

# Management Discussion and Analysis

## 管理層討論及分析

### BUSINESS REVIEW

#### Overview

For the six months ended 31 October 2006 (“period under review”), shipment value amounted to approximately US\$494.4 million (equivalent to HK\$3,856.3 million), an increase of approximately 13.4% as compared to approximately US\$435.9 million (equivalent to HK\$3,400.0 million) for the corresponding period of last year. The Group’s performance is most accurately reflected by shipment value instead of turnover.

The Group’s turnover increased by approximately 96.9% against the same period of last year to approximately US\$193.7 million (equivalent to HK\$1,510.9 million). The significant increase was principally attributed to the Group’s acquisition of Dowry Peacock Group Limited (“Dowry Peacock”).

Operating expenses including finance costs increased by approximately 14.3% to approximately US\$23.8 million (equivalent to HK\$185.6 million). The increase was mainly due to the acquisition of Dowry Peacock as well as costs associated with the Group’s restructuring amounting to approximately US\$1.0 million (equivalent to HK\$7.8 million) and provision for doubtful debts of approximately US\$1.8 million (equivalent to HK\$14.0 million).

The Group’s profit after income tax amounted to approximately US\$4.3 million (equivalent to HK\$33.5 million), a decrease of approximately 59.4% as compared to approximately US\$10.5 million (equivalent to HK\$81.9 million) for the corresponding period of last year. The decrease was mainly due to the departure of Warnaco Inc., one of the Group’s key customers in North America, which decided to consolidate its retail and sourcing functions in Asia during the last financial year. The Group has faced many challenges with its value-added services and advisory business. In addition, the Group has tightened its credit policy, which resulted in an increase of provision made during the period under review. The Group is taking various measures to enhance efficiency and save cost.

#### 業務回顧

##### 概覽

截至二零零六年十月三十一日止六個月（「回顧期間」），付運量總值約為494,400,000美元（相等於3,856,300,000港元），較去年同期約435,900,000美元（相等於3,400,000,000港元）增加約13.4%。相比營業額，付運量總值更能準確地反映本集團的業績表現。

本集團的營業額較去年同期增加約96.9%至約193,700,000美元（相等於1,510,900,000港元）。營業額顯著上升乃主要受惠於本集團收購Dowry Peacock Group Limited（「Dowry Peacock」）所致。

營運開支（包括財務費用）增加約14.3%至約23,800,000美元（相等於185,600,000港元），此項增加主要由於收購Dowry Peacock及本集團重組產生開支約1,000,000美元（相等於7,800,000港元），以及就呆壞賬撥備約1,800,000美元（相等於14,000,000港元）所致。

本集團的除所得稅後溢利約為4,300,000美元（相等於33,500,000港元），較去年同期約10,500,000美元（相等於81,900,000港元）減少約59.4%。此項減少主要由於本集團一名重要的北美客戶Warnaco Inc.於上個財政年度決定整合其亞洲零售及採購職能而不再經本集團進行採購。本集團的增值服務及顧問業務面對重重挑戰。此外，本集團收緊信貸政策，導致於回顧期間作出的撥備有所增加。本集團正採取多種措施提高效率及減省成本。

Net profit after income tax as a percentage of shipment value declined to approximately 0.87% from 2.42%. Excluding the US\$1.0 million (equivalent to HK\$7.8 million) restructuring expenses, the adjusted net profit after income tax as a percentage of shipment value would be approximately 1.07%.

### Segmental analysis

The acquisitions undertaken by the Group in the past few years have shifted the Group's business model from predominately commission-based to shipment value-based. The table below shows the shipment value to different markets during the period under review as compared to amounts in the previous corresponding period:

除所得稅後純利佔付運量總值的百分比由約2.42%下降至約0.87%。若不計入為數約1,000,000美元(相等於7,800,000港元)之重組費用，經調整除所得稅後純利佔付運量總值的百分比則約為1.07%。

### 分類分析

藉著本集團過往數年所進行的收購，其業務模式已由以佣金制為主改變為以付運量總值為主。下表載列於回顧期間各個市場的付運量總值以及去年同期的比較數字：

		<b>Shipment value</b>	
		<b>付運量總值</b>	
		<b>For the six months ended</b>	
		<b>31 October</b>	
		<b>截至十月三十一日止六個月</b>	
		<b>2006</b>	<b>2005</b>
		<b>二零零六年</b>	<b>二零零五年</b>
		<b>US\$' million</b>	<b>US\$' million</b>
		<b>百萬美元</b>	<b>百萬美元</b>
North America	北美洲	<b>175.4</b>	257.5
Europe	歐洲	<b>163.3</b>	67.7
Others	其他	<b>155.7</b>	110.7
<b>Total</b>	<b>總計</b>	<b>494.4</b>	435.9

During the period under review, shipment to Europe surged approximately 141.2% from approximately US\$67.7 million (equivalent to HK\$528.1 million) to approximately US\$163.3 million (equivalent to HK\$1,273.7 million). Shipment from this sector accounted for approximately 33.0% of the Group's total shipment. The growth was mainly from the increased revenue after the acquisition of 60% interest in Dowry Peacock, a UK-based consumer electronic products brand owner and supply chain management company. The acquisition was completed in October last year.

於回顧期間，往歐洲的付運量總值由約67,700,000美元(相等於528,100,000港元)攀升約141.2%至約163,300,000美元(相等於1,273,700,000港元)。該項業務的付運量總值約佔本集團付運量總值的33.0%。此項增加主要受惠於本集團於收購Dowry Peacock的60%權益後所錄得新增之收入。Dowry Peacock為一間以英國為基地的消費電子產品品牌擁有者及供應鏈管理公司。該項收購已於去年十月完成。

Shipment to North America decreased by approximately 31.9% from approximately US\$257.5 million (equivalent to HK\$2,008.5 million) to approximately US\$175.4 million (equivalent to HK\$1,368.1 million). However, North America remained as the Group's largest market, contributing approximately 35.5% of the Group's total shipment.

Shipment grouped under "Others" represents mainly shipment to the southern hemisphere. Its value increased from approximately US\$110.7 million (equivalent to HK\$863.5 million) to approximately US\$155.7 million (equivalent to HK\$1,214.5 million) at strong orders from customers in South Africa and Australia.

After a series of reorganisation initiatives implemented over the past few months, the Group's operational functions have been divided into four specific business units. This strategic move has duly promoted better cross selling among the various product divisions.

The Group completed its consolidation efforts involving the Shanghai and Hong Kong offices during the first and second quarter of this financial year, respectively. As a result, the Shanghai offices are now located within a single building, a practice that was subsequently mirrored in Hong Kong. Moreover, a new mega showroom similar in style to a department store was set up in the Hong Kong office. This particular display strategy not only offers an extraordinary sourcing experience to customers, but also encourages cross-selling opportunities among different business units.

In addition to restructuring the two offices, the Group reviewed its office network and closed a number of non-performing locations during the period under review. Such action has allowed the Group to lower operating costs to a more reasonable level and to sharpen its competitiveness.

往北美洲的付運量總值由約257,500,000美元（相等於2,008,500,000港元）減少約31.9%至約175,400,000美元（相等於1,368,100,000港元）。然而，北美洲仍為本集團的最大市場，佔本集團付運量總值約35.5%。

於「其他」分類下的付運量總值主要為往南半球的付運量總值。在可觀的南非及澳洲客戶訂單的帶動下，其價值由約110,700,000美元（相等於863,500,000港元）增至約155,700,000美元（相等於1,214,500,000港元）。

由於本集團於過往數月採取了一系列重組措施，本集團的營運職能已被劃分為四個特定業務單位。此策略已充份地促進了不同產品分類的交叉銷售活動。

本集團分別於本財政年度第一及第二季整合其於上海及香港的職能。因此，上海辦事處現時均位於同幢大樓內，此舉隨後亦會在香港實施。此外，本集團亦在香港辦事處設立了一個仿百貨公司風格的新大型陳列室。此獨特展示策略不僅為客戶提供非凡的採購體驗，同時亦鼓勵在不同業務分類間進行交叉銷售。

除重組兩間辦事處外，於回顧期間，本集團亦檢討其辦事處網絡及關閉多間表現欠佳的辦事處。此舉使本集團將經營成本降低至一個更為合理的水平及提升其競爭力。

## FINANCIAL REVIEW

The Group's financial position remains healthy with cash and cash equivalents of approximately US\$38.8 million (equivalent to HK\$302.6 million) as at 31 October 2006. In addition, the Group has total banking facilities of approximately US\$67.5 million (equivalent to HK\$526.5 million) including borrowing facilities of approximately US\$12.1 million (equivalent to HK\$94.4 million).

The Group has a current ratio of 1.1 and a low gearing ratio of 0.1, based on interest-bearing borrowings of approximately US\$14.4 million (equivalent to HK\$112.3 million) and total equity of approximately US\$108.0 million (equivalent to HK\$842.4 million) as at 31 October 2006. There has not been any material change in the Group's borrowings since 31 October 2006.

Trade receivables increased slightly from approximately US\$34.5 million (equivalent to HK\$269.1 million) as at 30 April 2006 to approximately US\$36.9 million (equivalent to HK\$287.8 million) as at 31 October 2006. As at 31 October 2006, trade receivables aged over 90 days were approximately US\$8.5 million (equivalent to HK\$66.3 million) which are being carefully monitored by management.

The Group's net asset value as at 31 October 2006 was approximately US\$108.0 million (equivalent to HK\$842.4 million).

As at 31 October 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 31 October 2006 and there has been no material change since then.

The majority of the Group's transactions during the period under review were denominated in US dollars, Hong Kong dollars and Sterling. During the period under review, foreign exchange risks from Sterling transactions were managed by the Group's treasury with the use of foreign exchange forward contracts.

## 財務回顧

本集團之財務狀況依然穩健，於二零零六年十月三十一日之現金及現金等值項目約為38,800,000美元（相等於302,600,000港元）。此外，本集團之銀行融資總額約為67,500,000美元（相等於526,500,000港元），其中包括借貸融資約12,100,000美元（相等於94,400,000港元）。

本集團於二零零六年十月三十一日之流動比率為1.1，而資產負債比率處於0.1之低水平，這是根據計息借貸約14,400,000美元（相等於112,300,000港元）及權益總值約108,000,000美元（相等於842,400,000港元）計算。本集團之借貸自二零零六年十月三十一日以來並無任何重大轉變。

應收貿易賬款由二零零六年四月三十日約34,500,000美元（相等於269,100,000港元）輕微增至二零零六年十月三十一日約36,900,000美元（相等於287,800,000港元）。於二零零六年十月三十一日，賬齡超過90天之應收貿易賬款約為8,500,000美元（相等於66,300,000港元），管理層正審慎監控此等應收貿易賬款。

於二零零六年十月三十一日，本集團之資產淨值約為108,000,000美元（相等於842,400,000港元）。

於二零零六年十月三十一日，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中獲取之銀行融資之擔保。於二零零六年十月三十一日，本集團並無任何重大或然負債，此後亦無重大變動。

本集團於回顧期間之大部份交易均以美元、港元及英鎊結算。於回顧期間，來自以英鎊計值的交易之外匯風險由本集團財庫部利用外匯遠期合約進行管理。

## PROSPECTS

Although the business environment remains challenging, the management will continue to explore ways to improve profitability, including implementing cost-saving measures, improving efficiency to enhance margins, expanding customer base, negotiating with suppliers for better prices and enriching its product ranges by developing more exclusive range of products for distribution.

Apart from continuing to actively integrate and restructure its various business functions, the Group will focus on encouraging cross-selling among its existing and new customers. The management expects to see favourable outcomes of these endeavors in the coming years after customers have experienced the advantages of its comprehensive product offerings and one-stop service.

Linmark Electronics Limited's ("LEL") business remains to be a challenge but it is expected that there will be a slight improvement in the operating margins in the second half of the current financial year. The Group will review its business strategy and continue to explore ways to improve its profitability although it is not expected LEL to have a material impact to the Group's profitability in the short term.

While management expects that its business and initial consolidation efforts will be confronted with various challenges, it is confident that the Group will benefit in the long-term by taking decisive and prudent action during the current financial year.

## 展望

儘管營商環境依舊充滿挑戰，管理層將繼續探索提高盈利能力之方法，其中包括：實施節省成本措施、提高效率以實現毛利增長、擴闊客戶基礎、與供應商洽商更優惠價格，以及通過開發更多獨有產品來擴充產品系列以供分銷。

除堅持積極整合及重組其不同業務職能外，本集團將著重致力於鼓勵其新客戶與現有客戶間之交叉銷售。管理層預期，在未來數年，待客戶感受到多元化產品及一站式服務之優勢之後，該等努力帶來之可喜結果即會展現出來。

Linmark Electronics Limited (「LEL」) 之業務仍具挑戰，然而預期本財政年度下半年之經營毛利將略有改善。本集團將檢討其業務策略，並繼續探索改善其盈利能力之方法，但預期短期內LEL對本集團的盈利能力不會構成重大影響。

儘管管理層預期其業務及在推行業務整合初期將面對各種挑戰，然而本集團深信於本財政年度採取果斷而審慎之措施將使本集團長遠受惠。

## **VOLUNTARY DELISTING PROPOSAL OF ROLY INTERNATIONAL**

The Board has been informed that a proposal (“Proposal”) from RI Special Holdings Bermuda Limited (“BidCo”), a company owned by Mr. WANG Lu Yen and Asia Pacific Growth Fund V, L.P., CFM Investments Limited, Titan I Venture Capital Co., Ltd. and FAT Capital Management Co., Ltd. was put forward to the board of directors of Roly International to seek a voluntary delisting of Roly International from the Singapore Exchange Securities Trading Limited. Subject to and upon the Proposal having been approved by Roly International’s shareholders and implemented, BidCo will become the controlling shareholder of Roly International. Since Roly International is the controlling shareholder of the Company, BidCo will also become the controlling shareholder of the Company. According to the Hong Kong Code on Takeovers and Mergers, BidCo will be required to make a mandatory unconditional offer for the securities of the Company not already owned by it or parties acting in concert with it. Details of the Proposal and the possible mandatory offer are set out in an announcement dated 12 December 2006 jointly issued by the Company, BidCo and Byford International Limited. As the Proposal is subject to the approval of Roly International’s shareholders, the possible mandatory offer may or may not proceed. The Board will provide an update to shareholders as and when appropriate.

## **全威國際建議自願除牌**

董事會知悉RI Special Holdings Bermuda Limited (「BidCo」) (一間由王祿閻先生及Asia Pacific Growth Fund V, L.P., CFM Investments Limited(擁有之公司)、Titan I Venture Capital Co., Ltd.及FAT Capital Management Co., Ltd.提呈之建議(「建議」)已呈交全威國際的董事會，以尋求全威國際於新加坡證券交易所有限公司自願除牌。待建議獲全威國際的股東批准並經已執行後，BidCo將成為全威國際之控股股東。由於全威國際乃本公司的控股股東，故BidCo亦將成為本公司的控股股東。根據香港公司收購及合併守則，BidCo必須就其或與其一致行動人士並未擁有之本公司證券作出強制性無條件收購建議。建議及可能進行的強制性收購建議之詳情載於二零零六年十二月十二日由本公司、BidCo及百富國際有限公司聯合刊發的公佈。由於建議必須取得全威國際股東的批准，方可作實，故可能強制性收購建議不一定會進行。董事會將在適當時候向股東提供最新資料。