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# 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 2013

**FINAL RESULTS HIGHLIGHTS:**

- Shipment value amounted to approximately US$275.5 million (equivalent to HK$2,148.9 million), an increase of approximately 6.7% as compared to approximately US$258.3 million (equivalent to HK$2,014.7 million) for the last year.

- Revenue grew by approximately 9.3% to approximately US$110.0 million (equivalent to HK$858.0 million) as compared to approximately US$100.6 million (equivalent to HK$784.7 million) for the last year.

- Profit for the year amounted to approximately US$5.3 million (equivalent to HK$41.3 million), an increase of approximately 89.3% as compared to approximately US$2.8 million (equivalent to HK$21.8 million) for the last year. The profit included the Indian tax refunds of approximately US$0.8 million (equivalent to HK$6.3 million). Excluding the Indian tax refunds, the Group's profit would be approximately US$4.5 million (equivalent to HK$35.1 million), representing an increase of approximately 60.7% as compared to the last year.

- The Directors recommend the payment of a final dividend of 1.20 HK cents per ordinary share for the year ended 30 April 2013.

## AUDITED FINAL RESULTS

The board ("**Board**") of directors ("**Directors**") of Linmark Group Limited ("**Company**") announces the audited condensed consolidated financial information of Company and its subsidiaries (together, the "**Group**" or "**Linmark**") for the year ended 30 April 2013, together with comparative figures for the previous year, as follows:

## CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### Condensed Consolidated Income Statement

| | *Note* | **2013** *US$'000* | 2012 *US$'000* |
|---|---|---|---|
| **REVENUE** | *3* | **110,047** | 100,621 |
| Cost of sales | | **(82,459)** | (77,123) |
| Gross profit | | **27,588** | 23,498 |
| Other income | | **1,078** | 1,454 |
| General and administrative expenses | | **(23,543)** | (22,014) |
| Gain on disposal of subsidiaries | | **–** | 191 |
| Loss on dissolution of a subsidiary | | **–** | (97) |
| Loss on deregistration of a branch | | **(193)** | – |
| Share of loss of a jointly-controlled entity | | **(1)** | (1) |
| **PROFIT BEFORE TAX** | *4* | **4,929** | 3,031 |
| Income tax credit/(expense) | *5* | **403** | (247) |
| **PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **5,332** | 2,784 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** (expressed in US cent) | *7* | | |
| – Basic | | **0.8** | 0.4 |
| – Diluted | | **0.8** | 0.4 |

Details of the dividends and distribution to shareholders of the Company are set out in Note 6.

**Condensed Consolidated Statement of Comprehensive Income**

| | **2013** | 2012 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| **PROFIT FOR THE YEAR** | **5,332** | 2,784 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Exchange differences: | | |
| Translation of foreign operations | **46** | 75 |
| Reclassification adjustments included in the consolidated income statement | | |
| – loss on dissolution of a subsidiary | **–** | 97 |
| – loss on disposal of subsidiaries | **–** | 1 |
| – loss on deregistration of a branch | **193** | – |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR** | **239** | 173 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **5,571** | 2,957 |

## Condensed Consolidated Statement of Financial Position

| | Note | **2013** *US$'000* | 2012 *US$'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *8* | **1,041** | 998 |
| Goodwill | | **26,333** | 26,333 |
| Available-for-sale financial asset | | **84** | 84 |
| Investment in a jointly-controlled entity | | **11** | 12 |
| Deferred tax assets | | **19** | 113 |
| Total non-current assets | | **27,488** | 27,540 |
| **CURRENT ASSETS** | | | |
| Trade receivables | *9* | **5,456** | 5,367 |
| Prepayments, deposits and other receivables | *11(b)* | **3,728** | 3,120 |
| Tax recoverable | | **418** | 212 |
| Bank deposit with initial term of over three months | | **–** | 1,997 |
| Cash and cash equivalents | | **24,335** | 17,816 |
| Total current assets | | **33,937** | 28,512 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *10* | **5,526** | 5,997 |
| Accruals and other payables | | **10,488** | 8,574 |
| Tax payable | | **1,686** | 1,468 |
| Total current liabilities | | **17,700** | 16,039 |
| **NET CURRENT ASSETS** | | **16,237** | 12,473 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **43,725** | 40,013 |
| **NON-CURRENT LIABILITY** | | | |
| Post-employment benefits | | **1,053** | 1,070 |
| Total non-current liability | | **1,053** | 1,070 |
| **NET ASSETS** | | **42,672** | 38,943 |
| **EQUITY** | | | |
| Issued capital | | **13,661** | 13,661 |
| Reserves | | **29,011** | 25,282 |
| **TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **42,672** | 38,943 |

*Notes:*

## 1. Basis of preparation

The condensed consolidated financial statements of the Group for the year ended 30 April 2013 have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and the disclosure requirements of The Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). They have been prepared under the historical cost convention, except for an available-for-sale financial asset, which has been measured at fair value. These financial statements are presented in United States dollars ("**US$**").

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

## 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the condensed consolidated financial statements of the Group are consistent with those followed in the preparation of the audited financial statements of the Group for the year ended 30 April 2012, except for the adoption of the following revised IFRSs, which comprise standards and interpretations approved by the International Accounting Standard Board ("**IASB**"), and International Accounting Standards ("**IASs**") and interpretations approved by the IASB Interpretations Committee that remain in effect.

| | |
|---|---|
| IFRS 1 Amendments | Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* |
| IFRS 7 Amendments | Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* |
| IAS 12 Amendments | Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* |

Other than as further explained below regarding the impact of amendments to IFRS 7, the adoption of these amendments has had no significant financial effect on these financial information and there have been no significant changes to the accounting policies applied in these condensed consolidated financial statements.

Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*

The IFRS 7 Amendments require additional disclosures about financial assets that have been transferred but not derecognised to enable users of the Group's financial statements to understand the relationship of those assets that have not been derecognised with their associated liabilities. In addition, the amendments require disclosures about the entity's continuing involvement in derecognised assets to enable users to evaluate the nature of, and risks associated with, such involvement. As the Group does not have any transfer transactions of financial assets, the adoption of these amendments has had no effect on the financial statements.

## 3. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) sales of merchandise including garments, fashion accessories, hardgoods, consumer electronic products and labels; and

(b) provision of services including procurement service and value-added services relating to the procurement agency business.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, gain on disposal of subsidiaries, loss on dissolution of a subsidiary, loss on deregistration of a branch, share of loss of a jointly-controlled entity as well as corporate and other unallocated expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

| **Year ended 30 April 2013** | **Sales of merchandise** *US$'000* | **Provision of services** *US$'000* | **Total** *US$'000* |
|---|---|---|---|
| **Segment revenue:** | | | |
| Revenue from external customers | **93,003** | **17,044** | **110,047** |
| **Segment results** | **1,775** | **3,768** | **5,543** |
| Interest income | | | **55** |
| Loss on deregistration of a branch | | | **(193)** |
| Share of loss of a jointly-controlled entity | | | **(1)** |
| Corporate and other unallocated expenses | | | **(475)** |
| Profit before tax | | | **4,929** |
| Income tax credit | | | **403** |
| Profit for the year | | | **5,332** |
| **Other segment information:** | | | |
| Depreciation | **263** | **495** | **758** |
| Capital expenditures | **261** | **540** | **801** |
| Impairment of trade receivables | **2** | **17** | **19** |

| Year ended 30 April 2012 | Sales of merchandise *US$'000* | Provision of services *US$'000* | Total *US$'000* |
|---|---|---|---|
| **Segment revenue:** | | | |
| Revenue from external customers | 86,156 | 14,465 | 100,621 |
| **Segment results** | 1,316 | 1,857 | 3,173 |
| Interest income | | | 55 |
| Gain on disposal of subsidiaries | | | 191 |
| Loss on dissolution of a subsidiary | | | (97) |
| Share of loss of a jointly-controlled entity | | | (1) |
| Corporate and other unallocated expenses | | | (290) |
| Profit before tax | | | 3,031 |
| Income tax expense | | | (247) |
| Profit for the year | | | 2,784 |
| **Other segment information:** | | | |
| Depreciation | 146 | 231 | 377 |
| Capital expenditures | 344 | 678 | 1,022 |
| Impairment of trade receivables | 34 | 89 | 123 |

**Geographical information**

*(a) Revenue from external customers*

| | **2013** | 2012 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Australia | **35,962** | 37,433 |
| Europe | **27,833** | 20,280 |
| Africa | **23,217** | 24,472 |
| North America | **15,482** | 11,655 |
| Hong Kong | **1,002** | 1,213 |
| Others | **6,551** | 5,568 |
| | **110,047** | 100,621 |

The revenue information above is based on the location of the customers.

*(b) Non-current assets*

| | **2013** | 2012 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Hong Kong | **27,188** | 27,069 |
| Others | **197** | 274 |
| | **27,385** | 27,343 |

The non-current assets information above is based on the location of assets and excludes an available-for-sale financial asset and deferred tax assets.

**Information about major customers**

Revenue from major customers, each of them amounted to 10% or more of the Group's revenue is set out below:

| | **Operating segment** | **2013** | 2012 |
|---|---|---|---|
| | | ***US$'000*** | *US$'000* |
| Customer A | Sales of merchandise | **32,585** | 32,496 |
| Customer B | Sales of merchandise | **23,215** | 24,466 |
| | | **55,800** | 56,962 |

## 4. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

| | 2013 US$'000 | 2012 US$'000 |
|---|---|---|
| Depreciation | **758** | 377 |
| Gain on disposal of subsidiaries | **–** | (191) |
| Loss on dissolution of a subsidiary | **–** | 97 |
| Loss on deregistration of a branch | **193** | – |
| Gain on disposal of items of property, plant and equipment | **(2)** | (14) |
| Impairment of trade receivables | **19** | 123 |

## 5. Income tax (credit)/expense

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

| | 2013 US$'000 | 2012 US$'000 |
|---|---|---|
| Current | | |
| – Hong Kong | **211** | 250 |
| – Outside Hong Kong | **86** | 106 |
| Underprovision/(overprovision) in prior years | | |
| – Indian tax refunds | **(806)** | – |
| – Others | **12** | (105) |
| Deferred | **94** | (4) |
| Total tax (credit)/expense for the year | **(403)** | 247 |

## 6. Dividends and distribution

| | 2013 US$'000 | 2012 US$'000 |
|---|---|---|
| Interim, paid, of 1.60 HK cents (2012: 0.88 HK cent) per ordinary share | **1,405** | 773 |
| Final, proposed, of 1.20 HK cents (2012: 0.50 HK cent) per ordinary share | **1,054** | 439 |
| | **2,459** | 1,212 |

The Directors recommend the payment of a final dividend of 1.20 HK cents per ordinary share in respect of the year ended 30 April 2013. Subject to shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid in cash on or about 9 September 2013 to shareholders whose names appear on the register of members of the Company on 3 September 2013.

Subsequent to the end of the reporting period, a distribution of 14.64 HK cents per ordinary share ("**Distribution**") was paid to shareholders of the Company on 28 June 2013 pursuant to an ordinary resolution passed at the special general meeting on 13 June 2013.

## 7. Earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company, and the number of ordinary shares in issue during the year.

The Group has no dilutive potential ordinary shares in issue for the years ended 30 April 2013 and 2012.

The calculation of the basic and diluted earnings per share is based on:

| | **2013** | 2012 |
|---|---|---|
| **Earnings** | | |
| Profit attributable to owners of the Company, used in the basic earnings per share calculation *(US$'000)* | **5,332** | 2,784 |
| **Number of ordinary shares** | | |
| Number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation *('000)* | **683,069** | 683,069 |

## 8. Additions in property, plant and equipment

During the year ended 30 April 2013, the Group spent approximately US$801,000 (2012: US$1,022,000) on acquisition of property, plant and equipment.

## 9. Trade receivables

The general credit terms granted to customers range from 60 days to 90 days. An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Within 30 days | **3,769** | 4,207 |
| 31 to 60 days | **1,006** | 785 |
| 61 to 90 days | **481** | 265 |
| 91 to 365 days | **211** | 227 |
| Over 1 year | **456** | 545 |
| | **5,923** | 6,029 |
| Impairment | **(467)** | (662) |
| | **5,456** | 5,367 |

*Note:*

The trade receivables aged over 90 days are being carefully monitored by management. Approximately US$0.5 million (2012: US$0.7 million) of these balances was covered by the impairment.

## 10. Trade payables

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Within 30 days | **3,363** | 3,416 |
| 31 to 60 days | **1,890** | 2,026 |
| 61 to 90 days | **117** | 227 |
| 91 to 365 days | **91** | 260 |
| Over 1 year | **65** | 68 |
| | **5,526** | 5,997 |

## 11. Related party transactions

(a) During the years ended 30 April 2013 and 2012, the Group had the following significant related party transactions:

| | **2013** | 2012 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Rental expenses paid to related companies | **817** | 350 |

Rental expenses were determined based on the market rate and floor area.

(b) Balance with a related party

At 30 April 2013, the Group had prepaid rent and rental deposit of US$24,000 (2012: US$24,000) to a related company.

(c) Compensation of key management personnel of the Group

| | **2013** | 2012 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Short term employee benefits | **1,977** | 1,198 |
| Post-employment benefits – defined contribution plans | **70** | 49 |
| Equity-settled share option expense | **1** | 4 |
| Total compensation paid to key management personnel | **2,048** | 1,251 |

## 12. Event after the reporting period

At the special general meeting of the Company held on 13 June 2013, a special resolution was passed to approve the reduction of US$12,800,000 standing to the credit of the share premium account of the Company and the transfer of the credit arising therefrom to the contributed surplus account of the Company ("**Share Premium Reduction**"). The Share Premium Reduction became effective on 14 June 2013 and the credit transferred to the contributed surplus account of the Company was then applied to pay the Distribution. Details of the Share Premium Reduction and the Distribution are contained in the circular of the Company dated 21 May 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

***Overview***

Despite the global economy remaining fragile during the year ended 30 April 2013, the Group recorded year-on-year growth in shipment volume of approximately 6.7% from approximately US$258.3 million (equivalent to HK$2,014.7 million) last year to approximately US$275.5 million (equivalent to HK$2,148.9 million) this year. The Group's revenue also grew by approximately 9.3% from approximately US$100.6 million (equivalent to HK$784.7 million) last year to approximately US$110.0 million (equivalent to HK$858.0 million) for the reporting year. The positive performance can be directly attributed to a series of comprehensive initiatives launched in recent years from which the Group has been able to reap returns.

Gross profit climbed by roughly 17.4% from approximately US$23.5 million (equivalent to HK$183.3 million) last year to approximately US$27.6 million (equivalent to HK$215.3 million) this year. The rise was driven by a greater focus on higher margin businesses.

On the cost side, general and administrative expenses for the year ended 30 April 2013 increased by around 6.8% to approximately US$23.5 million (equivalent to HK$183.3 million) from approximately US$22.0 million (equivalent to HK$171.6 million) last year. The increase was caused by ongoing inflation as well as the allocation of more resources for business development in a bid to fuel higher growth.

For the year ended 30 April 2013, the Group achieved a profit after tax of approximately US$5.3 million (equivalent to HK$41.3 million), representing an increase of around 89.3% when compared with a net profit of approximately US$2.8 million (equivalent to HK$21.8 million) recorded last year. The profit included the Indian tax refunds of approximately US$0.8 million (equivalent to HK$6.3 million), the details of which are set out in the paragraph under "Indian Tax Case" below. Excluding the Indian tax refunds, the Group's profit would have amounted to approximately US$4.5 million (equivalent to HK$35.1 million), representing a year-on-year increase of approximately 60.7%.

***Segmental Analysis***

*Operating Segmentation*

The Group's business comprises two operating segments: (i) sales of merchandise including garments, fashion accessories, hardgoods, consumer electronic products and labels; and (ii) provision of services including procurement and value-added services relating to the procurement agency business.

| | **Shipment value For the year ended 30 April** | |
|---|---|---|
| | **2013** | 2012 |
| | ***US$' million*** | *US$' million* |
| Provision of services | **182.5** | 172.1 |
| Sales of merchandise | **93.0** | 86.2 |
| Total | **275.5** | 258.3 |

During the year under review, shipment value from the provision of services increased by approximately 6.0% to approximately US$182.5 million (equivalent to HK$1,423.5 million), accounting for roughly 66.2% of the Group's total shipment value. The increase in shipment was attributable to organic growth of certain key customers.

Shipment value from sales of merchandise increased by approximately 7.9% to approximately US$93.0 million (equivalent to HK$725.4 million), contributing to around 33.8% of the Group's total shipment value. The growth was mainly contributed by new customers in North America and Europe.

*Geographical Segmentation*

| | **Shipment value For the year ended 30 April** | |
|---|---|---|
| | **2013** | 2012 |
| | ***US$' million*** | *US$' million* |
| North America | **138.5** | 120.2 |
| Europe | **76.1** | 70.3 |
| Others | **60.9** | 67.8 |
| Total | **275.5** | 258.3 |

During the year under review, shipments to North America increased by approximately 15.2% to approximately US$138.5 million (equivalent to HK$1,080.3 million). The increase in shipments was mainly attributable to organic growth and business from new customers. North America continued to be the largest market of the Group, contributing approximately 50.3% of the Group's total shipment value.

Shipments to Europe increased by approximately 8.3% to approximately US$76.1 million (equivalent to HK$593.6 million) mainly due to the business from new customers. Shipments to Europe presently account for approximately 27.6% of the Group's total shipment value.

Shipments grouped under "Others", comprising mainly shipments to the southern hemisphere, declined by approximately 10.2% to approximately US$60.9 million (equivalent to HK$475.0 million) due to the effect of conservative consumer sentiment on demand. Others represented approximately 22.1% of the Group's total shipment value.

**Indian Tax Case**

Subsequent to the date of the Company's annual report for the year ended 30 April 2012 ("**2012 Annual Report**"), Linmark International (Hong Kong) Limited ("**Linmark HK**"), a subsidiary of the Company received refunds from the tax authority in India ("**Tax Authority**") in respect of the penalty rescinded by the Commissioner of Income Tax (Appeals) in India pursuant to an order ("**CITA Order**") totalling approximately INR23.5 million (equivalent to approximately HK$3.5 million or US$445,000). Together with the refund of approximately INR19.0 million (equivalent to approximately HK$2.8 million or US$361,000) which has already been received by Linmark HK as previously disclosed in the 2012 Annual Report, Linmark HK received a total refund of approximately INR42.5 million (equivalent to approximately HK$6.3 million or US$806,000).

Based on the advice from the tax adviser of Linmark HK, the time limits for filing an appeal against the order issued by the Income Tax Appellate Tribunal and the CITA Order in India have lapsed and the chance of any further appeal by the Tax Authority is remote. Accordingly, the Group recognised the said refunds totalling approximately INR42.5 million (equivalent to approximately HK$6.3 million or US$806,000) as tax credit in the income statement. A voluntary disclosure in this regard was made on 26 October 2012 pursuant to Rule 13.09 of the Listing Rules.

**Hong Kong Tax Case**

As of the date of this announcement, the Group received protective assessments amounting to approximately HK$106,000,000 (equivalent to US$13,590,000) from the Inland Revenue Department in Hong Kong ("**IRD**") in respect of queries on the modus operandi of the Group and the chargeability of profits for the years of assessment from 2003/2004 to 2006/2007.

In response to enquiries from IRD, Tax Reserve Certificates amounting to HK$4,400,000 (equivalent to US$564,000) have been purchased by two subsidiaries of the Company in pursuit of the holdover of tax demanded under protective assessments for these years.

Taking into account the advice given by the independent tax adviser, the Group maintains the view that sufficient tax provision has been made in the financial statements.

**Financial Review**

The Group's financial position remains healthy with cash and cash equivalents of approximately US$24.3 million (equivalent to HK$189.5 million) as at 30 April 2013. In addition, the Group has total banking facilities of approximately US$20.8 million (equivalent to HK$162.2 million) including borrowing facilities of approximately US$0.4 million (equivalent to HK$3.1 million) as at 30 April 2013.

The Group has a current ratio of approximately 1.9 and a gearing ratio of zero, based on no interest-bearing borrowings and total equity of approximately US$42.7 million (equivalent to HK$333.1 million) as at 30 April 2013. There has not been any material change in the Group's borrowings since 30 April 2013.

Trade receivables slightly increased from approximately US$5.4 million (equivalent to HK$42.1 million) as at 30 April 2012 to approximately US$5.5 million (equivalent to HK$42.9 million) as at 30 April 2013. Gross trade receivables aged over 90 days, which amounted to approximately US$0.7 million (equivalent to HK$5.5 million), are being carefully monitored by management. Approximately US$0.5 million (equivalent to HK$3.9 million) of these balances were covered by the impairment.

The Group's net asset value as at 30 April 2013 was approximately US$42.7 million (equivalent to HK$333.1 million).

The Group had no material contingent liability as at 30 April 2013 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 and Hong Kong dollars. To minimise exchange risks, sales and purchases are generally transacted in the same currency.

**Remuneration Policy and Staff Development Scheme**

As at 30 April 2013, the Group had 422 staff (2012: 416 staff). Total staff costs for the year under review amounted to approximately US$16.0 million (equivalent to HK$124.8 million) (2012: US$14.4 million (equivalent to HK$112.3 million)). The Group offers competitive remuneration schemes to its employees based on industry practices, along with 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.

**Creditors' Voluntary Liquidation of Linmark Electronics Limited ("LEL")**

On 28 July 2009, LEL, a company incorporated in the United Kingdom ("**UK**") and a 60% subsidiary of the Company, filed a notice of appointment of administrators in the UK ("**Administration**"), pursuant to which joint administrators ("**Administrators**") of LEL were appointed ("**Appointment**") pursuant to paragraph 22 of Schedule B1 to the Insolvency Act 1986 of the UK. Upon the Appointment, the legal control of business of LEL was transferred from the directors of LEL to the Administrators. Since then, the Company has lost control over the financial and operating policies of LEL and therefore, the financial results of LEL have ceased to be consolidated with those of the Group upon the Appointment.

As stated in the announcement of the Company dated 27 January 2010, according to the Administrators, on 25 January 2010 (UK time), LEL moved from Administration to creditors' voluntary liquidation ("**Liquidation**") and the Administrators were appointed the liquidators ("**Liquidators**") pursuant to paragraph 83 of Schedule B1 to the Insolvency Act 1986 of the UK and as approved by the creditors of LEL. It was also stated in the said announcement that the Liquidators would adjudicate creditors' claims following which they anticipated paying a dividend to creditors of LEL; and further to such process, the Liquidators would take steps to dissolve LEL.

In June 2012 and November 2012, the Group received a first and final dividend, and a second and final dividend amounting to approximately GBP44,000 and GBP3,000 (equivalent to US$69,000 and US$5,000) respectively as one of the creditors of LEL, and such amounts totalling approximately GBP47,000 (equivalent to US$74,000) were recorded in the financial statements of the Group for the year ended 30 April 2013. It is expected that the Liquidators would be undertaking the required statutory and administrative steps to close the Liquidation and to dissolve LEL.

As disclosed in the interim report of the Company for the six months ended 31 October 2009, the unaudited total net liabilities of LEL included in the consolidated statement of financial position of the Group amounted to approximately US$5.3 million (equivalent to HK$41.3 million). Upon the commencement of the Liquidation, a non-cash profit of approximately US$5.3 million (equivalent to HK$41.3 million) was recognised in the consolidated income statement for the year ended 30 April 2010 of the Group as a gain on liquidation of a subsidiary. Save for the gain on liquidation of a subsidiary and dividend income as mentioned above, the Board does not expect the Liquidation to have any other material impact on the Group.

## Prospects

The challenges to the global business environment are expected to persist in the coming year. The principal reason is that the Eurozone continues to be burdened by the sovereign debt crisis and high unemployment, leaving in its wake continued market instability and erosion of customers' confidence across the region. While the situation in the United States has improved, growth has proceeded erratically.

Although global economic growth remains sluggish, management expects the business to increase incrementally during the first half of the next financial year. The business development efforts made in securing new customers will continue to bring benefits to the Group in the near future. In fact, the climb in profitability in the past year is evidence of the effectiveness of business strategies adopted. To bolster the Group's competitiveness, Linmark will continue to offer a greater variety of products and provide more value-added services. At the same time, the Group is strengthening partnerships with existing customers, promoting cross-selling and exploring new business opportunities.

Rising inflation and currency appreciation are expected to contribute to increasing costs in countries where the Group operates, particularly in China. To alleviate their impact, management will continue to closely monitor and implement effective cost control measures to better manage operating expenses. In addition, the Group will further diversify its sourcing base to address different customers' needs.

While economic, market and cost challenges remain, management is cautiously optimistic about the financial performance of the Group in the coming year based on its sound business fundamentals.

## DIVIDENDS AND DISTRIBUTION

An interim dividend of 1.60 HK cents per ordinary share in respect of the six months ended 31 October 2012 was paid on 15 January 2013.

The Distribution of 14.64 HK cents per ordinary share was approved by shareholders at the special general meeting held on 13 June 2013 and paid to shareholders on 28 June 2013.

The Directors recommend the payment of a final dividend of 1.20 HK cents per ordinary share in respect of the year ended 30 April 2013. Subject to shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid in cash on or about 9 September 2013 to shareholders whose names appear on the register of members of the Company on 3 September 2013.

## CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting is expected to be held on Monday, 26 August 2013. For the purpose of ascertaining the shareholders' rights of attending and voting at the forthcoming annual general meeting, the register of members of the Company will be closed from Thursday, 22 August 2013 to Monday, 26 August 2013, both days inclusive. In order to be entitled to attend the annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4.30 p.m. on Wednesday, 21 August 2013.

## CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

For the purpose of determining the entitlement to the final dividend in respect of the year ended 30 April 2013, the register of members of the Company will be closed from Friday, 30 August 2013 to Tuesday, 3 September 2013, 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 registrar of the Company, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4.30 p.m. on Thursday, 29 August 2013.

## SHARE PREMIUM REDUCTION

At the special general meeting of the Company held on 13 June 2013, a special resolution was passed to approve the reduction of US$12,800,000 (equivalent to approximately HK$100,000,000) standing to the credit of the share premium account of the Company and the transfer of the credit arising therefrom to the contributed surplus account of the Company. The Share Premium Reduction became effective on 14 June 2013 and the credit transferred to the contributed surplus account of the Company was then applied to pay the Distribution. Details of the Share Premium Reduction and the Distribution are contained in the circular of the Company dated 21 May 2013.

## 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 2013.

## REVIEW OF RESULTS

The audit committee, comprising the three independent non-executive Directors referred to below, has reviewed with management and the Company's external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the report prepared by the external auditors to the audit committee in respect of the audit of the financial statements of the Group for the year ended 30 April 2013.

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

The Company has adopted the Code Provisions ("**Code Provisions**") as stated in the Corporate Governance Code and Corporate Governance Report ("**CG Code**") contained in Appendix 14 to the Listing Rules as the Corporate Governance Code of the Company.

Currently, there are four Board committees, namely, audit committee, remuneration committee, nomination committee and executive committee.

During the year under review, save for the deviation from Code Provision A.2.1, the Company fully complied with the Code Provisions in the CG Code.

**Code Provision A.2.1**

Mr. WANG Lu Yen, the chairman of the Company, is also the chief executive officer of the Company. Such practice deviates from Code Provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

In view of Mr. WANG Lu Yen's extensive experience in the industry and in-depth knowledge of the Group's operation and business, the Board believes that Mr. Wang is instrumental in formulating and implementing the Group's strategies. The Board expects that the Group will benefit from a unified chairman and chief executive officer position that provides clarity of leadership and allows efficient decision-making in strategic matters as well as the Group's day-to-day business. However, as the corporate needs of the Group may change from time to time, the Board will review regularly the Board composition and division of responsibilities to ensure balance of power and corporate governance practices appropriate for the size and structure of the Group's business.

A corporate governance report of the Company with details of the policies and practices on corporate governance will be set out in the Company's 2013 annual report.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by the Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code during the year under review and up to the date of this announcement.

The Company has also established written guidelines on no less exacting terms than the Model Code ("**Employees Written Guidelines**") for securities transactions by relevant employees who are likely to be in possession of unpublished inside information in relation to the Company and its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

## BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises two executive Directors, being Mr. WANG Lu Yen (Chairman and Chief Executive Officer) and Mr. WONG Hing Lin, Dennis (Chief Financial Officer), one non-executive Director, being Mr. WONG Wai Ming and three independent non-executive Directors, being Mr. WANG Arthur Minshiang, Mr. TSE Hau Yin, Aloysius and Mr. Jakob Jacobus Koert TULLENERS.

## PUBLICATION OF THE RESULTS AND ANNUAL REPORT

The results announcement is published on the designated website of the Stock Exchange for news dissemination at www.hkexnews.hk and on the Company's website at www.linmark.com. The 2013 annual report will be despatched to the shareholders and available on the same websites on or about 26 July 2013.

By Order of the Board
**WANG Lu Yen**
*Chairman & Chief Executive Officer*

Hong Kong, 12 July 2013

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* *For identification purpose only*