

Report of the Chief Executive Officer

行政總裁報告書

Business Review

Overview

For the year ended 30 April 2004, the Group recorded higher shipment volume of approximately US\$714.1 million (equivalent to HK\$5,570.0 million), representing an increase of approximately 12.8% as compared to last year. Turnover was reported at approximately US\$44.3 million (equivalent to HK\$345.5 million). Buying agency and service income continued to be the major source of revenues, accounting for approximately 83.4% of the total turnover. Sales of merchandise contributed to the remaining approximately 16.6%.

The Group's profit continued to improve. Profit after taxation attributable to shareholders rose by approximately 18.6% to reach approximately US\$14.6 million (equivalent to HK\$113.9 million). The Group also achieved higher levels of profit margins. Gross profit margin improved from approximately 84.0% to 87.3% whilst net margin as a percentage of shipment volume climbed from approximately 1.95% to 2.05%. This was mainly attributable to the increased contribution of our hardgoods business and value-added services, which we have identified as major drivers for business margins.

Market Overview

The Group continued to make good progress in diversifying its business geographically, boasting particularly a larger presence in the European market.

業務回顧

概覽

截至二零零四年四月三十日止年度，本集團的付運量總值約為714,100,000美元(相等於5,570,000,000港元)，較去年上升約12.8%。營業額約為44,300,000美元(相等於345,500,000港元)。採購代理及服務收入仍然是本集團的主要收益來源，約佔總營業額83.4%，而商品銷售則佔餘下約16.6%。

本集團的溢利持續改善，除稅後股東應佔溢利上升至約14,600,000美元(相等於113,900,000港元)，增幅約為18.6%。此外，本集團的毛利率水平亦有所提升，由約84.0%升至87.3%，而以付運量百分比計算的純利率則由約1.95%上升至2.05%，主要是雜貨採購業務及增值服務的溢利貢獻增加所致，而本集團已認定兩者為業務利潤增長的主要動力。

市場概覽

本集團在拓展業務的地域分佈方面續有可觀進展，當中以歐洲市場的拓展最為顯著。

...Global Touch

網絡貫通

Present in 36 cities in 25 countries and territories, we stay close to both our customers and suppliers. Our L.O.G.O.N. system also connects us with them at the touch of a button – helping us to maintain the most effective communication

林麥集團的網絡遍佈全球 25 個國家及地區的 36 個城市，貼近客戶和供應商。透過 L.O.G.O.N. 系統，只消輕觸按鈕，即能接達客戶和供應商，彼此連繫無間，維繫最有效率的溝通



US Market

The US continued to be the Group's largest market, generating turnover of approximately US\$15.1 million (equivalent to HK\$117.8 million), representing approximately 34.1% of the total turnover. In January 2004, Linmark was invited to speak on the topic of "Sourcing from the Far East" at the 2004 Logistics Conference organised by the International Mass Retail Association (now known as Retail Industry Leaders Association), a leading retail trade body in the US. The invitation represented the recognition of the Group's expertise in sourcing by the retail industry in the US, thus helping to promote Linmark's profile in one of the most important apparel markets in the world.

Canadian Market

The Canadian market brought in turnover of approximately US\$12.2 million (equivalent to HK\$95.2 million) during the year under review, making up approximately 27.5% of the Group's total turnover. Sluggish consumer demand in Canada affected apparel sales. However, by providing more value-added services to its customers, the Group secured a stable share of the market.

European Market

Europe was our third largest market and, during the year under review, turnover from this market jumped from approximately US\$2.8 million (equivalent to HK\$21.8 million) to approximately US\$6.0 million (equivalent to HK\$46.8 million). The European market represented an increase of approximately 117.2% over the previous financial year. Its share of the total turnover also rose from approximately 6.3% to 13.6%. The credit for this strong growth goes to the Group's new hardgoods business arm, which has a solid customer base in Europe.

美國市場

美國仍是本集團最大市場，營業額錄得約15,100,000美元（相等於117,800,000港元），約佔總營業額34.1%。二零零四年一月，林麥應邀參加美國主要零售貿易組織 International Mass Retail Association（現稱 Retail Industry Leaders Association）主辦的二零零四年物流會議，並且在會上發表「遠東採購」的演講。本集團獲邀出席該會議，代表其採購專長獲得美國零售界肯定，有助提升林麥在這個全球其中一個最主要服裝市場的知名度。

加拿大市場

於回顧年度內，加拿大市場的營業額約為12,200,000美元（相等於95,200,000港元），約佔本集團總營業額27.5%。由於加拿大消費者需求放緩，服裝銷售亦受到影響。然而，本集團向顧客提供更多的增值服務，穩佔市場份額。

歐洲市場

歐洲是本集團第三大市場，於回顧年度內，營業額由約2,800,000美元（相等於21,800,000港元）躍升至約6,000,000美元（相等於46,800,000港元），歐洲市場較上一財政年度上升約117.2%。而歐洲市場所佔總營業額的百分比，亦由約6.3%上升至13.6%。營業額之強勁增長，主要是因為本集團新增了在歐洲市場擁有穩固客戶基礎的雜貨採購業務所致。

...on Top of Trends

潮流品味

We know the market trends, from fabrics, to colors, trims through silhouettes – giving us a creative advantage and adding real value to our customers
林麥掌握市場脈搏，緊貼衣料、顏色、款式以至輔料的潮流
— 瞭解透徹，自能盡顯創意，真正為客戶增值



Hong Kong and Other Markets

During the year under review, the Group's turnover from Hong Kong and other markets was approximately US\$11.0 million (equivalent to HK\$85.7 million). In addition to a satisfactory operating performance in these markets, the Company received the Export Marketing Award in the 2003 Hong Kong Awards for Services organised by the Hong Kong Trade Development Council in January 2004, recognising the high standards of services offered by the Group.

Hardgoods Development

The Group acquired the entire equity interest in ISO International for a consideration of approximately US\$19.9 million (equivalent to HK\$155.0 million) in November 2003. With a solid customer base in Europe, ISO International is a supply chain management company specialising in home lifestyle consumer electronic products. As the acquisition was only made in November 2003, the Group's results for the year under review reflected only about 5-month's contribution from ISO International. For the year under review, turnover from hardgoods business amounted to approximately US\$8.1 million (equivalent to HK\$63.2 million), approximately 52.8% higher than the previous financial year. Its share of the total turnover also climbed from approximately 12.0% to 18.3%. Details of the Group's acquisition of ISO International are set out in the Company's announcement dated 12 November 2003 and the Company's circular dated 28 November 2003.

In addition to working to bring about efficient integration of ISO International with Linmark's other operations, the Group is also committed to promoting ISO International's organic growth. In April 2004, ISO International formed a strategic alliance with PSB Certification Pte Ltd, a wholly owned subsidiary of SPRING Singapore, the former Singapore Productivity and Standards Board. As a provider of one-stop sourcing services including consultancy, design, sourcing and procurement, quality inspection, fulfillment and certification services, the alliance is expected to strengthen ISO International's capabilities to undertake ISO certification services, helping customers achieve the highest product quality.

香港及其他市場

於回顧年度內，本集團於香港及其他市場錄得約11,000,000美元（相等於85,700,000港元）的營業額。除於香港及其他市場有理想經營表現外，本公司更於二零零四年一月在香港貿易發展局主辦的二零零三年香港服務業頒獎禮中獲頒出口市場推廣獎，此乃對本集團高水平服務之認同。

雜貨採購發展

本集團於二零零三年十一月收購 ISO International 的全部股本權益，代價約19,900,000美元（相等於155,000,000港元）。ISO International 是一間專注於家居消費電子產品的供應鏈管理公司，在歐洲有穩固客戶基礎。由於收購事項於二零零三年十一月才進行，故本集團於回顧年度的業績只反映 ISO International 約五個月的溢利貢獻。於回顧年度內，雜貨採購的營業額約達8,100,000美元（相等於63,200,000港元），較上一財政年度攀升約52.8%，而所佔總營業額百分比亦由約12.0%上升至18.3%。有關本集團收購 ISO International 的詳情載於本公司於二零零三年十一月十二日刊發的公佈及本公司於二零零三年十一月二十八日刊發的通函。

除了力求 ISO International 有效融入林麥的其他業務外，本集團亦致力推動 ISO International 本身的業務增長。二零零四年四月，ISO International 與 PSB Certification Pte Ltd（為 SPRING Singapore 新加坡標準生產力及創新局（前稱新加坡生產力及標準局）的全資附屬公司）組成策略聯盟。ISO International 提供一站式採購服務，包括顧問、設計、採辦、採購、質量檢查、達標及認證服務，預期該策略聯盟可增強 ISO International 從事國際標準認證服務的實力，協助顧客的產品符合最佳品質水平。

Value-added Services

During the year under review, turnover from the Group's value-added services, which enjoy higher margins, went up a further approximately 13.8% to reach approximately US\$12.4 million (equivalent to HK\$96.7 million). Its share of the total turnover also rose to approximately 28.0%. The Group's wide offer of value-added services for customers included product development and design services, packaging and trim services, quality assurance services and social compliance auditing services. The importance of the Group's L.O.G.O.N. system also went beyond facilitating operations. In November 2003, eServices, a suite of supply chain management functions of the L.O.G.O.N. system, was introduced as a business product and has been sold to customers and vendors. Management expects contributions from the value-added services to the Group's total turnover to continue to grow well in the coming years.

China Expansion

The Group has identified China early on as an important market to grow. With its entry into the World Trade Organisation, China has become more integrated with the world and its retail sector has seen many changes. To capitalise on opportunities in the retail sector, Linmark actively sought to further promote its presence in the China market during the year under review. It co-hosted, through Roly International Holdings Ltd., its parent company, for the second time, the China Department Store Summit held in Beijing in April 2004. The management regards the summit as a valuable channel to introduce Linmark's sourcing solutions to Chinese retailers who are in search of more innovative business solutions.

增值服務

於回顧年度，本集團旗下利潤較高的增值服務再創佳績，營業額進一步攀升約13.8%，約達12,400,000美元(相等於96,700,000港元)，所佔總營業額比重亦進一步增加至約28.0%。本集團為客戶提供多元增值服務，包括產品開發及設計、包裝及輔料、品質保證以至社會責任經營守則監查等各項服務。本集團的L.O.G.O.N.系統亦再添新猷，除了有助業務營運外，本集團於二零零三年十一月更將L.O.G.O.N.系統內其中一組供應鏈管理功能——電子服務引進為業務產品，銷售予客戶及供應商。管理層預期未來幾年增值服務對本集團總營業額的貢獻繼續有理想增長。

擴展中國市場

本集團早已認定中國為重要發展市場。中國加入世界貿易組織之後，已更為融入世界，而國內零售業亦因此經歷不少改變。為了抓緊零售業的商機，林麥於回顧年度積極在中國市場爭佔更佳位置。本集團於二零零四年四月透過母公司 Roly International Holdings Ltd. (全威國際控股有限公司)，再度協辦在北京舉行的中國百貨業高峰論壇。管理層認為，是次論壇乃一寶貴渠道，可藉此向國內現正謀求更多創新商業解決方案的零售商，推介林麥旗下的採購解決方案。

...Modern Living 時尚生活

A new attitude for life, an ultimate blend of quality and style – we deliver a variety of household products that complement today's lifestyle

生活新態度，品質與款式的最終結合 —

我們帶來各式各樣的家居用品，配合現今生活方式



In May 2004, the Group signed a letter of intent with the China Textile Information Centre (“CTIC”) and China Textiles Development Centre (“CTDC”), which are subordinate organisations of the China National Textile Industry Council (the former Textile Ministry), to form a joint venture to jointly promote Chinese apparel and textile in the global marketplace. The CTIC and CTDC are commissioned by the Chinese government to modernise the textile industry of China. The proposed joint venture with the two centres will concentrate on lab testing, social compliance and the marketing of Chinese textiles, and in the view of management, it will serve as a valuable gateway for the Group to expand and strengthen its presence in the China market.

Network Expansion

One of the competitive strengths of Linmark is its global marketing and supplier network and, as such, regular reviews are undertaken to enhance this network. On the marketing front, we added presence in Los Angeles, New York, Toronto, Paris and Manchester, which allows Linmark to get closer to its customers. On the supplier side, there were the addition of the Guangzhou office and presence in Qingdao in China, Matsapha in Swaziland and Dubai in United Arab of Emirates. These initiatives demonstrated the Group’s commitment to constantly improve its sourcing capabilities.

二零零四年五月，本集團與中國紡織信息中心及國家紡織產品開發中心(兩者均為中國紡織工業協會(前中國紡織部)屬下機關)簽立意向書，以組成一合營企業在全球市場攜手推廣中國成衣及紡織品。中國紡織信息中心及國家紡織產品開發中心是由中國政府任命，負責推動中國紡織業現代化。本集團與該兩中心擬組成的合營企業，主要專注於實驗室測試、社會責任經營守則監查及推廣中國紡織品等方面的業務。管理層認為是次合作誠為本集團擴大及加強在中國市場所佔據點造就寶貴機會。

擴闊網絡

林麥的環球市場推廣及供應商網絡，是本集團賴以成功的競爭優勢之一，故本集團定期檢討加強網絡。在市場推廣方面，洛杉磯、紐約、多倫多、巴黎及曼徹斯特等地均增設據點，拉近林麥與客戶的距離。供應商方面，本集團已在中國廣州設立辦事處，及分別在中國青島、斯威士蘭的馬扎巴及阿拉伯聯合酋長國的杜拜設立據點。上述各項舉措顯示本集團致力不斷改進採購實力。

Financial Review

The Group's financial position is strong with cash and cash equivalents of approximately US\$34.9 million (equivalent to HK\$272.2 million) as at 30 April 2004. In addition, the Group has banking facilities of approximately US\$3.5 million (equivalent to HK\$27.3 million) which have not been utilised. The Group has no outstanding debt as at 30 April 2004 except a hire purchase loan for a motor vehicle at a net book value of approximately US\$34,000 (equivalent to HK\$265,000).

The Group has a strong current ratio of 6.6 and a negligible gearing ratio of less than 0.1%, based on the interest bearing borrowing of approximately US\$6,000 (equivalent to HK\$47,000) and shareholders' equity of approximately US\$56.6 million (equivalent to HK\$441.5 million), as at 30 April 2004. During the year under review, the Group's capital consisted solely of shareholders' equity. There are no material changes in the Group's borrowing since 30 April 2004.

The Group's net asset value as at 30 April 2004 was approximately US\$56.6 million (equivalent to HK\$441.5 million).

As at 30 April 2004, the Group had no material contingent liability and there has been no material change since then.

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

財務回顧

本集團的財務狀況穩健，於二零零四年四月三十日的現金及現金等值項目約為34,900,000美元(相等於272,200,000港元)。此外，本集團尚有未動用的銀行信貸約3,500,000美元(相等於27,300,000港元)。本集團除了一項賬面淨值約為34,000美元(相等於265,000港元)的汽車租購貸款外，於二零零四年四月三十日並無任何未償還的負債。

本集團的流動比率維持於6.6的穩健水平，而按二零零四年四月三十日的計息借貸約6,000美元(相等於47,000港元)及股東資金約56,600,000美元(相等於441,500,000港元)計算，資本負債比率處於不足0.1%的極低水平。於回顧年度內，本集團資本僅由股東資金組成。自二零零四年四月三十日以來，本集團的借貸並無任何重大改變。

本集團於二零零四年四月三十日的資產淨值約為56,600,000美元(相等於441,500,000港元)。

於二零零四年四月三十日，本集團並無重大或然負債，自此並無重大變動。

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。

...Technology Age 科技年代

Sophisticated and constantly changing,
home lifestyle consumer electronic
products demand highly efficient supply
chain management solutions – an
expected key growth driver

家居消費電子產品細緻精湛，變化不斷，
要求高度有效的供應鏈管理方案 – 勢必成為主
要增長原動力



Remuneration Policy and Staff Development Scheme

As at 30 April 2004, the Group had 780 staff. The total staff costs for the year under review amounted to approximately US\$16.9 million (equivalent to HK\$131.8 million) (2003: US\$16.9 million (equivalent to HK\$131.8 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.

Prospects

Given a gradually improving global economy, the global retail industry is expected to develop steadily. However, changes are likely in the pattern of supply chain management, and in particular in the sourcing industry due to the abolishment of apparel quotas in 2005 – is expected to alter the rules of the game in the sourcing industry, creating opportunities as well as challenges.

薪酬政策及員工培訓計劃

於二零零四年四月三十日，本集團聘有780名員工。回顧年度的員工成本總額約為16,900,000美元（相等於131,800,000港元）（二零零三年：16,900,000美元（相等於131,800,000港元））。本集團按行業慣例、員工個人表現及本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向合資格員工授出購股權及發放酌情花紅。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著重員工培訓及發展的方針。

展望

隨著環球經濟逐步向好，預期全球零售業會穩步發展。然而，成衣配額將於二零零五年取消，故供應鏈管理模式可能有所改變，當中對採購業尤甚。預料取消成衣配額這一政策將會改變採購業的遊戲規則，締造商機之餘，亦帶來挑戰。

Faced with the evolving industry environment, Linmark will continue to pursue its business objectives. The continuous expansion of value-added services business and hardgoods sourcing, especially for home lifestyle consumer electronic products, will continue to be the Group's two major growth drivers. It will also seek to further diversify its market presence, particularly in the European continent. More efforts will also be devoted into developing the hardgoods business. These strategies will continue to be important tools for enhancing the overall business margins.

The Group sees expanding the China market as one of its major development tasks. The proposed joint venture with CTIC and CTDC will be an important platform for tapping potential opportunities for Linmark's value-added services. Therefore, the Group will continue to cultivate and seize opportunities in the China market to ensure medium and long term growth.

Whilst organic growth and securing new customers are instrumental to advancing growth, the Group will remain open to merger and acquisition opportunities to help achieve its business objectives.

面對業內環境不斷蛻變，林麥會繼續向著業務目標奮進。增值服務業務及雜貨採購(尤其是家居消費電子產品方面)不斷增長，料此兩項業務將繼續成為推動本集團增長的主要動力來源。本集團亦將會致力推進市場多元化，尤其是在歐洲大陸方面。與此同時，亦會更竭力發展雜貨採購業務。此等策略仍會是提高整體業務邊際利潤的重要工具。

本集團視拓展中國市場為重點發展項目之一。計劃中與中國紡織信息中心及國家紡織產品開發中心組成的合營企業，將為本集團提供重要平台，為林麥旗下增值服務物色潛在機遇。因此，本集團將會繼續在中國市場努力爭取和促成種種契機，以確保本集團中長期的增長。

內部增長及吸納新客戶是提升業務增長的不可或缺元素，而本集團對於併購機會亦同時持有開放態度，以期業務目標得以達致。



Steven Julien FENIGER 范倚棋
Chief Executive Officer 行政總裁

Hong Kong, 23 June 2004
香港，二零零四年六月二十三日