

Management Discussion and Analysis

管理層討論及分析

Overview

The Group's well-defined strategy to diversify and expand its customer base has continued to see solid results. In spite of uncertainties in the global markets resulted from record-breaking high oil prices and rising interest rates, the Group has continued to deliver steady growth in both profit after taxation and revenue.

For the six months ended 31 October 2004, the Group recorded a shipment volume of approximately US\$376.4 million (equivalent to HK\$2,935.9 million). Turnover grew by approximately 22.3% to approximately US\$25.9 million (equivalent to HK\$202.0 million). Gross profit rose by approximately 21.3% to approximately US\$22.1 million (equivalent to HK\$172.4 million).

In preparation for the abolition of global apparel quotas in January 2005 following China's accession to the WTO, the Group has put in place a strategic plan to expand its sourcing network in China and increased its marketing presence in the major markets including the UK, the US and Canada where the bulk of its target customers are located. To fund these infrastructure developments and the additional expenses incurred following the acquisition of ISO International, an approximately US\$3.0 million (equivalent to HK\$23.4 million) increase in operating expenses, from approximately US\$12.8 million (equivalent to HK\$99.8 million) to approximately US\$15.8 million (equivalent to HK\$123.2 million), was recorded. Despite this, profit after taxation during the period under review still rose by approximately 5.1% from approximately US\$7.0 million (equivalent to HK\$54.6 million) to approximately US\$7.4 million (equivalent to HK\$57.7 million).

Basic earnings per share was maintained at approximately 1.1 US cents (equivalent to 8.6 HK cents).

With a strengthened presence in China and a more diversified customer base, the Group is confident that it is in a better position to take advantage of the future business opportunities as more companies are expected to source from China.

Segmental analysis

The US has continued to be the largest revenue-contributing market of the Group because of the overall increase in order volume from customers based there. During the period under review, revenue

總覽

本集團多元化擴展客源的明確策略續見成效。儘管環球市場因石油價格屢創新高及利率趨升而存在不明朗因素，本集團在除稅後溢利及收益兩方面均繼續錄得穩定增長。

於截至二零零四年十月三十一日止六個月，本集團的付運量總值約達376,400,000美元（相等於2,935,900,000港元）。營業額增長約22.3%至約25,900,000美元（相等於202,000,000港元）。毛利上升約21.3%至約22,100,000美元（相等於172,400,000港元）。

為因應中國加入世貿後全球成衣配額將於二零零五年一月取消而作好準備，本集團已推行一項策略計劃，擴大其設於中國內地的採購網絡，並在其大部份目標客戶所在的主要市場（包括英國、美國及加拿大）增設據點。由於此等基礎業務發展所需的資金及收購 ISO International 後所耗的額外開支，營運開支由約12,800,000美元（相等於99,800,000港元）增加約3,000,000美元（相等於23,400,000港元）至約15,800,000美元（相等於123,200,000港元）。儘管如此，回顧期間的除稅後溢利仍由約7,000,000美元（相等於54,600,000港元）增至約7,400,000美元（相等於57,700,000港元），增幅約為5.1%。

每股基本盈利維持於約1.1美仙（相等於8.6港仙）。

憑着強化在中國的採購網絡及更多元化的客源，且預料將有更多公司在中國進行採購，本集團相信其正處於優勢，可把握未來的商機。

分類資料分析

美國客戶的整體訂單量增加，使美國仍為本集團最大的收益來源市場。於回顧期間，源自美國客戶的收益佔總營業額約40.6%，其次是加拿

generated from US customers represented approximately 40.6% of the total turnover, followed by Canada with a contribution of approximately 22.4%. Europe accounted for approximately 8.9%. The Group will continue to pursue its diversification strategy to achieve a more balanced geographical split in terms of customer base.

The Group's strategy to build up its higher margin value-added services such as design, social compliance auditing and packaging and trim services has proved effective. During the period under review, turnover from value-added services increased by approximately 21.2% from approximately US\$6.6 million (equivalent to HK\$51.5 million) to approximately US\$8.0 million (equivalent to HK\$62.4 million), representing approximately 30.8% of the total turnover.

Pursuant to the Group's effort in diversifying its product categories, during the period under review, hardgoods increased from approximately 11.6% to approximately 20.7% of the Group's total turnover.

Preparation for post-China's accession to the WTO

The official abolition of global apparel quotas as part of the WTO agreement is expected to bring changes to the global textile and sourcing industries. To prepare for these changes, the Group has been actively seeking opportunities that will allow it to create a more solid platform for its global buying agency functions. Linmark has taken a three-pronged approach to strengthen its competitive advantages in the post-quota years: (1) partnering with Chinese authorities to improve the social compliance standard of China's textile industry; (2) deepening sourcing penetration of the China market; and (3) conducting proactive marketing in North America and Europe.

(1) Partnering with Chinese authorities

During the period under review, a strategic partnership agreement was signed between the Group and the China Textile Information Center ("CTIC") and the China Textiles Development Center, both are subordinate organisations of the China National Textile Industry Council ("CNTIC"), formerly known as the Textile Ministry. The parties will form a joint venture to promote textile testing services, social compliance auditing, accreditation

大，其貢獻佔收益約22.4%。歐洲約佔8.9%。本集團將繼續推行多元化擴展策略，以達至更平衡的客源地域分佈。

本集團致力建立設計、社會責任經營守則審查、包裝及輔料等利潤率較高的增值服務，這策略證實奏效。於回顧期間，源自增值服務的營業額增加約21.2%，由約6,600,000美元(相等於51,500,000港元)增至約8,000,000美元(相等於62,400,000港元)，佔總營業額約30.8%。

在本集團擴展產品種類的努力下，雜貨採購於回顧期間由佔本集團總營業額約11.6%增至約20.7%。

因應中國加入世貿後的轉變作好準備

作為世貿協議之一部份，正式取消全球成衣配額料將令全球的紡織及採購業界產生轉變。為因應此等轉變作好準備，本集團已積極尋求機遇，以為旗下的環球採購代理業務建立一個更堅實的平台。林麥已從三方面作出部署，以增強其在配額取消後的競爭優勢：(1)與中國有關機關合作，改善中國紡織業界的社會責任經營守則審查標準；(2)加強在中國市場進行採購的滲透力；及(3)在北美及歐洲積極進行市場推廣。

(1) 與中國有關機關合作

於回顧期間，本集團與中國紡織信息中心(「中紡信息中心」)及國家紡織產品開發中心(兩者均為中國紡織工業協會(「中國紡協」)(前中國紡織部)屬下組織)簽立策略夥伴協議。該協議各方將成立一家合營公司，以在中國推廣紡織品測試服務、社會責任經營守則審查、認證顧問服務、中國

consultancy services, international trade of China textiles, and the application of supply chain management system and e-commerce services by the textile industry in China.

Additionally, the Group will join hands with the CNTIC, the national federation of all textile related industries in China, and CTIC to develop a China Code of Conduct in Social Compliance for the textile industry in China. The Code will be based essentially on internationally recognised standards and practices which include International Labour Organization Conventions, the United Nation Convention on the Rights of the Child, and Chinese legal requirements. Utilising its experience in auditing and certifying manufacturing facilities in many countries on behalf of well-known brands and retailers, the Group will work closely with the two Chinese counterparts to bring China on a par with international best practices.

(2) Deepening sourcing penetration of the China market

For the period under review, Linmark strengthened its sourcing network in China by adding two new offices in Guangzhou and Qingdao. Both offices are located at the regional apparel manufacturing and distribution hubs, which put the Group in closer and quicker access to the market.

(3) Conducting proactive marketing in North America and Europe

For the period under review, Linmark extended its marketing presence to Toronto (Canada), Paris (France), Manchester (the UK), Los Angeles and New York (the US). The Group is confident that the marketing activities provided by these presences will lead to an increase in business from existing customers as well as the signing up of new customers.

Best practices in corporate governance

In September 2004, Linmark was ranked one of the top 10 Hong Kong listed companies with the best corporate governance in a survey conducted by City University of Hong Kong and sponsored by The Hong Kong Institute of Directors. The evaluation criteria were based on international standards and Hong Kong Exchanges and Clearing Limited's Recommended Best Practice for Corporate Directors. In particular, the five areas evaluated were rights of shareholders, equitable treatment of (minority) shareholders, role of stakeholders in

紡織品的國際貿易，及中國紡織業界採用供應鏈管理系統及電子商貿服務。

此外，本集團將與中國紡協(統籌中國所有紡織相關工業的全國協會)及中紡信息中心聯手制訂中國紡織工業的中國社會責任經營守則。有關守則基本上將以國際公認的標準及慣例(包括國際勞工組織公約、聯合國兒童權益公約及中國法律規定)為依據。本集團將運用代表著名品牌及零售商在許多國家審查及認證生產設施的經驗，與兩家中國合營夥伴緊密合作，使中國與國際的最佳慣例接軌。

(2) 加強在中國市場進行採購的滲透力

於回顧期間，林麥在中國廣州及青島開設辦事處，以強化其於內地的採購網絡。兩間辦事處均設於當地的成衣製造及經銷樞紐，讓本集團能與市場有更緊密和快捷的接觸。

(3) 在北美及歐洲積極進行市場推廣

於回顧期間，林麥在多倫多(加拿大)、巴黎(法國)、曼徹斯特(英國)、洛杉磯及紐約(美國)增設其市場據點。本集團相信此等據點進行的市場推廣活動將有助增加源自現有客戶及新客戶的業務。

最佳企業管治常規

於二零零四年九月，在一項由香港城市大學進行並由香港董事學會贊助的調查中，林麥躋身最佳企業管治香港上市公司的前十位。有關調查的評審標準以國際標準和香港交易及結算有限公司推薦的企業董事最佳常規為依據。評審尤其側重於五個範疇的表現，分別是股東權利、對(少數)股東的公平待遇、利益關係團體

corporate governance, disclosure and transparency, and responsibility of the board of directors. Some of the best performing companies are Hong Kong based blue-chips corporations, banks and utility companies.

Financial review

The Group's financial position is strong with cash and cash equivalents of approximately US\$38.0 million (equivalent to HK\$296.4 million) as at 31 October 2004. In addition, the Group has total banking facilities of approximately US\$7.0 million (equivalent to HK\$54.6 million) as at 31 October 2004. The Group continued to operate under a debt-free model with no outstanding debt as at 31 October 2004.

The Group has a strong current ratio of 4.7 and gearing ratio is not applicable as the Group has no outstanding debt as at 31 October 2004. During the period under review, the Group's capital comprised solely shareholders' equity. There has not been any material change in the Group's borrowings since 31 October 2004.

The Group's unaudited net asset value as at 31 October 2004 was approximately US\$60.2 million (equivalent to HK\$469.6 million).

As at 31 October 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 that exchange risk is not significant at this time.

Prospects

Looking ahead, management believes that high oil prices and rising interest rates are likely to persist in the near term, which could prolong uncertainties in the global economy. Despite the uncertain economic outlook, the global outsourcing trend is expected to continue because of the cost efficiencies outsourcing brings to corporations. The Group is confident that its one-stop sourcing solutions and strong geographical presence will add value to its customers who are looking for cost reductions and higher efficiencies.

在企業管治中的角色、公開與透明度，以及董事會的責任。部份表現最佳的公司是香港的藍籌公司、銀行及公用事業公司。

財務回顧

本集團的財務狀況穩健，於二零零四年十月三十一日的現金及現金等值項目約為38,000,000美元（相等於296,400,000港元）。此外，本集團於二零零四年十月三十一日共有銀行信貸約7,000,000美元（相等於54,600,000港元）。本集團繼續貫徹其無負債的營運模式，於二零零四年十月三十一日並無任何未償還的負債。

本集團的流動比率處於4.7的穩健水平，而資本負債比率並不適用，因本集團於二零零四年十月三十一日並無未償還的負債。於回顧期間，本集團資本僅由股東資金組成。自二零零四年十月三十一日後，本集團的借貸並無任何重大變動。

本集團於二零零四年十月三十一日的未經審核資產淨值約為60,200,000美元（相等於469,600,000港元）。

於二零零四年十月三十一日，本集團並無重大或然負債，此後亦無重大變動。

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，管理層相信目前的滙兌風險不大。

展望

展望未來，管理層相信短期內油價高企及利率趨升將會持續，以致全球經濟維持更長時間的不明朗。儘管經濟前景欠明朗，惟外判採購為企業帶來成本效益，故環球外判採購增加的趨勢料將持續。本集團相信其一站式採購解決方案及強大的地域網絡將為尋求節省成本及更高效益的客戶增值。

In January 2005, the official abolition of global apparel quotas will take place. There have been discussions about the US introducing possible safeguard mechanisms on certain highly utilised quota categories from China. However, the Group, through its global network, is able to offer its customers the flexibility to source products from many other countries, which will minimise any potential disruption if safeguard mechanisms are imposed on China.

The Group will continue its corporate strategy — diversification in both geographical markets and product/service categories — to reinforce its competitive strengths. In terms of product/service offerings, value-added services, such as design and social compliance auditing, will continue to be one of the Group's growth drivers.

In November 2004, the Group entered into a conditional agreement to acquire the business and specified assets and to assume related liabilities of Tamarind, for a maximum total purchase price of HK\$226.6 million (equivalent to approximately US\$29.1 million), subject to downward adjustments according to certain performance benchmark levels. Completion of the acquisition is expected to take place by the end of January 2005. Details of the acquisition are set out in the Company's announcement dated 26 November 2004.

Headquartered in Hong Kong, Tamarind is an integrated sourcing services provider, with offices in China and the Philippines. The Tamarind business encompasses a diversified customer portfolio, including a number of major customers from Europe, South Africa and Australia, thereby broadening the geographic diversity of the Group's customer base and providing the opportunity for the Group to capture the synergistic benefits of cross-utilisation of network resources and local market insights.

Additionally, in November 2004, the Group signed an agency agreement to provide design and sourcing services to Lotus Group ("Lotus"), a subsidiary of the Thailand-based listed company C.P. Seven Eleven Public Company Limited. Linmark agreed to handle for Lotus a private label range of clothing for all ages and genders. Lotus is one of the fastest growing hypermarket stores in China. Lotus stores are located primarily in coastal areas and provincial capitals in China where the population has higher consumption power. It plans to have over 40 stores set up by the end of 2004 and increase the total

於二零零五年一月，全球成衣配額將正式取消。近日市場討論美國可能對中國若干常用的配額類別實施保護機制。然而，本集團透過其環球網絡，能為客戶提供高度靈活的採購服務，即從許多其他國家採購產品，故縱使美國對中國實施保護機制，亦可盡量減低採購中斷的可能性。

本集團將貫徹其企業策略 — 多元化擴展地域市場及產品／服務種類，以強化其競爭優勢。就產品／服務提供而言，設計及社會責任經營守則審查等增值服務將繼續是本集團其中一項增長動力。

於二零零四年十一月，本集團訂立一項有條件協議，以最高總代價226,600,000港元（相等於約29,100,000美元）（可按若干表現指標向下調整）購入 Tamarind 的業務及特定資產與承擔有關負債。收購事項預期於二零零五年一月底完成。有關收購事項的詳情已載於二零零四年十一月二十六日刊發之本公司公佈內。

Tamarind 為綜合採購服務供應商，其總辦事處設於香港，另有辦事處設於中國及菲律賓。Tamarind 業務擁有多元化的客戶群，包括歐洲、南非及澳洲多家主要客戶，故有助本集團擴展客源地域分佈及體現共用網絡資源及掌握地區市場脈搏方面的協同效益。

此外，於二零零四年十一月，本集團簽訂一項代理協議，為 Lotus Group（「Lotus」，以泰國為營運基地的上市公司 C.P. Seven Eleven Public Company Limited 的附屬公司）提供設計及採購服務。林麥同意為 Lotus 處理一個個人品牌系列下所有年齡組別的男女服裝。Lotus 是中國其中一家增長最快的超級連鎖店集團，其商店主要設於消費力較高的中國沿海地區及省會城市。Lotus 計劃於二零零四年年底開設共

number of stores to over 100 by 2006. The signing up of this new customer opens the door for the Group to source products for China retailers.

Based on the current assessment, management of Linmark is positive towards the Group's performance for the rest of the financial year ending 30 April 2005.

逾40家商店，到二零零六年將商店總數增至超過100家。簽訂這家新客戶讓本集團在為中國零售商採購產品方面踏出了第一步。

根據目前評估，林麥管理層對本集團於截至二零零五年四月三十日止財政年度餘下時間的表現表示樂觀。