

管理層討論及分析 Management Discussion and Analysis

財務回顧

截至二零零六年十二月三十一日止年度，本集團的銷售額較二零零五年2,054,100,000港元上升21.1%至2,487,500,000港元。銷售額上升主要來自運動服生產業務及運動服分銷業務。本集團毛利上升約14.7%達863,400,000港元，毛利率由二零零五年的36.7%降至二零零六年的34.7%，主要由於本集團中國業務的勞工成本及生產間接成本上漲，加上人民幣升值，導致生產成本增加所致。

本集團經營溢利較二零零五年上升12,200,000港元至357,200,000港元，增幅為3.5%。此增加主要由於運動服分銷業務營業溢利增加的40,400,000港元由活動及戶外服裝業務與運動服生產業務營業溢利分別減少12,300,000港元及5,000,000港元所抵銷，以及確認授予未分類至任何業務分部的個別執行董事與一名顧問的首次公開招股前購股權服務值10,900,000港元。

融資收入由二零零五年的4,600,000港元大幅增至25,700,000港元，主要來自與認購股份，包括於本公司首次公開發售認購期間的超額認購及發行新股所得款項相關的銀行存款利息收入增加。融資成本由16,800,000港元增加至21,600,000港元，主要由於年底前已清還過渡貸款所致。所得稅於二零零五年至二零零六年維持於77,400,000港元，而實際利率則由二零零五年的23.2%微跌至二零零六年的21.4%。由於Umbro集團二零零五年九月出售所持天運洋行25%股權所帶來的全年影響，因此少數股東權益由二零零五年的13,900,000港元升至22,800,000港元。

本集團股權持有人應佔溢利上升7.9%至260,600,000港元，純利率為11.4%。

由於本公司剛於二零零六年九月上市，故董事不建議派付二零零六年末期股息。

FINANCIAL REVIEW

For the year ended 31 December 2006, the Group's sales rose 21.1% to HK\$2,487.5 million from HK\$2,054.1 million in 2005. The rise in sales was mainly attributable to Sportswear Manufacturing Business and Sportswear Distribution Business. The Group's gross profit amounted to HK\$863.4 million, representing an increase of about 14.7%; while gross profit margin dropped from 36.7% in 2005 to 34.7% in 2006, mainly due to the increase in production cost mainly resulting from the inflation of labour cost and production overhead cost of our operations in the PRC, and the effect of the appreciation of the RMB.

Operating profit increased by HK\$12.2 million, or 3.5%, to HK\$357.2 million, as compared with 2005. The increase was primarily due to an increase in operating profit of HK\$40.4 million for Sportswear Distribution Business, offset by the decrease in operation profit of HK\$12.3 million and HK\$5.0 million for Active and Outer Wear Business and Sportswear Manufacturing Business respectively and the recognition of the value of services in respect of the Pre-IPO Share Options granted to several executive Directors and a consultant of HK\$10.9 million which is not allocated to any business segments.

Finance income increased significantly to HK\$25.7 million from HK\$4.6 million in 2005. This was mainly due to the increase in interest income from bank deposits relating to share subscription, including over subscription during the subscription period of the Company's initial public offering and proceeds from the issuance of new shares. Finance costs increased to HK\$21.6 million from HK\$16.8 million mainly due to a bridge loan which was settled before the year end. Profits tax remained stable at HK\$77.4 million in both 2005 and 2006, while effective tax rates decreased slightly to 21.4% in 2006 from 23.2% in 2005. Minority interest increased to HK\$22.8 million from HK\$13.9 million in 2005 mainly due to the full year effect of a 25% equity interest of T&S HK held by Umbro Group which was disposed of in September 2005.

The Group's profit attributable to equity holders increased by 7.9% to HK\$260.6 million, achieving a net profit margin of 11.4%.

The Directors do not recommend the payment of a final dividend in 2006 as the Company was just shortly listed in September 2006.

管理層討論及分析 Management Discussion and Analysis

業務回顧

本集團為國際著名體育品牌生產和分銷運動服與活動及戶外服裝，是一家綜合生產商及分銷商。業務分為三類持續增長業務，覆蓋不同地域市場。三大業務的銷售表現概述如下：

運動服生產業務

本集團運動服生產業務主要以OEM方式為國際品牌生產運動服產品，客戶包括但不限於adidas、Reebok、Umbro及Diadora等。大部分貨品出口至歐洲。於截至二零零六年十二月三十一日止年度，運動服生產業務銷售額與去年同期比較，上升33.3%至1,488,400,000港元，佔本集團總銷售額由53.4%升至58.5%。銷售額增長強勁主要由於本集團憑藉高質量及高水平的運動服產品成功向主要客戶取得更多訂單，加上整合供應商基礎，以及產能提升所致。

雖然本集團能夠把材料成本轉嫁至其客戶身上，然而由於年內本集團部分工廠所在城市的最低工資增加，且人手短缺，加上人民幣升值導致本集團未能將該業務的勞工成本及業務生產間接成本轉嫁予客戶，以致本集團該分部毛利率由去年的31.2% (348,000,000港元) 下跌至本年的27.6% (410,000,000港元)。

分部營業成本亦增加40.9%至78,600,000港元，較收益增長高出33.3%。開支上漲主要包括配額成本增加11,400,000港元、付運及保險開支增加12,500,000港元、委任上市公司董事的董事袍金上升5,200,000港元、向僱員提供9,300,000港元的特別花紅及增聘不同營運部門人手花費16,100,000港元。

分部營業毛利率因而自二零零五年14.0% (156,400,000港元) 下降至10.2% (151,400,000港元)。

BUSINESS REVIEW

The Group is an integrated manufacturer and distributor for renowned international sports brands and active and outer wear. It runs three continuously growing broad lines of business that serves diverse geographical markets. Sales performances of different business lines are summarised below:

Sportswear Manufacturing Business

The Group's Sportswear Manufacturing Business is principally engaged in the manufacture of sportswear products on an OEM basis for international sports brands, including but not limited to adidas, Reebok, Umbro and Diadora. Most of the goods are exported to Europe. During the year ended 31 December 2006, sales from the Sportswear Manufacturing Business increased by 33.3% to HK\$1,488.4 million when compared with last year. Its contribution to the Group's total sales increased from 53.4% to 58.5%. The strong sales growth was a result of increased orders from key customers that had been consolidating their supplier base and who appreciated the high quality and standards of the Group's sportswear products, and also due to the Group's expanded production capacity.

The Group was able to pass material cost on to its customers, but not labour cost and production overhead of the sector, which increased due to the rise in minimum salary levels and tightened labour supply in the cities where our factories are located, and appreciation of the RMB. All taken into account, gross profit margin for the segment lowered from 31.2% at HK\$348 million last year to 27.6% at HK\$410 million this year.

The segmental operating expense increased by 40.9% to HK\$78.6 million which was higher than the 33.3% growth in revenue. The higher expense mainly comprised HK\$11.4 million increase in quota costs, HK\$12.5 million increase in delivery and insurance expense, HK\$5.2 million increase in directors' fee for appointing directors for a public company, HK\$9.3 million in special bonuses to employees, and HK\$16.1 million on new hires for the Group's different operational functions.

Segmental operating profit margin therefore decreased to 10.2% at HK\$151.4 million from 14.0% at 156.4 million in 2005.

管理層討論及分析 Management Discussion and Analysis

下表列出本集團運動服生產業務於截至二零零五及二零零六年十二月三十一日止年度按當中各項活動的銷售額分析：

按業務劃分的運動服生產業務銷售額

The following tables set forth the breakdown of sales of our Sportswear Manufacturing Business by activities for the years ended 31 December 2005 and 2006:

Breakdown of sales of our Sportswear Manufacturing Business by activities

		二零零六年 2006		二零零五年 2005	
		千港元 HK\$'000	%	千港元 HK\$'000	%
運動服生產	Sportswear manufacturing	1,193,789	80.2	902,833	80.9
運動服採購及貿易 (附註)	Sourcing and trading of sportswear (Note)	206,090	13.8	173,055	15.5
織布	Fabric knitting	83,647	5.6	33,835	3.0
配料生產	Accessories manufacturing	4,824	0.4	6,918	0.6
總額	Total	1,488,350	100.0	1,116,641	100.0

附註：

由於採購及貿易業務所有客戶屬本集團的OEM客戶，以本身品牌向本集團發出生產運動服的訂單，因此採購及貿易業務屬於本集團的運動服生產業務。經考慮成本效益及生產設備等因素，同時為更善用生產資源及能力，本集團聘請其他獨立生產商製造該等產品而非自行生產。由於所有運動服分銷業務所出售的產品均為專營品牌產品，而本集團已獲得相關品牌持有人授權獨家在若干市場分銷，因此有關業務不同於運動服分銷業務。

Note:

This sourcing and trading business is classified as part of our Sportswear Manufacturing Business because all these customers are our OEM customers who place orders with us for manufacturing sportswear of their own brands. We engage other independent manufacturers to manufacture these products instead of producing them at our own facilities after considering factors such as cost effectiveness and product requirements and for better allocations of our production resources and capacities. This business is distinct from our Sportswear Distribution Business as all the products sold under our Sportswear Distribution Business are licensed branded products of which we have obtained relevant exclusive licences from the respective brand owners for distribution in certain markets.

管理層討論及分析 Management Discussion and Analysis

按地區劃分的運動服生產業務銷售額

Breakdown of sales of our Sportswear Manufacturing Business by geographical locations

		二零零六年 2006		二零零五年 2005	
		千港元 HK\$'000	%	千港元 HK\$'000	%
出口銷售額 (附註1)	Export Sales (Note 1)				
歐洲	Europe	988,886	69.1	744,064	68.8
北美	North America	80,447	5.6	70,852	6.5
亞洲 (不包括中國 及香港)	Asia excluding PRC and Hong Kong	181,369	12.7	77,746	7.2
其他 (附註2)	Others (Note 2)	82,722	5.8	85,280	7.9
		1,333,424	93.2	977,942	90.4
本地銷售額	Domestic Sales				
中國	PRC	93,239	6.5	95,725	8.9
香港	Hong Kong	5,133	0.3	7,924	0.7
		98,372	6.8	103,649	9.6
		1,431,796	100.0	1,081,591	100.0
分部之間的銷售額	Inter-segment sales	56,554		35,050	
總額	Total	1,488,350		1,116,641	

附註：

1. 銷售額的地區以付運產品的最終目的地而定。
2. 其他包括澳洲、中美洲及中東。

Notes:

1. The geographical location of our sales is determined by the final destination to where our products are delivered.
2. Others include Australia, Central America and Middle East.

管理層討論及分析 Management Discussion and Analysis

運動服分銷業務

本集團在中國及香港擁有獨家分銷UMBRO品牌運動服、鞋類、配件及體育器材的權利。運動服分銷業務銷售額於二零零六年增加24.9%至416,000,000港元。主要由於中國市場對UMBRO產品的需求上升。分部銷售額佔本集團總銷售額16.4%，而二零零五年則為15.9%。截至本年度，本公司已設立約1,050個銷售點，其中約890個位於中國。截至二零零六年十二月三十一日止年度，毛利率維持於39.1%。分部營業毛利率由二零零五年23.0%（76,700,000港元）增加至27.9%（116,000,000港元），主要由於更嚴密監控一般及行政成本，並因調整估計應付專營權費所帶來收益9,200,000港元所致。年內，本集團重新評估其預期來自特許經營業務未來收益的估計。由於估計未來收益會下跌，因而導致估計應付專營權費減少約9,200,000港元，並進帳至綜合損益表其他收益內。

為加強UMBRO品牌形象及推廣其產品，本集團將市場推廣及廣告開支與銷售額的比例由二零零五年的3.2%提升至二零零六年的7.2%，開支約為29,800,000港元，大部分用於贊助中國足球協會於二零零六年初在中國舉行由兩支超級聯賽球隊長春亞泰與河南建業對壘的室內五人足球賽。

於二零零六年三月，本集團收購嘉運的50%股權。嘉運為本集團的共同控制實體，持有在中國獨家分銷曼聯、巴塞隆拿、祖雲達斯及巴黎聖日耳門四大歐洲球會品牌的運動服及配件的權利。此外，嘉運亦以「運動站」及「Futbol Trend」名義於香港經營14間零售店。香港首家足球概念店Futbol Trend已於二零零七年一月在旺角朗豪坊開幕。儘管該業務仍未全面反映在本集團業績上，管理層欣然看到市場反應踴躍。

Sportswear Distribution Business

The Group has the exclusive rights to distribute sportswear, footwear, accessories and sports equipment under the UMBRO brand in the PRC and Hong Kong. Sales of Sportswear Distribution Business increased by 24.9% to HK\$416.0 million in 2006. The growth was mainly attributed to the increased demand for UMBRO Products in the PRC. Sales of the segment accounted for 16.4% of the Group's total sales as compared to 15.9% in 2005. At the end of the year, approximately 1,050 points of sale were set up, among which approximately 890 were located in the PRC. For the year ended 31 December 2006, gross profit margin maintained at 39.1%. Segmental operating profit margin increased to 27.9% at HK\$116.0 million against 23.0% at 76.7 million in 2005 was primarily due to tighter control of general and administrative cost and a gain of HK\$9.2 million resulting from change of estimated licence fees payable. During the year, the Group reassessed its estimates of the expected future revenues from the licensed business. The estimated future revenues were reduced and consequently the estimated licence fees payable were reduced by approximately HK\$9.2 million which was credited to other income in the consolidated income statement.

To enhance the image of UMBRO brand and promote its products, the Group increased the proportion of marketing and advertising expenses to sales from 3.2% in 2005 to 7.2% in 2006. It spent approximately HK\$29.8 million, mainly on sponsoring the Indoor 5-a-side Football Match in the PRC organised by the Football Association of China in early 2006, two Premiership football teams, Chang Chun Ya Tai and Henan Jian Ye.

In March 2006, the Group acquired a 50% equity interest in Win Sports, a jointly controlled entity of the Group, which holds the exclusive rights to distribute branded sportswear and accessories of four European soccer teams, namely Manchester United Football Club, Barcelona Football Club, Juventus Football Club and Paris Saint-Germain Football Club. Additionally, Win Sport also runs 14 retail shops in Hong Kong, under the names of "Sport Corners" and "Futbol Trend". The first soccer mega store in Hong Kong, Futbol Trend, was recently opened in January 2007 in Langham Place, Mongkok. Even though the full impact of this business has not yet been reflected in the Group's results, the management is pleased to see positive market response.

管理層討論及分析 Management Discussion and Analysis

年結後不久，本集團於二零零七年三月完成認購嘉運額外25%股權，使本集團所持該公司股權增至75%。認購使本集團取得運動服零售業務的營運控制權，同時亦鞏固本集團的策略平台，以擴展本集團於香港以至中國的零售及批發業務。

下表列出截至二零零五年及二零零六年十二月三十一日止年度本集團運動服分銷業務的銷售額分析：

按產品類別劃分的本集團運動服分銷業務銷售額

Shortly after the year-end, in March 2007, the Group completed the subscription of an additional 25% interest in Win Sports, increasing our shareholding interest in this company to 75%. The subscription has given the Group operational control over our Sportswear Retail Business and a strengthened strategic platform to expand our retail and wholesale business in Hong Kong, and subsequently the PRC.

The following tables set forth the breakdown of sales of our Sportswear Distribution Business for the years ended 31 December 2005 and 2006:

Breakdown of sales of our Sportswear Distribution Business by product categories

		二零零六年 2006		二零零五年 2005	
		千港元 HK\$'000	%	千港元 HK\$'000	%
服裝	Apparel	277,440	66.7	237,009	71.0
鞋類	Footwear	118,790	28.6	76,003	23.0
配件	Accessories	16,640	4.0	14,427	4.3
體育用品	Sports equipment	3,178	0.7	5,720	1.7
總額	Total	416,048	100.0	333,159	100.0

附註：由於嘉運於二零零六年十二月三十一日是本集團的共同控制實體，其業績為計入應佔共同控制實體虧損的權益，故並無反映於運動服分銷業務的總銷售額中。

Note: As Win Sports was our jointly-controlled company as at 31 December 2006, its results were equity accounted for as shares of loss of jointly controlled entities and were not reflected in the total sales from Sportswear Distribution Business.

管理層討論及分析 Management Discussion and Analysis

按地區劃分的本集團運動服分銷業務銷售額

Breakdown of sales of our Sportswear Distribution Business by geographical regions

		二零零六年 2006		二零零五年 2005	
		千港元 HK\$'000	%	千港元 HK\$'000	%
中國 (附註1)	The PRC (Note 1)				
華東	Eastern region	143,529	34.5	130,449	39.2
華北	Northern region	90,445	21.7	66,684	20.0
華南	Southern region	57,615	13.8	41,221	12.4
華西	Western region	85,536	20.6	47,694	14.3
		377,125	90.6	286,048	85.9
香港及澳門 (附註2)	Hong Kong and Macau (Note 2)	36,476	8.8	46,493	14.0
台灣 (附註3)	Taiwan (Note 3)	2,447	0.6	618	0.1
總額	Total	416,048	100.0	333,159	100.0

附註：

Notes:

1. 華東包括安徽省、江蘇省、上海市及浙江省。

華北包括北京市、甘肅省、河北省、黑龍江省、吉林省、遼寧省、內蒙古自治區、青海省、山東省、山西省、陝西省、天津市、寧夏回族自治區及新疆維吾爾族自治區。

華南包括福建省、廣東省、廣西壯族自治區、海南省、河南省、湖北省、江西省及湖南省。

華西包括貴州省、四川省、雲南省、西藏自治區及重慶市。

2. 由於澳門的銷售額太少，故計入香港的銷售額。
3. 本集團自二零零五年九月開始在台灣經營UMBRO分銷業務。

1. Eastern region included Anhui Province, Jiangsu Province, Shanghai Municipal and Zhejiang Province.

Northern region included Beijing Municipal, Gansu Province, Hebei Province, Heilongjiang Province, Jilin Province, Liaoning Province, Inner Mongolia Autonomous Region, Qinghai Province, Shandong Province, Shanxi Province, Shaanxi Province, Tianjin Municipal, Ningxia Hui Autonomous Region and Xinjiang Uygur Autonomous Region.

Southern region included Fujian Province, Guangdong Province, Guangxi Zhuang Autonomous Region, Hainan Province, Henan Province, Hubei Province, Jiangxi Province and Hunan Province.

Western region included Guizhou Province, Sichuan Province, Yunnan Province, Tibet Autonomous Region and Chongqing Municipal.

2. Sales generated in Macau were minimal and hence, were grouped under the sales generated in Hong Kong.
3. Our UMBRO distribution operation in Taiwan began in September 2005.

管理層討論及分析 Management Discussion and Analysis

本集團在大中華地區有龐大的UMBRO產品分銷網絡。於二零零六年十二月三十一日，本集團合共有超過110名分銷商，在中國各地經營的網絡約有890間零售店，銷售本集團的UMBRO產品。此外，本集團亦透過香港、澳門及台灣超過150間零售店及專櫃出售UMBRO產品。該零售店網絡包括獨家銷售UMBRO產品的專門店，以及銷售UMBRO產品及其他品牌產品的體育用品專賣店或專賣櫃。下圖顯示二零零六年十二月三十一日的零售店位置：

We have an extensive distribution network for UMBRO Products in the Greater China. As at 31 December 2006, we had a total of over 110 distributors operating a network of approximately 890 retail outlets across the PRC for sale of our UMBRO Products. Additionally, we also sold our UMBRO Products through over 150 retail outlets and concession counters in Hong Kong, Macau and Taiwan. This network of retail outlets includes stand-alone stores selling exclusively the UMBRO Products and sports specialty stores or concession counters selling UMBRO Products and products of other brands. The following map shows the locations of these retail outlets as at 31 December 2006:



管理層討論及分析 Management Discussion and Analysis

下表列出二零零五年及二零零六年十二月三十一日在大中華出售UMBRO產品的零售店及專賣櫃的地區分佈：

The following table sets forth the geographical distribution of the retail outlets and concession counters selling UMBRO Products in the Greater China as at 31 December 2005 and 2006:

		零售店及專賣櫃 概約數目 Approximate number of retail outlets and concession counters	
		二零零六年 2006	二零零五年 2005
本集團分銷商經營的零售店	Retail outlets operated by our distributors		
中國	The PRC		
華東	Eastern region	316	235
華北	Northern region	263	163
華南	Southern region	146	116
華西	Western region	163	108
		888	622
香港	Hong Kong	140	132
澳門	Macau	3	2
台灣	Taiwan	10	10
本集團以寄賣方式經營的專賣櫃	Concession counters operated under concession arrangement		
香港(附註)	Hong Kong (Note)	5	5
合計	Total	1,046	771

附註：

專賣櫃根據寄賣安排在百貨店或連鎖體育用品專賣店經營。

Note:

The concession counters are operated in department stores or sports specialty stores under concession arrangements.

管理層討論及分析 Management Discussion and Analysis

活動及戶外服裝業務

本集團為NYL品牌(由「Martin Stuart Limited」持有)活動服裝的主要生產商及批發商,向約30間百貨店及零售連鎖店提供貨品當中涉及遍佈美國總計約5,000間店舖。本集團亦為Sears Canada採購戶外服及其他成衣。本業務銷售額僅稍微上升,主要原因是若干客戶於二零零五年因暫時取消配額制度而超額囤積貨品,因而延遲發出購貨訂單,以及若干客戶於二零零六年初進行合併。同時,由於二零零六年度最後一季全球氣候不尋常暖化,以致本業務出現季節性倒退。

活動及戶外服裝業務的銷售額微升0.1%至639,700,000港元,佔本集團總銷售額由30.6%降至25.1%。受益於更有效監控原材料成本,毛利率由42.8%升至45.4%。

然而,分部營業開支增加29,800,000港元,增幅為18.6%,主要來自貨運與保險費增加11,000,000港元、付予NYL品牌所有人佣金增加10,200,000港元及配額成本再增加6,400,000港元。貨運與保險費及配額成本增加是由於二零零五年購貨的中國客戶延遲訂單至二零零六年最後一季,故令生產需由約旦的生產設施移至本集團的中國廠房進行。佣金增加則由於佣金比率由二零零五年上半年的13.0%增至二零零五年下半年的14.5%所帶來的全年影響所致。

Active and Outer Wear Business

The Group is the dominant manufacturer and wholesaler of active wear for the NYL brand (a brand owned by "Martin Stuart Limited") to about 30 department stores and retail store chains, comprising a total of approximately 5,000 stores, across the US. The Group is also engaged in sourcing outer wear and other apparels for Sears Canada. Sales of this business grew only marginally mainly due to the delay purchase orders from some customers which had over-stocked in 2005 when the quota system was temporarily abolished and the merger of some of our customers at the beginning of 2006. Also, the unexpected global warm weather in the last quarter of 2006 brought seasonal setback to this business.

Sales of Active and Outer Wear Business slightly increased by 0.1% to HK\$639.7 million. Its contribution to the Group's total sales decreased from 30.6% to 25.1%. Gross profit margin increased to 45.4% from 42.8% due to the tighter control of raw material costs.

The segmental operating expenses, however, increased by 18.6% or HK\$29.8 million due to the increase in freight and insurance charge by HK\$11.0 million, HK\$10.2 million increase in commission paid to the brand owner of NYL and the additional HK\$6.4 million in quota cost. The increase in freight and insurance charge and quota cost was the result of customers who stocked up in 2005 delaying orders to the last quarter of 2006, thus requiring production to be shifted to our factories in the PRC from our production facility in Jordan. The increase in commission was due to the full year effect of the rise in commission rate from 13.0% in the first half of 2005 to 14.5% in the second half of 2005.

管理層討論及分析 Management Discussion and Analysis

下表列出截至二零零五年及二零零六年十二月三十一日止年度本集團活動及戶外服裝業務的銷售額分析：

按業務劃分的本集團活動及戶外服裝業務銷售額

業務	Business activities	二零零六年 2006		二零零五年 2005	
		千港元 HK\$'000	%	千港元 HK\$'000	%
NYL業務	NYL Business	532,494	83.2	544,575	85.2
其他服裝業務	Outer Wear Business	107,181	16.8	94,766	14.8
總額	Total	639,675	100.0	639,341	100.0

The following table sets forth the breakdown of sales of our Active and Outer Wear Business for the years ended 31 December 2005 and 2006:

Breakdown of sales of our Active and Outer Wear Business by business activities

首次公開發售所得款項用途

本公司自二零零六年九月於聯交所上市發行新股所得款項，扣除有關股份發行開支後，合共約738,400,000港元。該等所得款項部分已於截至二零零六年十二月三十一日止年度根據於二零零六年八月二十五日刊發的售股章程所載建議所得款項用途用作以下用途：

- 約97,000,000港元用作擴展本集團於中國的運動服產能。
- 約52,000,000港元用作擴展UMBRO產品分銷業務、UMBRO產品及球會產品的品牌推廣及營銷活動。

於二零零六年十二月三十一日，所得款項淨額已存入一間香港銀行。董事擬將該等所得款項淨額按二零零六年八月二十五日之售股章程所披露的方式使用。

Use of proceeds from the initial public offering

Proceeds from the issue of new shares of the Company for listing on the Stock Exchange in September 2006, after deducting related share issuance expenses, amounted to approximately HK\$738.4 million. Such proceeds had been partially utilised during the year ended 31 December 2006 in accordance with the proposed use of proceeds allocation set out in the Prospectus dated 25 August 2006:

- approximately HK\$97 million for expanding our sportswear manufacturing capacity in the PRC.
- approximately HK\$52 million for expanding the operations of the distribution of UMBRO Products, brands promotion and marketing activities, for the UMBRO Products and the Soccer Team Products.

As at 31 December 2006, the balance of the net proceeds had been deposited with a bank in Hong Kong. The Directors intend to utilise such net proceeds in the manner disclosed in the Prospectus dated 25 August 2006.

管理層討論及分析 Management Discussion and Analysis

財務狀況及流動資金

於二零零六年十二月三十一日，本集團的總資產為1,949,100,000港元，較去年上升約55.3%。本集團財務狀況維持穩健。

截至二零零六年十二月三十一日止年度，本集團經營業務所耗現金淨額達36,600,000港元，而二零零五年的所得現金淨額則為111,000,000港元。有關變化主要由於存貨與貿易應收款項增加而應付關連方款項減少所致。於二零零六年十二月三十一日，本集團的淨現金（現金及現金等價物減銀行借貸）為567,400,000港元，較二零零五年增加366,400,000港元。該增加主要來自二零零六年九月首次公開發售及於同月行使超額配股權所得款項淨額738,400,000港元減去其他所耗現金（主要包括投資活動所耗現金淨額及於重組前附屬公司向其他股東派付股息）。

於二零零六年十二月三十一日，本集團平均應收貿易帳款周轉日為62.0日（二零零五年：58.1日）；平均應付貿易帳款周轉日為53.5日（二零零五年：60.1日）；而平均存貨周轉日為53.2日（二零零五年：48.6日）。

本集團一般以內部資金作為營運及業務發展的融資。於二零零六年十二月三十一日，本集團的流動資產淨值為921,800,000港元（二零零五年：303,100,000港元）。流動比率由二零零五年十二月三十一日的1.58倍改善為二零零六年十二月三十一日的3.08倍。

於二零零六年十二月三十一日，本公司的資本架構全部為1,245,000,000股每股面值0.1港元的普通股。尚未償還的借貸總額為10,700,000港元（二零零五年：2,400,000港元），全部屬於短期貸款。所有借貸須按固定利率支付利息。本集團並無利用任何利率掉期以對沖利率風險。本集團的資本負債比率維持於0.55%（二零零五年：0.19%）的低水平。

FINANCIAL POSITION AND LIQUIDITY

As at 31 December 2006, the total assets of the Group were HK\$1,949.1 million, representing an increase of approximately 55.3% as compared with a year ago. The Group maintained a strong and healthy financial position.

For the year ended 31 December 2006, the Group's net cash used in operating activities amounted to HK\$36.6 million, compared to net cash generated of HK\$111.0 million in 2005. The change was mainly due to the increase in inventories and trade receivables and decrease in amounts due to related parties. Net cash (cash and cash equivalents less bank borrowings) of the Group as at 31 December 2006 amounted to HK\$567.4 million, an increase of HK\$366.4 million compared to 2005. Such increase was mainly a result of the net proceeds of HK\$738.4 million received from the initial public offering in September 2006 and the exercise of the over-allotment option in the same month less other cash outflow (comprising mainly net cash used in investing activities and distribution of dividends by subsidiaries to the other shareholders prior to the reorganisation).

As at 31 December 2006, the Group's average trade receivables turnover was 62.0 days (2005: 58.1 days). Average trade payables turnover was 53.5 days (2005: 60.1 days). Average inventory turnover was 53.2 days (2005: 48.6 days).

The Group generally finances its operations and business development with internally generated resources. As at 31 December 2006, the Group's net current assets amounted to HK\$921.8 million (2005: HK\$303.1 million). The current ratio improved from 1.58 times as at 31 December 2005 to 3.08 times as at 31 Decemer 2006.

As as 31 December 2006, the capital structure of the Company was constituted exclusively of 1,245,000,000 ordinary shares of HK\$0.1 each. The total amount of outstanding borrowings was HK\$10.7 million (2005: HK\$2.4 million), all being short-term loans. All the borrowings were subject to interests payable at fixed rates. The Group did not enter into any interest rate swap to hedge against risks associated with interest rates. And the gearing ratio of the Group stood at a low level of 0.55% (2005: 0.19%).

管理層討論及分析 Management Discussion and Analysis

本集團銷售額及大部分原料採購主要以美元結算，惟若干採購及開支除外，例如員工成本及中國當地原料成本均以其他貨幣（如港元及人民幣）結算。由於董事認為該等風險並不顯著，因此本集團於回顧期內並無使用任何衍生工具對沖外幣風險。

員工及薪酬政策

於二零零六年十二月三十一日，本集團共有約 13,000 名員工（二零零五年：8,049 名員工）。本集團乃根據各員工表現、工作經驗及當時市況釐定報酬。其他員工福利包括強積金、保險、醫療津貼及購股權計劃。

展望

本集團於二零零六年九月六日在聯交所進行首次公開發售。成功上市標誌著本集團發展史上一項重要成就。

為維持增長勢頭，本集團將(1)與國際體育品牌客戶緊密合作，以擴充其運動服生產業務；(2)透過進一步擴展分銷網絡及改良產品設計，把握中國運動服零售及分銷業務的增長潛力；及(3)憑藉與美國品牌擁有人的高效業務模式，擴展活動及戶外服裝業務。

運動服生產業務

本集團預期運動服生產業務將於未來迅速增長，因此計劃透過於中國及越南設立全新及擴充現有生產設施，將業務產能於二零零七年底前由每月約 2,600,000 件成衣增至每月約 3,400,000 件。本集團亦會提高生產力以減低勞工成本與生產間接成本，因而減少營業開支。此外，本集團決定關閉菲律賓廠房，原因是該廠房效率偏低。

The Group's sales and major materials purchase are mostly denominated in US Dollars, while certain purchases or expenses, e.g. staff cost and the PRC domestic raw material cost, are settled in other currencies, such as HK\$ and RMB. During the review period, the Group did not use any derivative instruments to hedge against foreign currency exposure as the Directors considered such exposure will not be significant.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2006, the Group had approximately 13,000 employees (2005: 8,049 employees). The Group remunerates its employees based on their performance, working experience and prevailing market conditions. Other employee benefits include mandatory provident fund, insurance, medical coverage and a share option scheme.

PROSPECTS

The Group successfully launched its IPO on the Stock Exchange on 6 September 2006. The listing marked a distinct achievement in the Group's history.

To sustain the growth momentum, the Group will (1) work closely with its customers of international sports brands to expand its Sportswear Manufacturing Business; (2) capture the growth prospects of Sportswear Retail and Distribution Business in the PRC by further expanding the distribution network and enhancing the product designs; and (3) leverage the effective business model with brand owners in the US to expand Active and Outer Wear Business.

Sportswear Manufacturing Business

Anticipating growth for its Sportswear Manufacturing Business, the Group planned to increase monthly production capacity from approximately 2.6 million pieces of garments per month to 3.4 million pieces by the end of 2007 via establishing new and expanding existing production facilities in the PRC and Vietnam. The Group will also enhance its productivity in order to minimise the pressure from labour cost and production overhead, thus tightening the operating expenses. Besides, the Group has decided to shut down the factory in the Philippines due to its low efficiency.

管理層討論及分析 Management Discussion and Analysis

此外，本集團將添置用作布料印染、繡花及其他服務的額外設施，以提高本集團發展紡織品能力及提供更多增值服務。預期此舉有助完善本集團的垂直綜合業務，讓其於芸芸競爭對手中脫穎而出。

運動服分銷業務

隨著中國人民消費力急速增長，加上即將來臨的二零零八年北京奧運務必令大眾更關注和注重運動及健康。為把握此等強勁趨勢，本集團將：

- 在二零零七年底前將中國UMBRO產品零售門市及專櫃數目由截至二零零六年十二月三十一日約890間增加至1,200間零售店；
- 繼續從銷售額中投放若干資源作廣告、市場推廣及贊助活動之用，提高品牌知名度及顧客對特許品牌的忠誠度；
- 投放資源於設計及開發新產品；
- 提高UMBRO產品價格；及
- 設立廠房以為其品牌合夥人或UMBRO製造產品，確保產品質素優良及符合市場所需。

此外，於二零零七年三月，Umbro集團所持本公司附屬公司天運洋行的股權由25%增至40%，亦延長本集團就UMBRO產品於大中華的獨家分銷權至二零二零年。該等行動證明雙方均致力促成雙贏的局面。

活動及戶外服裝業務

經過多年發展，NYL產品於美國已佔有穩定份額。為擴大此品牌的市場佔有率，本集團將利用品牌已確立的知名度及市場地位，推出針對不同年齡及性別的新產品系列。本集團亦與不同品牌擁有人合作創造新品牌以擴大本集團的產品組合。

Besides, the Group will add facilities for fabric dyeing, embroidery and other services to enhance textile development capability and develop more value-added services. This is expected to enhance the Group's vertically integrated operation and enable it to stay ahead of its competitors.

Sportswear Distribution Business

With consumption power of the people in the PRC constantly growing, and the 2008 Beijing Olympics approaching, public interest in, and awareness of sports and fitness is expected to further increase. To capitalise on these trends, the Group will:

- increase the number of retail stores and concession counters of UMBRO Products in the PRC from approximately 890 as at 31 December 2006 to 1,200 outlets by the end of 2007;
- continue to invest a certain proportion to sales of resources into advertising, marketing and sponsorship to enhance brand awareness and loyalty to licensed brands;
- dedicate resources together with Umbro Group to new product design and development;
- enhance the pricing of UMBRO Products; and
- set up factory to manufacture products for its brand partners or UMBRO to ensure better quality and time-to-market.

Moreover, Umbro Group has increased its stake in T&S HK, a subsidiary of the Company, from 25% to 40% in March 2007. It also extended the term of the Group's exclusive distributorship of UMBRO Products in the Greater China to 2020. These moves evidenced the commitment of both parties to achieving win-win results.

Active and Outer Wear Business

After years of development, NYL products have a stable market share in the US. To boost the market share of the brand, the Group will ride on established customer awareness and the market position of the brand to introduce a new series of products for different age groups and genders. The Group will also work with different brand owners to create new brands in order to enrich our product portfolio.