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 2019

RESULTS HIGHLIGHTS

	2019 *(HK$'000)*	**2018** *(HK$'000)*	**Change**
Revenue	2,266,867	2,451,874	-7.55%
Gross profit	1,762,729	1,960,027	-10.07%
Gross profit margin	77.76%	79.94%	-2.18% pts
Profit for the year attributable to owners	80,322	151,165	-46.86%
Net profit margin	3.54%	6.17%	-2.63% pts
	(HK cents)	*(HK cents)*	
Basic earnings per share	19.01	35.79	-46.88%
Diluted earnings per share	19.01	35.79	-46.88%
	(HK cents)	*(HK cents)*	
Interim dividend per share (paid)	2.00	3.50	-42.86%
Final dividend per share (proposed)	3.00	7.00	-57.14%
Total dividends per share for the year	5.00	10.50	-52.38%

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 2019, together with the comparative figures in 2018 and the relevant explanatory notes, as set out below.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	4	2,266,867	2,451,874
Cost of sales		(504,138)	(491,847)
Gross profit		1,762,729	1,960,027
Other income and gains, net	5	46,289	72,513
Selling and distribution expenses		(1,413,639)	(1,514,093)
Administrative expenses		(236,662)	(266,038)
Other expenses		(5,924)	(12,445)
Finance costs	6	(27,518)	(12,888)
PROFIT BEFORE TAX	7	125,275	227,076
Income tax expense	8	(44,953)	(75,911)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		80,322	151,165
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	10		
- Basic (HK cents)		19.01	35.79
- Diluted (HK cents)		19.01	35.79

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
PROFIT FOR THE YEAR	80,322	151,165
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	(27,558)	(144,995)
Other comprehensive income/(expense) that will not be reclassified to the income statement in subsequent periods:		
Revaluation surplus	3,745	5,251
Deferred tax debited to asset revaluation reserve	(936)	(1,313)
Net other comprehensive income that will not be reclassified to the income statement in subsequent periods	2,809	3,938
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	(24,749)	(141,057)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	55,573	10,108

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,119,462	1,219,470
Investment properties		403,126	387,639
Right-of-use assets		293,381	-
Prepaid land lease payments		-	37,326
Other Asset		402,697	407,273
Deferred tax assets		92,306	88,286
Deposits and other receivables		25,031	39,066
Total non-current assets		2,336,003	2,179,060
CURRENT ASSETS			
Inventories		792,354	776,367
Trade receivables	11	79,814	75,240
Prepayments, deposits and other receivables		95,686	95,991
Tax recoverable		409	5,179
Cash and cash equivalents		200,230	158,414
Total current assets		1,168,493	1,111,191
CURRENT LIABILITIES			
Trade payables	12	52,723	125,042
Interest-bearing bank borrowings	13	125,566	214,059
Lease liabilities		90,449	-
Tax payable		4,409	19,224
Other payables and accruals		225,460	228,257
Total current liabilities		498,607	586,582
NET CURRENT ASSETS		669,886	524,609
TOTAL ASSETS LESS CURRENT LIABILITIES		3,005,889	2,703,669
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	13	432,614	213,000
Lease liabilities		68,661	-
Deferred liabilities		414	2,245
Deferred tax liabilities		154,925	156,705
Total non-current liabilities		656,614	371,950
Net assets		2,349,275	2,331,719
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,224	4,224
Reserves		2,345,051	2,327,495
Total equity		2,349,275	2,331,719

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 where 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.

Amendments to HKFRS 9	*Prepayments Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associate and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16
The Group has lease contracts for various items of office premises and stores. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition
Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The Group elected to present the lease liabilities separately in the consolidated statement of financial position.

The right-of-use assets were measured at the amounts of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the leases recognised in the consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40. For the leasehold land previously included in property, plant and equipment and prepaid land lease payments, the Group has reclassified these lease payments as right-of-use assets.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases (continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Appling the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Using hindsight in determining the lease term where the contract contains options to extend/ terminate the lease;
- Appling a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019;
- Relying on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review; and
- Excluding the initial direct costs from the measurement of the right-of-use assets at the date of initial application.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/(decrease) HK$'000
Assets	
Decrease in property, plant and equipment	(114,816)
Increase in right-of-use assets	311,710
Decrease in prepaid land lease payments	(37,326)
Decrease in prepayments, deposits and other receivables	(6,908)
Increase in total assets	152,660
Liabilities	
Increase in lease liabilities	152,750
Decrease in other payables and accruals	(90)
Increase in total liabilities	152,660

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	241,626
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(78,124)
	163,502
Weighted average incremental borrowing rate as at 1 January 2019	4.72%
Discounted operating lease commitments and lease liabilities as at 1 January 2019	152,750

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or 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	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	2,198,922	2,375,600	62,730	71,431	5,215	4,843	2,266,867	2,451,874
Non-current assets	2,128,631	1,991,688	115,066	99,086	-	-	2,243,697	2,090,774
Capital expenditure incurred during the year	113,399	228,076	1,297	397	-	-	114,696	228,473

For the years ended 31 December 2019 and 2018, 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.

4. REVENUE

An analysis of revenue is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers		
Sales of goods	2,266,867	2,451,874

5. OTHER INCOME AND GAINS, NET

	2019 HK$'000	2018 HK$'000
Other income		
Subsidy income*	29,355	50,407
Gross rental income from investment properties operating leases:		
Other lease payments, including fixed payments	14,805	-
Variable lease payments that do not depend on an index or a rate	530	-
Gross rental income	-	18,861
Contingent rents receivable in respective of operating leases	-	682
Bank interest income	1,543	3,028
Interest accretion on non-current receivables	1,949	1,757
Royalty income	-	121
Others	5,918	2,753
	54,100	77,609
Gains/(losses), net		
Foreign exchange differences, net	(3,720)	(14,096)
Changes in fair value of investment properties	(4,091)	9,000
	(7,811)	(5,096)
	46,289	72,513

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

6. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank loans	19,617	12,888
Interest on lease liabilities	7,901	-
	27,518	12,888

7. PROFIT BEFORE TAX

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

	2019 HK$'000	2018 HK$'000
Cost of inventories sold	504,138	491,847
Depreciation of property, plant and equipment	79,219	75,807
Depreciation of right-of-use assets	105,384	-
Amortisation of prepaid land lease payments	-	977
Minimum lease payments under operating leases in respect of:		
Land and buildings	-	99,850
Contingent rents of retail outlets in department stores	-	516,345
Lease payment not included in the measurement of lease liabilities	469,354	-
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	651,613	689,808
Provision/(write-back of provision) for long service payments	(2,042)	2,221
Retirement benefit scheme contributions	63,045	67,938
	712,616	759,967
Advertising and counter decoration expenses	147,285	166,169
Write-back of provision for obsolete inventories, net	(12,665)	(18,946)

8. INCOME TAX

No provision for Hong Kong profit tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year end 31 December 2018. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the regions in which the Group operates.

	2019 HK$'000	2018 HK$'000
Current - Hong Kong		
Overprovision in prior years	-	(9)
Current - Mainland China		
Charge for the year	50,287	68,968
Deferred	(5,334)	6,952
Total tax charge for the year	44,953	75,911

9. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Dividends paid during the year:		
Final in respect of the financial year ended 31 December 2018 – HK7.0 cents per ordinary share (2018: Final in respect of the financial year ended 31 December 2017 – HK8.0 cents per ordinary share)	29,569	33,793
Interim – HK2.0 cents (2018: HK3.5 cents) per ordinary share	8,448	14,785
	38,017	48,578
Proposed final dividend:		
Final – HK3.0 cents (2018: Final – HK7.0 cents) per ordinary share	12,672	29,569

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.

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

The calculation of basic earnings per share is based on:

	2019 HK$'000	2018 HK$'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	80,322	151,165

	Number of shares 2019	 2018
Shares		
Weighted average number of ordinary shares of the Company in issue, used in the basic earnings per share calculation	422,416,638	422,416,638
Basic earnings per share (HK cents)	19.01	35.79

(b) Diluted

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

11. 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:

	2019 HK$'000	2018 HK$'000
Within 90 days	78,838	71,389
91 to 180 days	976	3,851
181 to 360 days	1,209	8,359
Over 360 days	4,402	2,083
	85,425	85,682
Less: Impairment allowance	(5,611)	(10,442)
	79,814	75,240

12. 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:

	2019 HK$'000	2018 HK$'000
Within 90 days	44,484	105,274
91 to 180 days	1,800	15,115
181 to 360 days	906	2,462
Over 360 days	5,533	2,191
	52,723	125,042

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

13. INTEREST-BEARING BANK BORROWINGS

	2019			2018		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	Hong Kong Interbank Offered Rate ("HIBOR") +1.45	2020	28,091	-	-	-
Bank loans – unsecured	HIBOR +1.80 to HIBOR +1.85	2020	63,767	HIBOR +1.80	On demand	88,281
	4.57%	2020	33,708	HIBOR +1.85 to HIBOR +2.00	2019	125,778
			125,566			214,059
Non-current						
Bank loans – secured	HIBOR +1.45	2021-2024	353,430	-	-	-
Bank loans – unsecured	HIBOR +1.80 to HIBOR +1.85	2021-2024	79,184	HIBOR +1.85 to HIBOR +1.95	2020-2022	213,000
			432,614			213,000
			558,180			427,059

14. EVENT AFTER THE REPORTING PERIOD

The global spread of the coronavirus epidemic ("**the COVID-19 Outbreak**") since early 2020 has adversely affected (i) retail business in the Mainland China and Hong Kong; and (ii) business operation of the Group. Since the operation of various retail outlets of the Group located in affected provinces in the Mainland China had been temporarily suspended as a result of the COVID-19 Outbreak, the Group's financial performance for 2020 is expected to be affected adversely as compared to the same period in 2019. The management of the Group has taken relevant actions to minimise the unfavourable impact to the Group and will pay close attention to the development of the COVID-19 Outbreak and perform further assessment of its financial impact. The Group is currently unable to estimate the quantitative impacts of the COVID-19 Outbreak to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations Review

In 2019, the US-China trade tensions and geopolitical uncertainty contributed to a synchronized slowdown in the global economy. Despite challenging macro environment, China stayed committed to maintaining a reasonable level of economic growth through tax and fee reduction and introduction of measures to stimulate domestic demand. China's gross domestic product for 2019 increased by 6.1% year-on-year, to RMB99,086.5 billion, with growth rate dropped by 0.5 percentage point over the same period last year.

Against the backdrop of the global economic slowdown and the lingering US-China trade conflict, consumers have become more conservative towards the consumption of secondary necessities, hindering the growth of the underwear industry in China. Facing the market's polarised consumption trends, in addition to consolidating and enhancing its competitiveness in the mid-to-high-end market, the Group focused on satisfying consumer demand for high-value-for-money products over the past year and invested resources to develop ***IADORE***, so as to expand customer base with quality products and competitive pricing. Meanwhile, online shopping has become a part of daily life of the general public. The Group has steadily developed the online shopping market with the implementation of effective online promotions that precisely targeted customer groups of diverse market segments, thereby strengthening the Group's omni-channel coverage.

For the year ended 31 December 2019 (the "Current Year"), the Group's revenue decreased by 7.55% over that of the year ended 31 December 2018 (the "Prior Year") to HK$2,266,867,000. Gross profit margin decreased by 2.18 percentage points to 77.76%. Profit attributable to owners of the Company was HK$80,322,000, net profit margin was 3.54%. Earnings per share was HK19.01 cents (2018: HK35.79 cents).

Under the impact of the new contagious coronavirus pneumonia epidemic in early 2020, a number of provinces and municipalities in China have adopted measures to strictly control the epidemic situation, including closure of shopping malls where the sales points of the Group were located at. The Group has to temporarily suspend the operation of various shops in China and resume operations when appropriate. In view of the global spread of the epidemic that causes uncertainties to the impacts on economy and market, it is difficult to predict the impact on domestic consumption activities and customer traffic in the coming year.

The Board of Directors of the Company resolved to declare a final dividend of HK3 cents per share (2018: HK7 cents) for the Current Year which, together with the interim dividend of HK2 cents per share (2018: HK3.5 cents) distributed, will bring a total dividend for the Current Year to HK5 cents per share.

Business and Operations Review (continued)

Brand management

In 2019, 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***, serving customers with different preferences and varying degrees of purchasing power so as to meet the rapidly changing market needs. During the Current Year, the Group made good use of the characteristics of each of its seven brands and flexibly distributed the point of sales according to the consumption level and sales channels of different cities, thereby enhancing the sales efficiency of each brand. The Group's flagship brand ***EMBRY FORM*** and younger market brand ***FANDECIE*** mainly cater to the overall mid-to-high-end market demand, while the five brands namely ***COMFIT***, ***E-BRA***, ***IVU***, ***IADORE*** and ***LIZA CHENG*** are designed to precisely meet the diversified needs of the market. ***IADORE,*** a brand that the Group has focused on cultivating, achieved continuous growth, due to its precise market positioning and high-value-for-money quality products. In recent years, the Group has also opened multi-brand composite stores in several cities in China to offer diversified quality products and one-stop shopping experience, thereby perfectly fulfilling consumer needs.

The Group actively reinforced its brand building and increased the exposure of its products to enhance its brand influence. During the Current Year, the Group's brands, ***EMBRY FORM*** and ***IVU***, sponsored the 2019 IMC Shanghai International Model Contest. The models wore custom-made "Embry Form" swimwear to stage a spectacular opening. During the contest, ***EMBRY FORM***'s video advertisement was played on loop to deepen the audience's impression of the brand. The Group's brands, ***E-BRA*** and ***IVU***, also sponsored the 2019 New Era World Elite Model Contest held in Beijing. Supermodels went on stage wearing products of the brands, including brassiere and swimwear as well as men's swim trunks. The event was widely reported by about forty media platforms, which enhanced the brand awareness in China.

In terms of online promotion, the Group increasingly leveraged on the application of new media during the Current Year. It has been promoted by fashionistas and Internet celebrities on various social media platforms in various forms, such as advertorial and street fashion photography. The Group invited a number of overseas and domestic fashionable Internet celebrities to shoot street-style photography for ***EMBRY FORM***, ***FANDECIE*** and ***LIZA CHENG*** in Milan, Italy and Okinawa, Japan, and then upload the photos to their social media accounts. The Group promoted the brand's fashion attributes through these online promotions at global level, and invited Internet celebrities to events to perform online product sharing at the same time. Coupled with offline promotion, the two-pronged approach enhanced brand image and reputation.

The Group attached great importance to environmental protection and strictly implemented a series of green measures to produce high-quality products and ensure the safety of product materials which are free of harmful dyes or chemical ingredients. In order to enhance the popularity and reputation of "green ecological textiles", the Group has been conducting green month activities for the 17th consecutive year. During the Current Year, the Group invited well-known actors, fashionistas and media to visit its ecological industrial park, to conduct in-depth reporting and video publicity on the Group's green philosophy of environmental protection. The activity recorded a considerable amount of online views and audience interactions, effectively enhancing the Group's brand image.

Business and Operations Review (continued)

Sales network

During the Current Year, the Group continued to review its sales network coverage and strategically adjust its sales channels. Coping with changes in the market and consumer sentiment, the Group appropriately adjusted its retail outlets by closing or relocating stores with lower efficiency so as to enhance the overall operational efficiency of its sales network. Meanwhile, the Group focused on corresponding brands in regional markets according to respective consumption habits and needs. As at 31 December 2019, the Group had 1,664 retail outlets in total, including 1,382 concessionary counters and 282 stores. During the Current Year, there was a net decrease of 173 retail outlets of the Group. The Group continued to develop the online shopping market to promote brand awareness and market share through integrated online and offline marketing approaches.

Product design, research and development

The Group has adhered to excellent product quality over the years and is committed to investing resources in product research and development. With its solid research and development capabilities, the Group continued to pursue advancement of product appearance, functionality and production technology, in order to meet consumer demand with better and superior products.

During the Current Year, the Group launched a variety of well-received new collections, including: ***EMBRY FORM***'s "Autumn Charm Series" (「秋韻溢美系列」) and "Gorgeous Series" (「芳華系列」); ***FANDECIE***'s "Murano Lovers Series" (「玻璃島戀人系列」) and "City of Aurora Series" (「綠光之城系列」); ***COMFIT***'s "Comfort Series" (「舒感系列」) and "Minimal Prints Series" (「至簡印花系列」); ***E-BRA***'s "Silk Road Whisper Series" (「絲路漫語系列」) and "Gentle and Free Series" (「柔動隨心系列」); ***IVU***'s "36.6℃ Series" (「36.6℃系列」) and "Cotton Time Series" (「全棉時光系列」); ***IADORE***'s "Aroma Love Series" (「芳菲戀曲系列」) and "Blooming Blossom Series" (「花沁紛紛系列」); ***LIZA CHENG***'s "Jade Series" (「玉黛系列」) and "Fine Art Series" (「藝尚系列」).

In 2019, the Group obtained 17 new patents, including 12 utility model patents and 5 appearance design patents. As at 31 December 2019, the Group had 11 invention patents, 51 utility model patents and 13 appearance design patents.

Production capacity

Over the years, the Group implemented self-production and self-marketing strategy to effectively ensure quality. Leveraging on its economies of scale, the Group rapidly responded to market demand and changes in consumer preferences with flexible deployment of manpower and machine production capacity.

The Group's first phase of intelligent warehouse and second phase of intelligent warehouse at the production base in Jinan, Shandong province commenced operation in the Prior Year and the Current Year, respectively, in order to improve the efficiency of product delivery and logistics. In addition, the intelligent material warehouse of the Jinan production base, which is conducting trial run, will help improve production efficiency and supply chain efficiency of the Group in the long run.

The second phase of plant premises and ancillary facilities at the Group's production base in Changzhou, Jiangsu province has been completed during the Current Year, which will serve the future development needs of the Group.

Business and Operations Review (continued)

Human resources

With increasing level of education and living standards of the people in China, salary expectations of workers have also increased accordingly, leading to the continuous upward trend of labour costs. 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. As at 31 December 2019, the number of employees of the Group decreased to approximately 7,362 (31 December 2018: approximately 8,052). 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$712,616,000 (31 December 2018: HK$759,967,000).

Financial Review

Revenue

During the Current Year, revenue was HK$2,266,867,000, representing a decrease of 7.55% from the Prior Year, mainly attributable to the weak retail consumption sentiment resulting from the unstable outlook of the external economic environment.

During the Current Year, revenue from retail sales was HK$1,846,655,000, accounting for 81.47% of the Group's total revenue and representing a decrease of 10.29% from the Prior Year. Revenue from the Internet and wholesale business increased by 6.78% from HK$388,632,000 to HK$414,997,000, accounting for 18.31% 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$2,198,922,000, accounting for 97.00% 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 45.53% and 24.66% respectively. ***EMBRY FORM***'s revenue amounted to HK$1,032,245,000, which decreased by 7.31% from the Prior Year. ***FANDECIE***'s revenue amounted to HK$558,942,000, which decreased by 9.23% from the Prior Year. The changes in the two brands tracked that of the overall sales. The decline was mainly due to the continued sluggish retail sentiment and the cautious consumer sentiment resulting from uncertainties in the global macroeconomic environment. However, benefiting from the Group's effective marketing strategy and precise market positioning, ***IADORE*** and ***IVU*** recorded growth in revenue. The other brands ***COMFIT***, ***E-BRA***, ***IVU***, ***IADORE*** and ***LIZA CHENG***'s revenue for the Current Year amounted to HK$670,465,000, accounting for 29.58% of the overall revenue.

Lingerie continues to be the core product line of the Group. During the Current Year, sales of lingerie decreased by 7.31% over the Prior Year to HK$1,982,720,000, representing 87.47% of the revenue of the Group. Sales of sleepwear increased by 9.14% to HK$180,244,000, accounting for 7.95% of the total revenue of the Group, while sales of swimwear decreased by 28.01% to HK$88,705,000, accounting for 3.91% of the Group's revenue.

Gross Profit

During the Current Year, the Group recorded a gross profit of approximately HK$1,762,729,000, representing a decrease of 10.07% from the Prior Year. Gross profit margin decreased by 2.18 percentage points over the Prior Year to 77.76%. It was mainly because the Group increased the discount rate to capture market share in response to the intense market competition.

Other income and gains

Other income decreased by 36.16% to HK$46,289,000 for the Current Year (2018: HK$72,513,000), mainly due to the decrease of 41.76% in subsidies received by the Group from the local municipal government of approximately HK$21,052,000. Besides, decrease in fair value of investment properties was HK$4,091,000 during the Current Year. The foreign exchange loss decreased by 73.61% to approximately HK$3,720,000 resulted from the depreciation of Renminbi. Rental income decreased by 21.50% over the Prior Year to approximately HK$14,805,000.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Operating expenses

During the Current Year, selling and distribution expenses decreased by 6.63% to HK$1,413,639,000 (2018: HK$1,514,093,000), accounting for 62.36% (2018: 61.75%) of the Group's revenue. The increase in the proportion of selling and distribution expenses to overall sales was mainly attributable to the decline in total revenue and the enhancement of targeted online advertising and promotion of various brands.

Administrative expenses decreased by 11.04% over the Prior Year to HK$236,662,000, accounting for 10.44% of the Group's revenue (2018: 10.85%).

Net profit

Profit attributable to owners of the Company was HK$80,322,000 for the Current Year, representing a decrease of approximately 46.86% from the Prior Year. Net profit margin decreased from 6.17% for the Prior Year to 3.54%. The decrease in net profit was mainly due to the decrease in sales resulting from the weak retail sentiment, together with the decrease in government subsidies and the decrease in the Group's property rental income in Shanghai. In addition, the proportion of operating costs to total revenue also increased.

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 2019, the Group's cash and cash equivalents amounted to approximately HK$200,230,000 (31 December 2018: HK$158,414,000). As of 31 December 2019, the Group's interest-bearing bank borrowings amounted to HK$558,180,000 (31 December 2018: HK$427,059,000). As at 31 December 2019, equity attributable to owners of the Company was HK$2,349,275,000 (31 December 2018: HK$2,331,719,000). Accordingly, the gearing ratio of the Group was approximately 23.76% (31 December 2018: 18.32%).

Capital expenditure

During the Current Year, the capital expenditure of the Group amounted to HK$114,696,000 (2018: HK$228,473,000), which was mainly used for the intelligent material warehouse in Shandong and the second phase of the plant premises and ancillary facilities at the production base in Changzhou. As at 31 December 2019, the capital commitments of the Group amounted to HK$139,150,000 (31 December 2018: HK$201,516,000), 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$2,814,000 and HK$13,157,000 respectively to banks to finance loans.

Capital structure

As at 31 December 2019, the total issued share capital of the Company was HK$4,224,000 (31 December 2018: HK$4,224,000), comprising 422,417,000 (31 December 2018: 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.

Financial Review (continued)

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 2019, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK$816,000 (31 December 2018: HK$679,000). Save as disclosed above, the Group had no other significant contingent liabilities, nor any litigation or arbitration of material importance.

PROSPECT

Looking ahead to 2020, lingering US-China trade negotiations and geopolitical tensions would bring uncertainties to the global economy. With regard to the global spread of novel coronavirus epidemic, the International Monetary Fund lowered the global growth forecast in the coming year by about 0.1 percentage points to 3.2 percent, and lowered the growth forecast for China in the coming year by 0.4 percentage points to 5.6%. The outbreak of novel coronavirus epidemic in China has discouraged people from going out and suppressed consumption during the peak retail season of Chinese New Year. Social and economic activities were inevitably suspended in provinces and cities where the disease was widely spread, adding pressure on the economic growth in the coming year.

Tied in with national policies to curb the epidemic, the local governments demanded to close shopping malls where the sales points of the Group were located at, the Group has temporarily suspended the operations of various shops located in the affected provinces in early February. It is expected to have a significant impact on the Group's results this year. Although the market expects that the government will introduce relief measures to reinvigorate consumption, it is difficult to predict the impact brought about by the epidemic. Thereby the country's economy and the Group's business this year are marked with uncertainties. The Group has proactively adopted cost-saving measures to respond to market challenges, reducing the negative impacts of the epidemic on the Group's business.

As a well recognized brand in China, the Group has been cooperating and supporting the country and society in the disease control and prevention work across the nation. The Group sent warmth to the Wuhan medical staff amid the cold weather. As at the reporting date, the Group has donated thermal underwear worth of approximately RMB1 million to support the Wuhan medical staff in taking care of the sick people. Besides, the Group deeply cares about its staff in mainland China and has established an anti-epidemic fund of RMB1 million to support the staff having urgent need because of the epidemic.

In the challenging operating environmentf, the Group strived to strengthen its competitive edge so as to overcome the adversity with ease. The Group will continue to improve operational efficiency, including strict control over new store openings while closing stores with lower efficiency to enhance sales efficiency. While the Group's production bases have been gradually resuming work, the epidemic will still be seriously affecting sales of the year and the Group will adjust the production level in response to the lower market demand. The Group expects that the intelligent warehouse in Shandong that is in operation and the intelligent material warehouse under trial run will effectively integrate the Group's supply chain. In the long run, they will improve production efficiency and manage production costs, thereby mitigating the rising pressure on human resource costs.

With innovative product research and development, ever-enhancing product functionality and thoughtful design, the Group has established a good brand image and solid brand strength in the lingerie industry in China. In the coming year, the Group will deepen its effective multi-brand strategy, provide a diversified product portfolio together with a consumer-centric sales strategy, thereby strengthening the loyalty of existing customers and attracting potential customers of different ages and consumption power, in order to further enhance the brand's coverage in the domestic market.

In addition, the Group will further strengthen its advantages of omni-channel sales strategy. In addition to optimising offline stores, the Group will continue to allocate resources to expand the online sales coverage and use new media for online advertising and promotion. The Group wishes to integrate online and offline sales strategies, leverage on omni-channel strategy to sell and promote its products in order to enhance brand image and awareness. The Group will adhere to the adaptable business strategy and flexibly respond to market challenges and opportunities, thereby generating sustainable returns to its shareholders.

OTHER INFORMATION

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK3 cents per ordinary share in respect of the year ended 31 December 2019 (the “Proposed Final Dividend”), to the shareholders whose names appear on the register of members of the Company on 4 June 2020, resulting in an appropriation of approximately HK$12,672,000.

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 28 May 2020 ("AGM"). The Proposed Final Dividend will be payable on 19 June 2020.

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 Thursday, 21 May 2020 to Thursday, 28 May 2020, 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 Wednesday, 20 May 2020.

(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 Thursday, 4 June 2020 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 Wednesday, 3 June 2020.

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 2019 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 2019. 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 2019 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 2019 ANNUAL REPORT

The 2019 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, 31 March 2020

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.