

# Report of the Chief Executive Officer

## 行政總裁報告書

### Business Review

#### Overview

For the year ended 30 April 2006, the Group's profit for the year decreased by approximately 28.7% to approximately US\$10.5 million (equivalent to HK\$81.9 million).

The amount took into account a one-time non-cash income of approximately US\$3.4 million (equivalent to HK\$26.5 million), representing the excess of interest in fair value of acquired subsidiaries' net assets over cost of investment in relation to the acquisition of 60% interest in Dowry Peacock; non-cash expenses of approximately US\$0.7 million (equivalent to HK\$5.5 million), representing share option expenses and amortisation of balance of consideration payable for acquisitions of subsidiaries/businesses and assets; increase in income tax expense of approximately US\$1.9 million (equivalent to HK\$14.8 million) which was mainly attributable to the newly acquired subsidiaries/businesses; and provisions made to trade receivables.

Net profit after tax as a percentage of shipment value dropped from 1.97% to 1.14%.

Excluding the US\$3.4 million (equivalent to HK\$26.5 million) and US\$0.7 million (equivalent to HK\$5.5 million) non-cash items as mentioned above, the Group reported an approximately 47.3% decline in adjusted net profit after tax at approximately US\$7.8 million (equivalent to HK\$60.8 million), and the adjusted net profit after tax as a percentage of shipment value would be 0.85%.

The acquisitions undertaken by the Group since its initial public offering in May 2002 have seen its business model shift from predominantly commission-based to shipment value-based. As such, examining the Group's shipment value instead of turnover will more clearly reflect its performance.

During the year ended 30 April 2006, the Group reported an approximately 23.0% increase in shipment value from approximately US\$747.5 million (equivalent to HK\$5,830.5 million) to approximately US\$919.2 million (equivalent to HK\$7,169.8 million) as compared with the previous year. The significant increase was principally attributable to the Group's newly acquired subsidiaries/businesses.

### 業務回顧

#### 概覽

本集團截至二零零六年四月三十日止年度的年度溢利減至約10,500,000美元(相等於81,900,000港元),跌幅約28.7%。

該溢利額已計入一項一次性非現金收益約3,400,000美元(相等於26,500,000港元),此乃因收購Dowry Peacock的60%權益而產生於購入附屬公司資產淨值公平價值的權益超逾投資成本之款額;非現金開支約700,000美元(相等於5,500,000港元),此乃購股權開支以及就收購附屬公司/業務及資產應付代價餘額之攤銷;所得稅開支增加約1,900,000美元(相等於14,800,000港元)(主要源自新收購附屬公司/業務)以及就應收貿易賬款作出的撥備。

除稅後純利佔付運量總值的百分比由1.97%跌至1.14%。

扣除上述兩項3,400,000美元(相等於26,500,000港元)及700,000美元(相等於5,500,000港元)的非現金項目,本集團的經調整除稅後純利下跌約47.3%至約7,800,000美元(相等於60,800,000港元),而經調整除稅後純利佔付運量總值的百分比將為0.85%。

自本集團於二零零二年五月首次公開發售以來所進行的收購事項,見證著本集團由主要以收取佣金的營運模式轉移至主要以按付運量總值收費的營運模式。因此,檢視本集團的付運量總值,將較檢視營業額更能清楚反映其表現。

於截至二零零六年四月三十日止年度,本集團的付運量總值由約747,500,000美元(相等於5,830,500,000港元)增至約919,200,000美元(相等於7,169,800,000港元),較去年增加約23.0%。增幅顯著主要是由於本集團新收購附屬公司/業務的貢獻。

The approximately 220.9% increase in turnover from approximately US\$89.8 million (equivalent to HK\$700.4 million) to approximately US\$288.3 million (equivalent to HK\$2,248.7 million) was mainly due to the newly acquired subsidiaries/businesses, which were accounted for on the basis of shipment value during the year under review.

Operating expenses including finance costs increased by approximately US\$16.0 million (equivalent to HK\$124.8 million) from approximately US\$35.1 million (equivalent to HK\$273.8 million) to approximately US\$51.1 million (equivalent to HK\$398.6 million). The increase was mainly due to additional operating expenses incurred by the newly acquired subsidiaries/businesses, business development activities, and costs associated with the group restructuring initiated in the last quarter of the year under review.

#### Segmental Analysis

The Group achieved a more diversified geographic spread for its business during the year under review. The additional businesses from acquisition of Tamarind in December 2004 and Dowry Peacock in October 2005 significantly boosted the Group's performance in Europe and the southern hemisphere. The table below compares the shipment value of the year under review with the previous year:

		Shipment Value 付運量總值	
		2006 二零零六年 US\$'million 百萬美元	2005 二零零五年 US\$'million 百萬美元
North America	北美洲	444.5	505.0
Europe	歐洲	237.2	90.8
Others	其他	237.5	151.7
		<b>919.2</b>	<b>747.5</b>

During the year under review, shipment value to Europe increased by approximately 161.2% from approximately US\$90.8 million (equivalent to HK\$708.2 million) to

營業額由約89,800,000美元(相等於700,400,000港元)增至約288,300,000美元(相等於2,248,700,000港元),增幅約為220.9%,主要由於新收購附屬公司/業務的貢獻(於本回顧年度按付運量總值列賬)。

包括財務費用在內之營運開支由約35,100,000美元(相等於273,800,000港元)增至約51,100,000美元(相等於398,600,000港元),增加約16,000,000美元(相等於124,800,000港元)。增加的主要原因是由於新收購附屬公司/業務及業務發展帶來的額外營運開支,以及與於本回顧年度第四季開始進行的集團重組有關的成本。

#### 分類資料分析

於本回顧年度,本集團業務達至更廣闊的地域分佈。於二零零四年十二月收購 Tamarind 並於二零零五年十月收購 Dowry Peacock 所得的新增業務,大大提升了本集團在歐洲及南半球的業務表現。下表載列本回顧年度與去年付運量總值之比較:

於本回顧年度,運往歐洲的付運量總值由約90,800,000美元(相等於708,200,000港元)增至約

approximately US\$237.2 million (equivalent to HK\$1,850.2 million), accounting for approximately 25.8% of the Group's total shipment value.

Shipment value under "Others" is mainly attributable to shipment to the southern hemisphere which increased from approximately US\$43.8 million (equivalent to HK\$341.6 million) to approximately US\$108.1 million (equivalent to HK\$843.2 million). However, as a result of weakened demand from the Group's key customers in North America, shipment value to North America decreased by approximately 12.0% from approximately US\$505.0 million (equivalent to HK\$3,939.0 million) to approximately US\$444.5 million (equivalent to HK\$3,467.1 million). Nevertheless, North America remained as the Group's largest market, contributing to approximately 48.4% of the Group's total shipment value.

Textile safeguards introduced earlier by EU and the US which were intended as anti-surge measures to monitor the future Chinese exports through 2008 and possibly beyond 2009 added uncertainty to sourcing in China for our customers. However, riding on its global sourcing network, the Group is well positioned to find the best sourcing solutions for its customers regardless of market situation and trade policies.

The Group's commission-based activities experienced many challenges such as rising interest rates and escalating oil prices, and appreciation of the Renminbi during the year under review. There was a decline in shipment value from the previous year and a substantial amount of resources were injected into developing new businesses which did not generate meaningful returns. During the year under review, the Group experienced difficulties in its value-added services, inspection and advisory businesses. In addition to losing a key customer, the level of activities remained low. As a result, the Group has undertaken a review of its operations and in particular has adopted a conservative approach in making provisions on trade receivables during the year under review. Accordingly, commission-based business registered a significant decline in segmental profit from approximately US\$13.0 million (equivalent to HK\$101.4 million) to approximately US\$4.7 million (equivalent to HK\$36.7 million).

237,200,000美元（相等於1,850,200,000港元），增幅約為161.2%，佔本集團付運量總值約25.8%。

「其他」分類項下的付運量總值主要源自運往南半球的付運量總值，由約43,800,000美元（相等於341,600,000港元）增至約108,100,000美元（相等於843,200,000港元）。然而，由於本集團在北美洲之主要客戶的需求轉弱，運往北美洲的付運量總值由約505,000,000美元（相等於3,939,000,000港元）跌至約444,500,000美元（相等於3,467,100,000港元），跌幅約12.0%。儘管如此，北美洲仍為本集團的最大市場，佔本集團付運量總值約48.4%。

歐盟與美國較早前推行了紡織品保護措施，有意藉此等反傾銷措施，監察直至二零零八年甚至可能超越二零零九年中國的出口情況，有關措施為本集團在中國採購之客戶添加不明朗因素。然而，本集團憑著其環球採購網絡，在任何市況及貿易政策下，均能佔盡地利之勢為客戶謀求最佳的採購解決方案。

本集團以收取佣金方式營運的業務於本回顧年度面臨利率上升、油價攀升以及人民幣升值等不少挑戰。本集團的付運量總值較去年下降，而大部份資源均投放於發展新業務，此等業務尚待帶來可觀回報。於本回顧年度，本集團在經營其增值服務、檢定及顧問業務上遭遇困難。除損失一名主要客戶外，業務亦僅維持於低水平。故此，本集團已檢討有關經營業務，特別是於本回顧年度內採納保守的方法就應收貿易賬款撥備。因此，以收取佣金方式營運的業務按分類溢利計算由約13,000,000美元（相等於101,400,000港元）大幅下滑至約4,700,000美元（相等於36,700,000港元）。

Trading-based apparel sourcing activities remained strong and registered a healthy growth in profitability during the year under review. It was primarily attributable to the strong design capability which is significant in assisting its customers in providing saleable products to the market. In addition, tight control over its operation has further enhanced its profitability.

### Changes in Management

On 28 February 2006, the Company announced the appointment of myself as its new chief executive officer in place of Mr. Steven Julien FENIGER. Since April 1991, I have been a director and chief executive of Tamarind, the business of which was acquired by the Group in December 2004.

On 24 January 2006, the Company announced the appointment of Mr. WONG Hing Lin, Dennis as its chief financial officer following the resignation of Mr. KWOK Chi Kueng. Mr. Wong was formerly head of corporate development of Roly International, the ultimate holding company of the Company.

### Acquisition

The Group completed the acquisition of 60% interest in Dowry Peacock on 19 October 2005. Dowry Peacock is a UK-based consumer electronic products brand owner and supply chain management company and is principally engaged in the business of consultancy, design, sourcing, planning, procurement, quality inspection, brand and warranty management of home entertainment and consumer electronic products. The post-acquisition performance of Dowry Peacock was below expectation as a result of volatility in the consumer electronics sector and unanticipated fluctuation of the Sterling against US dollars, which had adversely affected its operating margin.

To rectify the situation, Dowry Peacock is focusing on expanding its customer base across all Linmark's operating territories to grow turnover. It is also actively looking at sharpening its in-house design and engineering expertise to broaden its one-of-a-kind product offering to customers.

以貿易為基礎的成衣採購業務仍然保持強勁，於本回顧年度的盈利能力穩健增長。增長主要歸功於強大的設計能力，此能大大幫助其客戶為市場供應暢銷產品。此外，嚴謹監控其營運已進一步提升其盈利能力。

### 管理層的變動

於二零零六年二月二十八日，本公司宣佈委任本人為其新任行政總裁，以接替范倚棋先生。自一九九一年四月以來，本人一直擔任 Tamarind 的董事兼行政總裁，而本集團於二零零四年十二月購入 Tamarind 業務。

於二零零六年一月二十四日，隨郭志強先生請辭後，本公司宣佈委任黃慶年先生為其財務總裁。黃先生之前為本公司最終控股公司全威國際的企業發展部主管。

### 收購事項

本集團於二零零五年十月十九日完成收購 Dowry Peacock 之60%權益。Dowry Peacock 為一間以英國為基地之消費電子產品品牌擁有者和供應鏈管理公司。該公司主要從事家庭娛樂和消費電子產品之顧問、設計、採購、規劃、購買、品質檢定、品牌及保養管理業務。Dowry Peacock 於收購後的表現遜於預期，此乃由於消費電子業表現反覆以及英鎊兌美元出現未有預料的匯率波動，對其經營溢利率構成不利影響所致。

為扭轉逆勢，Dowry Peacock 目前正專注將客戶基礎擴充至整個林麥的營運版圖，提升營業額。此外，Dowry Peacock 亦正積極強化其內部設計及工程專業知識，為客戶提供更多獨有的產品。

### Corporate Governance

On 17 November 2005, Mr. WANG Lu Yen, chairman and executive director of Linmark, received the Directors of the Year Awards 2005. Instigated by The Hong Kong Institute of Directors with 66 project partners, the Awards co-organised with the Financial Services and Treasury Bureau of the Hong Kong Special Administrative Region Government, the Securities and Futures Commission and Hong Kong Exchanges and Clearing Limited recognise excellence in corporate governance and contribution to raising corporate governance standards in Hong Kong.

### Financial Review

The Group's financial position remains healthy with cash and cash equivalents of approximately US\$37.6 million (equivalent to HK\$293.3 million) as at 30 April 2006. In addition, the Group has total banking facilities of approximately US\$60.5 million (equivalent to HK\$471.9 million) including borrowing facilities of approximately US\$9.1 million (equivalent to HK\$71.0 million).

The Group's current ratio was 1.1 and gearing ratio was low at 0.1, based on interest-bearing borrowing of approximately US\$8.9 million (equivalent to HK\$69.4 million) and total equity of approximately US\$104.8 million (equivalent to HK\$817.4 million) as at 30 April 2006. There has not been any material change in the Group's borrowings since 30 April 2006.

Trade receivables increased from approximately US\$20.3 million (equivalent to HK\$158.3 million) as at 30 April 2005 to approximately US\$34.5 million (equivalent to HK\$269.1 million) as at 30 April 2006, which was mainly due to the acquisition of Dowry Peacock. As at 30 April 2006, trade receivables aged over 90 days were approximately US\$7.1 million (equivalent to HK\$55.4 million) which are being carefully monitored by management.

The Group's net asset value as at 30 April 2006 was approximately US\$104.8 million (equivalent to HK\$817.4 million).

### 公司管治

於二零零五年十一月十七日，林麥主席兼執行董事王祿閻先生榮獲二零零五年度傑出董事獎。二零零五年度傑出董事獎由香港董事學會及六十六個項目合作夥伴發起，並由香港特別行政區政府財經事務及庫務局、證券及期貨事務監察委員會及香港交易及結算所有限公司聯合主辦。該獎項表揚得獎者在卓越公司管治方面作出之努力和對提高香港公司管治標準之貢獻。

### 財務回顧

本集團之財務狀況依然穩健，於二零零六年四月三十日之現金及現金等值項目約為37,600,000美元（相等於293,300,000港元）。此外，本集團之銀行融資總額約為60,500,000美元（相等於471,900,000港元），其中包括借貸融資約9,100,000美元（相等於71,000,000港元）。

本集團於二零零六年四月三十日之流動比率為1.1。根據計息借貸約8,900,000美元（相等於69,400,000港元）及權益總值約104,800,000美元（相等於817,400,000港元）計算，於二零零六年四月三十日資產負債比率處於0.1之低水平。本集團之借貸自二零零六年四月三十日以來並無任何重大轉變。

應收貿易賬款由二零零五年四月三十日約20,300,000美元（相等於158,300,000港元）增至二零零六年四月三十日約34,500,000美元（相等於269,100,000港元），主要是由於收購Dowry Peacock所致。於二零零六年四月三十日，賬齡超過90天之應收貿易賬款約為7,100,000美元（相等於55,400,000港元），管理層正審慎監察此等應收賬款。

於二零零六年四月三十日，本集團之資產淨值約為104,800,000美元（相等於817,400,000港元）。

As at 30 April 2006, pledges of bank deposits amounted to approximately US\$7.0 million (equivalent to HK\$54.6 million) and there was a fixed and floating debenture over the assets of Dowry Peacock to cover banking facilities in the ordinary course of business. The Group had no material contingent liability as at 30 April 2006 and there has been no material change since then.

The majority of the Group's transactions during the year under review are denominated in US dollars, Hong Kong dollars and Sterling. During the year under review, foreign exchange risks from Sterling transactions are managed by the Group treasury with the use of foreign exchange forward contracts. There was no outstanding foreign exchange forward contracts as at 30 April 2006.

#### **Remuneration Policy and Staff Development Scheme**

As at 30 April 2006, the Group had 1,006 staff. The total staff costs for the year under review amounted to approximately US\$28.2 million (equivalent to HK\$220.0 million) (2005: US\$22.7 million (equivalent to HK\$177.1 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. The Group 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**

Along with the changes in management, the Group has thoroughly reviewed its structure, its network of sourcing offices and operational efficiencies. The new management identified certain non-performing offices, which have either been closed or will be closed. This exercise is expected to complete within the first half of the next financial year. The discontinuation of non-performing business development activities will have a direct impact of reducing the Group's operating costs. However, further restructuring costs are expected for the financial year ending 30 April 2007.

於二零零六年四月三十日，銀行存款抵押約為7,000,000美元（相等於54,600,000港元），並有就Dowry Peacock資產發出之固定及浮動債權證作為日常業務過程中的銀行融資之擔保。於二零零六年四月三十日，本集團並無任何重大或然負債，且自此日起截至目前為止，本集團之或然負債並無任何重大變動。

本集團於本回顧年度之大部份交易均以美元、港元及英鎊結算。於本回顧年度內，本集團財庫部利用外匯遠期合約管理來自以英鎊計值的交易之外匯風險。本集團於二零零六年四月三十日並無任何外匯遠期合約。

#### **薪酬政策及員工培訓計劃**

於二零零六年四月三十日，本集團聘有1,006名員工。本回顧年度的僱員成本總額約為28,200,000美元（相等於220,000,000港元）（二零零五年：22,700,000美元（相等於177,100,000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。此外，本集團根據集團及員工個人表現向合資格員工授出購股權並發放酌情花紅。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。

#### **前景**

隨著管理層的變動，本集團已全面檢討集團架構、採購辦事處之網絡以及營運效率。全新管理層識別出表現不佳的辦事處，此等辦事處已經或將被停業，預期有關結業之行動於下一個財政年度上半年完成。終止表現不佳的業務發展活動將直接減低本集團之營運成本。然而，本集團預期截至二零零七年四月三十日止財政年度將有額外的重組成本。

After careful evaluation, the Group reorganised its operational functions under four SBUs and each SBU is entrusted with a specific business objective allowing more focused allocation of resources for enhancing operational efficiencies and lowering operating cost. Management, through pushing for integration of all acquisitions into the Group, has created for the Group tremendous operational synergies and cross-selling opportunities, and a uniform platform on which to operate and grow its business.

The Dowry Peacock business continues to be a challenge and is expected to under achieve initial expectations. Increasing material costs, interest rate hikes and the price deflation of electronics products will continue to threaten its profitability. Management is currently negotiating with suppliers for better pricing that can ensure optimum margins and growth for the Group. Aggressive cross selling opportunities outside Dowry Peacock's traditional customer and geographic base are being explored. In addition, the Group has also tightened its control procedure to monitor the Group's Sterling/USD exchange to minimise margin frustration for the Group in a volatile exchange rate environment.

The Group will remain open to merger and acquisition opportunities. It will target companies with strong historical performance that can help it diversify and strengthen its offer across existing and new markets.

Although the management sees short-term consolidation, long-term prospects of its business remain strong.

**Peter Loris SOLOMON**  
*Chief Executive Officer*

Hong Kong, 28 June 2006

經審慎的評估後，本集團按照四個策略性業務單位重組其營運功能，各個策略性業務單位均有特定的業務目標，使其更專注於資源分配，藉以提高營運效率並減低營運成本。管理層透過整合全部收購事項至本集團之內，為本集團締造莫大的營運協同效益以及不少交叉銷售機會，並且建立一統經營及發展其業務之平台。

經營 Dowry Peacock 的業務仍具挑戰，並預計不能達成首期目標。物料成本上漲、利率上升及電子產品價格下跌將繼續威脅 Dowry Peacock 之盈利能力。管理層目前正與供應商磋商較佳的定價方案，務求確保本集團達至最高的利潤率和增長。本集團正積極發掘 Dowry Peacock 固有客戶及地域版圖以外的交叉銷售機會。此外，本集團亦收緊其監控程序，監察本集團英鎊兌美元之兌換情況，務求將本集團的利潤率波幅在波動的匯率環境中減至最低。

本集團繼續尋求併購之商機，以過往具有穩健業績的公司為目標，藉此有助本集團分散及強化其現有及全新市場的產品種類。

儘管管理層預期集團業務會出現短期整合，但其業務的長遠前景依然強勁。

**Peter Loris SOLOMON**  
*行政總裁*

香港，二零零六年六月二十八日