

LINMARK Announces FY2005 Annual Results

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Results Highlights:

For the year ended 30 April

	2005		2004		Change
	US\$'million	HK\$'million	US\$'million	HK\$'million	
Shipment volume	747.5	5,830.5	714.1	5,570.0	+ 4.7%
Turnover*	89.8*	700.4*	44.3	345.5	+ 102.6%
EBITDA	16.8	131.0	16.1	125.6	+ 4.3%
Net profit	14.8	115.4	14.6	113.9	+ 0.9%
Basic earnings per share	2.3 US cents	17.9 HK cents	2.3 US cents	17.9 HK cents	-
Dividend per share					
- Interim	0.34 US cent	2.63 HK cents	0.32 US cent	2.5 HK cents	
- Final	0.62 US cent	4.8 HK cents	0.58 US cent	4.5 HK cents	
Total	0.96 US cent	7.43 HK cents	0.90 US cent	7.0 HK cents	+ 6.1%

* Consolidated turnover including the newly acquired business of Tamarind, which operates under a trading model.

(HONG KONG, 28 June 2005) – **Linmark Group Limited** (“Linmark”/ the “Group”) (stock code: 915), a one-stop global sourcing agent, today announced its final results for the year ended 30 April 2005 (“FY2005”).

In FY2005, the Group recorded shipment volume of approximately US\$747.5 million (equivalent to HK\$5,830.5 million), approximately 4.7% higher than that of the previous year. The Group’s turnover surged approximately 102.6% to approximately US\$89.8 million (equivalent to HK\$700.4 million). The increase was mainly contributed by the Group’s newly acquired business of Tamarind. Operating on a trading model, Tamarind was able to contribute a significantly higher turnover from the sales of merchandise to the Group than Linmark itself.

During the year under review, the Group incurred additional operating expenses mainly as a result of the newly acquired businesses and additional staff costs and recorded a lower interest income. Profit after tax recorded a mild 0.9% increase to approximately US\$14.8 million (equivalent to HK\$115.4 million). Net profit after tax as a percentage of shipment volume was maintained at approximately 2.0%. Basic earnings per share remained at approximately 2.3 US cents (equivalent to 17.9 HK cents).

The Board of Directors recommended the payment of a final dividend of 4.8 HK cents per share for the financial year (2004: 4.5 HK cents). Together with interim dividend of 2.63 HK cents paid, the total dividend for FY2005 amounted to 7.43 HK cents per share.

Mr. Lu-yen Wang, Chairman of Linmark, said, “FY2005 was challenging for the sourcing industry. On the macro front, interest rate hikes and rising oil price continued to dampen consumption sentiment particularly in the US market. On the industry side, the elimination of apparel quotas effective on 1 January 2005, and the threats of the US and European Union (EU) to introduce anti-surge measures on Chinese apparel exports have brought uncertainties. Fortunately, supported by our highly effective one-stop global sourcing network, Linmark has been successful in mitigating the impacts of the uncertainties brought about by the quota elimination.”

Mr. Steven Feniger, CEO of Linmark, said, “In fiscal 2005, Linmark was able to grow its top and bottom lines despite the rather difficult global business environment. I am particularly pleased to see that our customer base has diversified to include major customers from Australia, the EU zone, and South Africa. In terms of service offerings, we achieved a more balanced revenue base, with contribution from our higher margin value-added services expanded to account for 36.2% of the Group’s net profit after tax, compared to 25.3% in FY2004. Our strategy to diversify our customer base and service offerings has been very effective.”

The Tamarind acquisition completed in December 2004 significantly increased Linmark’s business in the European markets, which overtook the US as the Group’s largest revenue contributor in terms of turnover. During the year under review, turnover from the European market increased from approximately US\$6.0 million (equivalent to HK\$46.8 million) last year to approximately US\$22.5 million (equivalent to HK\$175.5 million) this year, accounting for approximately 25.1% of the Group’s total turnover. The US accounted for approximately 22.7% of the Group’s total turnover, followed by Australia at approximately 13.2%, and South Africa and Canada at approximately 12.4% and 9.5% respectively.

Mr. Steven Feniger, CEO of Linmark, said, “Despite the uncertainties hovering over Chinese apparel exports, it is clear that China will become one of the most important global sourcing hubs in the years to come. Through working with the Chinese authorities on China’s first Code of Conduct in Social Compliance for the local textile industries, Linmark has been able to act as a bridge between foreign apparel markets and the Chinese textile industry. This unique role will benefit the Group itself in many ways for years to come.”

In March 2005 Linmark co-hosted, through its parent company Roly International Holdings Ltd., for the third time, the China Department Store Summit 2005 in Beijing. The summit has become one of the most distinguished annual events for the retail industry in China, and Linmark was able to strengthen its presence in the China retail market through the sponsorship.

The Group's financial position remained strong with bank balances and cash of approximately US\$27.3 million (equivalent to HK\$212.9 million), and a low gearing ratio of less than 4% as at 30 April 2005.

Looking ahead, the uncertainties surrounding China's apparel export and the re-valuation of the Renminbi are expected to linger. Nevertheless, riding on its widespread sourcing network, Linmark will continue to grasp business opportunities and offer comprehensive sourcing services to its international customers. At the same time, the Group is committed to controlling its operating expenses so as to maximize the cost effectiveness of its global sourcing network.

In May 2005, a major customer Warnaco Inc ("Warnaco"), who for FY2005 represented almost 11.8% of the Group's turnover, reached a new sourcing arrangement with Linmark. Warnaco decided to expand its direct sourcing capabilities, after experiencing sales growth with the help of Linmark. Under the new arrangement, Linmark will work with and assist Warnaco in implementing its China sourcing plan over the next year. Linmark will continue to exclusively source for Calvin Klein Jeans[®], Chaps Ralph Lauren[®] and Speedo[®] offshore. The increased presence of Warnaco in China will call for additional on-the-ground support for its direct sourcing needs. Thus, Warnaco intends to continue using all of Linmark's value-added services such as compliance auditing and trims and packaging sourcing services inside and outside of China.

Mr. Feniger concluded, "The Group does not expect the new sourcing arrangement with Warnaco to have any material impact on it in FY2006. With a global network covering 37 cities in 25 countries and territories, Linmark is capable of providing top-tier global customers with tailored sourcing solutions that meet their changing needs and strategic business directions.

"Going ahead, we will continue to grow our business in Europe through ISO International and Tamarind. Hardgoods and value-added services will remain our growth drivers, and we plan to set up two design/development hubs and testing laboratories to offer fuller services to our international customers. We will also continue to look for M&A targets that will enhance the Group's business in the long-run," said Mr. Feniger.

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 37 cities in 25 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 the southern hemisphere. Linmark is also one of the constituent stocks on the Hang Seng HK SmallCap Index under the Hang Seng Composite Index.

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LINMARK GROUP LIMITED FY2005 Final Results

Consolidated Income Statement

	2005 US\$'000	2004 US\$'000
Turnover	89,837	44,338
Cost of sales	(41,513)	(5,652)
Gross profit	48,324	38,686
Other operating income	2,443	2,947
Administrative expenses	(35,112)	(26,861)
Profit from operations	15,655	14,772
Finance costs	(22)	(4)
Gain on dissolution of subsidiaries	13	-
Share of loss of a joint venture	(12)	-
Profit before taxation	15,634	14,768
Taxation	(880)	(143)
Profit for the year, attributable to equity holders of the Company	<u>14,754</u>	<u>14,625</u>
Dividends		
- Interim, paid	2,208	2,095
- Final, proposed	4,008	3,773
	<u>6,216</u>	<u>5,868</u>
Earnings per share [#] (US cents)		
- Basic	2.3	2.3
- Diluted	<u>2.2</u>	<u>2.2</u>

[#]The calculation of the basic earnings per share for the year ended 30 April 2005 is based on the profit attributable to shareholders of approximately US\$14,754,000 (2004: US\$14,625,000) and on the weighted average number of approximately 654,593,000 (2004: 650,598,000) shares in issue during the year.

The calculation of the diluted earnings per share for the year ended 30 April 2005 is based on the profit attributable to shareholders of approximately US\$14,754,000 (2004: US\$14,625,000) and on the weighted average number of approximately 663,986,000 (2004: 664,645,000) shares issued and issuable, comprising the weighted average number of approximately 654,593,000 (2004: 650,598,000) shares in issue during the year and the weighted average number of 9,393,000 (2004: 14,047,000) shares, as adjusted for the dilutive effect of share options outstanding during the year.

LINMARK GROUP LIMITED
FY2005 Final Results

Consolidated Balance Sheet

	At 30 April 2005 US\$'000	At 30 April 2004 US\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	3,119	2,176
Goodwill	42,446	16,181
Deferred expenditure	3,014	3,014
Club membership	83	83
Investment in a joint venture	170	-
	<u>48,832</u>	<u>21,454</u>
CURRENT ASSETS		
Inventories	55	-
Trade receivables	20,308	10,535
Prepayments, deposits and other receivables	3,709	2,202
Short-term investment	-	109
Bank balances and cash	27,323	34,869
	<u>51,395</u>	<u>47,715</u>
CURRENT LIABILITIES		
Trade payables	9,144	923
Accruals and other payables	6,588	2,478
Short-term bank loan	2,300	-
Obligations under a finance lease	-	6
Balance of consideration payable for an acquisition of a subsidiary - due within one year	1,987	1,987
Balance of consideration payable for an acquisition of business and assets - due within one year	4,474	-
Tax payable	1,454	1,861
	<u>25,947</u>	<u>7,255</u>
NET CURRENT ASSETS	<u>25,448</u>	<u>40,460</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>74,280</u>	<u>61,914</u>
NON-CURRENT LIABILITIES		
Balance of consideration payable for an acquisition of a subsidiary - due after one year	1,987	3,974
Balance of consideration payable for an acquisition of business and assets - due after one year	5,205	-
Post-employment benefits	1,651	1,272
Deferred taxation	118	21
	<u>8,961</u>	<u>5,267</u>
NET ASSETS	<u>65,319</u>	<u>56,647</u>
CAPITAL AND RESERVES		
Share capital	13,113	13,090
Reserves	52,206	43,557
	<u>65,319</u>	<u>56,647</u>

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