



[For Immediate Release]

LINMARK Announces FY2006 Annual Results

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(HONG KONG, 28 June 2006) – One-stop global supply chain management and solutions provider **Linmark Group Limited** (“Linmark” or the “Group”) (stock code: 915), today announced its annual results for the year ended 30 April 2006 (“FY2006”).

During the year under review, the Group’s shipment value – the primary indicator of Linmark’s business performance – increased 23.0% to reach approximately US\$919.2 million (equivalent to HK\$7,169.8 million) as compared to last year. The encouraging growth was principally attributable to its newly acquired businesses. Turnover surged by 220.9% to approximately US\$288.3 million (equivalent to HK\$2,248.7 million) as the result of these newly acquired businesses, which were accounted for on the basis of shipment value during the year.

The Group’s net profit after tax was approximately US\$10.5 million (equivalent to HK\$81.9 million). The amount incorporated 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 Group Limited (“Dowry Peacock”); non-cash expenses of approximately US\$0.7 million (equivalent to HK\$5.5 million) for share option expenses and interest expenses on fair value gain, higher tax expense of approximately US\$1.9 million (equivalent to HK\$14.8 million) mainly attributable to the newly acquired businesses, and provisions made to trade receivables. Excluding the above-mentioned non-cash items, the adjusted net profit after tax decreased by approximately 47.3% to approximately US\$7.8 million (equivalent to HK\$60.8 million). The fall was the result of decline in segmental profit from commission-based and value-added services, inspection and advisory businesses and an increase in operating expenses.

Basic earnings per share were approximately 1.6 US cents (equivalent to 12.5 HK cents). The Board of Directors recommended the payment of a final dividend of 2.9 HK cents per share for the financial year (FY2005: 4.8 HK cents). Together with interim dividend of 2.7 HK cents per share paid, the total dividend for FY2006 amounted to 5.6 HK cents per share.

Mr. Lu-yen Wang, Chairman of Linmark, said, “FY2006 was challenging for Linmark with both oil price and interest rate climbing continuously. Consumer sentiment, particularly in the US market, was inevitably affected by the uncertain market condition. Although the market environment was unfavorable, we managed to diversify our customer base and broaden our product portfolio by including consumer electronic products on our sourcing list. It has always been our strategic goal to extend our geographical reach and product offerings to balance our revenue streams. I am delighted to see the Group adhering to the diversification plan.”

Thanks to the additional businesses from the acquisition of Tamarind International Limited and Dowry Peacock, shipment value to Europe increased by approximately 161.2% 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 from other regions, principally in the southern hemisphere, reached approximately US\$237.5 million (equivalent to HK\$1,852.5 million). Although North America remained as the Group's largest market, contributing approximately 48.4% of the total shipment value, weakened demand in the market lowered shipment value by approximately 12.0% to approximately US\$444.5 million (equivalent to HK\$3,467.1 million).

Linmark completed the acquisition of 60% interest in Dowry Peacock on 19 October 2005. However, the post-acquisition performance of Dowry Peacock was below expectation. Volatility in the consumer electronics sector and unanticipated fluctuation of the GBP/USD exchange rate 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, negotiating with suppliers for better pricing and tightening its control procedure to monitor the Group's GBP/USD exchange to minimize margin fluctuation for the Group in a volatile exchange rate environment. 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.

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. Its current ratio was 1.1 and its gearing ratio was low at 0.1.

"Despite that the Group's bottom line fell short of our expectation during the year, Mr. Peter Solomon, our new CEO who came on board in February this year, we have revised our business model and improvement should become apparent shortly," said **Mr. Wang**.

Restructuring and Prospects

Mr. Peter Solomon, CEO of Linmark, said, "Careful allocation of resources is key to sharpening Linmark's competitive edge, enhancing its operational efficiencies and lowering operating cost."

Linmark has or is in the process of closing down non-performing offices to reduce operating costs. This exercise is expected to complete within the first half of FY2007. Though further restructuring costs are expected, the Group looks forward to seeing the fruits of its efforts by the end of this year.

After careful evaluation, Linmark reorganised its operational functions under four Strategic Business Units (SBU). Each SBU is entrusted with a specific business objective. The 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.

“Going forward, we will remain open to merger and acquisition opportunities. We target companies with strong historical performance and that can help us diversify and strengthen our offer across new markets. Although the management sees short-term consolidation, long-term prospects of our business remain strong,” **Mr. Solomon** concluded.

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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 supply chain management and solutions provider. With a global network, 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 department stores in North America, Europe, Asia and the southern hemisphere.

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LINMARK GROUP LIMITED FY2006 Final Results

Consolidated Income Statement

	2006	2005
	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	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 a subsidiary	-	13
Operating profit	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	(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		
- Interim, paid	2,350	2,208
- Final, proposed	2,479	4,008
	4,829	6,216
Earnings per share# (US cents)		
- Basic	1.6	2.3
- Diluted	1.6	2.2

The calculation of the 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.

The calculation of the 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.

LINMARK GROUP LIMITED
FY2006 Final Results

Consolidated Balance Sheet

	At 30 April 2006 <i>US\$'000</i>	At 30 April 2005 <i>US\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	3,236	3,119
Intangible assets	113,415	45,460
Other asset	83	83
Investment in a joint venture	121	170
	<u>116,855</u>	<u>48,832</u>
CURRENT ASSETS		
Inventories	13,540	55
Trade receivables	34,522	20,308
Prepayments, deposits and other receivables	6,746	3,709
Amount due from related companies	193	-
Cash and cash equivalents	37,609	27,323
	<u>92,610</u>	<u>51,395</u>
CURRENT LIABILITIES		
Trade payables	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/ business and assets - due within one year	12,286	6,461
Current income tax liabilities	2,901	1,454
	<u>85,799</u>	<u>25,947</u>
NET CURRENT ASSETS	<u>6,811</u>	<u>25,448</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>123,666</u>	<u>74,280</u>
NON-CURRENT LIABILITIES		
Balance of consideration payable for acquisitions of subsidiaries/ business and assets - due after one year	17,073	7,192
Post-employment benefits	1,691	1,651
Deferred income tax liabilities	125	118
	<u>18,889</u>	<u>8,961</u>
NET ASSETS	<u>104,777</u>	<u>65,319</u>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
- Share capital	13,337	13,113
- Reserves	61,907	52,206
	<u>75,244</u>	<u>65,319</u>
Minority interest	29,533	-
TOTAL EQUITY	<u>104,777</u>	<u>65,319</u>