

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



EMBRY HOLDINGS LIMITED

安莉芳控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1388)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

RESULTS HIGHLIGHTS			
	2020	2019	Change
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	
Revenue	1,650,483	2,266,867	-27.19%
Gross profit	1,182,487	1,762,729	-32.92%
Gross profit margin	71.64%	77.76%	-6.12% pts
Profit/(loss) for the year attributable to owners	(2,824)	80,322	-103.52%
Net profit/(loss) margin	(0.17%)	3.54%	-3.71% pts
	<i>(HK cents)</i>	<i>(HK cents)</i>	
Basic earnings/(loss) per share	(0.67)	19.01	-103.52%
Diluted earnings/(loss) per share	(0.67)	19.01	-103.52%
	<i>(HK cents)</i>	<i>(HK cents)</i>	
Interim dividend per share (paid)	-	2.00	-100.00%
Final dividend per share (proposed)	<u>2.50</u>	<u>3.00</u>	<u>-16.67%</u>
Total dividends per share for the year	<u>2.50</u>	<u>5.00</u>	<u>-50.00%</u>

The board of directors (the "Board" or "Directors") of Embry Holdings Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020, together with the comparative figures in 2019 and the relevant explanatory notes, as set out below.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
REVENUE	4	1,650,483	2,266,867
Cost of sales		<u>(467,996)</u>	<u>(504,138)</u>
Gross profit		1,182,487	1,762,729
Other income and gains, net	5	71,485	46,289
Selling and distribution expenses		(958,518)	(1,413,639)
Administrative expenses		(172,840)	(236,662)
Impairment of right-of-use assets		(47,608)	-
Other expenses	6	(34,851)	(5,924)
Finance costs	7	<u>(19,636)</u>	<u>(27,518)</u>
PROFIT BEFORE TAX	8	20,519	125,275
Income tax expense	9	<u>(23,343)</u>	<u>(44,953)</u>
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u><u>(2,824)</u></u>	<u><u>80,322</u></u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
- Basic (HK cents)		<u><u>(0.67)</u></u>	<u><u>19.01</u></u>
- Diluted (HK cents)		<u><u>(0.67)</u></u>	<u><u>19.01</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
PROFIT/(LOSS) FOR THE YEAR	(<u>2,824</u>)	<u>80,322</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	147,297	(27,558)
Other comprehensive income/(expense) that will not be reclassified to the income statement in subsequent periods:		
Revaluation surplus	9,735	3,745
Deferred tax debited to asset revaluation reserve	(<u>2,434</u>)	(<u>936</u>)
Net other comprehensive income that will not be reclassified to the income statement in subsequent periods	<u>7,301</u>	<u>2,809</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	<u>154,598</u>	<u>(24,749)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><u>151,774</u></u>	<u><u>55,573</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,122,637	1,119,462
Investment properties		448,193	403,126
Right-of-use assets		190,053	293,381
Other Asset		426,667	402,697
Deferred tax assets		71,255	92,306
Deposits and other receivables		<u>23,544</u>	<u>25,031</u>
Total non-current assets		<u>2,282,349</u>	<u>2,336,003</u>
CURRENT ASSETS			
Inventories		578,590	792,354
Trade receivables	12	67,060	79,814
Prepayments, deposits and other receivables		76,297	95,686
Tax recoverable		-	409
Cash and cash equivalents		<u>425,149</u>	<u>200,230</u>
Total current assets		<u>1,147,096</u>	<u>1,168,493</u>
CURRENT LIABILITIES			
Trade payables	13	35,591	52,723
Interest-bearing bank borrowings	14	101,625	125,566
Lease liabilities		61,373	90,449
Tax payable		5,688	4,409
Other payables and accruals		<u>204,766</u>	<u>225,460</u>
Total current liabilities		<u>409,043</u>	<u>498,607</u>
NET CURRENT ASSETS		<u>738,053</u>	<u>669,886</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,020,402	3,005,889
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	362,791	432,614
Lease liabilities		32,067	68,661
Deferred liabilities		-	414
Deferred tax liabilities		132,455	154,925
Other payables		<u>4,700</u>	<u>-</u>
Total non-current liabilities		<u>532,013</u>	<u>656,614</u>
Net assets		<u>2,488,389</u>	<u>2,349,275</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,224	4,224
Reserves		<u>2,484,165</u>	<u>2,345,051</u>
Total equity		<u>2,488,389</u>	<u>2,349,275</u>

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Except for the amendments to HKFRS 9, HKAS 39 and HKFRS 7 which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

NOTES TO FINANCIAL STATEMENTS (continued)

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office premises and stores have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$8,590,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to income statement for the year ended 31 December 2020.

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. SEGMENT INFORMATION

The Group's primary operating segment is the manufacture and sale of ladies' brassieres, panties, swimwear, sleepwear and others. Since this is the only operating segment of the Group, no further analysis thereof is presented. In determining the Group's geographical information, the revenue information is based on the locations of the customers, and the total non-current asset information, other than deferred tax assets, is based on the locations of the assets.

	Mainland China		Hong Kong		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>1,595,581</u>	<u>2,198,922</u>	<u>43,020</u>	<u>62,730</u>	<u>11,882</u>	<u>5,215</u>	<u>1,650,483</u>	<u>2,266,867</u>
Non-current assets	<u>2,106,463</u>	<u>2,128,631</u>	<u>104,631</u>	<u>115,066</u>	<u>-</u>	<u>-</u>	<u>2,211,094</u>	<u>2,243,697</u>
Capital expenditure incurred during the year	<u>36,948</u>	<u>113,399</u>	<u>38</u>	<u>1,297</u>	<u>-</u>	<u>-</u>	<u>36,986</u>	<u>114,696</u>

For the years ended 31 December 2020 and 2019, as no revenue from sales to any customer of the Group has individually accounted for over 10% of the Group's total revenue, no information about major customers is presented under HKFRS 8.

NOTES TO FINANCIAL STATEMENTS (continued)

4. REVENUE

An analysis of revenue is as follows:

	2020 HK\$'000	2019 HK\$'000
<i>Revenue from contracts with customers</i>		
Sales of goods	<u>1,650,483</u>	<u>2,266,867</u>

5. OTHER INCOME AND GAINS, NET

	2020 HK\$'000	2019 HK\$'000
<u>Other income</u>		
Subsidy income*	37,448	29,355
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	16,513	14,805
Variable lease payments that do not depend on an index or a rate	383	530
Bank interest income	4,519	1,543
Interest accretion on non-current receivables	1,211	1,949
Gain on termination of leases	460	-
Others	<u>5,033</u>	<u>5,918</u>
	<u>65,567</u>	<u>54,100</u>
<u>Gains/(losses), net</u>		
Foreign exchange differences, net	11,536	(3,720)
Changes in fair value of investment properties	<u>(5,618)</u>	<u>(4,091)</u>
	<u>5,918</u>	<u>(7,811)</u>
	<u>71,485</u>	<u>46,289</u>

* There are no unfulfilled conditions or contingencies relating to this income.

6. OTHER EXPENSES

	2020 HK\$'000	2019 HK\$'000
Charitable donation	4,903	5,324
Loss on disposal/write-off of items of property, plant and equipment, net	385	18
Write-off of deposits	17	582
Employee termination benefits	<u>29,546</u>	<u>-</u>
	<u>34,851</u>	<u>5,924</u>

NOTES TO FINANCIAL STATEMENTS (continued)

7. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank loans	14,849	19,617
Interest on lease liabilities	<u>5,987</u>	<u>7,901</u>
Finance cost incurred	20,836	27,518
Less: Interest capitalised	<u>(1,200)</u>	<u>-</u>
	<u>19,636</u>	<u>27,518</u>

The capitalised interest rate applied to funds borrowed and used for the development of construction in progress is 2.9% per annum for the year ended 31 December 2020.

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2020 HK\$'000	2019 HK\$'000
Cost of inventories sold	467,996	504,138
Depreciation of property, plant and equipment	76,585	79,219
Depreciation of right-of-use assets	96,305	105,384
Loss/(gain) on termination of leases	(460)	450
Lease payment not included in the measurement of lease liabilities	272,353	469,354
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	425,542	651,613
Provision/(write-back of provision) for long service payments	377	(2,042)
Retirement benefit scheme contributions	19,282	63,045
Employee termination benefits	29,546	-
Equity-settled share option expense	<u>12</u>	<u>-</u>
	<u>474,759</u>	<u>712,616</u>
Advertising and counter decoration expenses	57,343	147,285
Impairment of right-of-use assets	47,608	-
Provision/(write-back of provision) for obsolete inventories, net	<u>54,372</u>	<u>(12,665)</u>

NOTES TO FINANCIAL STATEMENTS (continued)

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2019: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the regions in which the Group operates.

	2020 HK\$'000	2019 HK\$'000
Current - Mainland China		
Charge for the year	23,062	50,287
Deferred	<u>281</u>	<u>(5,334)</u>
Total tax charge for the year	<u>23,343</u>	<u>44,953</u>

10. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Dividends paid during the year:		
Final in respect of the financial year ended		
31 December 2019 – HK3.0 cents per ordinary share		
(2019: Final in respect of the financial year		
ended 31 December 2018 – HK7.0 cents per ordinary share)	12,672	29,569
Interim – Nil (2019: HK2.0 cents) per ordinary share	<u>-</u>	<u>8,448</u>
	<u>12,672</u>	<u>38,017</u>
Proposed final dividend:		
Final – HK2.5 cents (2019: Final – HK3.0 cents) per ordinary share	<u>10,560</u>	<u>12,672</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the final dividend payable.

NOTES TO FINANCIAL STATEMENTS (continued)

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

The calculation of basic earnings/(loss) per share is based on:

	2020 HK\$'000	2019 HK\$'000
<u>Earnings</u>		
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	<u>(2,824)</u>	<u>80,322</u>
Number of shares		
	2020	2019
<u>Shares</u>		
Number of ordinary shares of the Company in issue, used in the basic earnings/(loss) per share calculation	<u>422,416,638</u>	<u>422,416,638</u>
Basic earnings/(loss) per share (HK cents)	<u>(0.67)</u>	<u>19.01</u>

(b) Diluted

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2020 in respect of a dilution as the impact of the share options has anti-dilutive effect on the basic loss per share amount presented.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019.

12. TRADE RECEIVABLES

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 90 days	65,515	78,838
91 to 180 days	1,545	976
181 to 360 days	908	1,209
Over 360 days	<u>3,722</u>	<u>4,402</u>
	71,690	85,425
Less: Impairment allowance	<u>(4,630)</u>	<u>(5,611)</u>
	<u>67,060</u>	<u>79,814</u>

NOTES TO FINANCIAL STATEMENTS (continued)

13. TRADE PAYABLES

An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 90 days	31,883	44,484
91 to 180 days	1,086	1,800
181 to 360 days	670	906
Over 360 days	<u>1,952</u>	<u>5,533</u>
	<u>35,591</u>	<u>52,723</u>

The trade payables are non-interest-bearing and are normally settled on 30 to 90 days terms.

14. INTEREST-BEARING BANK BORROWINGS

	2020			2019		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
	Hong Kong Interbank Offered Rate ("HIBOR")					
Bank loans – secured	+1.45	2021	32,437	HIBOR +1.45	2020	28,091
Bank loans – unsecured	HIBOR +1.80 to HIBOR +1.85	2021	69,188	HIBOR +1.80 to HIBOR +1.85	2020	63,767
Bank loans – unsecured	-	-	-	4.57%	2020	33,708
			<u>101,625</u>			<u>125,566</u>
Non-current						
Bank loans – secured	HIBOR +1.45	2022-2024	336,124	HIBOR +1.45	2021-2024	353,430
Bank loans – unsecured	HIBOR +1.85	2022-2024	26,667	HIBOR +1.80 to HIBOR +1.85	2021-2024	79,184
			<u>362,791</u>			<u>432,614</u>
			<u>464,416</u>			<u>558,180</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations Review

In 2020, global economy and market confidence were hard hit by the widespread coronavirus (COVID-19) pandemic around the world. Facing the challenges posed by the pandemic, the Chinese government has provided important support to the economic recovery through effective anti-pandemic measures and economic recovery initiatives. China's economy began to recover in the second quarter of the year with gross domestic product (GDP) of RMB101,598.6 billion in 2020, representing an increase of 2.3% as compared to the previous year, becoming the only major global economy to achieve positive economic growth.

Despite China's overall economic recovery, consumers remained cautious on the consumption of secondary necessities against the backdrop of prolonged widespread COVID-19 pandemic and the associated risk of localised outbreak coupled with the lingering geopolitical uncertainties. In the second half of 2020, the year-on-year growth of total domestic retail sales of consumer goods turned positive, but there were signs of a slowdown in growth. Consumers also became more price-sensitive and pursued products with high price-performance value, hindering the overall growth of underwear industry in China. Thanks to the Group's flexible capacity planning proposed at the beginning of the year, the Group concentrated its production capacity on relatively stable demand, including everyday wear and comfortable loungewear, and deployed its resources according to order requirements, thus effectively controlling inventory level throughout the year.

For the year ended 31 December 2020 (the "Current Year"), the Group's revenue decreased by 27.19% over that of the year ended 31 December 2019 (the "Prior Year") to HK\$1,650,483,000. Gross profit margin decreased by 6.12 percentage points to 71.64%. In response to the challenging retail environment, the Group implemented various cost control measures during the year and recorded a slight decrease in selling and distribution expenses and administrative expenses. During the Current Year, loss attributable to owners of the Company narrowed to HK\$2,824,000 as compared to the six months ended 30 June 2020 (the "First Half"). This includes the overall compensation for loss of office to employees and impairment of right-of-use assets amounted to HK\$77,154,000 in aggregate. Losses per share was HK0.67 cents (2019: earnings per share of HK19.01 cents).

The Board of Directors of the Company resolved to declare a final dividend of HK 2.5 cents per share (2019: HK 3.0 cents) for the Current Year.

Brand management

In 2020, the Group continued to implement its multi-brand strategy to operate seven brands, namely **EMBRY FORM**, **FANDECIE**, **COMFIT**, **E-BRA**, **IVU**, **IADORE** and **LIZA CHENG**, and continued to consolidate its two flagship brands which contributed the majority of sales (i.e. **EMBRY FORM** and **FANDECIE**) through timely adjustment of brand marketing arrangements in line with changes in the market environment. Despite the weak consumption sentiment of underwear retail market, the Group continues to maintain its brand influence and market share by leveraging its various brands with different positioning to fulfill the needs and preferences of varying customer groups.

In terms of brand promotion, in response to the coronavirus pandemic, the Group timely adjusted its brand marketing arrangements during the Current Year and suspended the physical marketing and promotional activities. Not only did it serve the purpose of reducing transmission risk, but it also saved the related expenses. The Group conducted limited marketing after pandemic receded in the second half of the year to mitigate the impact of COVID-19 on sales throughout the year.

In terms of brand layout, the Group continued to capitalise on its multiple brands to tap into the online and offline retailing market. **E-BRA** is an online brand, focusing on the online market; whereas **IADORE** serves as an offline wholesale brand, targeting third- and fourth-tier cities. During the pandemic, the online sales of its online brands and their exclusive products slightly mitigated the impact of the decline in the customer flow to our retail stores. Proper sales and promotion tactics also drove traffic to the online platforms. Although the domestic market demand for non-essential underwear products remained relatively low, online sales recorded an increase of approximately 18.91% in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business and Operations Review (continued)

Sales network

In 2020, the Group continued to optimise its omni-channel coverage with adjustment to the distribution of retail outlets in line with changes in regional markets and consumer sentiment, and operated corresponding brands in appropriate regional markets and closed stores with lower efficiency to enhance the overall operational efficiency of the sales network. As of 31 December 2020, the Group had 1,398 retail outlets in total, including 1,177 concessionary counters and 221 retail stores. During the Current Year, the Group was forced to suspend its store operations due to the COVID-19 outbreak. However, it allowed the Group to conduct a detailed evaluation of the effectiveness of sales points throughout the country. The Group focused on the restructuring of the sales network in the second and third quarter, resulting in a net decrease of 266 retail outlets compared to the end of December last year and the completion of phased sales network adjustment.

Meanwhile, with a view to catering to the changes in domestic consumption habits, the Group continued to focus on the uniqueness of the online market and increased its brand's presence in the online market by designing specialised products, so as to attract more potential customers and expand its online and offline network coverage with the aim of striking balance between both.

Product design, research and development

The Group has always adhered to excellent product quality and continued to devote resources to product research and development, and strived to optimise and improve the appearance, functionality and production technology of the products in order to provide superior-quality products to the customers. With a solid foundation of in-house research and development capabilities and a strong commitment to quality, the Group focused its research and development efforts on upgrading production technology during the year, striving to improve production efficiency and enhance the operational efficiency of its supply chain in order to maintain its leading position in the highly competitive market.

During the Current Year, the Group launched a full range of popular new collections, including: EMBRY FORM's "Elegant Posture Support Series" (「妍姿麗挺系列」); FANDECIE's "Lightweight Cup Series (「輕盈杯系列」)" and "Curious Cat Series(「好奇貓系列」)"; E-BRA's "Perfect Body Shaping Series (「豐盈美形系列」)"; COMFIT's "(Refreshing and Beautiful Physique Series 「清爽美體系列」)"; IADORE's "Flowery Luna Series (「花影淺月系列」)" and LIZA CHENG's "Ripple Series(「漣漪系列」)".

In 2020, the Group obtained 9 new patents, including 4 utility model patent and 5 appearance design patents. As at 31 December 2020, the Group has 11 invention patents, 54 utility model patents and 18 appearance design patents.

Production capacity

Under the influence of COVID-19 pandemic and the external economies, consumers remained cautious on the consumption of underwear products and inclined to purchase discounted items. Leveraging on its self-production and self-marketing advantages, the Group actively respond to the rapid market changes by promptly deploying manpower and machine production capacity. To cope with the changing consumer demand, the Group reviewed its operation process and inventory levels at the beginning of the year and adjusted its production capacity in line with consumer demand in order to reduce unnecessary logistics costs and maintain cash flow, which effectively kept inventory at a manageable level throughout the year.

The Group's first and second phases of intelligent warehouse at the production base in Jinan, Shandong province commenced operation in 2018 and 2019, respectively, in order to improve the efficiency of product delivery and logistics. In addition, the intelligent material warehouse of the Jinan production base officially commenced operation during the year, which helped improve production efficiency and supply chain efficiency of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business and Operations Review (continued)

Human resources

Employees are one of the cornerstones of the Group's operations. On the one hand, the Group trained its employees and improved their welfare, reviewed the internal management culture from time to time and enhanced the sense of belonging of employees. On the other hand, the Group improved production technology together with the utilisation of automated logistics system, improved the workflow of employees and raised production efficiency, so as to mitigate the overall cost increase pressure and improve operational efficiency. During the year, the Group implemented an array of cost control measures, and streamlined its organizational structure and made reasonable shift arrangement in order to lower staff cost.

On 30 December 2020, the Company granted a total of 20,000,000 share options to subscribe for 20,000,000 ordinary shares of HK\$0.01 each of the Company to 145 grantees in aggregate, with the objective to provide incentive or reward to management and staff so as to encourage them to make continuing effort and contribution to the Company.

As at 31 December 2020, the number of employees of the Group was approximately 5,455 (2019: approximately 7,362). Total staff costs (including wages and basic salaries, commissions, bonuses, contributions to the retirement benefits scheme and excluding directors' and chief executive's remunerations) for the Current Year was HK\$474,759,000, decreasing by 33.38% year-on-year (2019: HK\$712,616,000).

Financial Review

Revenue

During the Current Year, revenue was HK\$1,650,483,000, representing a decrease of 27.19% from the Prior Year, mainly attributable to the fact that weak consumption sentiment in China resulting from the impact of the pandemic on the global economic environment and domestic consumers' cautious demand for underwear.

During the Current Year, revenue from retail sales was HK\$1,203,246,000, accounting for 72.90% of the Group's total revenue and representing a decrease of 34.84% from the Prior Year. With the gradual economy recovery in China, the decline in retail sales narrowed in the second half of the year as compared to that in the First Half. As a result of the pandemic, some consumers shifted to online shopping, and the Group continued to record growth in sales on its e-commerce platform. Revenue from the Internet business increased by 18.91% to HK\$382,898,000, accounting for 23.20% of the total revenue.

The Mainland China market is the main source of income for the Group. During the Current Year, revenue from the Mainland China market was HK\$1,595,581,000 accounting for 96.67% of the Group's total revenue.

Among the seven brands operated by the Group, *EMBRY FORM* and *FANDECIE* are the main sources of income for the Group and their contributions to the total revenue amounted to 46.33% and 22.73% respectively. *EMBRY FORM*'s revenue amounted to HK\$764,648,000, which decreased by 25.92% from the Prior Year. *FANDECIE*'s revenue amounted to HK\$375,081,000, which decreased by 32.89% from the Prior Year. The changes in the two brands were similar to that of the overall sales. The decline was mainly due to the impact of the pandemic on the retail markets and the fact that consumers remain cautious on the consumption of underwear resulting from uncertainties in the global macroeconomic environment. The other brands *E-BRA*, *COMFIT*, *IVU*, *IADORE* and *LIZA CHENG*'s revenue for the Current Year amounted to HK\$498,872,000, accounting for 30.22% of the overall revenue.

Lingerie continues to be the core product line of the Group. During the Current Year, sales of lingerie decreased by 27.58% over the Prior Year to HK\$1,435,914,000, accounting for 87.0% of Group's revenue. Sales of sleepwear was HK\$156,989,000, accounting for 9.51% of the total revenue of the Group, while sales of swimwear was HK\$38,836,000, accounting for 2.35% of the Group's revenue.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Gross Profit

During the Current Year, the Group recorded a gross profit of approximately HK\$1,182,487,000, representing a decrease of 32.92% from the Prior Year. Gross profit margin decreased by 6.12 percentage points over the Prior Year to 71.64%. It was mainly due to the fact that more shopping festivals were held by retail market as a whole during the year in order to promote the consumption sentiment and offered a number of discounts, thus the Group also appropriately followed the market to align with the overall strategy of respective channel and maintain its market share.

Other income and gains

Other income increased by 54.43% to HK\$71,485,000 for the Current Year (2019: HK\$46,289,000), mainly due to exchange gain of HK\$11,536,000 resulted from the appreciation of Renminbi. Besides, other gains and expenses were mainly subsidies received by the Group from the local municipal government of approximately HK\$37,448,000 and rental income of approximately HK\$16,896,000.

Operating expenses

During the Current Year, selling and distribution expenses decreased by 32.19% to HK\$958,518,000 (2019: HK\$1,413,639,000), accounting for 58.07% (2019: 62.36%) of the Group's revenue. In response to the pandemic, the Group implemented an array of cost control measures, including active control on renovation expenses and other expenses such as advertising, resulting in a decrease in the proportion of selling and distribution expenses to overall sales.

Administrative expenses decreased by 26.97% over the Prior Year to HK\$172,840,000, accounting for 10.47% (2019: 10.44%) of the Group's revenue.

Impairment of right-of-use assets and other expenses

During the Current Year, impairment of right-of-use assets and other expenses (the "Non-Operating Expense") amounted to HK\$82,459,000, mainly due to a provision for impairment of right-of-use assets of retail stores of approximately HK\$47,608,000 as a result of the weak sales performance of the Group's retail stores due to the impact of the COVID-19 pandemic, and a one-off charge of approximately HK\$29,546,000 was incurred from the organisation structure rationalisation.

Loss

Loss attributable to owners of the Company was HK\$2,824,000 for the Current Year, while profit attributable to owners of the Company for the Prior Year was HK\$80,322,000. Loss was mainly due to the decrease in operating income under the impact of the pandemic, combined with one-off expenses such as compensation for loss of office resulting from the organisation structure rationalisation and impairment of right-of-use assets, but the loss gradually narrowed in the second half of the year thanks to the Group's effective cost control measures. After excluding the Non-Operating Expense, the profit attributable to equity holders for the period decreased of 7.67% to HK\$79,635,000 from HK\$86,246,000 as compared to last year.

Liquidity and financial resources

The Group finances its operations mainly with internally generated cash flows. Financial position of the Group remained sound and healthy during the Current Year. As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately HK\$425,149,000 (2019: HK\$200,230,000). As of 31 December 2020, the Group's interest-bearing bank borrowings amounted to HK\$464,416,000 (2019: HK\$558,180,000). As at 31 December 2020, equity attributable to owners of the Company was HK\$2,488,389,000 (2019: HK\$2,349,275,000). The gearing ratio of the Group was approximately 18.66% (2019: 23.76%).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Capital expenditure

During the Current Year, the capital expenditure of the Group amounted to HK\$36,986,000 (2019: HK\$114,696,000), which was mainly used for construction of intelligent material warehouse at the production base in Jinan. As at 31 December 2020, the capital commitments of the Group amounted to HK\$117,213,000 (2019: HK\$139,150,000), which were contracted but not provided for in the financial statements.

Charge on the Group's assets

During the Current Year, the Group pledged Hong Kong investment properties, buildings and right-of-use assets with net book values of HK\$86,000,000, HK\$2,714,000 and HK\$12,685,000 respectively to banks to finance loans.

Capital structure

As at 31 December 2020, the total issued share capital of the Company was HK\$4,224,000 (2019: HK\$4,224,000), comprising 422,417,000 (2019: 422,417,000) ordinary shares of HK\$0.01 each.

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

During the Current Year, the Group was neither involved in any significant investment, nor any material acquisitions or disposals of any subsidiaries or associated companies.

Foreign currency exposure

The Group carries out its transactions mainly in Hong Kong dollars and Renminbi. 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 the business.

Contingent liabilities

As at 31 December 2020, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK\$751,000 (2019: HK\$816,000). Save as disclosed above, the Group had no other significant contingent liabilities, nor any litigation or arbitration of material importance.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PROSPECT

Looking ahead to 2021, the global economic outlook is expected to remain challenging due to the increasing complexity of geopolitical and related uncertainties, as well as the fluctuating global COVID-19 pandemic situation. In addition to the speed of widespread vaccination, the pace of the global economic recovery would hinge on various factors. Although the domestic economy improved markedly in the second quarter of 2020 with a gradual pick-up in consumption, external economic uncertainties have continued to weigh on investment market sentiment, and some consumption markets still remain under pressure, slowing the pace of recovery in non-essential consumer sectors such as underwear.

Leveraging on years of experience and brand strength accumulated in the lingerie industry in China as well as flexibility, the Group will continue to review and adjust its business strategy in a timely manner. As consumers are still conservative towards underwear products, the Group will adopt a prudent approach and closely monitor market trends in order to make appropriate decisions in terms of product design, production technology, marketing and sales channels according to consumer needs and preferences.

Going forward, the Group expects that it will still take some time for the market to fully recover. In a complex and challenging operating environment, the Group is committed to fortifying its strengths, maintaining its competitiveness and tackling challenges in a pragmatic and determined manner. In the coming year, the Group will continue to implement its multi-brand strategy and adjust the multi-brand product mix in stores and develop relevant products in a timely manner based on consumer and market demand-centric sales strategies so as to attract more potential customers of varying age groups and purchasing power, and further increase the brand's share in the domestic market.

With the changing consumption environment and consumption demand, the Group will keep abreast of the times and strive to meet market and consumer demand in order to maintain its competitiveness in the lingerie industry in China. Regarding production capacity, the Group will continue to leverage on the advantages of its self-production and self-marketing model and the newly established intelligent material warehouse to enhance production efficiency and delivery efficiency, and actively optimise its supply chain to respond more precisely to market demands.

Adhering to the commitment to quality, the Group will continue to adopt a flexible and effective multi-brand strategy to respond to the ever-changing market and strive to create long-term value for shareholders through prudent and effective allocation of resources.

OTHER INFORMATION

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK2.5 cents per ordinary share in respect of the year ended 31 December 2020 (the "Proposed Final Dividend"), to the shareholders whose names appear on the register of members of the Company on 26 May 2021, resulting in an appropriation of approximately HK\$10,560,000.

The Proposed Final Dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company to be held on 18 May 2021 ("AGM"). The Proposed Final Dividend will be payable on 10 June 2021.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to Attend and Vote at the AGM

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 11 May 2021 to Tuesday, 18 May 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 10 May 2021.

(b) Entitlement to the Proposed Final Dividend

For determining the entitlement to the Proposed Final Dividend (subject to approval by the shareholders at the AGM), the register of members of the Company will be closed on Wednesday, 26 May 2021 on which no transfer of shares of the Company will be registered. In order to be eligible for the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at the above address for registration no later than 4:30 p.m. on Tuesday, 25 May 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company complied with the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the accounting period covered by the 2020 annual report.

OTHER INFORMATION (continued)

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct for Directors' and employees' securities transactions ("Securities Dealing Code"). Having made specific enquiry of all the Directors and members of the senior management, they have confirmed their compliance with the required standard set out in the Securities Dealing Code during the year.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the consolidated results of the Group for the year ended 31 December 2020. The audit committee is composed of three independent non-executive Directors of the Company, namely Mr. Lau Siu Ki, Mr. Lee Kwan Hung and Prof. Lee T.S. The chairman of the audit committee has appropriate professional qualifications and experience in financial matters.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary results announcement have been agreed by the Company's independent auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("Ernst & Young") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on the preliminary results announcement.

PUBLICATION OF 2020 ANNUAL REPORT

The 2020 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and will also be published on the websites of the Company at <http://www.embrygroup.com> and Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> in due course.

By Order of the Board
Embry Holdings Limited
Cheng Man Tai
Chairman

Hong Kong, 18 March 2021

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Cheng Man Tai, (Chairman), Ms. Cheng Pik Ho Liza (Chief Executive Officer), Madam Ngok Ming Chu, Mr. Cheng Chuen Chuen and Ms. Lu Qun; and three independent non-executive Directors, namely Mr. Lau Siu Ki, Mr. Lee Kwan Hung and Prof. Lee T. S.