LINMARK GROUP LIMITED

林麥集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 915

ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE NINE MONTHS ENDED 31 JANUARY 2007

HIGHLIGHTS

- Shipment value amounted to approximately US$721.7 million (equivalent to HK$5,629.3 million), an increase of approximately 4.6% as compared to approximately US$690.1 million (equivalent to HK$5,382.8 million) for the corresponding period of last year.
- Profit for the period amounted to approximately US$6.9 million (equivalent to HK$53.8 million), a decrease of approximately 47.6% as compared to approximately US$13.1 million (equivalent to HK$102.2 million) for the corresponding period of last year.
- Turnover grew by approximately 49.4% to approximately US$313.0 million (equivalent to HK$2,441.4 million) as compared to approximately US$209.5 million (equivalent to HK$1,634.1 million) for the corresponding period of last year.

UNAUDITED RESULTS

The board ("Board") of directors ("Directors") of Linmark Group Limited ("Company" or "Linmark") is pleased to announce the unaudited condensed consolidated financial information of the Company and its subsidiaries (together, the "Group") for the nine months ended 31 January 2007 ("period under review"), together with comparative figures for the previous corresponding period, as follows:

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Condensed Consolidated Income Statement

		For the nine months ended 31 January	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	***US$'000***	*US$'000*
Revenue	3	**313,020**	209,469
Cost of sales		**(272,018)**	(167,086)
Gross profit		**41,002**	42,383
Other income		**2,422**	1,931
General and administrative expenses		**(33,725)**	(32,861)
Excess of interest in fair value of acquired subsidiaries' net assets over cost		**–**	3,414
Operating profit	4	**9,699**	14,867
Finance costs		**(924)**	(293)
Share of loss of a joint venture		**(41)**	(41)
Profit before income tax		**8,734**	14,533
Income tax expense	5	**(1,857)**	(1,402)
Profit for the period		**6,877**	13,131
Attributable to:			
Equity holders of the Company		**6,386**	12,941
Minority interest		**491**	190
		6,877	13,131
Earnings per share for profit attributable to equity holders of the Company (expressed in US cent per share)	6		
– Basic		**1.0**	2.0
– Diluted		**1.0**	2.0

Condensed Consolidated Balance Sheet

	Note	At 31 January 2007 (Unaudited) *US$'000*	At 30 April 2006 (Audited) *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	7	**3,902**	3,236
Intangible assets		**117,864**	113,415
Other asset		**83**	83
Investment in a joint venture		**79**	121
		121,928	116,855
CURRENT ASSETS			
Inventories		**11,338**	13,540
Trade receivables	8	**37,216**	34,522
Prepayments, deposits and other receivables		**13,619**	6,746
Amounts due from related companies		**128**	193
Cash and cash equivalents		**33,501**	37,609
		95,802	92,610
CURRENT LIABILITIES			
Trade payables	9	**34,221**	44,589
Accruals and other payables		**35,815**	17,173
Short-term bank loans		**8,850**	8,850
Trust receipts bank loans		**521**	–
Balance of consideration payable for acquisitions of subsidiaries/businesses and assets – due within one year		**6,213**	12,286
Current income tax liabilities		**3,420**	2,901
		89,040	85,799
NET CURRENT ASSETS		**6,762**	6,811
TOTAL ASSETS LESS CURRENT LIABILITIES		**128,690**	123,666
NON-CURRENT LIABILITIES			
Balance of consideration payable for acquisitions of subsidiaries/businesses and assets – due after one year		**16,424**	17,073
Post-employment benefits		**1,296**	1,691
Deferred income tax liabilities		**137**	125
		17,857	18,889
NET ASSETS		**110,833**	104,777

	At 31 January 2007 (Unaudited) *US$'000*	At 30 April 2006 (Audited) *US$'000*
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**13,337**	13,337
Reserves	**65,231**	61,907
	78,568	75,244
Minority interest	**32,265**	29,533
TOTAL EQUITY	**110,833**	104,777

Notes:

1. Basis of preparation

The unaudited condensed consolidated financial information of the Group for the nine months ended 31 January 2007 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements as at and for the year ended 30 April 2006.

2. Accounting policies

The accounting policies are consistent with those as described in the Group's annual financial statements for the year ended 30 April 2006, except that the Group has changed certain of its accounting policies following its adoption of the new/revised IAS, International Financial Reporting Standards ("IFRS") issued by the IASB and International Financial Reporting Interpretations Committee Interpretation ("IFRIC-Int") issued by the International Financial Reporting Interpretations Committee ("IFRIC"), which are effective from accounting periods beginning on or after 1 January 2006 and relevant to its operations. The changes to the Group's accounting policies and the effect of adopting these new policies are set out below.

- IAS 39 and IFRS 4 (Amendments), "Financial guarantee contracts". These amendments require 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 (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. There is no financial guarantee contract issued at the Group level.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the year ending 30 April 2007 and have not been early adopted.

- 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 a significant impact on the reassessment of embedded derivatives as the Group already assess if embedded derivative should be separated using principles consistent with IFRIC-Int 9.
- 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. The Group 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 apply IFRS 7 and the amendment to IAS 1 from financial year/period beginning 1 May 2007.

- IFRIC 11, "IFRS 2 – Group and treasury share transactions", effective for annual periods beginning on or after 1 March 2007. This interpretation addresses how to apply IFRS 2 to share-based payment arrangements in an entity, rather than a group, involving an entity's own equity instruments or equity instruments of another entity in the same group. The Group anticipate that the application of this interpretation will have no material impact on the results and the financial position at the Group level.

3. Segmental information

An analysis of the Group's segmental information for the nine months ended 31 January 2007 and the previous corresponding period by business and geographical segments is as follows:

Primary reporting format – business segments

At 31 January 2007, 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 and value-added services relating to the procurement agency business).

The segment information for the nine months ended 31 January 2007 is as follows:

	Unaudited For the nine months ended 31 January 2007		
	Sales of merchandise *US$'000*	**Provision of services** *US$'000*	**Total** *US$'000*
REVENUE			
External revenue	**291,990**	**21,030**	**313,020**
SEGMENT RESULTS	**8,217**	**2,530**	**10,747**
Interest income			**689**
Finance costs			**(924)**
Share of loss of a joint venture			**(41)**
Unallocated corporate expenses *(Note)*			**(1,737)**
Profit before income tax			**8,734**
Income tax expense			**(1,857)**
Profit for the period			**6,877**

Note: Approximately US$1.2 million of these expenses were associated with the Group's restructuring.

	Unaudited For the nine months ended 31 January 2006		
	Sales of merchandise	Provision of services	Total
	US$'000	*US$'000*	*US$'000*
REVENUE			
External revenue	182,024	27,445	209,469
SEGMENT RESULTS	5,832	5,882	11,714
Interest income			628
Excess of interest in fair value of acquired subsidiaries' net assets over cost			3,414
Finance costs			(293)
Share of loss of a joint venture			(41)
Unallocated corporate expenses			(889)
Profit before income tax			14,533
Income tax expense			(1,402)
Profit for the period			13,131

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 by geographical locations of customers.

	For the nine months ended 31 January	
	2007	2006
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Europe	**222,452**	119,619
Australia	**26,472**	26,681
Africa	**26,454**	24,834
North America	**17,746**	22,671
Hong Kong	**5,585**	6,512
Others	**14,311**	9,152
	313,020	209,469

4. Operating profit

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

	For the nine months ended 31 January	
	2007	2006
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Interest income	**(689)**	(628)
Reimbursement income from customers	**(591)**	(553)
Depreciation of property, plant and equipment	**1,131**	984
Amortisation of intangible assets *(Note)*	**670**	–

Note: Amortisation of intangible assets incurred for renewing a buying agency agreement.

5. Income tax expense

	For the nine months ended 31 January	
	2007	2006
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Current income tax		
– Hong Kong profits tax	**1,205**	1,021
– overseas taxation	**651**	383
Deferred income tax	**1**	(2)
	1,857	1,402

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 profits has been calculated on the estimated assessable profits at the rates of taxation prevailing in the countries in which the Group operates.

6. Earnings per share

The calculation of the basic earnings per share for the nine months ended 31 January 2007 was based on the profit attributable to equity holders of the Company of approximately US$6,386,000 (2006: US$12,941,000) and on the weighted average number of approximately 666,845,000 (2006: 659,821,000) shares in issue during the period under review.

There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the nine months ended 31 January 2007.

The calculation of the diluted earnings per share for the nine months ended 31 January 2006 was based on the profit attributable to equity holders of the Company of approximately US$12,941,000 and on the weighted average number of approximately 664,237,000 shares issued and issuable, comprising the weighted average number of approximately 659,821,000 shares in issue during the financial period and the weighted average number of approximately 4,416,000 shares, as adjusted for the dilutive effect of share options outstanding during the period under review.

7. Additions in property, plant and equipment

During the nine months ended 31 January 2007, the Group spent approximately US$2,083,000 (2006: US$1,271,000) on acquisition of property, plant and equipment.

8. 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:

	At 31 January 2007 (Unaudited) ***US$'000***	At 30 April 2006 (Audited) *US$'000*
0 – 30 days	**21,043**	22,687
31 – 60 days	**8,507**	8,116
61 – 90 days	**4,156**	2,205
91 – 365 days *(Notes)*	**5,434**	4,644
Over 1 year *(Notes)*	**3,697**	2,447
	42,837	40,099
Less: Provision for impairment of trade receivables	**(5,621)**	(5,577)
	37,216	34,522

Notes:

(i) As of the date of this announcement, approximately US$1.0 million of these balances has subsequently been settled since 31 January 2007.

(ii) Approximately US$3.0 million (as at 30 April 2006: US$2.1 million) of these balances relates to customers which have credit terms of 90 days or more.

9. Trade payables

The ageing analysis of trade payables is as follows:

	At 31 January 2007 (Unaudited) ***US$'000***	At 30 April 2006 (Audited) *US$'000*
0 – 30 days	**14,431**	20,002
31 – 60 days	**13,426**	15,485
61 – 90 days	**2,926**	5,093
91 – 365 days	**2,711**	4,009
Over 1 year	**727**	–
	34,221	44,589

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

For the nine months ended 31 January 2007, the Group's shipment value amounted to US$721.7 million (equivalent to HK$5,629.3 million), an increase of approximately 4.6% as compared to US$690.1 million (equivalent to HK$5,382.8 million) for the corresponding period of last year. Turnover increased significantly, by approximately 49.4% to US$313.0 million (equivalent to HK$2,441.4 million), attributed mainly to the acquisition of Dowry Peacock Group Limited ("Dowry Peacock") in October 2005.

During the period under review, at the departure of Warnaco Inc., a key customer in North America, restructuring costs incurred and increase in provision commanded by tightened credit policy, the Group's profit decreased by approximately 47.6% to US$6.9 million (equivalent to HK$53.8 million). In the last corresponding period, 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 Dowry Peacock in 2005. Excluding this one-time non-cash income, for the nine months ended 31 January 2007, the decrease in profit would be approximately 29.2%.

For the nine months ended 31 January 2007, net profit after tax as a percentage of shipment value declined to 0.95% from 1.90%. Excluding the US$1.2 million (equivalent to HK$9.4 million) restructuring expenses, the adjusted net profit after tax as a percentage of shipment value would be 1.12%.

Operating expenses including finance costs increased by approximately 4.5% to US$34.6 million (equivalent to HK$269.9 million). The increase was mainly due to the acquisition of Dowry Peacock as well as costs associated with the Group's restructuring amounting to US$1.2 million (equivalent to HK$9.4 million), and provision for doubtful debts of approximately US$1.6 million (equivalent to HK$12.5 million).

Segmental Analysis

The Group extended the geographical coverage of its business during the period under review. The table below compares the shipment value of the period under review and the corresponding period of last year:

	Shipment value For the nine months ended 31 January	
	2007	2006
	US$'million	*US$'million*
Europe	**266.4**	165.1
North America	**254.7**	358.4
Others	**200.6**	166.6
Total	**721.7**	690.1

The additional businesses under Dowry Peacock acquired by the Group significantly boosted performance of the European market. During the period under review, shipment value to Europe surged approximately 61.4% from approximately US$165.1 million (equivalent to HK$1,287.8 million) in the last corresponding period to approximately US$266.4 million (equivalent to HK$2,077.9 million). Europe became the Group's largest market, contributing approximately 36.9% of the Group's total shipment value.

However, due to the departure of Warnaco Inc., shipment value to North America decreased by approximately 28.9% from approximately US$358.4 million (equivalent to HK$2,795.5 million) to approximately US$254.7 million (equivalent to HK$1,986.7 million). Shipment to North America accounted for approximately 35.3% of the Group's total shipment.

Grouped under "Others" are mainly shipments to the southern hemisphere. It increased from approximately US$166.6 million (equivalent to HK$1,299.5 million) in the last corresponding period to approximately US$200.6 million (equivalent to HK$1,564.7 million) during the period under review.

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 has made a tax provision of approximately US$0.8 million (equivalent to HK$6.2 million), which has been reflected in the Group's audited accounts for the year ended 30 April 2006. Further professional advices were sought since the receipt of Assessment Orders. On the basis of the advices obtained, the Board has no reason to believe that the basis of calculation of such previous tax provision is inaccurate.

Nonetheless, Linmark will as soon as practicable instruct its professional advisers to review the tax position of the Group's operation in India.

Financial Review

The Group's financial position remains healthy with cash and cash equivalents of approximately US$33.5 million (equivalent to HK$261.3 million) as at 31 January 2007. In addition, the Group has total banking facilities of approximately US$61.8 million (equivalent to HK$482.0 million) including borrowing facilities of approximately US$12.5 million (equivalent to HK$97.5 million).

The Group has a current ratio of 1.1 and a low gearing ratio of 0.1, based on interest-bearing borrowings of approximately US$9.4 million (equivalent to HK$73.3 million) and total equity of approximately US$110.8 million (equivalent to HK$864.2 million) as at 31 January 2007. There has not been any material change in the Group's borrowings since 31 January 2007.

Trade receivables increased slightly from approximately US$34.5 million (equivalent to HK$269.1 million) as at 30 April 2006 to approximately US$37.2 million (equivalent to HK$290.2 million) as at 31 January 2007. As at 31 January 2007, trade receivables aged over 90 days were approximately US$9.1 million (equivalent to HK$71.0 million) which are being carefully controlled by management.

The Group's net asset value as at 31 January 2007 was approximately US$110.8 million (equivalent to HK$864.2 million).

As at 31 January 2007, 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 31 January 2007 and there has been no material change since then.

The majority of the Group's transactions during the period under review were denominated in US dollars, Hong Kong dollars and Sterling. During the period under review, the Group used foreign exchange forward contracts to manage foreign exchange risks from Sterling transactions.

Prospects

To improve its competitiveness, the Group reorganised different operational functions to allow more focused allocation of resources for enhancing operational efficiencies and lowering operating cost. After the restructuring initiatives implemented earlier this financial year, management has effectively integrated all its business operations into a single platform which will enable the Group to derive synergies including cross-selling opportunities for its different businesses. The Group will continue to focus on promoting organic growth with existing customers, and at the same time, apply the design and development capabilities brought to it by the newly acquired arms to actively market its services to prospective clients.

To boost the efficiency and reduce the operation costs of its sourcing office network, management conducted a review on the Group's operation structure and closed certain non-performing offices during the review period. This strategic move has enabled the Group to control its operating costs at a more reasonable level and enhanced its competitiveness. The Group will continue to look for ways to consolidate its operations and implement cost-saving measures to maximize efficiencies and profits.

In spite of pressure from unfavorable market conditions such as increasing material costs, strengthening of Renminbi and price deflation of electronic products, the financial performance of Dowry Peacock has stabilised as a result of efforts made earlier in the year. However, the business environment remains challenging and management will continue to review its operations in order to further improve its financial performance. It is expected the financial results of Dowry Peacock will not have a material impact on the Group's overall profitability in the current financial year. The Group is reviewing the operation of Linmark Electronics Limited, including the valuation of the brands that it carries and will make an adjustment, if necessary, at the end of the current financial year.

Although the Group will continue to consolidate its businesses in the short run and the business environment will remain challenging, management remains optimistic about the Group's prospects in the long run.

Proposed voluntary delisting of Roly International Holdings Ltd.

As set out in the Company's interim results announcement for the six months ended 31 October 2006 dated 12 December 2006, the Board had been informed that a proposal ("Proposal") from RI Special Holdings Bermuda Limited, 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., ("BidCo") was put forward to the board of directors of Roly International Holdings Ltd. ("Roly") to seek a voluntary delisting of Roly from the Singapore Exchange Securities Trading Limited. Subject to and upon the Proposal having been approved by Roly's shareholders and implemented, BidCo would acquire a statutory control and become the controlling shareholder of Roly. Since Roly was the controlling shareholder of the Company, BidCo would also become the controlling shareholder of the Company. According to the Hong Kong Code on Takeovers and Mergers, BidCo would be required to make mandatory unconditional 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 possible mandatory offer were set out in an announcement dated 12 December 2006 jointly issued by the Company, BidCo and Byford International Limited and the announcement dated 9 March 2007 jointly issued by the Company and Bidco. As further announced by the Company and BidCo jointly on 9 March 2007, circular of Roly dated 9 March 2007 containing, among other things, the details of the Proposal had been despatched to shareholders of Roly on 9 March 2007. As the Proposal was subject to the approval of Roly's shareholders, the possible mandatory offers may or may not proceed. The Board would provide an update to shareholders as and when appropriate.

DIVIDEND

The Directors do not recommend the payment of dividend for the three months ended 31 January 2007 (2006: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period under review.

REVIEW OF RESULTS

The audit committee, comprising the three independent non-executive Directors referred to below, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters for the nine months ended 31 January 2007. The unaudited results have not been reviewed by the external auditors of the Company.

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.

By Order of the Board
WANG Lu Yen
Chairman

Hong Kong, 16 March 2007

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* *For identification purpose only*

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