

Report of the Chief Executive Officer

行政總裁報告書

Business Review

Overview

For the year ended 30 April 2005, the Group recorded a higher shipment volume of approximately US\$747.5 million (equivalent to HK\$5,830.5 million), representing an increase of approximately 4.7% as compared with last year. Shipment volume in the second half of the financial year was undermined by the weakened consumer demand in the North American markets. In addition, temporary changes in our customers' buying strategy resulted in order delays or in some cases cancellation due to uncertainty caused by China's WTO accession.

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 (as defined below). Tamarind, operating under a trading model, contributed a significantly higher turnover from the sales of merchandise than Linmark itself. Therefore, the Group's trade receivables and trade payables grew significantly post Tamarind acquisition.

Operating expenses increased approximately US\$8.3 million (equivalent to HK\$64.7 million) to approximately US\$35.1 million (equivalent to HK\$273.8 million). The additional operating expenses of approximately US\$3.2 million (equivalent to HK\$25.0 million) was incurred by the newly acquired businesses. Less that related to the acquisitions, the additional staff costs of the Group increased by approximately US\$3.5 million (equivalent to HK\$27.3 million).

During the year under review, the Group hired more professionals in China and the Indian Sub-continent and for the five marketing offices in North America and Europe. The return of the marketing offices was less than expected in their first year of operation. Although the French and Los Angeles offices exceeded their targets, the Toronto, New York and Manchester offices failed to generate significant additional business and were closed. This is expected to cause a saving to the Group of approximately US\$1.0 million (equivalent to HK\$7.8 million) in the next financial year. Tightening the expense control, the Group expects to achieve growth for its core business in financial year 2006 without incurring additional costs.

The increase of expenses and reduction of interest income impacted the growth of the Group's profit. The Group's profit after tax amounted 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 was maintained at approximately 2.3 US cents (equivalent to 17.9 HK cents).

業務回顧

概覽

截至二零零五年四月三十日止年度，本集團的付運量總值增至約747,500,000美元（相等於5,830,500,000港元），較去年上升約4.7%。由於北美市場消費者需求放緩，因而減低財政年度下半年的付運量總值。此外，中國加入世貿後出現不明朗因素，本集團客戶的採購策略因而產生暫時性變動，導致訂單延誤甚或取消訂單。

本集團的營業額大幅攀升約102.6%至約89,800,000美元（相等於700,400,000港元）。增長主要來自本集團新收購的Tamarind業務（定義見下文）。Tamarind以貿易形式經營，其銷售商品的營業額貢獻遠高於林麥本身。因此，本集團於Tamarind之收購後，應收貿易賬款及應付貿易賬款均大幅增加。

經營開支增加約8,300,000美元（相等於64,700,000港元）至約35,100,000美元（相等於273,800,000港元）。新收購業務產生額外經營開支約3,200,000美元（相等於25,000,000港元）。除有關收購業務的開支，本集團的額外僱員成本增加約3,500,000美元（相等於27,300,000港元）。

於回顧年度，本集團在中國及印度次大陸以及就北美洲及歐洲的五個推廣辦事處增聘專業人員。推廣辦事處在營運首年的回報低於預期。儘管法國及洛杉磯辦事處的成績較目標理想，然而多倫多、紐約及曼徹斯特辦事處因未能開拓重大額外業務經已關閉，預期此舉將為本集團下一財政年度節省約1,000,000美元（相等於7,800,000港元）。本集團實行節流措施，以期於二零零六年財政年度毋須投入額外成本而達致核心業務增長。

開支增加及利息收入減少對本集團的除稅後溢利增長造成影響。本集團的除稅後溢利約為14,800,000美元（相等於115,400,000港元）。除稅後溢利佔付運量總值的百分比維持於約2.0%。每股基本盈利維持於約2.3美仙（相等於17.9港仙）。

Segmental Analysis

The acquisition of Tamarind business provided Linmark with a more balanced geographic footprint, putting the southern hemisphere, namely Australia and South Africa, within the Group's direct access.

The acquisition of the new businesses increased our business in the European market significantly and it overtook 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) to approximately US\$22.5 million (equivalent to HK\$175.5 million), representing approximately 25.1% of the Group's total turnover. US represented approximately 22.7% of the total turnover, followed by Australia with an approximately 13.2% of total turnover. South Africa accounted for approximately 12.4% and Canada approximately 9.5%. The Group will continue with its diversification strategy to forge more extensive geographical reach.

The Group's strategy to boost its value-added services of higher margins such as its design and social compliance auditing service has been effective. During the year under review, contribution from value-added services represented approximately 36.2% of the Group's net profit after tax compared to approximately 25.3% in financial year 2004.

For the year under review, the turnover from hardgoods business amounted to approximately US\$12.4 million (equivalent to HK\$96.7 million), approximately 51.8% higher than that of the previous financial year mainly due to the newly acquired businesses.

Acquisition

The Group completed the acquisition of the business and specified assets and assumption of related liabilities of Tamarind International Limited (subsequently renamed as Stirling (HK) Limited, "Tamarind") on 31 December 2004. Tamarind is an integrated sourcing services provider principally engaged in the design and sourcing of goods ranging from apparel to fashion accessories, toys, homewares, gifts and jewellery.

Tamarind has a mixed customer portfolio, including a number of major customers from Europe, South Africa and Australia, thereby allowing the Group to diversify its reliance on markets in North America. The Tamarind acquisition also allows the Group to capture maximum synergistic benefits from cross selling and resources sharing.

分類資料分析

收購 Tamarind 業務使林麥取得更平衡的地域分佈，使本集團可直接打入南半球（即澳洲及南非）市場。

收購新業務使本集團在歐洲市場的業務大幅增加，按營業額計算，目前歐洲市場已超越美國市場成為本集團最高收入貢獻地區。於回顧年度，來自歐洲市場的營業額由約6,000,000美元（相等於46,800,000港元）增加至約22,500,000美元（相等於175,500,000港元），相等於本集團總營業額約25.1%。美國約佔本集團總營業額的22.7%，其次為澳洲，約佔總營業額13.2%，南非約佔總營業額12.4%，加拿大則約佔總營業額9.5%。本集團將繼續落實其多元化發展策略，以擴大業務版圖。

增值服務的毛利率較高，本集團提高增值服務（例如設計及社會責任經營守則審查服務）的策略已見成效。於回顧年度內，增值服務的貢獻相當於本集團除稅後溢利約36.2%，二零零四財政年度則約為25.3%。

於回顧年度內，主要因新收購業務的緣故，雜貨採購業務的營業額約達12,400,000美元（相等於96,700,000港元），較上一財政年度增加約51.8%。

收購事項

本集團已於二零零四年十二月三十一日完成收購 Tamarind International Limited（其後易名為 Stirling (HK) Limited，「Tamarind」）的業務及特定資產與承擔有關負債。Tamarind 為一家綜合採購服務供應商，主要從事成衣、時尚飾物配件、玩具、家居用品、禮品及珠寶等貨品的設計及採購。

Tamarind 擁有遍佈各地的客戶群，包括歐洲、南非及澳洲多家主要客戶，故有助本集團分散對北美洲業務的倚賴及體現交叉銷售及共用資源的最大協同效益。

The maximum purchase price for the Tamarind acquisition of approximately US\$29.1 million (equivalent to HK\$226.6 million) will be settled by one initial payment in cash and three subsequent installments over a three-year period. The Group has made the initial payment of approximately US\$19.4 million (equivalent to HK\$151.1 million) and the three subsequent installments are subject to downward adjustments according to certain performance benchmark levels.

China Developments

Despite the uncertainties ahead in the China apparel industry, it is clear that China will become one of the most important sourcing hubs in the years to come. The China market offers both challenges and opportunities to all market players. To prepare the best for future opportunities, the Group has been deepening sourcing penetration of the China market and its partnership with Chinese authorities. On top of adding two new offices in Guangzhou and Qingdao to strengthen the sourcing network, Linmark has been working with the China National Textile & Apparel Council (“CNTAC”), the national federation of all textile related industries in China, and the China Textile Information Center (“CTIC”) to develop a Code of Conduct in Social Compliance for the textile industry in China. A joint venture company with CTIC was formed to provide services such as textile testing services and social compliance auditing.

To further strengthen the Group’s presence in the retail industry in China, Linmark co-hosted, through its parent company Roly International Holdings Ltd., for the third time, the China Department Store Summit 2005 in Beijing in March 2005. The summit has become one of the most distinguished annual events for the retail industry in China. It also presented overseas companies with a platform to exchange ideas with Chinese retailers. For Linmark, the annual summit is an important channel to further strengthen the Group’s position as the bridge between the retail markets in China and overseas.

Recognition in Corporate Governance

Linmark was named one of the top ten Hong Kong listed companies with the best corporate governance practice in September 2004. The survey undertaken by the City University of Hong Kong and sponsored by The Hong Kong Institute of Directors was based on international standards and the Hong Kong Exchanges and Clearing Limited’s Recommended Best Practice for Corporate Directors. Some of the best performing companies include Hong Kong based blue-chips corporations, banks and utility companies.

收購 Tamarind 的最高代價約29,100,000美元(相等於226,600,000港元)將以一筆現金首期及其後三年分三期付款支付。本集團已支付首期約19,400,000美元(相等於151,100,000港元)，而其後的三期付款將可按若干表現指標向下調整。

中國的發展

儘管目前中國的成衣業存在不明朗因素，然而可以肯定的是，中國將會於未來數年成為最重要的採購樞紐之一。中國市場是所有市場參與者找尋挑戰及機遇之地。為作好充分準備掌握未來機遇，本集團一直致力加強在中國市場進行採購的滲透力，並與中國有關機關攜手合作。除於廣州及青島建立兩家新辦事處以鞏固採購網絡外，林麥與中國紡織工業協會(「中紡協會」)(統籌中國所有紡織相關工業的全國協會)及中國紡織信息中心(「中紡信息中心」)聯手制訂中國紡織工業的社會責任經營守則。本集團與中紡信息中心成立一間合營公司，以提供紡織品測試服務以及社會責任經營守則監查等服務。

為進一步強化本集團在中國零售業的網絡，林麥透過其母公司 Roly International Holdings Ltd.(全威國際控股有限公司)於二零零五年三月在北京第三度協辦中國百貨業高峰論壇。高峰論壇已成為中國零售業一年一度的盛事之一。高峰論壇亦為海外公司提供一個可與中國零售商交換意見的平台。就林麥而言，年度高峰論壇作為一個重要的渠道，可進一步奠定本集團作為中國與海外零售市場溝通橋樑的角色。

公司管治認可

於二零零四年九月，林麥獲一項調查評為擁有最佳企業管治水準的香港上市公司之一。該調查由香港城市大學進行並由香港董事學會贊助，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。部份表現最佳的公司包括香港的藍籌公司、銀行及公用事業公司。

Repurchase of Shares

In addition to general business development, during the year under review, the Company repurchased 1,902,000 shares on The Stock Exchange of Hong Kong Limited at an average price of approximately HK\$2.78 per share. The share buyback reflected management's confidence in the future development of the Group's business. Furthermore, it also enhanced earnings per share of the Company.

Financial Review

After the initial payment of approximately US\$19.4 million (equivalent to HK\$151.1 million) for the Tamarind acquisition, the Group's financial position remains strong with bank balances and cash of approximately US\$27.3 million (equivalent to HK\$212.9 million) as at 30 April 2005. In addition, the Group has total banking facilities of approximately US\$41.7 million (equivalent to HK\$325.3 million).

Following the Tamarind acquisition, the Group's current ratio changed from 6.6 as at 30 April 2004 to 2.0 as at 30 April 2005. The Group has a low gearing ratio of less than 0.04, based on the interest bearing borrowing of approximately US\$2.3 million (equivalent to HK\$17.9 million) and shareholders' equity of approximately US\$65.3 million (equivalent to HK\$509.3 million) as at 30 April 2005. During the year under review, the Group's capital comprised solely shareholders' equity. There has not been any material change in the Group's borrowing since 30 April 2005.

The Group's net asset value as at 30 April 2005 was approximately US\$65.3 million (equivalent to HK\$509.3 million).

As at 30 April 2005, pledges of bank deposits amounted to approximately US\$5.0 million (equivalent to HK\$39.0 million) to cover banking facilities in the ordinary course of business. 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.

購回股份

除日常業務發展外，本公司於回顧年度於香港聯合交易所有限公司購回1,902,000股股份，平均價約為每股2.78港元。有關股份購回反映管理層對本集團未來的業務發展充滿信心。再者，有關購回亦有助提升本公司的每股盈利。

財務回顧

於支付收購 Tamarind 的首期代價約19,400,000美元（相等於151,100,000港元）後，本集團的財務狀況依然穩健，於二零零五年四月三十日的銀行結存及現金約為27,300,000美元（相等於212,900,000港元）。此外，本集團共有銀行信貸約41,700,000美元（相等於325,300,000港元）。

於收購 Tamarind 後，本集團的流動比率已由二零零四年四月三十日的6.6變為二零零五年四月三十日的2.0。按於二零零五年四月三十日的計息借貸約2,300,000美元（相等於17,900,000港元）對比股東資金約65,300,000美元（相等於509,300,000港元）計算，本集團的資本負債比率處於低於0.04的低水平。於回顧年度，本集團的資本僅包括股東資金。自二零零五年四月三十日後，本集團的借貸並無任何重大變動。

本集團於二零零五年四月三十日的資產淨值約為65,300,000美元（相等於509,300,000港元）。

於二零零五年四月三十日，作為日常業務的銀行信貸抵押，銀行存款約為5,000,000美元（相等於39,000,000港元），而此後本集團並無任何重大或然負債，且並無任何重大變動。

本集團的大部份交易主要以美元及港元結算。由於港元與美元掛鈎，故管理層認為目前的滙兌風險不大。

Remuneration Policy and Staff Development Scheme

As at 30 April 2005, the Group had 1,101 staff. The total staff costs for the year under review amounted to approximately US\$22.7 million (equivalent to HK\$177.1 million) (2004: 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

Looking ahead, the uncertainties surrounding China's apparel export and the re-valuation of the Renminbi are expected to continue. Nevertheless, supported by its widespread sourcing network, the Group will continue to grasp business opportunities and offer comprehensive sourcing services to our international customers. At the same time, the Group is committed to controlling operating expenses so as to reap maximum benefits from using its global sourcing network cost effectively.

In May 2005, a major customer reached a new sourcing arrangement with Linmark. Warnaco Inc ("Warnaco"), who for the year under review is accounted for almost 11.8% of the Group's turnover, 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 the Group's value-added services such as compliance auditing and trims and packaging sourcing services inside and outside of China.

The Group does not expect the change of Warnaco's sourcing arrangement to have any material impact on it in the next financial year. With a global network covering 37 cities in 25 countries and territories, Linmark is capable of providing top-tier global customers tailored sourcing solutions that meet their changing needs and strategic business directions.

薪酬政策及員工培訓計劃

於二零零五年四月三十日，本集團聘有1,101名員工。回顧年度的僱員成本總額約為22,700,000美元（相等於177,100,000港元）（二零零四年：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，以加強員工的忠誠及配合本集團著重員工培訓及發展的方針。

展望

展望未來，中國成衣出口業以及人民幣幣值調整依然存在不明朗因素。然而，憑藉廣濶的採購網絡，本集團將會繼續抓緊業務發展機遇，向本集團的全球客戶提供完善妥貼的採購服務。與此同時，本集團銳意控制營運開支，通過有效地運用其全球採購網絡以取得最大利益。

一位主要客戶於二零零五年五月與林麥達成一項全新採購安排。Warnaco Inc（「Warnaco」）（於回顧年度佔本集團營業額11.8%）經林麥協助取得銷售增長後，決定擴大直接採購量。根據新安排，林麥將於來年與Warnaco 聯手，並協助 Warnaco 落實其中國採購計劃。林麥將於海外繼續為 Calvin Klein Jeans®、Chaps Ralph Lauren® 及 Speedo® 獨家進行採購。Warnaco 在中國的擴展計劃需配合其直接採購所需的額外實地支援。因此，Warnaco 擬繼續使用本集團所有增值服務，如中國境內外的社會責任經營守則監查及輔料及包裝採購等服務。

本集團預期 Warnaco 的採購安排變動將不會於下一財政年度對本集團產生任何重大影響。通過佈偏全球25個國家及地區，37個城市的網絡，林麥可切合客戶不斷變化的需求及策略性業務方向，為全球頂尖客戶量身訂製採購解決方案。

Given that more international players are starting or increasing sourcing in China, the Group is positioning itself as the bridge between foreign apparel markets and the Chinese textile industry to grasp business opportunities. Linmark will continue the partnership with the CNTAC and CTIC and provide quality social compliance auditing services to manufacturers in China. Supported by the Group's extensive experience in auditing and certifying manufacturing facilities in many countries on behalf of well-known brands and retailers, the China Code of Conduct in Social Compliance it developed with CNTAC and CTIC will help the textile industry in China to gain recognition by the overseas apparel markets.

Linmark sees four major growth drivers for the future. Firstly, we will continue to implement our diversification strategy including continuing to expand our hardgoods business. Secondly, Linmark will further its business in Europe through ISO International (Holdings) Limited and Tamarind. Thirdly, the Group will also remain open to merger and acquisition opportunities to help accelerate its growth. Lastly, expansion of value-added services will also be one of its key pursuits. In this connection, the Group plans to set up two design or development hubs and testing laboratory to strengthen the service scope of the value-added services business.

Based on the current assessment, management maintains an overall positive view on the Group's performance for the next financial year.

由於越來越多的國際參與者在中國開展或擴大採購業務，本集團以海外成衣市場與中國紡織業的溝通橋樑作為定位，以掌握商機。林麥將繼續與中紡協會和中紡信息中心攜手合作，為中國的製造商提供優質的社會責任經營守則監查服務。憑藉本集團代表知名品牌及零售商在多個國家的生產設施進行監查及認證的豐富經驗，本集團與中紡協會和中紡信息中心聯手制訂的中國社會責任經營守則，將協助中國紡織業贏取海外成衣市場認可。

林麥認為日後推動增長的四大因素如下：首先，林麥將繼續落實多元化策略，包括繼續擴展本集團的雜貨採購業務。其次，林麥將通過 ISO International (Holdings) Limited 及 Tamarind 進一步擴展其歐洲業務。再者，本集團亦將會繼續物色併購機會，提高業務增長。最後，擴展增值服務亦將會成為本集團的主要目標之一。為此，本集團計劃成立兩間設計或發展中心及檢測實驗室以擴大增值服務業務的服務範圍。

根據目前評估，管理層對本集團於下一財政年度的表現整體上表示樂觀。

Steven Julien FENIGER 范倚棋
Chief Executive Officer 行政總裁

Hong Kong, 28 June 2005
香港，二零零五年六月二十八日

