,149**	17,073
Post-employment benefits		**1,362**	1,691
Deferred income tax liabilities		**116**	125
		2,627	18,889
NET ASSETS		**74,305**	104,777
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**13,418**	13,337
Reserves		**48,762**	61,907
		62,180	75,244
Minority interest		**12,125**	29,533
TOTAL EQUITY		**74,305**	104,777

Notes:

1. **Basis of preparation and principal accounting policies**

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.

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 2006, except that the Group has adopted a number of amendments to 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 2006.

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**

(a) Amendments to and interpretations of published standards effective in 2006 and relevant to the Group's operations

The following amendments and interpretations are mandatory for annual periods beginning in 2006 and are relevant to the Group's operations:

- Amendment to IAS 39 and IFRS 4, Amendment "Financial Guarantee Contracts" (effective for annual periods beginning on or after 1 January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (i) the unamortised balance of the related fees received and deferred, or (ii) the expenditure required to settle the commitment at the balance sheet date. The adoption of this amendment does not have a significant impact on the consolidated financial statements.

- IFRIC-Int 4 "Determining Whether an Arrangement Contains a Lease" (effective for annual periods beginning on or after 1 January 2006). It requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (i) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (ii) the arrangement conveys a right to use the asset. The adoption of this interpretation does not have a significant impact on the consolidated financial statements.

- IFRIC-Int 8 "Scope of IFRS 2" (effective for annual periods beginning on or after 1 May 2006). IFRIC-Int 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The adoption of this interpretation does not have a significant impact on the consolidated financial statements.

- IAS 21 Amendment "Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 January 2006). This amendment permits inter-company loans denominated in any currency to be part of a net investment in a foreign operation, and therefore any related exchange difference to be treated as equity in the consolidated financial statements. Previously such loans had to be denominated in the functional currency of one of the parties to the transaction. The adoption of this amendment does not have a significant impact on the consolidated financial statements.

- IAS 19 Amendment "Employee Benefit" (effective for annual periods beginning on or after 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses and imposes additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the consolidated financial statements.

(b) New standards 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 and interpretations to existing standards that have been published and are mandatory for annual periods beginning on or after 1 June 2006 or later periods that the Group has not early adopted:

- IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after 1 January 2007), IAS 1 "Amendments to capital disclosures" (effective for annual periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. The Group has assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1. The Group will adopt IFRS 7 and the amendment to IAS 1 for annual periods beginning from 1 May 2007.

- IFRS 8 "Operating Segments" (effective for accounting 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. Management considers the adoption of IFRS 8 will have no significant impact on the segment disclosures of the Group. The Group will apply IFRS 8 for annual periods beginning from 1 May 2009.

- IFRIC-Int 9 "Reassessment of Embedded Derivatives" (effective for annual periods beginning on or after 1 June 2006). Management believes that this interpretation should not have significant impact on the Group's accounting policies as the Group has already assessed whether embedded derivatives should be separated using principles consistent with IFRIC-Int 9. The Group will apply IFRIC-Int 9 for annual periods beginning from 1 May 2007.

- IFRIC-Int 10 "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after 1 November 2006). IFRIC-Int 10 prohibits impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC-Int 10 for annual periods beginning from 1 May 2007, but it is not expected to have any significant impact on the consolidated financial statements.

- IFRIC-Int 11 "IFRS 2 – Group and Treasury Share Transfer" (effective for annual periods beginning on or after 1 March 2007). This interpretation addresses how certain share-based payment arrangements between group companies should be accounted for in the financial statements. The Group will apply IFRIC-Int 11 for annual periods beginning from 1 May 2007 but it is not expected to have any significant impact on the consolidated financial statements.

(c) Interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following interpretation to an existing standard has been published that is mandatory for annual periods beginning on or after 1 January 2008 and is not relevant to the Group's operations:

- IFRIC-Int 12 "Service Concession Arrangements". This interpretation sets out general principles on recognising and measuring the obligation and related rights in service concession arrangements. The Group has no service concession arrangements and management considers the interpretation is not relevant to the Group.

(d) ***Standards, amendments and interpretations effective for accounting periods beginning on 1 May 2006 but not relevant to the Group's operations***

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- IAS 39 Amendment "Cash Flow Hedge Accounting of Forecast Intragroup Transactions"
- IAS 39 Amendment "The Fair Value Option"
- IFRS 1 Amendment "First-time Adoption of International Financial Reporting Standards"
- IFRIC-Int 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"
- IFRIC-Int 6 "Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment"
- IFRIC-Int 7 "Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies"

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 2007, the Group was 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 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**

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 RESULTS	5,996	4,708	10,704
Excess of interest in fair value of acquired subsidiaries' net assets over cost	3,397	–	3,397
Interest income			814
Finance costs			(549)
Share of loss of a jointly controlled entity			(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 expenditure	65,953	920	66,873
Depreciation charge	305	1,134	1,439
Impairment of trade and other receivables	104	5,749	5,853

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 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	
	2007	2006	**2007**	2006	**2007**	2006
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Europe	**268,173**	172,749	**55,627**	106,070	**457**	65,550
Africa	**34,098**	30,531	**19**	52	**–**	–
Australia	**33,981**	33,447	**–**	–	**–**	–
North America	**21,749**	29,990	**–**	–	**–**	–
Hong Kong	**7,530**	8,753	**81,375**	99,607	**2,039**	979
Others	**18,052**	12,852	**2,902**	3,736	**167**	344
	383,583	288,322	**139,923**	209,465	**2,663**	66,873

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.

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.

6. Operating (loss)/profit

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

	2007 *US$'000*	2006 *US$'000*
Reimbursement income from customers	**(682)**	(737)
Depreciation of property, plant and equipment	**1,575**	1,439
Amortisation of intangible assets *(Note)*	**921**	–

Note: Amortisation of intangible assets arising from renewing a buying agency agreement.

7. Income tax expense

	2007 *US$'000*	2006 *US$'000*
Current income tax		
– Hong Kong profits tax	**1,329**	1,624
– overseas taxation	**1,341**	1,139
Deferred income tax	**(11)**	–
	2,659	2,763

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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.

8. Dividends

On 30 August 2006, a dividend of 2.9 HK cents per share was paid to shareholders of the Company as the final dividend in respect of the year ended 30 April 2006.

On 11 January 2007, a dividend of 1.8 HK cents per share was paid to shareholders of the Company as the interim dividend in respect of the year ended 30 April 2007.

The Directors recommend the payment of a final dividend of 2.5 HK cents per share in respect of the year ended 30 April 2007. Subject to shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid in cash on or about 2 October 2007 to shareholders whose names appear on the register of members of the Company on 24 September 2007.

9. (Loss)/earnings per share

The calculation of the basic loss per share for the year ended 30 April 2007 was based on the loss attributable to equity holders of the Company of approximately US$11,062,000 (2006: profit attributable to equity holders of the Company of approximately US$10,444,000) and on the weighted average number of approximately 667,839,000 (2006: 661,534,000) shares in issue during the year under review.

Diluted (loss)/earnings per share for the year ended 30 April 2006 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual quoted market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2007	2006
(Loss)/profit attributable to equity holders of the Company (US$'000)	**(11,062)**	10,444
Weighted average number of ordinary shares in issue ('000)	**667,839**	661,534
Adjustment for share options ('000)	**–**	3,475
Weighted average number of ordinary shares for diluted earnings per share ('000)	**667,839**	665,009
Diluted (loss)/earnings per share (US cents)	**(1.7)**	1.6

10. Additions in property, plant and equipment

During the year ended 30 April 2007, the Group spent approximately US$2,256,000 (2006: US$1,694,000) 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:

	2007	2006
	US$'000	*US$'000*
0 – 30 days	**23,035**	22,687
31 – 60 days	**4,375**	8,116
61 – 90 days	**2,790**	2,205
91 – 365 days *(Notes)*	**2,065**	4,644
Over 1 year *(Notes)*	**5,696**	2,447
	37,961	40,099
Less: Provision for impairment of trade receivables	**(6,610)**	(5,577)
	31,351	34,522

Notes:

As of the date of this announcement, approximately US$1.2 million of these balances has subsequently been settled since 30 April 2007.

Approximately US$3.0 million (2006: US$2.1 million) of these balances relates to customers which have credit terms of 90 days or more.

12. Trade payables

The ageing analysis of trade payables is as follows:

	2007	2006
	US$'000	*US$'000*
0 – 30 days	**24,940**	20,002
31 – 60 days	**3,168**	15,485
61 – 90 days	**361**	5,093
91 – 365 days	**2,430**	4,009
Over 1 year	**432**	–
	31,331	44,589

13. 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**	**2007** *US$'000*	2006 *US$'000*
Subsidiaries of Roly International Holdings Ltd.	*(i)*	Rental expense	**16**	95
Turmar Limited	*(i)*	Rental expense	**109**	130
Ken Ball Limited	*(i)*	Rental expense	**108**	108
Premier Consultants Limited	*(ii)*	Consultancy fee	**38**	73
DGC GmbH	*(iii)*	Inspection income	**50**	9
DGC GmbH	*(iv)*	Royalty income	**93**	27

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

Turmar Limited is 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.

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

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

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

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

(b) During the year ended 30 April 2006, a minority shareholder of Dowry Peacock, a 60% owned subsidiary of the Company, waived its entitlement of dividends of US$949,000 declared by Dowry Peacock. During the year ended 30 April 2007, the Group waived its entitlement of dividends of approximately US$2,077,000 declared by Dowry Peacock.

(c) The amounts due from related companies were unsecured, non-interest bearing and repayable within one year. The outstanding balance at 30 April 2007 was receivable from DGC GmbH.

(d) Key management compensation:

	2007	2006
	US$'000	*US$'000*
Salaries, bonuses and allowances	**1,674**	2,601
Pension costs – definded contribution plans	**90**	59
Share options – value of employment services	**42**	119
	1,806	2,779

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Overview

For the year ended 30 April 2007, shipment value amounted to approximately US$874.1 million (equivalent to HK$6,818.0 million), a decrease of approximately 4.9% as compared to approximately US$919.2 million (equivalent to HK$7,169.8 million) for last year. The decrease was mainly due to the departure of US-based customer Warnaco Inc.

Revenue increased by approximately 33.0% to approximately US$383.6 million (equivalent to HK$2,992.1 million). The significant increase was principally attributed to the acquisition of 60% interest in Dowry Peacock Group Limited ("Dowry Peacock") in October 2005.

For the year ended 30 April 2007, the Group reported a loss after tax of approximately US$30.9 million (equivalent to HK$241.0 million), against a profit of approximately US$10.5 million (equivalent to HK$81.9 million) for last year. The loss for the year under review was attributed to the one-time non-cash items of approximately US$38.3 million (equivalent to HK$298.7 million), representing the impairment losses on goodwill and patents and trademarks, net of adjustments to purchase consideration for acquisitions of subsidiaries. Last year, the Group recorded 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. Excluding these one-time non-cash items in both years, the Group's adjusted profit would have been approximately US$7.1 million (equivalent to HK$55.4 million) last year and approximately US$7.4 million (equivalent to HK$57.7 million) for the year under review, represented a slight increase of approximately 4.2%.

Excluding the one-time non-cash items as mentioned above and the restructuring related expenses of approximately US$2.0 million (equivalent to HK$15.6 million), the adjusted net profit after tax as a percentage of shipment value improved from approximately 0.77% to 1.08%.

With the Group's restructuring plan taking effect, operating expenses excluding finance costs decreased by approximately US$4.6 million (equivalent to HK$35.9 million), i.e. approximately 9.1%, to approximately US$45.9 million (equivalent to HK$358.0 million). The amount took into account:

1. doubtful debts charged to profit and loss accounts decreased by approximately US$2.5 million (equivalent to HK$19.5 million) to approximately US$3.4 million (equivalent to HK$26.5 million). The Group made a provision of approximately US$5.9 million (equivalent to HK$46.0 million) to receivables commended by tightened credit policy in the last quarter of the previous year;

2. the decrease in operating expenses as a result of a number of cost control measures;

3. full year of operating expenses incurred by the newly acquired 60%-owned subsidiary, Dowry Peacock; and

4. one-time expenses associated with the Group's restructuring amounting to approximately US$2.0 million (equivalent to HK$15.6 million).

Segmental analysis

The table below shows the difference between shipment value for the year under review and the previous year:

	Shipment Value For the year ended 30 April	
	2007	2006
	US$'million	*US$'million*
Europe	**320.9**	237.2
North America	**303.8**	444.5
Others	**249.4**	237.5
	874.1	919.2

The additional businesses from Dowry Peacock significantly boosted performance of the European market. During the year under review, shipment to Europe surged approximately 35.3% to approximately US$320.9 million (equivalent to HK$2,503.0 million) from approximately US$237.2 million (equivalent to HK$1,850.2 million). Europe became the Group's largest market, contributing approximately 36.7% of the Group's total shipment value.

Shipment to North America decreased by approximately 31.7% from approximately US$444.5 million (equivalent to HK$3,467.1 million) to approximately US$303.8 million (equivalent to HK$2,369.6 million). Shipment to North America accounted for approximately 34.8% of the Group's total shipment value. The sharp decline was mainly attributable to the departure of Warnaco Inc.

Shipment grouped under "Others", mainly represents shipment to the southern hemisphere, increased by approximately 5.0% from approximately US$237.5 million (equivalent to HK$1,852.5 million) to approximately US$249.4 million (equivalent to HK$1,945.3 million).

Indian tax case

In January 2007, Linmark lodged objections to the India Income-tax Department against the assessment orders ("Assessment Orders") charging the Group for a tax of approximately US$10.5 million (equivalent to HK$81.9 million) in respect of the operation of its India office for assessment years 1999-2000 to 2004-2005. Based on previous professional advice, Linmark made a tax provision of approximately US$0.8 million (equivalent to HK$6.2 million), which was reflected in the Group's audited accounts for the year ended 30 April 2006. The Group has recorded a further provision of approximately US$228,000 (equivalent to HK$1.8 million) in respect of its tax obligation of the tax assessment year up to 2007/2008 during the year ended 30 April 2007. Linmark had recently engaged an international accounting firm (who is not the Company's auditor) to review the tax position of the Group's overall operations including India and the findings indicated that the previous basis of calculating tax provision for the operation of the Group's India office was considered reasonable.

Financial review

The Group's financial position remains healthy with cash and cash equivalents of approximately US$30.4 million (equivalent to HK$237.1 million) as at 30 April 2007. In addition, the Group had total banking facilities of approximately US$58.0 million (equivalent to HK$452.4 million) including borrowing facilities of approximately US$8.6 million (equivalent to HK$67.1 million) as at 30 April 2007.

The Group has a current ratio of 1.2 and a low gearing ratio of 0.1, based on interest-bearing borrowings of approximately US$6.0 million (equivalent to HK$46.8 million) and total equity of approximately US$74.3 million (equivalent to HK$579.5 million) as at 30 April 2007. There has not been any material change in the Group's borrowings since 30 April 2007.

Trade receivables decreased from approximately US$34.5 million (equivalent to HK$269.1 million) as at 30 April 2006 to approximately US$31.4 million (equivalent to HK$244.9 million) as at 30 April 2007. As at 30 April 2007, trade receivables aged over 90 days were approximately US$7.8 million (equivalent to HK$60.8 million) which are being carefully controlled by management.

The Group's net asset value as at 30 April 2007 was approximately US$74.3 million (equivalent to HK$579.5 million).

As at 30 April 2007, 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 2007 and there has been no material change since then.

The majority of the Group's transactions during the year under review were denominated in US dollars, Hong Kong dollars and Sterling. 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 contracts as at 30 April 2007.

Remuneration policy and staff development scheme

As at 30 April 2007, the Group had 744 staff. The total staff costs for the year under review amounted to approximately US$26.7 million (equivalent to HK$208.3 million) (2006: US$28.2 million (equivalent to HK$220.0 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

During the year under review, Linmark undertook various restructuring measures to increase efficiencies and to reorganize its customer portfolio. These actions have begun to bear fruits which are expected to pave the way for the Group's business to flourish in the years to come.

Looking ahead into the year ending 30 April 2008, Linmark will seek to improve margins by focusing resources on serving businesses requiring the value-added services such as design and development. This shift of focus may affect turnover of any unprofitable business and that coupled with the departure of some customers as a result of their merger and acquisition activities, are expected to lead to lower levels of shipment volume in the year ending 30 April 2008. However, management believes focusing on serving higher margin businesses will enhance the Group's overall profitability in the long run.

During the year under review, the Group has been reorganised into different dedicated operational functions to improve competitiveness. The initiative has enabled more focused allocation of resources for enhancing operational efficiencies and lowering operating costs. The Group's business operations have also been integrated onto a single platform to derive synergies. The Group will continue to focus on promoting organic growth and cross selling with existing customers, and at the same time, apply its design and development capabilities to actively promote its services to potential customers. The Group has secured some new customers that expect to have an impact during the second half of the financial year 2008.

In July 2007, the Group won the 1st prize for the Casual and Jeans-wear Group of the Hong Kong New Fashion Collection Award 2007 organized by the Hong Kong Trade Development Council, recognizing its design and development capabilities.

To boost efficiency and reduce operating costs of its sourcing office network, management reviewed the Group's operation structure and closed a number of non-performing offices during the year under review. This strategic move has enabled the Group to control its operating costs at a more reasonable level and enhance its competitiveness. Benefits from the consolidation achieved in the year under review are expected to be reflected in financial year 2008. The Group will, however, continue to look for ways to consolidate its operations and implement cost-saving measures to maximize efficiencies and operating margins.

Despite pressure from unfavorable market conditions such as increasing material costs, appreciation of the Renminbi and deflation of prices of electronic products, the financial performance of Dowry Peacock has been gradually improving as a result of efforts made earlier in the year under review. However, with the business environment persistently challenging, management will continue to review the Group's operations with the aim of improving their financial performance.

Although management continues to deal with short term challenges on the business as the Group realigns its focus on customers and allocation of resources, the business consolidation undertaken in the past year has given Linmark a stronger foundation for exploiting new opportunities. Linmark will continue to forge relationships with new customers with the aim of broadening its clientele and management is optimistic about the Group's long term prospects.

Voluntary delisting of Roly International Holdings Ltd. on 30 April 2007 and cessation of publication practice

As set out in the Company's third quarterly results announcement dated 16 March 2007 and two announcements dated 20 April 2007 and 30 April 2007 respectively, the Board had been informed that a proposal ("Proposal") from RI Special Holdings Bermuda Limited ("RI Special"), a company owned by CFM Investments Limited, Titan I Venture Capital Co., Ltd., FAT Capital Management Co., Ltd and RI Investment Holdings Bermuda Limited which is ultimately owned by Mr. WANG Lu Yen and Asia Pacific Growth Fund V, L.P., was put forward to the board of directors of Roly International Holdings Ltd. ("Roly International") to seek a voluntary delisting of Roly International from the Singapore Exchange Securities Trading Limited. Upon the Proposal having been approved by the shareholders of Roly International on 26 March 2007 and its implementation, RI Special became the controlling shareholder of Roly International. Since Roly International is an indirect holding company of the Company, RI Special became the controlling shareholder of the Company. According to the Hong Kong Code on Takeovers and Mergers ("Takeovers Code"), RI Special has made mandatory unconditional offers ("Offers") for the securities of the Company not already owned by it or parties acting in concert with it. Details of the Proposal and the Offers were set out in the composite offer document dated 30 March 2007 issued jointly by the Company and RI Special. As at the close of the Offers on 20 April 2007, the level of acceptances did not reach the prescribed level for exercising the rights of compulsory acquisition available under the Bermudan Companies Act and/or Rule 2.11 of the Takeovers Code, therefore, RI Special was not entitled to elect to proceed with a compulsory acquisition in respect of the remaining shares of the Company.

Following the delisting of Roly International, subject to other applicable regulatory requirements, the quarterly results of Roly International group of companies, including those of the Group, would no longer be made publicly available; and given the publication of quarterly results by a Main Board listed issuer is not a mandatory requirement under the Listing Rules, the Company has ceased the practice of publication of three-month and nine-month results.

DIVIDENDS

An interim dividend of 1.80 HK cents per share was declared and paid during the year under review.

The Directors recommend the payment of a final dividend of 2.5 HK cents per share in respect of the year ended 30 April 2007. Subject to shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid in cash on or about 2 October 2007 to shareholders whose names appear on the register of members of the Company on 24 September 2007.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to the final dividend for the year ended 30 April 2007, the register of members of the Company will be closed from 20 September 2007 to 24 September 2007, 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, Tricor Standard Limited (formerly known as Standard Registrars Limited), at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4.30 p.m. on 19 September 2007.

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 2007.

REVIEW OF FINANCIAL INFORMATION

The audit committee, comprising the four independent non-executive directors referred to below, has reviewed with management the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters including the review of the consolidated financial statements of the Group and the annual report for the year ended 30 April 2007.

The figures in respect of this announcement of the Group's results for the year ended 30 April 2007 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year under review. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

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 2007 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. Gregory Scott LEONG and four independent non-executive directors, being Mr. WANG Arthur Minshiang, Dr. WOON Yi Teng, Eden (who tendered his resignation which will take effect on 31 August 2007), Mr. TSE Hau Yin, Aloysius and Mr. KWOK Tai Ki.

PUBLICATION OF THE RESULTS AND ANNUAL REPORT

The results announcement is published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.linmark.com. The Company's 2007 annual report will be despatched to the shareholders and available on the same websites on or about 30 August 2007.

By Order of the Board
WANG Lu Yen
Chairman

Hong Kong, 21 August 2007

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* *For identification purpose only*