

Business Review

The Group's results for the period under review was affected by external factors including the SARS outbreak, which inevitably resulted in the cancellation of buying trips and the postponement of orders. Despite this, the Group's expansion of value-added services helped it to ride through the impact, enabling the Group to deliver better overall net profit margins.

For the six months ended 31 October 2003, the Group's shipment volume reached approximately US\$291.5 million (equivalent to HK\$2,273.7 million), approximately 6.7% lower than that for the corresponding period of last year. This mainly reflected the weak global retail market and late placement of orders due to SARS. In addition, economic downturn and the Iraqi war cast a shadow over consumer confidence and purchasing power, inevitably creating an impact on the Group's performance. Turnover was reported at approximately US\$21.2 million (equivalent to HK\$165.4 million), approximately 8.6% lower than that for the corresponding period of last year. Buying agency and service income accounted for approximately 82.0% of the turnover, whilst the remaining approximately 18.0% was generated from the sales of merchandise.

The Group's strategies to improve net profit margins, including expansion of value-added services, have proved effective. Net profit after tax as a percentage of turnover for the period under review improved from approximately 29.3% to approximately 33.1%. Therefore, although gross profit was approximately 4.2% lower at approximately US\$18.2 million (equivalent to HK\$142.0 million), the Group delivered an approximately 3.3% rise in net profit after tax to approximately US\$7.0 million (equivalent to HK\$54.6 million) for the period under review. Basic earnings per share was maintained at approximately 1.1 US cents (equivalent to 8.6 HK cents).

業務回顧

由於種種外圍因素(包括爆發非典型肺炎)，部份海外買家取消採購行程及推遲訂單實在所難免，致令集團於回顧期間的業績亦受影響。儘管如此，憑藉擴展增值服務，集團得以克服這沖擊，並提高整體純利率。

於截至二零零三年十月三十一日止六個月，集團的付運總值約達291,500,000美元(相等於2,273,700,000港元)，比去年同期下跌約6.7%。這主要反映環球零售市道疲弱及部份訂單因爆發非典型肺炎而推遲。此外，經濟不景及伊拉克戰爭令消費信心及購買力蒙上陰影，難免亦對集團的表現造成影響。營業額約達21,200,000美元(相等於165,400,000港元)，比去年同期減少約8.6%。採購代理及服務收入佔營業額約82.0%，其餘約18.0%則來自商品銷售。

集團改善純利率的策略(包括擴展增值服務)證實奏效。於回顧期間除稅後純利對比營業額的百分率由約29.3%上升至約33.1%。因此，雖然回顧期間的毛利下跌約4.2%至約18,200,000美元(相等於142,000,000港元)，集團的除稅後純利卻增加約3.3%至約7,000,000美元(相等於54,600,000港元)。每股基本盈利維持於約1.1美仙(相等於8.6港仙)。

Business Review (continued)

- The Group's market diversification strategy resulted in a lower turnover contribution from the North American market. The US, though, remained the Group's largest market, its contribution to turnover eased from approximately 36.7% for the corresponding period of last year to approximately 34.0% for the period under review. In value terms, the US market generated turnover of approximately US\$7.2 million (equivalent to HK\$56.2 million) for the period under review. Turnover from the Canadian market was reported at approximately US\$6.3 million (equivalent to HK\$49.1 million), accounting for approximately 29.9% of the total turnover. Nevertheless, turnover from the European and other markets rose by approximately 19.6% during the period under review to reach approximately US\$7.7 million (equivalent to HK\$60.1 million), accounting for approximately 36.1% of the total turnover. The Group's presence in these markets is expected to be higher in future with the rising contribution from new customers and ISO International (Holdings) Limited ("ISO") (as referred to below) who enjoy a significant European market presence.

業務回顧 (續)

- 集團的市場多元擴展策略令北美市場的營業額貢獻比率下降。美國雖仍是集團的最大市場，但其於回顧期間的營業額貢獻已由去年同期約36.7%下降至約34.0%。以價值計，回顧期間源自美國市場的營業額約為7,200,000美元（相等於56,200,000港元）。源自加拿大市場的營業額約為6,300,000美元（相等於49,100,000港元），佔總營業額約29.9%。然而，回顧期間源自歐洲及其他市場的營業額上升約19.6%至約7,700,000美元（相等於60,100,000港元），佔總營業額約36.1%。隨着已在歐洲取得相當市場佔有率的新客戶及ISO International (Holdings) Limited（「ISO」）（見述於下文）的貢獻日漸增加，日後集團在這些市場的佔有率料將提升。

Business Review (continued)

- The Group's hardgoods business performed steadily during the period under review, generating turnover of approximately US\$2.5 million (equivalent to HK\$19.5 million), and accounting for approximately 12.0% of the total turnover as compared to approximately 11.0% in the corresponding period of last year. The Group regards the hardgoods business as a driver for long term growth and remains committed to developing this business further. In line with this strategy, the Group has, subsequent to the review period, acquired the entire interest of ISO. ISO is a supply chain management company specialising in home lifestyle consumer electronic goods with a strong European customer base. Led by a strong management team with over 20 years' industry experience, ISO is expected to act as a springboard for the Group's expansion in the hardgoods business.
- The Group's well-defined strategy to promote its value-added services paid off during the period under review. It reported an encouraging growth of approximately 20.0% in turnover to approximately US\$6.6 million (equivalent to HK\$51.5 million), accounting for approximately 31.3% of the total turnover. There was significant growth in a number of the value-added services. Specifically, our label, trim and packaging division was appointed the nominated supplier for a number of our accounts and our social compliance division was appointed as the exclusive auditor for several customers outside of our sourcing customer base. In addition, we introduced eServices as a business model to sell our L.O.G.O.N. services to all parties in the supply chain. The management believes the value-added services will continue to create major impetus for both top and bottom line growth as more of these services are introduced.

業務回顧 (續)

- 集團旗下的雜貨採購業務於回顧期間表現穩定，營業額約為2,500,000美元(相等於19,500,000港元)，佔總營業額約12.0%，去年同期則約佔11.0%。集團將雜貨採購業務視為長期增長的動力，故仍會悉力進一步發展這項業務。為配合有關策略，集團於回顧期間後購入ISO之全部權益。ISO為一間供應鏈管理公司，專注於家居消費電子產品，在歐洲擁有強大的客戶基礎。在其具備逾二十年業界經驗的精英管理層的領導下，ISO料將成為集團擴展雜貨採購業務的跳板。
- 集團推廣旗下增值服務的明確策略於回顧期間已見回報。其約20.0%的營業額增幅令人鼓舞，約達6,600,000美元(相等於51,500,000港元)，佔總營業額約31.3%。多項增值服務均見顯著增長。集團旗下的品牌開發、輔料及包裝部獲數家客戶委任為指定供應商，而社會責任經營守則監查部則獲集團外判客戶以外的數家客戶委任為獨家審核員。此外，集團將電子服務引進為一個業務模式，以向旗下供應鏈內有關各方推廣集團的L.O.G.O.N.服務。管理層相信，隨着更多增值服務的推出，這些服務將繼續營造動力，促進集團的營業額及盈利增長。

Business Review (continued)

- As part of the Group's ongoing strategy to review its sourcing network, the period under review saw the opening of the new Guangzhou office, which reaffirms the Group's commitment to maintain the most efficient global sourcing network.

Remuneration Policy and Staff Development Scheme

At 31 October 2003, the Group employed about 730 staff. The total staff costs for the period under review amounted to approximately US\$8.3 million (equivalent to HK\$64.7 million) (2002: US\$8.0 million (equivalent to HK\$62.4 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. It also offers fringe benefits such as professional tuition and training subsidies to staff to enhance their sense of loyalty and as part of the Group's emphasis on staff training and development.

Financial Review

The Group's financial position is very strong with cash and bank balances of approximately US\$40.8 million (equivalent to HK\$318.2 million) at 31 October 2003 (Please refer to section "Use of Proceeds of the Initial Public Offering" for details of fund usage.). In addition, the Group has banking facilities of approximately US\$2.5 million (equivalent to HK\$19.5 million) which have not been utilised. The Group has continued to operate under a debt-free model with no outstanding debt at 31 October 2003 except a hire purchase loan for a motor vehicle.

業務回顧 (續)

- 配合集團持續檢討旗下採購網絡的策略，於回顧期間新設的廣州採購辦事處經已開幕，再次肯定集團悉力維繫一個最具效率的環球採購網絡。

薪酬政策及員工培訓計劃

於二零零三年十月三十一日，本集團聘有約730名員工。回顧期間的員工成本總額約為8,300,000美元(相等於64,700,000港元)(二零零二年：8,000,000美元(相等於62,400,000港元))。本集團按行業慣例、員工個人及集團表現為僱員制訂具競爭力的薪酬方案，並根據本集團及員工個人表現將購股權及酌定花紅授予和發放予合資格員工。此外，本集團亦為員工提供專業進修及培訓津貼等福利，以加強員工的忠誠度及配合本集團着重員工培訓及發展的方針。

財務回顧

本集團的財務狀況十分穩健，於二零零三年十月三十一日的現金及銀行結存約為40,800,000美元(相等於318,200,000港元)(有關資金運用詳情，請參閱下文「首次公開招股所得款項用途」一節)。此外，尚有未動用的銀行信貸約2,500,000美元(相等於19,500,000港元)。本集團繼續貫徹其無負債的營運模式，除了一項汽車租購貸款外，於二零零三年十月三十一日並無任何未償還的負債。

Financial Review (continued)

The Group has a strong current ratio of 11.3 and a low gearing ratio of 0.0003, based on interest bearing borrowing of approximately US\$17,000 (equivalent to HK\$133,000) and shareholders' equity of approximately US\$49.9 million (equivalent to HK\$389.2 million) at 31 October 2003. During the period under review, the Group's capital comprised solely shareholders' equity.

The Group's net asset value at 31 October 2003 was approximately US\$49.9 million (equivalent to HK\$389.2 million). There has not been any material change in the Group's borrowings since 31 October 2003.

The majority of the Group's transactions are denominated in US dollars and Hong Kong dollars. Since Hong Kong dollar is pegged to US dollar, the management believes the exchange risk is not significant at this time.

Use of Proceeds of the Initial Public Offering

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 10 May 2002. Through the issue of 148.2 million new shares at HK\$1.68 each, the Group raised approximately US\$31.9 million (equivalent to HK\$248.8 million). After deduction of listing related expenses, net proceeds were approximately US\$27.8 million (equivalent to HK\$216.8 million).

At 31 October 2003, a total of approximately US\$2.1 million (equivalent to HK\$16.4 million) of the net proceeds has been used for information technology investment (L.O.G.O.N. system), and setting up of sourcing offices in China.

財務回顧 (續)

本集團的流動比率維持於11.3的穩健水平，而按於二零零三年十月三十一日的計息借貸約17,000美元(相等於133,000港元)及股東資金約49,900,000美元(相等於389,200,000港元)計算的資本負債比率為0.0003的低水平。於回顧期間，本集團資本僅由股東資金組成。

本集團於二零零三年十月三十一日的資產淨值約為49,900,000美元(相等於389,200,000港元)。自二零零三年十月三十一日後，本集團借貸並無任何重大變動。

本集團的大部份交易以美元及港元結算。由於港元與美元掛鈎，管理層相信目前之滙兌風險不大。

首次公開招股所得款項用途

本公司股份於二零零二年五月十日在香港聯合交易所有限公司(「聯交所」)主板上市。本集團按每股1.68港元發售148,200,000股新股，集資約31,900,000美元(相等於248,800,000港元)。於扣除上市的有關開支後，所得款項淨額約為27,800,000美元(相等於216,800,000港元)。

於二零零三年十月三十一日，上述所得款項淨額中共約2,100,000美元(相等於16,400,000港元)已用於資訊科技投資(L.O.G.O.N.系統)及在中國開設採購辦事處。

Use of Proceeds of the Initial Public Offering *(continued)*

Subsequent to 31 October 2003, the Company has acquired ISO at a consideration of approximately US\$19.9 million (equivalent to HK\$155.0 million), out of which approximately US\$18.2 million (equivalent to HK\$142.0 million) has been financed by the above net proceeds.

The remaining of the net proceeds of approximately US\$7.5 million (equivalent to HK\$58.5 million) will be used as planned to further expand the sourcing network, enhancement of L.O.G.O.N. system, marketing and business development and mergers and acquisitions. While the Group continues to look for synergistic merger and acquisition targets, a substantial part of the cash on hand is placed into fixed bank deposits.

Prospects

Based on current assessment, the management maintains an overall positive view for the Group's prospects in the second half of the financial year ending 30 April 2004. On the one hand, the acquisition of ISO in November 2003 and new customers in the first six months has laid solid foundations on which the Group will continue to grow. The benefits of having ISO on board are multi-fold: the satisfactory track record of ISO is certain to contribute to the Group's operating results; additionally, ISO will allow the Group to seize opportunities in the rapidly growing consumer electronic goods market and therefore drive the growth of the hardgoods business. It will also broaden Linmark's presence in the European market, creating more growth potential globally.

首次公開招股所得款項用途 (續)

於二零零三年十月三十一日後，本公司以代價約19,900,000美元(相等於155,000,000港元)收購 ISO，其中約18,200,000美元(相等於142,000,000港元)已從上述所得款項淨額撥付。

餘額約7,500,000美元(相等於58,500,000港元)將按計劃用於進一步擴展採購網絡、提升 L.O.G.O.N. 系統、市場推廣及業務發展，以及併購活動。在繼續物色具協同效應的併購目標之同時，本集團已將手持的大部份現金存作定期銀行存款。

展望

根據目前評估，對集團於截至二零零四年四月三十日止財政年度下半年的前景，管理層持整體正面的看法。一方面，於二零零三年十一月收購 ISO 及於首六個月取得的新客戶已為集團未來的持續增長奠定穩固的基礎。收購 ISO 對集團來說具備多重利益：ISO 令人滿意的業績紀錄必定可對集團的經營業績作出貢獻；此外，ISO 將可助集團在迅速增長的消費電子產品市場把握機遇，從而推動集團旗下雜貨採購業務的增長。有關收購亦將有助加強林麥在歐洲市場的參與，為其發掘全球業務增長的潛力。

Prospects *(continued)*

At the same time, the directors are also expecting to see the order pattern improve as the retail market slowly recovers and as the Group regains the previously delayed orders due to the SARS outbreak. Orders from newly signed-on customers are also expected to fuel growth.

Value-added services will continue to be an integral part of our diversification strategy and will be an important driver of top and bottom line growth.

Meanwhile, the Group will continue to identify suitable merger and acquisition opportunities to enhance further growth. Riding the increasing trend for outsourcing, the directors are confident the Group will achieve its business goals for the financial year ending 30 April 2004.

展望 *(續)*

同時，隨着零售市道逐漸復甦及集團重獲之前因爆發非典型肺炎而推遲的訂單，董事會預期訂單模式將見改善。來自新簽客戶的訂單預期亦會帶動增長。

增值服務將繼續是集團多元擴展策略的一個重要環節，並將是帶動營業額及盈利增長的重要動力。

與此同時，集團將繼續物色合適的併購機會，藉以進一步提高增長。乘着外判日增的趨勢，董事會有信心集團將可達至其截至二零零四年四月三十日止財政年度的業務目標。