



The Directors are optimistic

about the future market demand for lingerie products and believe that there is considerable development potential in this industry.

未來女性的 內衣產品

董事對市場需求抱持樂觀態度，並且相信業內發展潛力優厚。

Management Discussion and Analysis

管理層討論及分析

The directors of the Company have pleasure in presenting the audited consolidated financial and operational positions of the Company and of the Group for the year ended 31 December 2006.

For the year ended 31 December 2006, the Group's revenue amounted to HK\$624.3 million, representing an increase of 13.5% from HK\$550.0 million in last year.

Profit before tax of approximately HK\$102.6 million was achieved for the year ended 31 December 2006 (2005: HK\$56.4 million), representing a growth rate of approximately 81.9%.

The profit attributable to equity holders of the Company for the year ended 31 December 2006 was HK\$81.1 million (2005: HK\$44.4 million), an increase of 82.5% over last year.

Earnings per share of the Company was HK26.69 cents per share based on the weighted average number of 303,836,000 shares in issue during the year, representing an increase of 80.2% comparing to last year.

REVIEW OF OPERATIONS

The Group's gross profit of HK\$478.7 million for the year ended 31 December 2006 (2005: HK\$413.0 million) represented a growth of approximately 15.9% as compared to that of last year. The increase in gross profit was mainly attributable to the growth in the revenue of the Group in light of its economies of scale as well as the increase in sales of its patented products and the reduction of its relatively lower profit margin sales to original equipment manufacturers ("OEM").

Retail sales

Retail sales constituted the major source of revenue of the Group, contributing approximately 89.3% of the Group's total revenue for the year ended 31 December 2006. The Group's products are currently sold through the retail stores and concessionary counters in the PRC and Hong Kong. The retail stores and concessionary counters of the Group are opened and operated mainly under the brand names of **EMBRY FORM** and/or **FANDECIE**, where products of these two brand names are sold. Depending on market demand, the Group will consider setting up individual retail stores or concessionary counters for the Group's other brands, namely **COMFIT** and **LC** products.

本公司董事欣然呈列本公司及本集團截至二零零六年十二月三十一日止年度的經審核綜合財務及經營狀況。

於截至二零零六年十二月三十一日止年度，本集團的收益為624,300,000港元，較去年的550,000,000港元上升13.5%。

截至二零零六年十二月三十一日止年度錄得除稅前溢利約102,600,000港元（二零零五年：56,400,000港元），增長率約81.9%。

於截至二零零六年十二月三十一日止年度，本公司權益持有人應佔溢利為81,100,000港元（二零零五年：44,400,000港元），較去年上升82.5%。

根據年內已發行股份的加權平均數303,836,000股計算，本公司每股盈利為每股股份26.69港仙，較去年增加80.2%。

經營回顧

本集團於截至二零零六年十二月三十一日止年度的毛利為478,700,000港元（二零零五年：413,000,000港元），較去年增長約15.9%，毛利上升主要由於受惠於規模效益，加上本集團的專利產品銷售量增加，而利潤相對較低的原設備製造商（「OEM」）銷售量則減少，導致本集團收益增加所致。

零售銷售

零售銷售為本集團收益的主要來源，佔本集團截至二零零六年十二月三十一日止年度總收益約89.3%。本集團目前透過其於中國及香港的零售店舖及銷售專櫃出售產品。零售店舖及銷售專櫃主要以**安莉芳**及／或**芬狄詩**品牌名稱開設及經營，出售該兩個品牌名稱的產品。視乎市場需求而定，本集團將考慮替本集團其他品牌**COMFIT**及**LC**設立獨立零售店舖或銷售專櫃。





Concessionary counters are retail outlets located within department stores or shopping arcades. During 2006, the revenue generated from retail stores accounted for 8.8% of the Group's revenue and the revenue generated from concessionary counters accounted for 80.5% of the Group's revenue. As it is the Group's strategy to increase the number of retail outlets in order to capture the increasing demand, the Group has had a net increase of 95 retail outlets during 2006 and operated a total of 1,113 retail outlets as at 31 December 2006 and will keep on reviewing the performance of each existing retail outlet.

Wholesale sales

The wholesale customers of the Group include individuals and companies in the PRC and Hong Kong which sell lingerie products under a variety of brands to retail customers. During 2006, wholesale sales accounted for 5.9% of the Group's total revenue.

銷售專櫃為位於百貨公司或購物中心的零售門市。於二零零六年，來自零售店舖的收益佔本集團收益的8.8%，而來自銷售專櫃的收益則佔本集團收益的80.5%。本集團的策略為增加零售門市數目，務求把握日益增加的需求。本集團於二零零六年新開設95間零售門市並於二零零六年十二月三十一日設有合共1,113間零售門市，並將繼續檢討每間零售門市的表現。

批發銷售

本集團的批發客戶包括於中國及香港向零售客戶出售不同品牌女性內衣產品的人士及公司。於二零零六年，批發銷售佔本集團總收益的5.9%。



OEM sales

In the year under review, the Group's OEM customers principally comprised lingerie trading companies mainly in Japan and Europe. Taking into account the Group's production capacity, the Group may consider reducing its OEM sales with an aim to maximising its profit margin when opportunities arise. For the year ended 31 December 2006, OEM sales accounted for 4.8% to the total revenue of the Group.

Brand management

The Group's products are principally sold under its self-owned brand names **EMBRY FORM**, **FANDECIE** and **COMFIT**. Revenue generated from **EMBRY FORM** and **FANDECIE** accounted for 62.0% and 30.1% respectively of the Group's revenue for the year 2006. During the first quarter of 2006, the Group introduced the brand name **COMFIT**, thus enabling the Group to successfully diversify its product line into a new segment of functional and premiere lingerie products. For the year ended 31 December 2006, sales of **COMFIT** series products accounted for 3.1% of the Group's total revenue. The directors are optimistic that **COMFIT** will become an increasingly significant source of the Group's revenue and growth driver for the future. In June 2006, the Group also soft launched a new series under the brand **LC**, which targets the high end segment of premiere luxury lingerie.

OEM銷售

於回顧年度，本集團的OEM客戶主要包括日本及歐洲的女性內衣貿易公司。考慮到本集團的產能，倘出現任何商機，本集團或考慮減少其OEM銷售，務求將其利潤盡量提高。於截至二零零六年十二月三十一日止年度，OEM銷售佔本集團總收益的4.8%。

品牌管理

本集團的產品主要以其自家擁有品牌名稱**安莉芳·芬狄詩**及**COMFIT**出售。來自**安莉芳及芬狄詩**的收益分別佔本集團二零零六年收益的62.0%及30.1%。於二零零六年的第一季，本集團推出品牌**COMFIT**，令本集團可成功擴充其產品系列至全新功能型及優質女性內衣產品市場分部。於截至二零零六年十二月三十一日止年度，**COMFIT**系列的銷售額佔本集團總收益的3.1%。董事有信心**COMFIT**產品將逐漸成本集團收益的重大來源，並將於日後帶動收益增長。於二零零六年六月，本集團亦以品牌**LC**試推新系列產品，針對優質名貴女性內衣的高檔市場分部。



Production capacity

For the year ended 31 December 2006, the aggregate annual production capacity of the Group accounted for 11.8 million standard product units, which represented 63.9% increase compared with the annual production capacity for the year ended 31 December 2005. In order to cope with the expansion of the Group's business, the Group has identified a production site and plans to establish a new factory in Zhangqiu City, Shandong Province, the PRC (the "Shandong Factory"). Subject to the obtaining of all necessary approvals, the directors plan to commence operation of the Shandong Factory in mid 2008. When in full operation, the annual production capacity of the Group is expected to increase to 23.7 million standard product units.

Product development

Leveraging on the general economic rebound and continued market demand for lingerie products in the PRC last year, the sales of lingerie, sleepwear, swimwear, OEM products and other products accounted for approximately 80.3%, 7.2%, 5.4%, 4.8% and 2.3% respectively of the Group's total revenue for the year ended 31 December 2006. Sales of lingerie remained the key contributor to the Group's revenue and profit.

生產能力

於截至二零零六年十二月三十一日止年度，本集團的年度總產量為11,800,000個標準產品件，較截至二零零五年十二月三十一日止年度增加63.9%。為配合本集團的業務擴展，本集團於中國山東省章丘市物色一個生產地點，並計劃於該處興建一座新廠房（「山東廠房」）。待獲所有必要批文後，董事計劃山東廠房將於二零零八年年中投產。於全面投產後，預期本集團的年度產量將增加至23,700,000個標準產品件。

產品開發

隨著去年經濟普遍復甦，加上中國女性內衣產品市場需求持續殷切，女性內衣、睡衣、泳衣、OEM產品及其他產品的銷售額分別佔本集團截至二零零六年十二月三十一日止年度總收益約80.3%、7.2%、5.4%、4.8%及2.3%。女性內衣銷售額仍然為本集團收益及溢利的主要來源。



The directors consider product development to be vital for the Group to maintain its competitive advantages. The Group's research and development team focuses on practical areas that are closely related to the functionalities and features of the Group's products. In 2006, several new design in manufacturing techniques were invented. As at 31 December 2006, the Group had 36 patent registrations and 9 outlook design registrations.

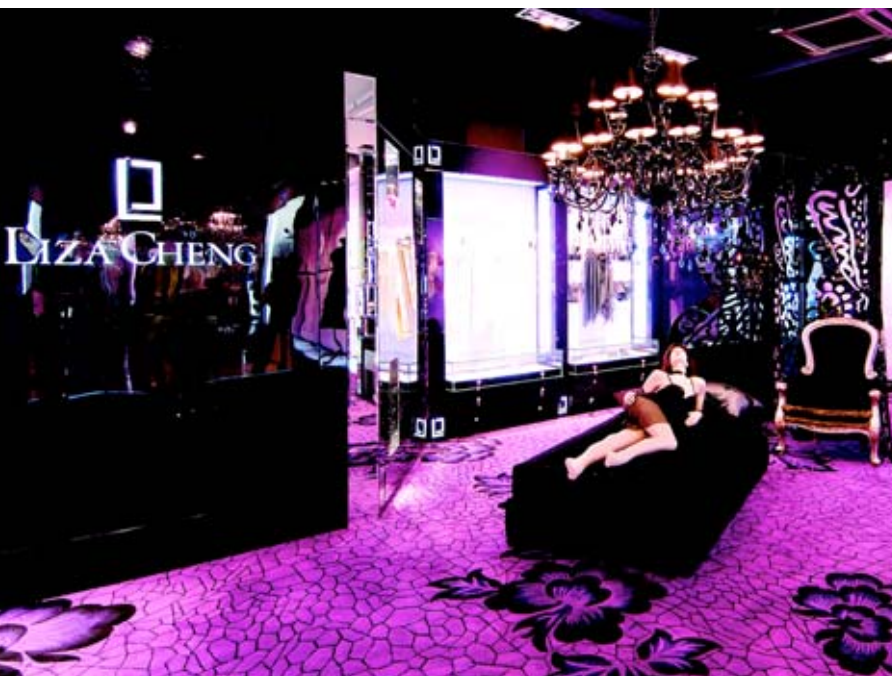
Awards

During the year under review, the Group was accredited as the **"The 2006 Best-selling Lingerie Products in the Industry"** by the China Industrial Information Issuing Center (中國行業企業信息發佈中心) (the "CIIC Center") in the PRC. The Group has obtained this award in the past eleven consecutive years. Apart from its distinctive house brand **EMBRY FORM**, its younger brand **FANDECIE** was also awarded as one of the **"Top Ten Best Sellers in the Industry"** by the CIIC Center in the PRC. Further, both in the PRC and Hong Kong, the Group again received the award of SUPERBRAND from the PRC Superbrands Committee (中國超級名牌主委會) and Hong Kong Superbrands Council, respectively in the year under review, evidencing the Group's strong reputation in these markets.

董事認為產品開發對本集團維持其競爭優勢至為關鍵。本集團的研究及開發隊伍集中於與本集團產品功能及特色密切相關的實際範圍。於二零零六年，本集團已就製造技術發明多項設計。於二零零六年十二月三十一日，本集團已取得36項專利及9項外觀設計註冊。

獎項

於回顧年度，本集團進一步由中國行業企業信息發佈中心（「發佈中心」）獲頒授二零零六年「**全國內衣市場同類產品銷量第一名**」，本集團已連續11年獲頒有關獎項。除了其公司品牌**安莉芳**形象卓越外，其年輕品牌**芬狄詩**亦由發佈中心獲得中國「**十大暢銷女性內衣**」。本集團於回顧年度在中國及香港分別由中國超級品牌主委會及香港超級品牌協會獲頒授超級品牌殊榮，證明本集團於市場上的聲譽卓著。





Operating expenditure

The selling and distribution expenses for the year ended 31 December 2006 was approximately HK\$330.1 million (2005: HK\$312.9 million), comprising mainly occupancy fees paid to department stores or shopping arcades of approximately HK\$157.3 million, salaries (including salaries and commission paid to salespersons at retail outlets) of approximately HK\$77.9 million, rental expenses of approximately HK\$20.3 million, advertising and retail outlets decoration expenses of approximately HK\$35.0 million.

The administrative expenses for the year ended 31 December 2006 was approximately HK\$51.0 million (2005: HK\$46.6 million), comprising mainly the salaries to administrative staff of approximately HK\$23.2 million, directors' remuneration of approximately HK\$4.1 million, general office expenses of approximately HK\$5.6 million and depreciation of approximately HK\$4.8 million.

The percentage of total selling and distribution expenses and administrative expenses to the Group's revenue decreased from approximately 65.4% in the year 2005 to approximately 61.0% for the year ended 31 December 2006, which was mainly due to the decrease in advertising expenses and, especially retail outlets' decoration expenses during the year. The Group incurred a relatively high retail outlets decoration expenses in year 2005 due to the opening of additional retail outlets and the launch of new decoration theme for the retail outlets in year 2005.

經營開支

截至二零零六年十二月三十一日止年度的銷售及分銷開支約330,100,000港元(二零零五年:312,900,000港元)·主要包括支付百貨公司或購物中心的租賃費用約157,300,000港元·薪金(包括支付零售門市銷售人員的薪金及佣金)約77,900,000港元·租金開支約20,300,000港元·廣告及零售門市裝飾開支約35,000,000港元。

截至二零零六年十二月三十一日止年度的行政開支約51,000,000港元(二零零五年:46,600,000港元)·主要包括支付行政人員的薪金約23,200,000港元·董事酬金約4,100,000港元·一般辦公室開支約5,600,000港元及折舊約4,800,000港元。

總銷售及分銷售開支及行政開支佔集團收益的百分比由二零零五年度的約65.4%減低至截至二零零六年十二月三十一日止年度的約61.0%·主要由於年內廣告開支(特別是零售門市裝飾開支)減少所致。由於本集團零售門市於二零零五年度額外開設零售門市·以及推出新裝飾主題·因此二零零五年度產生的零售門市裝飾開支相對較高。



Human resources

As at 31 December 2006, the Group had approximately 5,000 employees. The Group's total staff costs, including wages and basic salaries, directors' remuneration, commission, bonus, benefits in kind and retirement benefits scheme contribution was amounted to approximately HK\$130.7 million (2005: HK\$118.4 million). The increase was mainly due to an increase in salaries and commissions to sales staff, which was in line with the increase in the Group's revenue during the year.

Remuneration of employees is determined and reviewed annually with reference to the market standard, individual performance and working experience, and certain staff is entitled to commission and share options. In addition to the basic salaries, the Group also provides, depending on the results of the Group and individual performance, discretionary bonus in order to retain quality employees.

The Group has also adopted a pre-initial public offering share option scheme ("Pre-IPO Scheme") to recognise and reward the contribution of certain directors and employees of the Group to the growth and development of the Group.

The Group has also adopted a share option scheme, the primary purpose of which is to motivate the eligible persons referred to in the scheme, which includes employees of the Group, to optimise their future contributions to the Group and to reward them for their efforts.

人力資源

於二零零六年十二月三十一日，本集團聘用約5,000名僱員。本集團的員工成本總額約為130,700,000港元（二零零五年：118,400,000港元），包括工資及基本薪金、董事酬金、佣金、花紅、實物福利及退休計劃供款，升幅主要由於隨著本集團年內收益增加，支付銷售人員的薪金及佣金亦相應增加所致。

僱員酬金乃參照市場水平、個人表現及工作經驗釐定及進行每年檢討，若干員工更可獲得佣金及購股權。除基本薪金外，本集團亦視乎本集團業績及個人表現提供酌情花紅，以挽留表現優秀的僱員。

本集團亦已採納一項首次公開發售前購股權計劃（「首次公開發售前購股權計劃」），以嘉許及獎勵本集團若干對本集團增長及發展作出貢獻的董事及僱員。

本集團同時採納一項購股權計劃，主要目的為鼓勵計劃所述包括本集團僱員在內的合資格人士於日後為本集團帶來最大貢獻，並回報彼等所作出的努力。

REVIEW OF FINANCIAL POSITION

Liquidity and financial resources

The Group generally finances its operations with internally generated cashflow and bank facilities provided by its principal bankers. The financial position of the Group remained sound and healthy during the year under review. As at 31 December 2006, the Group had cash and cash equivalents of approximately HK\$431.2 million (2005: HK\$49.5 million). The significant increase in cash and cash equivalents was mainly due to the net proceeds of approximately HK\$331.1 million arising from the listing of the Company's shares in December 2006.

As at 31 December 2006, the Group had secured interest-bearing bank borrowings of HK\$24.5 million (2005: HK\$28.2 million). Since the Group was successfully listed on the Main Board of the Stock Exchange in December 2006, the gearing ratio, being total interest-bearing bank borrowings divided by total assets, was further decreased to 0.03 times for the year ended 31 December 2006 (2005: 0.07 times).

財務狀況回顧

流動資金及財務資源

本集團一般以內部產生現金流量及其往來銀行提供的銀行融資為其營運提供資金。本集團的財務狀況於回顧年度內維持良好及穩健。於二零零六年十二月三十一日，本集團的現金及現金等價物約431,200,000港元（二零零五年：49,500,000港元）。現金及現金等價物大幅上升主要由於本公司股份於二零零六年十二月上市產生所得款項淨額約331,100,000港元所致。

於二零零六年十二月三十一日，本集團有計息銀行貸款24,500,000港元（二零零五年：28,200,000港元）。自本集團於二零零六年十二月成功於聯交所主板上市以來，截至二零零六年十二月三十一日止年度的資產負債比率（即總計息銀行貸款除以資產總值）進一步下跌至0.03倍（二零零五年：0.07倍）。



Capital structure

The Company was listed on the Main Board of the Stock Exchange on 18 December 2006. The net proceeds arising from the listing of the Company's shares, after deducting for relevant expenses, are approximately HK\$331.1 million. The Group will apply these proceeds for the purposes as described in the Company's listing prospectus dated 5 December 2006 (the "Prospectus").

Since the listing of the Company's shares on the Main Board of the Stock Exchange, there has been no change in the capital structure of the Company. As at 31 December 2006, the total issued share capital of the Company was HK\$4.0 million, comprising 400,000,000 ordinary shares of HK\$0.01 each.

Significant investment held, material acquisitions and disposal of subsidiaries and associated companies

The Group has undertaken a reorganisation scheme (the "Group Reorganisation") in 2006 to rationalise the structure of the Group in preparation of the listing of the Company's shares on the Main Board of the Stock Exchange. Further details of the Group Reorganisation is set out in the Prospectus.

資本結構

本公司於二零零六年十二月十八日在聯交所主板上市，本公司股份上市時所得款項淨額於扣除有關開支後約為331,100,000港元。本集團將按本公司日期為二零零六年十二月五日招股章程（「招股章程」）所述的用途應用該等所得款項。

自本公司股份於聯交所主板上市以來，本公司的資本結構並無出現任何變動。於二零零六年十二月三十一日，本公司的已發行股本總額為4,000,000港元，由400,000,000股每股面值0.01港元的普通股組成。

所持重大投資、重大收購及出售附屬公司及關聯公司

本集團於二零零六年已就籌備本公司股份於聯交所主板上市而進行一項重組計劃（「集團重組」），以精簡本集團之架構。集團重組的其他詳情載述於招股章程內。





In order to strengthen the production operation and further expand the production capacity, the Group established Embry (Shandong) Garments Limited (安莉芳(山東)服裝有限公司), a wholly-owned subsidiary, in Zhangqiu City, Shandong Province, the PRC. The Shandong Factory will be constructed on a piece of land (the "Shandong Land") with a site area of approximately 167,870 sq.m.. The Group was granted a land use right for the Shandong Land for a term expiring on 28 October 2056. The Shandong Factory's foundation laying ceremony was held on 28 December 2006 and it is expected that construction will commence in the second quarter of this year. The total cost expected at this stage for the establishment of the Shandong Factory is approximately HK\$100 million, which exceeds the original estimated amount of approximately HK\$70 million as stated in the Prospectus. The excess amount, which is principally due to, inter alia, the increased construction materials and overheads costs, changes made to the original design in order to comply with the new construction requirements, particularly in the areas of environmental protection and energy savings, from the local municipal government, will be financed by the Group's internal working capital. According to current construction plan, the Shandong Factory will commence operation in mid 2008.

Save as disclosed above, there was no other significant investment held, material acquisitions and disposal of subsidiaries and associated companies during the year.

為加強生產業務及進一步提升生產能力，本集團於中國山東省章丘市成立全資附屬公司安莉芳(山東)服裝有限公司。山東廠房將建於地盤面積約167,870平方米的土地上(「山東土地」)。本集團已獲授山東土地的土地使用權，年期至二零五六年十月二十八日屆滿。山東廠房的奠基儀式已於二零零六年十二月二十八日舉行，預期建築工程將於本年度第二季展開。預期現階段成立山東廠房的總成本約為100,000,000港元，超過招股章程所述的原估計金額約70,000,000港元，超出的金額主要由於(其中包括)建築材料及運作成本上升，以及原設計作出更改以符合地方市政府發出的新建築規定，尤其是環境保護及能源節省方面的規定，該等金額將以本集團的內部營運資金撥付。根據目前建築計劃，山東廠房將於二零零八年年中投產。

除上文披露者外，年內概無持有其他重大投資、進行重大收購及出售附屬公司及關聯公司。



Charges on the Group's assets

As at 31 December 2006, the Group's leasehold land and buildings and investment property situated in Hong Kong with net book values of approximately HK\$23.4 million and HK\$27.7 million, respectively were pledged to secure banking facilities granted to the Group.

Foreign currency exposure

The Group carries on its trading transactions mainly in Hong Kong dollars and Renminbi. As the Group's foreign currency risks generated from the sales and purchases can be set off with each other, the foreign currency risk is considered as minimal to the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of business.

Contingent liabilities

The Group had no significant contingent liabilities as at 31 December 2006.

本集團的資產抵押

於二零零六年十二月三十一日，本集團賬面淨值分別約為23,400,000港元及27,700,000港元的香港租賃土地及樓宇以及投資物業已抵押予銀行作為融資。

外匯風險

本集團主要以港元及人民幣進行其貿易交易，由於本集團來自銷售及採購的外匯風險可互相抵銷，因此認為本集團的外匯風險不大。本集團的政策為繼續保持其以相同貨幣進行的銷售及採購之間的平衡。本集團並無採用衍生金融工具以保障本集團免受外匯交易及日常業務過程中產生的其他金融資產及負債出現波動所造成的影響。

或然負債

本集團於二零零六年十二月三十一日並無重大或然負債。

PROSPECTS

The PRC economic environment has undoubtedly been improving during the past few years. Despite the competitive environment, the directors are optimistic about the future market demand for lingerie and believe that there is considerable development potential in this industry. In the long run, the Group's objective is to become a leading and reputable ladies' lingerie retailer in the Greater China, which offers a wide range of products to fit the needs of customers of different age groups, having different perceptions and purchasing power.

In order to achieve its business objective, the Group will dedicate more resources to strengthen the market awareness of its brand names and promote the Company's image. The Group will continue to expand its sales network by increasing the number of retail outlets in the PRC and Hong Kong. It is expected that the first flagship retail store of the Group will be opened in the second quarter of 2007. The Group expects the progress of opening its flagship stores and retail outlets to accelerate starting from the second quarter of 2007.

前景

毫無疑問，中國經濟環境於過去數年一直邁步向前，儘管競爭激烈，惟董事對女性內衣市場日後的市場需求抱持樂觀態度，並相信此行業發展潛力可觀，長遠而言，本集團的目標為成為大中華區內頂尖及聲譽卓著的女性內衣零售商，提供多款產品，以迎合不同年齡、擁有不同喜好及購買力的客戶的需求。

為達到其業務目標，本集團將投放更多資源以加強其品牌知名度及宣傳本公司的形象。本集團將繼續於中國及香港增加零售門市的數目，從而擴充其銷售網絡。預期首間旗艦零售店舖將於二零零七年第二季開設，本集團預期開設旗艦店舖及零售門市的進度將於二零零七年第二季起加快。



Management Discussion and Analysis (continued)
管理層討論及分析 (續)

Besides the Group will make further investments in the promotion and marketing of its brands such as organising various fashion shows, sponsorship of charity events and placing advertisements through different mass media.

In addition, the Group plans to increase its production capacity so as to cope with the continued business development of the Group. In view of this, the Group will expand its production capacity through the establishment of the Shandong Factory, as mentioned in the paragraph headed "Production capacity" above. The Group also considers launching another new brand for wholesale business to widen its product series after the expansion of the Group's production capacity.

另外，本集團將進一步投資於宣傳及推廣其品牌，例如舉辦多個時裝表演、贊助慈善活動及於各大眾媒體刊登廣告。

此外，本集團計劃提升其生產能力，以配合本集團持續業務發展。有見及此，本集團如上文標題「生產能力」一段所述，已透過成立山東廠房，務求擴充其生產能力。本集團亦已考慮就批發業務推出另一全新品牌，以於提升生產能力後擴闊本集團的產品系列。

