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 2023

RESULTS HIGHLIGHTS

- Revenue was approximately HK$1,281.8 million, representing a decrease of approximately 3.9% compared with the year ended 31 December 2022
- Gross profit was approximately HK$956.1 million, representing a decrease of approximately 4.5% compared with the year ended 31 December 2022
- Loss for the year attributable to owners of the Company was approximately HK$72.2 million, representing an increase of approximately 40.8% compared with the year ended 31 December 2022
- Basic loss per share was approximately HK17.08 cents, representing an increase of HK4.95 cents compared with the basic loss per share for the year ended 31 December 2022
- The Board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2023

The board of directors (the "**Board**" or "**Directors**") of Embry Holdings Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023, together with the comparative figures in 2022 and the relevant explanatory notes, as set out below.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
REVENUE	4	1,281,753	1,334,269
Cost of sales		(325,650)	(333,020)
Gross profit		956,103	1,001,249
Other income and gains, net	5	32,544	30,104
Selling and distribution expenses		(881,430)	(859,270)
Administrative expenses		(175,268)	(176,096)
Impairment of right-of-use assets		(6,040)	(18,796)
Reversal of impairment/(impairment) of financial assets, net		5,492	(11,870)
Other expenses	6	(4,697)	(4,774)
Finance costs	7	(19,959)	(12,175)
LOSS BEFORE TAX	8	(93,255)	(51,628)
Income tax credit	9	21,087	389
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(72,168)	(51,239)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
- Basic (HK cents)		(17.08)	(12.13)
- Diluted (HK cents)		(17.08)	(12.13)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
LOSS FOR THE YEAR	(72,168)	(51,239)
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive expense that may be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	(49,416)	(196,397)
Other comprehensive income/(expense) that will not be reclassified to the income statement in subsequent periods:		
Revaluation surplus	9,628	3,652
Deferred tax debited to asset revaluation reserve	(2,407)	(913)
Net other comprehensive income that will not be reclassified to the income statement in subsequent periods	7,221	2,739
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	(42,195)	(193,658)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	(114,363)	(244,897)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		814,841	895,058
Investment properties		530,947	500,924
Right-of-use assets		147,315	145,181
Other Asset		393,846	402,697
Deferred tax assets		98,499	74,542
Deposits and other receivables		17,512	11,672
Total non-current assets		2,002,960	2,030,074
CURRENT ASSETS			
Inventories		473,964	458,256
Trade receivables	12	45,204	47,443
Prepayments, deposits and other receivables		56,546	57,034
Tax recoverable		183	3,820
Cash and cash equivalents		283,610	380,178
Total current assets		859,507	946,731
CURRENT LIABILITIES			
Trade and bills payable	13	69,124	39,028
Interest-bearing bank borrowings	14	93,556	38,877
Lease liabilities		32,627	33,751
Other payables and accruals		163,703	153,483
Total current liabilities		359,010	265,139
NET CURRENT ASSETS		500,497	681,592
TOTAL ASSETS LESS CURRENT LIABILITIES		2,503,457	2,711,666
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	194,756	288,595
Lease liabilities		21,394	22,826
Deferred tax liabilities		126,671	124,831
Other payables		2,254	3,082
Total non-current liabilities		345,075	439,334
Net assets		2,158,382	2,272,332
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,224	4,224
Reserves		2,154,158	2,268,108
Total equity		2,158,382	2,272,332

NOTES

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 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 following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below: (continued)

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

(d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred tax arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to 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.

	Chinese Mainland		Hong Kong		Others		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	1,239,028	1,287,846	39,682	38,790	3,043	7,633	1,281,753	1,334,269
Non-current assets	1,795,969	1,847,211	108,492	108,321	-	-	1,904,461	1,955,532
Capital expenditure incurred during the year	26,402	20,631	1,258	303	-	-	27,660	20,934

For the years ended 31 December 2023 and 2022, 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 (continued)

4. REVENUE

An analysis of revenue is as follows:

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers		
Sale of goods	1,281,753	1,334,269

5. OTHER INCOME AND GAINS, NET

	2023 HK$'000	2022 HK$'000
Other income		
Subsidy income*	11,052	20,075
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	16,951	20,703
Variable lease payments that do not depend on an index or a rate	708	548
Bank interest income	4,844	5,367
Interest accretion on non-current receivables	-	1,498
Gain on termination of leases	46	388
Others	5,646	2,218
Total other income	39,247	50,797
Gains/(losses), net		
Foreign exchange differences, net	(7,592)	(21,228)
Changes in fair value of investment properties	889	535
Total gains/(losses), net	(6,703)	(20,693)
Total other income and gains, net	32,544	30,104

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

6. OTHER EXPENSES

	2023 HK$'000	2022 HK$'000
Charitable donation	-	2,558
Loss on disposal/write-off of items of property, plant and equipment, net	197	184
Employee termination benefits	4,500	2,032
Total other expenses	4,697	4,774

7. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on bank loans	17,481	9,147
Interest on lease liabilities	2,478	3,028
Total	19,959	12,175

NOTES (continued)

8. LOSS BEFORE TAX

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

	2023 HK$'000	2022 HK$'000
Cost of inventories sold	325,650	333,020
Depreciation of property, plant and equipment	61,062	69,729
Depreciation of right-of-use assets	27,631	34,880
Gain on termination of leases	(46)	(388)
Lease payments not included in the measurement of lease liabilities	245,787	239,290
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	402,545	408,987
Retirement benefit scheme contributions	48,145	52,979
Employee termination benefits	4,500	2,032
Equity-settled share option expense	413	671
Total	455,603	464,669
Advertising and counter decoration expenses	124,529	68,135
Impairment of right-of-use assets	6,040	18,796
Write-back/write-off of provision for obsolete inventories, net	(20,234)	(43,174)

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 (2022: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the regions in which the Group operates.

	2023 HK$'000	2022 HK$'000
Current – Chinese Mainland		
Overprovision in prior years	-	(2,419)
Deferred	(21,087)	2,030
Total tax credit for the year	(21,087)	(389)

10. DIVIDENDS

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2023.

NOTES (continued)

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

The calculation of basic loss per share is based on:

	2023 HK$'000	2022 HK$'000
Earnings		
Loss attributable to owners of the Company, used in the basic loss per share calculation	(72,168)	(51,239)

	Number of shares 2023	2022
Shares		
Number of ordinary shares of the Company in issue, used in the basic loss per share calculation	422,416,638	422,416,638
Basic loss per share (HK cents)	(17.08)	(12.13)

(b) Diluted

No adjustment has been made to the basic loss per share amount presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the impact of the share options has anti-dilutive effect on the basic loss per share amount presented.

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:

	2023 HK$'000	2022 HK$'000
Within 90 days	43,197	42,670
91 to 180 days	1,746	4,372
181 to 360 days	295	5,268
Over 360 days	4,199	4,858
	49,437	57,168
Less: Impairment allowance	(4,233)	(9,725)
Total	45,204	47,443

13. TRADE AND BILLS PAYABLE

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

	2023 HK$'000	2022 HK$'000
Within 90 days	66,388	33,023
91 to 180 days	300	1,618
181 to 360 days	453	950
Over 360 days	1,983	3,437
Total	69,124	39,028

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

14. INTEREST-BEARING BANK BORROWINGS

	2023			2022		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	Hong Kong Interbank Offered Rate ("HIBOR") +1.45	2024	51,798	HIBOR +1.45	2023	38,877
Bank loans – unsecured	3.50	2024	41,758	-	-	-
Total – current			93,556			38,877
Non-current						
Bank loans – secured	HIBOR +1.45	2025-2026	194,756	HIBOR +1.45	2024-2025	288,595
Total			288,312			327,472

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations Review

In 2023, the impact of the pandemic gradually receded, but the global economic growth remained moderate as a result of the pressure of global inflation, persistent interest rate hikes, the ongoing Russia-Ukraine war and the resurgence of the US-China technology dispute resulted in geopolitical tensions and weak trade. The uncertainty of inflation and slowing income growth dampened consumer confidence while a sluggish real estate market offset most of the post-pandemic recovery's contribution to China's economic growth. According to the National Bureau of Statistics, China's gross domestic product (GDP) increased by 5.2% in 2023 – the slowest growth rate in 30 years except the three years of the pandemic outbreak. China's economy was recovering, albeit slowly.

The overall economic recovery fell short of expectations, directly affecting the retail consumption market. The total retail sales increased by 7.2% in 2023 due to the low comparison base in 2022. However, the divergence between different industries in retail sales was obvious, with an increase of only 5.8% in the retail sales of consumer goods, which fell short of expectations. Consumers remained cautious on spending and preferred low-priced, functional and cost-effective consumption. The sub-essential underwear industry only achieved a slight increase in sales throughout the year, and the road to recovery remained challenging.

For the year ended 31 December 2023 (the "Current Year"), the Group's revenue amounted to HK$1,281,753,000, representing a decrease of 3.94% from that of HK$1,334,269,000 for the year ended 31 December 2022 (the "Previous Year"), and the gross profit margin decreased by 45 basis points to 74.59%. Loss attributable to owners of the Company amounted to approximately HK$72,168,000, as compared to a loss attributable to owners of the Company of HK$51,239,000 recorded in the Previous Year. Loss per share was HK 17.08 cents (2022: HK 12.13 cents).

The board of directors has resolved not to recommend the payment of a final dividend in view of the uncertain economic outlook. The Company believes that this measure is a prudent and responsible means of preserving cash for the long-term financial health of the Group.

Brand management

In 2023, the Group continued to make good use of the advantages of its multi-brand strategy and adjusted marketing arrangements in response to market demand for its seven brands, namely ***EMBRY FORM***, ***FANDECIE***, ***COMFIT***, ***E-BRA***, ***IVU***, ***IADORE*** and ***LIZA CHENG***. The Group caters to the segmented market by highlighting its brands' unique personalities to meet the needs and preferences of various customer groups. The Group enhanced its brand competitiveness and expanded its market share while consolidating its flagship brands, ***EMBRY FORM*** and ***FANDECIE***, which contributed the majority of sales.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business and Operations Review (continued)

Brand management (continued)
In terms of brand promotion, in the second half of 2023, the Group gradually strengthened brand promotion, allocated more resources, carried out online and offline integrated marketing during holiday seasons, and invited a famous actress as the spokesperson to gain strong media exposure for its products and stimulate sales growth with the branding and celebrity effects. As e-commerce platforms continue to thrive, the Group closely follows the traffic trend, uses social media platforms to promote its brand, and strengthens the development of underwear styles exclusively available through e-commerce. The Group also started to collaborate with well-known online streamers on mainstream social media platforms such as Tmall and Douyin for livestreaming to attract potential target consumers. At the same time, the Group promoted its brand and products through in-feed advertisements on WeChat Moments and Xiaohongshu KOLs, and established good customer relations and enhanced brand loyalty through interaction with customer groups. During the year, the number of fans of Embry's official social media accounts continued to increase, and the level of consumer attention to the brand increased significantly.

In response to China's strategy of attaining the goals of "carbon peaking" and "carbon neutrality", and to demonstrate its belief in sustainable green development over the years, the Group held the "MADE IN GREEN Ocean Journey" art pop-up store activities in large shopping malls and department stores in various cities during the year, promoting public awareness of marine environmental protection. In addition, the Group specially launched product series based on environmental protection concepts and environmentally friendly materials, such as "Heart of the Ocean (海洋之心)" and "Low-carbon Life (低碳生活)", conveying a green and environmentally friendly living attitude to consumers in the form of short videos, live streaming by social media influencers and other multimedia forms, so as to further strengthen the brand's concept of sustainable and low-carbon development.

In recent years, China Chic has become fashionable in consumption, and has taken China's various consumer goods markets by storm, injecting new vitality into consumption sectors and exerting especially strong influence on young consumers. The Group has gained insight into the trend and launched a number of Chinese fashion underwear products based on the traditions of Chinese festivals and weddings, including the "Peace Year after Year (歲歲安)" series. The Group also cooperated with well-known new national style painters to create a Chinese style-theme illustration "Xi Le Jia An (囍樂家安)" for the Year of the Loong, produced a series of online and offline promotion materials, and combined high-quality products with traditional elements from the oriental aesthetics to create the brand value of ***EMBRY FORM*** in China Chic style.

Sales network
In 2023, the Group continued to optimise its sales network. As of 31 December 2023, the Group had 1,007 retail outlets in total, including 840 concessionary counters and 167 retail stores, representing a net decrease of 77 retail outlets as compared to the end of 2022. The Group seized the opportunity in online sales, and actively explored and developed the online shopping market to improve the overall operational efficiency of its sales network. The Group strategically adjusted its store network and appropriately integrated the proportion of online and offline sales to achieve optimal sales channel coverage.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business and Operations Review (continued)

Sales network (continued)

During the Current Year, the Group continued to operate online mirror stores with product information synchronised with the physical retail stores, achieving mutual empowerment of online and offline channels to attract traffic. It eliminated competition between physical and online stores, and also provided a convenient alternative consumption channel. The closed loop of operation helped optimise deployment of store inventory and inventory management.

Product design, research and development

The Group has always attached great importance to excellent product quality and comfortable wearing experience and continued to upgrade product designs and source the right materials to meet consumers' demand for lightweight underwear products while ensuring a comfortable cut and design. The Group also emphasises the brand concept of environmental protection and health, deeply incorporates the concept into its product designs and production technology, selects environmentally friendly and pollution-free raw materials, ensures that each product is safe and harmless, and facilitates consumers' pursuit of a healthy life. In order to cater to the consumers' demand for underwear products that are specialised, refined and beautiful, the Group continues to improve its production technology, striving to improve production efficiency and 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 "Rose Garden (玫瑰園)" and "Premier Black (至臻黑標)"; ***FANDECIE***'s "Vintage File (復古檔案)" and "National Girl (國風少女)"; ***COMFIT***'s "Spring Garden (春日花園)" and "Oriental Rhythm (姿韻東方)"; ***LIZA CHENG***'s "Quality Sleep (優眠)" and "Aurora (極光)"; ***E-BRA***'s "Slim and Slender (纖姿)" and "Chic (別緻)"; ***IADORE***'s "Fresh with Ripple (沁雅微瀾)" and "Secluded Grassland (芳草幽幽)"; and ***IVU***'s "Fortune Score (福運系列)".

In addition, the Group has always advocated environmental protection. Guided by the health and comfort of women, the Group attaches great importance to the ecological and environmental performance of products and cares about the protection of the environment during the production process. The Group continues to strengthen the research and development of green products. During the year, the "Heart of the Ocean (海洋之心)" series of new underwear products were launched, using bio-based and environmentally friendly materials as underwear fabrics and straps, reducing the use of petroleum by-products and thus the large amount of carbon dioxide generated during the refining process, and actively practicing the low-carbon, ecological and environmental concepts.

In 2023, the Group obtained new patents in China, including 12 utility model patents, 8 design patents and 1 invention patent. As at 31 December 2023, the Group had a total of 125 patents, including 79 utility model patents, 12 invention patents and 34 design patents.

Business and Operations Review (continued)

Production capacity

The Group has its own production bases in Jinan, Shandong Province and Changzhou, Jiangsu Province. The plant in Shandong is equipped with intelligent warehouses for finished goods and materials. Based on the market changes during the year, the Group carefully analysed the sales of different brands and segmented markets, reviewed and adjusted its production volume from time to time and implemented flexible production. At the same time, on the basis of optimising the traditional sewing technology, the Group introduced new technology and equipment innovations to enhance product functions, and achieve optimal production efficiency and improve the supply chain efficiency.

In order to achieve sustainable development, the Group's Shandong Industrial Park is environmentally friendly and maintains carbon emissions at a low level at the source. The first phase of the photovoltaic power generation project of the Shandong Plant has been put into use during the Current Year, and at the same time, energy saving and emission reduction were achieved by using ground source heat pump renewable energy, thermal insulation and energy-saving walls and natural lighting. The Group's proprietary automatic underwear packaging machine uses degradable plastic products as packaging materials to reduce environmental pollution.

Human resources

The Group understands that employees are one of the cornerstones of the Group's operations. It not only trained its employees and improved their welfare, but also reviewed the internal management culture from time to time to enhance the sense of belonging among the employees. Meanwhile, the Group also actively 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 pressure of overall cost increase and improve operational efficiency.

As at 31 December 2023, the number of employees of the Group was approximately 4,390 (2022: approximately 4,568). Total staff cost (including wages and basic salaries, commissions, bonuses, contributions to the retirement benefits scheme and share option scheme but excluding directors' and chief executive's remunerations) for the Current Year was HK$455,603,000 (2022: HK$464,669,000).

Financial Review

Revenue

During the Current Year, revenue was HK$1,281,753,000, representing a decrease of 3.94% from that in the Prior Year, mainly attributable to the depreciation of the Renminbi, while the Group's sales from the Chinese Mainland market were broadly flat at constant exchange rates. In addition, as the recovery of China's economy was dragged down by factors such as geopolitical tensions, inflation and income uncertainty which also greatly affected consumer sentiment. Although consumer sentiment is gradually recovering, it has not yet returned to the pre-pandemic levels.

Revenue from retail sales for the Current Year was HK$875,508,000, which was basically the same as that for the Prior Year and accounted for 68.31% of the Group's total revenue. The Group recorded a decrease in sales on e-commerce platforms. Revenue from online sales decreased by 10.4% to HK$368,648,000 in 2023, accounting for 28.76% of the total revenue. Consumers in China increased their offline consumption mainly due to the relaxation of pandemic prevention and control, in contrast to the online consumption peak in 2022.

Financial Review (continued)

Revenue (continued)

The Chinese Mainland market is the main source of income for the Group. During the Current Year, revenue from the Chinese Mainland market was HK$1,239,028,000, accounting for 96.67% of the Group's total revenue.

Among the seven brands operated by the Group, ***EMBRY FORM***, the flagship brand, and ***FANDECIE***, the young and energetic brand, are the main sources of income for the Group and their contributions to the total revenue accounted for 55.32% and 15.98% respectively. Revenue from ***EMBRY FORM*** amounted to HK$709,065,000, up by 1.71% from that for the Prior Year. Revenue from ***FANDECIE*** amounted to HK$204,761,000, down by 19.43% from that for the Prior Year. The combined revenues from other brands ***E-BRA***, ***COMFIT***, ***IVU***, ***IADORE*** and ***LIZA CHENG*** for the Current Year amounted to HK$364,884,000, accounting for 28.46% of the total revenue.

Lingerie continues to be the core product line of the Group. During the Current Year, sales of underwear decreased by 3.44% from that for the Prior Year to HK$1,095,290,000, representing 85.46% of the revenue of the Group. Sales of sleepwear amounted to HK$136,704,000, accounting for 10.67% of the revenue of the Group, while sales of swimwear amounted to HK$31,592,000, accounting for 2.46% of the revenue of the Group.

Gross profit

During the Current Year, the Group recorded a gross profit of approximately HK$956,103,000, representing a decrease of 4.51% from that for the Prior Year. It was mainly attributable to the reversal of impairment of inventories provided under cost of sales of approximately HK$20,234,000 in the Current Year, representing a decrease of approximately HK$22,940,000 as compared to that of approximately HK$43,174,000 in the Prior Year. In addition, consumers lacked confidence in the macroeconomic environment, which depressed the consumer sentiment, and remained cautious about spending. For underwear, which is sub-essential, various brands met market needs at a relatively large discount, and the average price was under pressure, resulting in a decrease in the unit price of sales as compared to that for the Prior Year. In the face of the decline in the average price, the Group effectively controlled its production costs through various measures, partially offsetting the negative impact of the decline in the average price. As a result, the overall gross profit margin was slightly down by 45 basis points to 74.59% as compared to that in 2022.

Other income and gains

Other income and gains for the year increased by 8.11% to HK$32,544,000 for the Current Year (2022: HK$30,104,000), which was mainly due to the decrease in exchange loss of HK$7,592,000 (2022: HK$21,228,000) recorded as a result of the decline in the exchange rate of the Renminbi. In addition, rental income for the Current Year was HK$17,659,000 (2022: HK$21,251,000) and subsidy income decreased to HK$11,052,000 (2022: HK$20,075,000).

Financial Review (continued)

Operating expenses

During the Current Year, the selling and distribution expenses increased by 2.58% to HK$881,430,000 (2022: HK$859,270,000), accounting for 68.77% (2022: 64.40%) of the Group's revenue. The increase in expenses was mainly due to the fact that the Group began to allocate more resources in sales and marketing in the second half of the year, namely by engaging a spokesperson and organizing more promotional activities, with the aim of enhancing the Group's brand awareness and driving the Group's overall sales in the future. At the same time, the Group also invested more resources in store renovations as part of its sales and marketing strategy.

Administrative expenses and impairment of financial assets totalled HK$169,776,000, representing a decrease of 9.68% from that for the Prior Year, and the proportion of administrative expenses and impairment of financial assets to the Group's revenue decreased to 13.25% (2022: 14.09%). A write-back of the bad-debt provision for trade and other receivables of HK$5,492,000 (2022: impairment of HK$11,870,000) was included for the Current Year.

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 Expenses") amounted to approximately HK$10,737,000 (2022: HK$23,570,000), representing a decrease of 54.45% from 2022. It was mainly attributable to the provision for impairment of right-of-use assets at retail stores of HK$6,040,000 for the Current Year, representing a decrease of HK$12,756,000 as compared with that of HK$18,796,000 for the Prior Year.

Loss

Loss attributable to owners of the Company was HK$72,168,000 for the Current Year, while loss attributable to owners of the Company for the Prior Year was HK$51,239,000. The increase in loss was mainly due to the recovery in the domestic retail market fell short of expectations and the increase in marketing and promotional expenses.

Liquidity and financial resources

The Group finances its operations mainly with internally generated cash flows. Financial position of the Group remained healthy during the Current Year. As at 31 December 2023, the Group's cash and cash equivalents amounted to approximately HK$283,610,000 (2022: HK$380,178,000), which was maintained at a healthy level. As at 31 December 2023, the Group's interest-bearing bank borrowings amounted to HK$288,312,000 (2022: HK$327,472,000). As at 31 December 2023, equity attributable to owners of the Company was HK$2,158,382,000 (2022: HK$2,272,332,000). The gearing ratio of the Group was approximately 13.4% (2022: 14.4%).

Capital expenditure

During the Current Year, the capital expenditure of the Group amounted to HK$27,660,000 (2022: HK$20,934,000), which was mainly used for the first phase of the photovoltaic power generation project of the plant in Shandong Province, which was converted into a fixed asset and utilised during the Current Year and is expected to help the Group save on electricity expenses. As at 31 December 2023, the capital commitments of the Group amounted to HK$105,725,000 (2022: HK$116,154,000), which were contracted but not provided for in the financial statements.

Charge on the Group's assets

As at 31 December 2023, the Group pledged its investment properties, buildings and right-of-use assets in Hong Kong with net book values of HK$92,000,000, HK$2,411,000 and HK$11,272,000 respectively to banks to obtain loans.

Financial Review (continued)

Capital structure

As at 31 December 2023, the total issued share capital of the Company was HK$4,224,000 (2022: HK$4,224,000), comprising 422,416,638 (2022: 422,416,638) ordinary shares of the par value of HK$0.01 each.

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

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

Foreign currency exposure

The Group carries out its transactions mainly in Hong Kong dollars and the 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 2023, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK$646,000 (2022: HK$428,000). Save as disclosed above, the Group had no other significant contingent liabilities, nor any litigation or arbitration of material importance.

PROSPECT

Looking ahead to 2024, factors such as persistently high interest rates, further escalation of geopolitical conflicts and weak international trade will continue to pose challenges to global economic growth. According to the report "World Economic Situation and Prospects 2024" published by the United Nations, global economic growth is expected to slow down to 2.4% in 2024, which is still lower than the pre-pandemic growth rate of 3%. The uncertain outlook of the global economic and political environment has impeded China's economic recovery. The low comparison base effect in 2023 will no longer exist in 2024, and consumers will remain cautious. The weak, gradual recovery will continue well into 2024. The growth rate of the sub-essential underwear market will also be slower than that of the overall market.

Although the Chinese government has already reiterated that it will remain committed to its policy of expanding and stimulating the domestic demand, China's economic growth momentum will be limited in the short term as the government has not yet introduced a large-scale economic stimulus plan. Therefore, the Group predicts that the growth rate of the overall underwear industry will be limited in 2024 so it will adopt a wait-and-see attitude towards the overall domestic economic situation. The Group will pay close attention to the national policy direction, reap the dividends from such policy in a timely manner and adjust the Group's strategy accordingly, with a view to bringing growth to the Group's revenue.

Given that consumers are still cautious about spending on underwear, the Group will adopt a prudent approach and pay close attention to market trends in terms of product designs, production technology, marketing and sales channels so as to align itself with consumers' rational approach to consumption, with emphases placed on quality, functions and appearance, and green and sustainable consumption. In 2024, the Group will step up the development of products suitable for online shopping, enhance products' adaptability, strengthen cooperation with low-carbon material suppliers, comprehensively develop environmentally friendly products, and continue to improve product quality with consumer demand and needs at the core of its business. The Group is confident that, with its years of experience and brand strength in the lingerie industry in China as well as its adaptability, it will be able to cope with the current economic environment with great fortitude.

With the increasing diversification of consumer demand, the Group expects the underwear market to further refine its market segments in 2024, driving the overall growth of the industry. Therefore, in the future, the Group will press on with the existing multi-brand strategy, continue to explore different market segments, actively implement the sales strategy centred on consumers and market demand, closely follow the pace of changes in domestic consumption patterns, adjust the number of offline stores in a timely manner, save costs to vigorously develop online sales channels, step up interactive publicity on social media, improve the quality of online communication content, actively promote traffic monetization, and capitalise on the e-commerce boom to drive the online sales of its brands. In terms of production, the Group will respond more promptly, leverage the advantages of resource deployment through its self-production and self-distribution model as well as the ancillary logistics facilities of intelligent warehouses for finished goods and materials to enhance production and logistics efficiency, and actively optimise its supply chain.

The Group will remain committed to maintaining the high quality of its products, 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 the prudent and effective allocation of resources.

OTHER INFORMATION

FINAL DIVIDEND

On 21 March 2024, the Board resolved not to declare the payment of a final dividend for the year ended 31 December 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on 23 May 2024 ("AGM"), the register of members of the Company will be closed from Thursday, 16 May 2024 to Thursday, 23 May 2024, 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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 14 May 2024.

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 C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the accounting period covered by the 2023 annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 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 2023. The audit committee is composed of three independent non-executive Directors of the Company, namely Mr. Lau Siu Ki, Mr. Chan Chi On 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 2023 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.

OTHER INFORMATION (continued)

PUBLICATION OF 2023 ANNUAL REPORT

The 2023 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
Ngok Ming Chu
Chairman

Hong Kong, 21 March 2024

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