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**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 2021**

| <b>RESULTS HIGHLIGHTS</b>                |                   |                   |                |
|--|-------------------|-------------------|----------------|
|  | <b>2021</b>       | <b>2020</b>       | <b>Change</b>  |
|  | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> |                |
| Revenue                                  | 1,652,408         | 1,650,483         | 0.12%          |
| Gross profit                             | 1,205,702         | 1,182,487         | 1.96%          |
| Gross profit margin                      | 72.97%            | 71.64%            | 1.33% pts      |
| Loss for the year attributable to owners | (27,485)          | (2,824)           | -873.26%       |
| Net loss margin                          | (1.66%)           | (0.17%)           | -1.49% pts     |
|  | <i>(HK cents)</i> | <i>(HK cents)</i> |                |
| Basic earnings/(loss) per share          | (6.51)            | (0.67)            | -871.64%       |
| Diluted earnings/(loss) per share        | (6.51)            | (0.67)            | -871.64%       |
|  | <i>(HK cents)</i> | <i>(HK cents)</i> |                |
| Interim dividend per share (paid)        | 2.00              | -                 | 100.00%        |
| Final dividend per share (proposed)      | -                 | 2.50              | -100.00%       |
| Total dividends per share for the year   | <u>2.00</u>       | <u>2.50</u>       | <u>-20.00%</u> |

The board of directors (the "Board" or "Directors") of Embry Holdings Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021, together with the comparative figures in 2020 and the relevant explanatory notes, as set out below.

## CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2021

|  | Notes | 2021<br>HK\$'000        | 2020<br>HK\$'000       |
|--|-------|-------------------------|------------------------|
| REVENUE  | 4     | 1,652,408               | 1,650,483              |
| Cost of sales  |       | <u>( 446,706)</u>       | <u>( 467,996)</u>      |
| Gross profit   |       | 1,205,702               | 1,182,487              |
| Other income and gains, net                                | 5     | 75,797                  | 71,485                 |
| Selling and distribution expenses                          |       | (1,061,332)             | ( 958,518)             |
| Administrative expenses                                    |       | ( 189,460)              | ( 172,840)             |
| Impairment of right-of-use assets                          |       | ( 25,777)               | ( 47,608)              |
| Other expenses   | 6     | ( 11,102)               | ( 34,851)              |
| Finance costs  | 7     | <u>( 10,211)</u>        | <u>( 19,636)</u>       |
| PROFIT/(LOSS) BEFORE TAX                                   | 8     | ( 16,383)               | 20,519                 |
| Income tax expense   | 9     | <u>( 11,102)</u>        | <u>( 23,343)</u>       |
| LOSS FOR THE YEAR ATTRIBUTABLE<br>TO OWNERS OF THE COMPANY |       | <u><u>( 27,485)</u></u> | <u><u>( 2,824)</u></u> |
| LOSS PER SHARE ATTRIBUTABLE TO<br>OWNERS OF THE COMPANY    | 11    |                         |                        |
| - Basic (HK cents)   |       | <u><u>(6.51)</u></u>    | <u><u>(0.67)</u></u>   |
| - Diluted (HK cents)                                       |       | <u><u>(6.51)</u></u>    | <u><u>(0.67)</u></u>   |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

|   | 2021<br>HK\$'000     | 2020<br>HK\$'000      |
|---|----------------------|-----------------------|
| LOSS FOR THE YEAR   | ( <u>27,485</u> )    | ( <u>2,824</u> )      |
| OTHER COMPREHENSIVE INCOME/(EXPENSE)  |                      |                       |
| Other comprehensive income that may be reclassified to the income statement in subsequent periods:                |                      |                       |
| Exchange differences on translation of foreign operations   | 61,760               | 147,297               |
| Other comprehensive income/(expense) that will not be reclassified to the income statement in subsequent periods: |                      |                       |
| Revaluation surplus   | 13,991               | 9,735                 |
| Deferred tax debited to asset revaluation reserve   | ( <u>3,498</u> )     | ( <u>2,434</u> )      |
| Net other comprehensive income that will not be reclassified to the income statement in subsequent periods        | <u>10,493</u>        | <u>7,301</u>          |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR,<br>NET OF TAX  | <u>72,253</u>        | <u>154,598</u>        |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR<br>ATTRIBUTABLE TO OWNERS OF THE COMPANY                                  | <u><u>44,768</u></u> | <u><u>151,774</u></u> |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

|  | Notes | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>NON-CURRENT ASSETS</b>                    |       |                  |                  |
| Property, plant and equipment                |       | 1,034,948        | 1,122,637        |
| Investment properties                        |       | 520,563          | 448,193          |
| Right-of-use assets                          |       | 174,863          | 190,053          |
| Other Asset                                  |       | 437,073          | 426,667          |
| Deferred tax assets                          |       | 72,107           | 71,255           |
| Deposits and other receivables               |       | <u>20,782</u>    | <u>23,544</u>    |
| Total non-current assets                     |       | <u>2,260,336</u> | <u>2,282,349</u> |
| <b>CURRENT ASSETS</b>                        |       |                  |                  |
| Inventories                                  |       | 526,358          | 578,590          |
| Trade receivables                            | 12    | 51,943           | 67,060           |
| Prepayments, deposits and other receivables  |       | 76,438           | 76,297           |
| Tax recoverable                              |       | 11,066           | -                |
| Cash and cash equivalents                    |       | <u>378,636</u>   | <u>425,149</u>   |
| Total current assets                         |       | <u>1,044,441</u> | <u>1,147,096</u> |
| <b>CURRENT LIABILITIES</b>                   |       |                  |                  |
| Trade payables                               | 13    | 33,976           | 35,591           |
| Interest-bearing bank borrowings             | 14    | 57,887           | 101,625          |
| Lease liabilities                            |       | 47,468           | 61,373           |
| Tax payable                                  |       | -                | 5,688            |
| Other payables and accruals                  |       | <u>197,221</u>   | <u>204,766</u>   |
| Total current liabilities                    |       | <u>336,552</u>   | <u>409,043</u>   |
| <b>NET CURRENT ASSETS</b>                    |       | <u>707,889</u>   | <u>738,053</u>   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       | 2,968,225        | 3,020,402        |
| <b>NON-CURRENT LIABILITIES</b>               |       |                  |                  |
| Interest-bearing bank borrowings             | 14    | 288,595          | 362,791          |
| Lease liabilities                            |       | 31,397           | 32,067           |
| Deferred tax liabilities                     |       | 127,513          | 132,455          |
| Other payables                               |       | <u>4,447</u>     | <u>4,700</u>     |
| Total non-current liabilities                |       | <u>451,952</u>   | <u>532,013</u>   |
| Net assets                                   |       | <u>2,516,273</u> | <u>2,488,389</u> |
| <b>EQUITY</b>                                |       |                  |                  |
| Equity attributable to owners of the Company |       |                  |                  |
| Share capital                                |       | 4,224            | 4,224            |
| Reserves                                     |       | <u>2,512,049</u> | <u>2,484,165</u> |
| Total equity                                 |       | <u>2,516,273</u> | <u>2,488,389</u> |

## 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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

|   |   |
|---|---|
| Amendments to HKFRS 9,<br>HKAS 39, HKFRS 7,<br>HKFRS 4 and HKFRS 16 | <i>Interest Rate Benchmark Reform – Phase 2</i> |
|---|---|

|                       |  |
|-----------------------|--|
| Amendment to HKFRS 16 | <i>Covid-19-Related Rent Concessions beyond<br/>30 June 2021 (early adopted)</i> |
|-----------------------|--|

The amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 which are not relevant to the preparation of the Group's financial statements and the nature and the impact of the amendment to HKFRS 16 are described below:

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$818,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2021. There was no impact on the opening balance of equity as at 1 January 2021.

NOTES (continued)

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.

|  | <u>Mainland China</u> |                  | <u>Hong Kong</u> |                | <u>Others</u> |               | <u>Total</u>     |                  |
|--|-----------------------|------------------|------------------|----------------|---------------|---------------|------------------|------------------|
|  | 2021                  | 2020             | 2021             | 2020           | 2021          | 2020          | 2021             | 2020             |
|  | HK\$'000              | HK\$'000         | HK\$'000         | HK\$'000       | HK\$'000      | HK\$'000      | HK\$'000         | HK\$'000         |
| Revenue from external customers              | <u>1,602,751</u>      | <u>1,595,581</u> | <u>45,168</u>    | <u>43,020</u>  | <u>4,489</u>  | <u>11,882</u> | <u>1,652,408</u> | <u>1,650,483</u> |
| Non-current assets                           | <u>2,081,799</u>      | <u>2,106,463</u> | <u>106,430</u>   | <u>104,631</u> | <u>-</u>      | <u>-</u>      | <u>2,188,229</u> | <u>2,211,094</u> |
| Capital expenditure incurred during the year | <u>10,754</u>         | <u>36,948</u>    | <u>476</u>       | <u>38</u>      | <u>-</u>      | <u>-</u>      | <u>11,230</u>    | <u>36,986</u>    |

For the years ended 31 December 2021 and 2020, 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:

|  | 2021             | 2020             |
|--|------------------|------------------|
|  | HK\$'000         | HK\$'000         |
| <i>Revenue from contracts with customers</i> |                  |                  |
| Sale of goods                                | <u>1,652,408</u> | <u>1,650,483</u> |

5. OTHER INCOME AND GAINS, NET

|  | 2021          | 2020            |
|--|---------------|-----------------|
|  | HK\$'000      | HK\$'000        |
| <u>Other income</u>  |               |                 |
| Subsidy income*  | 37,586        | 37,448          |
| Gross rental income from investment property operating leases:   |               |                 |
| Other lease payments, including fixed payments                   | 18,221        | 16,513          |
| Variable lease payments that do not depend on an index or a rate | 691           | 383             |
| Bank interest income   | 4,889         | 4,519           |
| Interest accretion on non-current receivables                    | 1,991         | 1,211           |
| Gain on termination of leases                                    | 361           | 460             |
| Others   | <u>4,241</u>  | <u>5,033</u>    |
|  | <u>67,980</u> | <u>65,567</u>   |
| <u>Gains/(losses), net</u>                                       |               |                 |
| Foreign exchange differences, net                                | 4,745         | 11,536          |
| Changes in fair value of investment properties                   | <u>3,072</u>  | <u>( 5,618)</u> |
|  | <u>7,817</u>  | <u>5,918</u>    |
|  | <u>75,797</u> | <u>71,485</u>   |

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

NOTES (continued)

6. OTHER EXPENSES

|  | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--|------------------|------------------|
| Charitable donation  | 8,514            | 4,903            |
| Loss/(gain) on disposal/write-off of items of property, plant and equipment, net | ( 156)           | 385              |
| Write-off of deposits  | 424              | 17               |
| Employee termination benefits  | 2,248            | 29,546           |
| Others   | <u>72</u>        | <u>-</u>         |
|  | <u>11,102</u>    | <u>34,851</u>    |

7. FINANCE COSTS

|                               | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| Interest on bank loans        | 6,193            | 14,849           |
| Interest on lease liabilities | <u>4,018</u>     | <u>5,987</u>     |
| Finance costs incurred        | 10,211           | 20,836           |
| Less: Interest capitalised    | <u>-</u>         | <u>( 1,200)</u>  |
|                               | <u>10,211</u>    | <u>19,636</u>    |

8. PROFIT/(LOSS) BEFORE TAX

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

|  | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--|------------------|------------------|
| Cost of inventories sold   | 446,706          | 467,996          |
| Depreciation of property, plant and equipment  | 80,306           | 76,585           |
| Depreciation of right-of-use assets  | 56,861           | 96,305           |
| Gain on termination of leases  | ( 357)           | ( 460)           |
| Lease payments not included in the measurement of lease liabilities                  | 306,823          | 272,353          |
| Employee benefit expenses (excluding directors' and chief executive's remuneration): |                  |                  |
| Wages and salaries   | 481,466          | 425,542          |
| Provision for long service payments  | -                | 377              |
| Retirement benefit scheme contributions  | 53,472           | 19,282           |
| Employee termination benefits  | 2,248            | 29,546           |
| Equity-settled share option expense  | <u>1,533</u>     | <u>12</u>        |
|  | <u>538,719</u>   | <u>474,759</u>   |
| Advertising and counter decoration expenses  | 107,873          | 57,343           |
| Impairment of right-of-use assets  | 25,777           | 47,608           |
| Provision for obsolete inventories, net  | <u>59,184</u>    | <u>54,372</u>    |

NOTES (continued)

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2020: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the regions in which the Group operates.

|                               | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| Current - Mainland China      |                  |                  |
| Charge for the year           | 10,500           | 23,062           |
| Deferred                      | <u>602</u>       | <u>281</u>       |
| Total tax charge for the year | <u>11,102</u>    | <u>23,343</u>    |

10. DIVIDENDS

|  | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|--|------------------|------------------|
| Dividends paid during the year:  |                  |                  |
| Final in respect of the financial year ended   |                  |                  |
| 31 December 2020 – HK2.5 cents per ordinary share<br>(2020: Final in respect of the financial year ended<br>31 December 2019 – HK3.0 cents per ordinary share) | 10,560           | 12,672           |
| Interim – 2.0 cents (2020: Nil) per ordinary share   | <u>8,448</u>     | <u>-</u>         |
|  | <u>19,008</u>    | <u>12,672</u>    |

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: HK2.5 cents per ordinary share, amounting to a total of approximately HK\$10,560,000).

NOTES (continued)

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

The calculation of basic loss per share is based on:

|  | 2021<br>HK\$'000   | 2020<br>HK\$'000   |
|--|--------------------|--------------------|
| <u>Earnings</u>  |                    |                    |
| Loss attributable to owners of the Company,<br>used in the basic loss per share calculation        | <u>(27,485)</u>    | <u>(2,824)</u>     |
| <u>Shares</u>  |                    |                    |
|  | 2021               | 2020               |
| Number of ordinary shares of the Company in issue,<br>used in the basic loss per share calculation | <u>422,416,638</u> | <u>422,416,638</u> |
| Basic loss per share (HK cents)  | <u>(6.51)</u>      | <u>(0.67)</u>      |

(b) Diluted

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the share options has anti-dilutive effect on the basic loss per share amounts 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:

|                            | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|----------------------------|------------------|------------------|
| Within 90 days             | 50,103           | 65,515           |
| 91 to 180 days             | 1,840            | 1,545            |
| 181 to 360 days            | 1,891            | 908              |
| Over 360 days              | <u>3,718</u>     | <u>3,722</u>     |
|                            | 57,552           | 71,690           |
| Less: Impairment allowance | <u>( 5,609)</u>  | <u>( 4,630)</u>  |
|                            | <u>51,943</u>    | <u>67,060</u>    |

NOTES (continued)

13. TRADE PAYABLES

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

|                 | 2021<br>HK\$'000 | 2020<br>HK\$'000 |
|-----------------|------------------|------------------|
| Within 90 days  | 31,300           | 31,883           |
| 91 to 180 days  | 740              | 1,086            |
| 181 to 360 days | 560              | 670              |
| Over 360 days   | <u>1,376</u>     | <u>1,952</u>     |
|                 | <u>33,976</u>    | <u>35,591</u>    |

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

14. INTEREST-BEARING BANK BORROWINGS

|                        | 2021  |           |                | 2020                                |           |                |
|------------------------|---|-----------|----------------|-------------------------------------|-----------|----------------|
|                        | Effective<br>interest<br>rate (%)                   | Maturity  | HK\$'000       | Effective<br>interest<br>rate (%)   | Maturity  | HK\$'000       |
| <b>Current</b>         |   |           |                |                                     |           |                |
|                        | Hong Kong<br>Interbank<br>Offered Rate<br>("HIBOR") |           |                |                                     |           |                |
| Bank loans – secured   | +1.45   | 2022      | 47,530         | HIBOR<br>+1.45                      | 2021      | 32,437         |
| Bank loans – unsecured | HIBOR<br>+1.80                                      | 2022      | 10,357         | HIBOR<br>+1.80 to<br>HIBOR<br>+1.85 | 2021      | 69,188         |
|                        |   |           | <u>57,887</u>  |                                     |           | <u>101,625</u> |
| <b>Non-current</b>     |   |           |                |                                     |           |                |
| Bank loans – secured   | HIBOR<br>+1.45                                      | 2023-2024 | 288,595        | HIBOR<br>+1.45                      | 2022-2024 | 336,124        |
| Bank loans – unsecured | -   | -         | -              | HIBOR<br>+1.85                      | 2022-2024 | 26,667         |
|                        |   |           | <u>288,595</u> |                                     |           | <u>362,791</u> |
|                        |   |           | <u>346,482</u> |                                     |           | <u>464,416</u> |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Operations Review

In 2021, the coronavirus (COVID-19) pandemic has not yet subsided. While mass vaccination has helped to contain the pandemic worldwide, the virus has mutated frequently. Despite the ups and downs of the pandemic, China's economic development and pandemic control have maintained a leading position in the world. In 2021, China's gross domestic product (GDP) grew by 8.1% year-on-year, achieving the annual economic development target of over 6%. The overall economy continued to recover steadily, but the quarter-on-quarter growth rate was lower, especially in the fourth quarter, which showed a low-to-moderate growth rate of 4%.

The consumer market maintained a moderate recovery in the first half of 2021. However, in the second half of the year, multiple resurgence of the COVID-19 pandemic, the catastrophic flood in Henan in July, the debt crisis of the Chinese property industry in the fourth quarter, the ongoing trade war between the United States and China and other factors led to a weak domestic consumption again. Under the low base effect in 2020, total retail sales of consumer goods in China grew by 12.5% in 2021. Considering the 3.9% decline in relevant data recorded in 2020, the recovery of consumption in 2021 was significantly slower. Consumers maintained a cautious consumption attitude and pursued products with great discounts and high price-performance value amid the sluggish consumer demand. Hence, the pressure on gross profit of the underwear industry in China has not decreased, and the overall growth of the industry was still hindered.

For the year ended 31 December 2021 (the "Current Year"), the Group's revenue was HK\$1,652,408,000, which was basically unchanged from that of the year ended 31 December 2020 (the "Prior Year"). Gross profit margin slightly increased by 1.33 percentage points to 72.97%. In response to the post-pandemic retail environment, the Group resumed normal operations in the Current Year by investing certain resources for decoration and advertisement, meanwhile a series of cost control measures continued to be implemented. The overall selling, distribution expenses and administrative expenses decreased as compared with those before the pandemic, but these expenses recorded a year-on-year increase. Therefore, losses increased as the revenue was basically unchanged from that of the Prior Year. During the Current Year, loss attributable to owners of the Company increased to HK\$27,485,000 as compared to the Prior Year. This includes a provision for impairment of right-of-use assets amounted to approximately HK\$25,777,000. Loss per share was HK6.51 cents (2020: loss per share of HK0.67 cents).

In view of the current COVID-19 pandemic and poor consumer sentiment causing uncertainties in the future, the board of directors has resolved not to recommend the payment of the final dividend. 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 2021, the Group continued to make good use of its multi-brand strategy and timely adjusted sales and marketing arrangements in line with changes in the market environment for its seven brands, namely **EMBRY FORM**, **FANDECIE**, **COMFIT**, **E-BRA**, **IVU**, **IADORE** and **LIZA CHENG**. While consolidating its two flagship brands which contributed the majority of sales (i.e. **EMBRY FORM** and **FANDECIE**), the Group continued to maintain its brand influence and market share by strengthening its various brands with different positioning in view of the segmented market to fulfil the needs and preferences of varying customer groups.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business and Operations Review (continued)

#### Brand management (continued)

In terms of brand promotion, the Group resumed investment in marketing and promotion in 2021 to maintain brand exposure. The Group collaborated with international luxury product designers to launch a crossover collection and held a nationwide tour of pop-up stores in Beijing, Shanghai, Shenyang, Nanning and Shenzhen under the theme of “Tribute to the Classics (致敬經典)”. The combination of haute couture artistic designs and the Group’s exquisite craftsmanship enhanced the elegant and classic image of the Group’s brands and successfully increased consumer buzz. The Group has been deeply integrated with China’s underwear fashion industry for many years. In April 2021, the Group participated in the 2021 China (Shenzhen) International Brand Underwear Fair (中國(深圳)國際品牌內衣展), attracting many consumers by the dreamy exhibition layout. The patented technology displayed was also recognized by experienced practitioners. Meanwhile, the Group continued to sponsor the “Charming Oriental China International Underwear Creative Design Competition 2021 (2021 魅力東方中國國際內衣創意設計大賽)” and the “8th SIUF International Supermodel Contest (SIUF 國際超模大賽)”, hoping to contribute to the innovation development and talent cultivation of the industry and society.

In terms of brand layout, to cope with the changing consumer habits and the increasingly mature e-commerce environment, the Group fully grasped the model of transferring online traffic of social media platforms to actual sales and enhanced the development of lingerie styles exclusively for e-commerce. Through cooperation with online opinion leaders, the Group increased its online brand exposure by soft promotions and interacted with its customer base in a more personalized manner.

#### Sales network

The Group further optimised its sales network in 2021. As of 31 December 2021, the Group had 1,251 retail outlets in total, including 1,049 concessionary counters and 202 retail stores. During the Current Year, the Group recorded a net decrease of 147 retail outlets. To enhance the overall operational efficiency of the sales network, the Group stepped up efforts to develop the online market, relocated or closed stores with lower efficiency and appropriately adjusted the proportion of online and offline sales to optimise its omni-channel coverage.

During the Current Year, the Group operated online mirror stores with product information synchronised directly with the offline retail stores, initially achieving online and offline collaboration. It eliminates competition between physical stores and online stores, and also provides a convenient alternative consumption channel, realising mutual empowerment of the two platforms to attract traffic, creating a closed loop of operation and optimising deployment of store inventory and inventory management.

#### Product design, research and development

The Group has always put “customer experience” first and fully understands the importance of adhering to excellent product quality and comfortable wearing experience. The Group continued to upgrade product designs and source the right materials to meet consumers’ demand for lightweight lingerie products. With a solid foundation of in-house research and development capabilities and a strong commitment to quality, the Group focused its research and development efforts on upgrading production technology during the year, striving to improve production efficiency and the operational efficiency of its supply chain in order to maintain its leading position in the highly competitive market.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business and Operations Review (continued)

#### Product design, research and development (continued)

During the Current Year, the Group launched various popular new collections, including *EMBRY FORM*'s "Feather-Light (輕乎想像)"; *FANDECIE*'s "Cute Cat (喵喵萌寵)"; *COMFIT*'s "Comfy (舒享)"; *LIZA CHENG*'s "Wedding Dress (嫁衣)"; *E-BRA*'s "Pleasant Smile (悅色)"; *IADORE*'s "Little Love Song 2021 (2021 小戀曲)"; *IVU*'s "Perfect Score (滿分系列)".

In 2021, the Group obtained 9 new patents, including 3 utility model patent and 6 appearance design patents. As at 31 December 2021, the Group had 11 invention patents, 56 utility model patents and 24 appearance design patents.

#### Production capacity

The retail consumer market turned sharply in the second half of the year. Under the influence of COVID-19 pandemic and the slowdown in economic growth, consumer sentiment was sluggish. Consumers remained cautious on the consumption of underwear products and inclined to purchase discounted items. The Group's production capacity has resumed normal, and the Group still reviews the production situation from time to time and carefully observes the sales situation in different market segments and adjusts production volume. Leveraging on its self-production and self-marketing advantages, the Group copes with market changes by promptly deploying manpower and machine production capacity to implement flexible production.

The Group continues to utilise the intelligent finished goods and materials warehouses at its production base in Jinan, Shandong Province to enhance supply chain efficiency.

#### Human resources

During the year, employees of the Group worked on normal schedule. Employees are one of the cornerstones of the Group's operations. On the one hand, the Group trained its employees and improved their welfare, reviewed the internal management culture from time to time and enhanced the sense of belonging of employees. On the other hand, the Group improved production technology together with the utilisation of automated logistics system, improved the workflow of employees and raised production efficiency, to mitigate the overall cost increase pressure and improve operational efficiency. In response to the pandemic resurgence, the Group encouraged and supported its employees to "celebrate the Chinese New Year in place" and provided care and assistance.

As at 31 December 2021, the number of employees of the Group was approximately 5,154 (2020: approximately 5,455). 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\$538,719,000, increased by 13.47% year-on-year (2020: HK\$474,759,000).

### Financial Review

#### Revenue

During the Current Year, revenue was HK\$1,652,408,000, representing a slight increase of 0.12% from the Prior Year, mainly attributable to the fact that the global economic environment was still affected by the pandemic, resulting in weak domestic demand in China and sluggish retail sentiment in the industry, failing to stimulate consumption to return to pre-pandemic levels. Consumers remained cautious on the consumption of underwear.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Financial Review (continued)

#### Revenue (continued)

During the Current Year, revenue from retail sales was HK\$1,225,393,000, accounting for 74.16% of the Group's total revenue and representing an increase of 1.84% from the Prior Year. In the first half of the year, the consumer market showed a moderate recovery with a year-on-year increase in retail sales but a decrease in sales on its e-commerce platform. This was mainly attributable to some consumers returned to physical stores for consumption as the pandemic eased and sales figures on e-commerce platform gradually returned to normal as compared to the high base of the Prior Year. However, with the pandemic resurgence in the second half of the year, the Group recorded a year-on-year decrease in retail sales. With changes in consumer behaviour and online shopping becoming a major trend, the Group will continue to develop its e-commerce business. Revenue from e-commerce business for the Current Year was approximately HK\$360,282,000, accounting for 21.80% of the total revenue. The Group also adheres to its direct operation to realise mutual empowerment of the two platforms to attract traffic.

The Mainland China market is the main source of income for the Group. During the Current Year, revenue from the Mainland China market was HK\$1,602,751,000, 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 49.58% and 20.67%. *EMBRY FORM*'s revenue amounted to HK\$819,193,000, which increased by 7.13% from the Prior Year. *FANDECIE*'s revenue amounted to HK\$341,477,000, which decreased by 8.96% from the Prior Year. The other brands *E-BRA*, *COMFIT*, *IVU*, *IADORE* and *LIZA CHENG*'s revenue for the Current Year amounted to HK\$487,249,000, accounting for 29.49% of the overall revenue. The percentage changes in the brands were similar to that of the overall sales. The decline was mainly due to the impact of the pandemic resurgence on the macroeconomic environment in the second half of the year together with sluggish retail sales resulting from uncertainties in the global macroeconomic environment and the fact that consumers remain cautious on the consumption of underwear.

Lingerie continues to be the core product line of the Group. During the Current Year, sales of lingerie decreased by 0.70% over the Prior Year to HK\$1,425,878,000, accounting for 86.29% of the total revenue of the Group. Sales of sleepwear amounted to HK\$159,834,000, accounting for 9.67% of the total revenue of the Group, while sales of swimwear amounted to HK\$47,174,000, accounting for 2.85% of the total revenue of the Group.

#### Gross profit

During the Current Year, the Group recorded a gross profit of approximately HK\$1,205,702,000, representing an increase of 1.96% from the Prior Year. Gross profit margin slightly increased by 1.33 percentage points over the Prior Year to 72.97%.

#### Other income and gains

Other income increased by 6.03% to HK\$75,797,000 for the Current Year (2020: HK\$71,485,000), mainly due to the increase in fair value of investment properties of HK\$3,072,000. Besides, other income and gains were mainly subsidies received by the Group from the local municipal government of approximately HK\$37,586,000 and rental income of approximately HK\$18,912,000.

#### Operating expenses

During the Current Year, selling and distribution expenses increased by 10.73% to HK\$1,061,332,000 (2020: HK\$958,518,000), accounting for 64.23% (2020: 58.07%) of the Group's revenue. In the face of post-pandemic market, the Group's operation and resource allocation basically returned to normal for the Current Year, including moderate increase in renovation expenses and other expenses such as advertising, resulting in an increase in expenses as compared to the Prior Year.

Administrative expenses increased by 9.62% over the Prior Year to HK\$189,460,000, accounting for 11.47% (2020: 10.47%) of the Group's revenue.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Financial Review (continued)

#### 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 HK\$36,879,000, mainly due to a provision for impairment of right-of-use assets of retail stores of approximately HK\$25,777,000 as a result of the weak sales performance of the Group’s retail stores due to the impact of the COVID-19 pandemic.

#### Loss

Loss attributable to owners of the Company was HK\$27,485,000 for the Current Year, while loss attributable to owners of the Company for the Prior Year was HK\$2,824,000. The increase in net loss was mainly attributable to the slower revenue growth rate as compared with that of the increase in selling and distribution expenses. During the Current Year, the Group attempted to strengthen its advertising and retail outlet decoration efforts as a means to capture market opportunities brought by the expected normalisation of market demand in the second half of 2021. However, there was a weaker than expected consumer sentiment in the retail market in China during the second half of 2021 which was brought by, among others, the resurgence of COVID-19. Therefore, despite the overall sales of the Group during the Current Year remained stable as compared to the corresponding period last year, the Group’s net loss attributable to owners of the Company for the Current Year increased as compared to the same period last year. After excluding the Non-Operating Expenses, the profit attributable to owners of the Company was HK\$9,394,000, a decrease of 88.20% from HK\$79,635,000 in the previous year.

#### Liquidity and financial resources

The Group finances its operations mainly with internally generated cash flows. Financial position of the Group remained sound and healthy during the Current Year. As at 31 December 2021, the Group’s cash and cash equivalents amounted to approximately HK\$378,636,000 (2020: HK\$425,149,000). As of 31 December 2021, the Group’s interest-bearing bank borrowings amounted to HK\$346,482,000 (2020: HK\$464,416,000). As at 31 December 2021, equity attributable to owners of the Company was HK\$2,516,273,000 (2020: HK\$2,488,389,000). The gearing ratio of the Group was approximately 13.77% (2020: 18.66%).

#### Capital expenditure

During the Current Year, the capital expenditure of the Group amounted to HK\$11,230,000 (2020: HK\$36,986,000), which was mainly used for Group’s furniture, fixtures and office equipment. As at 31 December 2021, the capital commitments of the Group amounted to HK\$117,764,000 (2020: HK\$117,213,000), 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\$91,000,000, HK\$2,613,000 and HK\$12,214,000 respectively to banks to finance loans.

#### Capital structure

As at 31 December 2021, the total issued share capital of the Company was HK\$4,224,000 (2020: HK\$4,224,000), comprising 422,417,000 (2020: 422,417,000) ordinary shares of HK\$0.01 each.

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

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

#### Foreign currency exposure

The Group carries out its transactions mainly in Hong Kong dollars and Renminbi. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of the business.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Financial Review (continued)

#### Contingent liabilities

As at 31 December 2021, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK\$184,000 (2020: HK\$751,000). Save as disclosed above, the Group had no other significant contingent liabilities, nor any litigation or arbitration of material importance.

### PROSPECT

Looking ahead to 2022, the World Health Organization has called for an end to the global COVID-19 pandemic. Under the national policy of "dynamic zero-infection" of pandemic prevention and control, it is expected that the threat of COVID-19 will be gradually eliminated. Life is likely to resume to normal in most parts of the world, or at least a "post-pandemic routine" will be formed. In 2022, China's overall economic policy will be relaxed, however, the downward pressure on consumption has increased since the fourth quarter of last year, and the consumption industry is still facing considerable pressure this year. The government is actively coordinating the prevention and control of the epidemic and fostering consumption, promoting the continuous recovery and upgrading of consumption.

As consumption is still conservative towards underwear products, the Group will adopt a prudent approach and closely monitor market trends to make appropriate decisions in terms of product design, production technology, marketing and sales channels according to consumer needs and preferences. Leveraging on years of experience and brand strength accumulated in the lingerie industry in China as well as flexibility, the Group is confident that it can cope with the present changing economic environment.

The Group will continue to review and adjust its business strategy in a timely manner. The Group is committed to fortifying its strengths, maintaining its competitiveness and tackling challenges in a pragmatic and determined manner. Under the post-pandemic economy, the Group expects that it will still take some time for the market to fully recover. The Group will continue to implement its multi-brand strategy based on consumer and market demand-centric sales strategies to keep abreast of the changes in domestic consumption patterns. The Group will conduct online marketing in line with market preferences, fully grasping the favourable conditions of e-commerce platforms and the growth potential of online shopping. Meanwhile, regarding production capability, the Group will respond more promptly, leverage on the advantages of resource deployment through its self-production and self-marketing model as well as the logistics ancillary facilities of intelligent finished goods and materials warehouses to enhance production efficiency and delivery efficiency, and actively optimise its supply chain to respond to market demands.

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

## **OTHER INFORMATION**

### **FINAL DIVIDEND**

On 24 March 2022, the Board resolved not to declare the payment of a final dividend for the year ended 31 December 2021.

### **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 26 May 2022 ("AGM"), the register of members of the Company will be closed from Thursday, 19 May 2022 to Thursday, 26 May 2022, 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, 18 May 2022.

### **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 2021 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 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 2021. 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 2021 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 2021 ANNUAL REPORT**

The 2021 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 Pik Ho Liza  
Executive Director & Chief Executive Officer

Hong Kong, 24 March 2022

*As at the date of this announcement, the Board comprises four executive Directors, namely 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.*