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 2018

RESULTS HIGHLIGHTS

	2018 *(HK$'000)*	**2017** *(HK$'000)*	**Change**
Revenue	2,451,874	2,339,524	+4.80%
Gross profit	1,960,027	1,825,492	+7.37%
Gross profit margin	79.94%	78.03%	+1.91% pts
Profit for the year attributable to owners	151,165	495,299	-69.48%
Profit for the year attributable to owners (excluding gain on the Relocation Arrangement and the respective income tax expense)	151,165	157,814	-4.21%
Net profit margin	6.17%	21.17%	-15.00% pts
Net profit margin (excluding gain on the Relocation Arrangement and the respective income tax expense)	6.17%	6.75%	-0.58% pts
	(HK cents)	*(HK cents)*	
Basic earnings per share	35.79	118.21	-69.72%
Diluted earnings per share	35.79	118.21	-69.72%
Basic earnings per share (excluding gain on the Relocation Arrangement and the respective income tax expense)	35.79	37.66	-4.97%
	(HK cents)	*(HK cents)*	
Interim dividend per share (paid)	3.50	2.50	+40.00%
Final dividend per share (proposed)	7.00	8.00	-12.50%
Total dividends per share for the year	10.50	10.50	N/A

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 2018, together with the comparative figures in 2017 and the relevant explanatory notes, as set out below.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	4	2,451,874	2,339,524
Cost of sales		(491,847)	(514,032)
Gross profit		1,960,027	1,825,492
Gain on the Relocation Arrangement	11	-	449,980
Other income and gains, net	5	72,513	89,403
Selling and distribution expenses		(1,514,093)	(1,420,233)
Administrative expenses		(266,038)	(251,056)
Other expenses		(12,445)	(8,823)
Finance costs	6	(12,888)	(9,304)
PROFIT BEFORE TAX	7	227,076	675,459
Income tax expense	8	(75,911)	(180,160)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		151,165	495,299
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	10		
- Basic (HK cents)		35.79	118.21
- Diluted (HK cents)		35.79	118.21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
PROFIT FOR THE YEAR	151,165	495,299
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	(144,995)	158,865
Other comprehensive income/(expense) that will not be reclassified to the income statement in subsequent periods:		
Revaluation surplus	5,251	6,636
Deferred tax debited to asset revaluation reserve	(1,313)	(1,659)
Net other comprehensive income that will not be reclassified to the income statement in subsequent periods	3,938	4,977
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	(141,057)	163,842
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	10,108	659,141

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,219,470	1,162,378
Investment properties		387,639	367,954
Prepaid land lease payments		37,326	40,564
Other Asset	11	407,273	431,807
Deferred tax assets		88,286	92,797
Deposits and other receivables	13	39,066	76,099
Total non-current assets		2,179,060	2,171,599
CURRENT ASSETS			
Inventories		776,367	655,453
Trade receivables	12	75,240	112,205
Prepayments, deposits and other receivables	13	95,991	75,883
Tax recoverable		5,179	-
Cash and cash equivalents		158,414	234,711
Total current assets		1,111,191	1,078,252
CURRENT LIABILITIES			
Trade payables	14	125,042	56,000
Interest-bearing bank borrowings	15	214,059	136,778
Tax payable		19,224	21,297
Other payables and accruals	16	228,257	322,564
Total current liabilities		586,582	536,639
NET CURRENT ASSETS		524,609	541,613
TOTAL ASSETS LESS CURRENT LIABILITIES		2,703,669	2,713,212
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	15	213,000	189,278
Deferred liabilities		2,245	189
Deferred tax liabilities		156,705	156,635
Total non-current liabilities		371,950	346,102
Net assets		2,331,719	2,367,110
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,224	4,224
Reserves		2,327,495	2,362,886
Total equity		2,331,719	2,367,110

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 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 2, amendments to HKFRS 4 and *Annual Improvements 2014-2016 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 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has recognised the transition adjustments against the applicable opening balances at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39. The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECL").

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	HKAS 39 measurement		ECL	HKFRS 9 measurement	
	Category	Amount HK$'000	Amount HK$'000	Amount HK$'000	Category
Financial assets					
Trade receivables	L&R[1]	112,205	-	112,205	AC[2]
Financial assets included in prepayments, deposits and other receivables	L&R[1]	53,031	-	53,031	AC[2]
Cash and cash equivalents	L&R[1]	234,711	-	234,711	AC[2]
		399,947	-	399,947	

There was no significant impact for replacing the aggregate opening impairment allowance under HKAS 39 with ECL allowances under HKFRS 9 on the above financial assets as at 1 January 2018.

	HKAS 39 measurement		HKFRS 9 measurement	
	Category	Amount HK$'000	Amount HK$'000	Category
Financial liabilities				
Interest-bearing bank borrowings	AC[2]	326,056	326,056	AC[2]
Trade payables	AC[2]	56,000	56,000	AC[2]
Financial liabilities included in other payables and accruals	AC[2]	196,175	196,175	AC[2]
		578,231	578,231	

[1] L&R: Loans and receivables
[2] AC: Financial assets or financial liabilities at amortised cost

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	Increase/ (decrease) HK$'000
Assets		
Deferred tax assets	(i),(iii)	(1,026)
Liabilities		
Other payables and accruals	(i),(ii)	(4,105)
Equity		
Retained profits	(i),(iii)	3,079

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated income statement for the year ended 31 December 2018:

		Amounts prepared under		
	Notes	HKFRS 15	Previous HKFRS	Increase/ (decrease)
		HK$'000	HK$'000	HK$'000
Revenue	(i)	2,451,874	2,451,453	421
Cost of sales	(i)	(491,847)	(491,847)	-
Gross profit		1,960,027	1,959,606	421
Profit before tax		227,076	226,655	421
Income tax expense	(i), (iii)	(75,911)	(75,806)	(105)
Profit for the year attributable to owners of the Company		151,165	150,849	316
Earnings per share attributable to owners of the Company				
- Basic (HK cents)		35.79	35.71	0.08
- Diluted (HK cents)		35.79	35.71	0.08

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
	Notes	HKFRS 15	Previous HKFRS	Increase/ (decrease)
		HK$'000	HK$'000	HK$'000
Deferred tax assets	(i),(iii)	88,286	89,417	(1,131)
Other payables and accruals	(i),(ii)	228,257	232,783	(4,526)
Net assets		2,331,719	2,328,324	3,395
Retained profits	(i),(iii)	1,696,872	1,693,477	3,395

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the consolidated statement of financial position as at 31 December 2018 and the consolidated income statement for the year ended 31 December 2018 are described below:

Notes:

(i) Loyalty points VIP programme
The Group operates a loyalty points VIP programme, which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can be redeemed for cash coupons, subject to a minimum number of points obtained. Prior to the adoption of HKFRS 15, the loyalty points VIP programme offered by the Group resulted in the allocation of a portion of the transaction price to the loyalty points VIP programme using the fair value of points issued and the recognition of the deferred revenue in relation to the points issued but not yet redeemed or expired. The Group concluded that under HKFRS 15 the loyalty points give rise to a separate performance obligation because they provide a material right to the customers and allocated a portion of the transaction price to the loyalty points awarded to the customers based on the relative stand-alone selling price. The Group determined that, considering the relative stand-alone selling prices, the amount allocated to the loyalty points VIP programme should be lower compared to the previous accounting policy. The deferred revenue related to this loyalty points VIP programme was reclassified to contract liabilities and the excess was adjusted to retained profits.

Upon the adoption of HKFRS 15, contract liabilities included in other payables and accruals and deferred tax assets were decreased by HK$4,105,000 and HK$1,026,000, respectively, as at 1 January 2018, which resulted in an increase in retained profits of HK$3,079,000.

As at 31 December 2018, the adoption of HKFRS 15 resulted in a decrease in contract liabilities included in other payables and accruals, and deferred tax assets amounting to HK$4,526,000 and HK$1,131,000, respectively. Revenue was also increased by HK$421,000 for the year ended 31 December 2018.

(ii) Consideration received from customers in advance
Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance and deferred revenue arising from the loyalty points VIP programme of the Group as other payables and accrual. Under HKFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK$90,754,000 from other payables and accruals to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance and deferred revenue arising from the loyalty points VIP programme of the Group as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, HK$42,875,000 was reclassified from other payables and accruals to contract liabilities in relation to the consideration received from customers in advance for the sale of goods and deferred revenue arising from the loyalty points VIP programme of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Notes: (continued)

(iii) Other adjustments
In addition to the adjustments described above, other items of the primary financial statements such as tax was adjusted as necessary. Retained profits were adjusted accordingly.

(c) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(d) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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 assets information, other than deferred tax assets, is based on the locations of the assets.

	Mainland China		Hong Kong		Others		Total	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Revenue from external customers	2,375,600	2,258,439	71,431	74,583	4,843	6,502	2,451,874	2,339,524
Non-current assets	1,991,688	1,987,426	99,086	91,376	-	-	2,090,774	2,078,802
Capital expenditure incurred during the year	228,076	99,459	397	775	-	-	228,473	100,234

For the years ended 31 December 2018 and 2017, 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:

	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers		
Sale of goods	2,451,874	2,339,524

5. OTHER INCOME AND GAINS, NET

	2018 HK$'000	2017 HK$'000
Other income		
Subsidy income*	50,407	41,139
Gross rental income	18,861	16,361
Contingent rents receivable in respective of operating leases	682	725
Bank interest income	3,028	2,256
Interest accretion on non-current receivables	1,757	-
Royalty income	121	159
Others	2,753	2,180
	77,609	62,820
Gains, net		
Foreign exchange differences, net	(14,096)	22,583
Changes in fair value of investment properties	9,000	4,000
	(5,096)	26,583
	72,513	89,403

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

6. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Total interest on bank loans	12,888	9,304

7. PROFIT BEFORE TAX

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

	2018 HK$'000	2017 HK$'000
Cost of inventories sold*	491,847	514,032
Depreciation	75,807	57,218
Amortisation of prepaid land lease payments	977	988
Minimum lease payments under operating leases in respect of:		
Land and buildings	99,850	82,039
Contingent rents of retail outlets in department stores	516,345	541,284
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	689,808	649,172
Provision/(write-back of provision) for long service payments	2,221	(1,700)
Retirement benefit scheme contributions	67,938	64,817
	759,967	712,289
Auditor's remuneration	2,880	2,980
Advertising and counter decoration expenses	166,169	121,369
Write-back of provision for obsolete inventories, net	(18,946)	(6,253)
Write-off of deposits	2,265	-
Impairment of trade receivables, net**	5,624	2,784
Research and development expenditure	2,697	2,800
Loss on disposal/write-off of items of property, plant and equipment, net	1,132	287
Foreign exchange differences, net	14,096	(22,583)
Gross and net rental income	(19,543)	(17,086)
Changes in fair value of investment properties	(9,000)	(4,000)
Bank interest income	(3,028)	(2,256)
Interest accretion on non-current receivables	(1,757)	-

* The cost of inventories sold for the year included HK$152,775,000 (2017: HK$128,050,000), relating to staff costs, depreciation of manufacturing facilities and the write-back of provision for obsolete inventories, net, which are also included in the respective total amounts disclosed above for each type of expenses.

** The impairment of trade receivables, net, is included in "Administrative expenses" on the face of the consolidated income statement.

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the regions in which the Group operates.

	2018 HK$'000	2017 HK$'000
Current - Hong Kong		
Charge for the year	-	2,986
Overprovision in prior years	(9)	(20)
Current - Mainland China		
Charge for the year	68,968	63,276
Deferred	6,952	113,918
Total tax charge for the year	75,911	180,160

9. DIVIDENDS

	2018 HK$'000	2017 HK$'000
Dividends paid during the year:		
Final in respect of the financial year ended 31 December 2017 - HK8.0 cents per ordinary share (2017: Final and special in respect of the financial year ended 31 December 2016 - HK4.3 cents per ordinary share*)	33,793	17,916
Interim - HK3.5 cents (2017: HK2.5 cents^) per ordinary share	14,785	10,528
	48,578	28,444
Proposed final dividend:		
Final - HK7.0 cents (2017: Final - HK8.0 cents) per ordinary share	29,569	33,793

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.

9. DIVIDENDS (continued)

* On 25 May 2017, the Company's shareholders approved at the annual general meeting a final dividend of HK4.3 cents per share payable in cash with a scrip dividend alternative (the "2016 Scrip Dividend Scheme") for the year ended 31 December 2016 (the "2016 Final Dividend"). During the year ended 31 December 2017, 4,461,797 new shares were issued by the Company at the average closing price of HK$3.058 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2016 Scrip Dividend Scheme to settle HK$13,645,000 of the 2016 Final Dividend. The remainder of the 2016 Final Dividend of HK$4,271,000 was satisfied by cash. Further details of the 2016 Scrip Dividend Scheme are set out in the Company's circular dated 13 June 2017.

^ On 23 August 2017, the Company's board of directors declared an interim dividend of HK2.5 cents per share payable in cash with a scrip dividend alternative (the "2017 Interim Scrip Dividend Scheme") for the six months ended 30 June 2017 (the "2017 Interim Dividend"). During the year ended 31 December 2017, 1,293,841 new shares were issued by the Company at the average closing price of HK$2.536 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2017 Interim Scrip Dividend Scheme to settle HK$3,281,000 of the 2017 Interim Dividend. The remainder of the 2017 Interim Dividend of HK$7,247,000 was satisfied by cash. Further details of the 2017 Interim Scrip Dividend Scheme are set out in the Company's circular dated 21 September 2017.

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

The calculation of basic earnings per share is based on:

	2018 HK$'000	2017 HK$'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	151,165	495,299

	Number of shares 2018	2017
Shares		
Weighted average number of ordinary shares of the Company in issue, used in the basic earnings per share calculation	422,416,638	419,016,814
Basic earnings per share (HK cents)	35.79	118.21

(b) Diluted

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

(c) Adjusted

As further disclosed in note 11 to the announcement, in the prior year, the Group recognised a gain on the Relocation Arrangement of HK$449,980,000 and the respective income tax expense of HK$112,495,000. Management was of the view that the gain is non-recurring and, in order to enable an investor to better understand the Group's result, it is meaningful to present a reconciliation of adjusted basic earnings per share based on profits attributable to owners of the Company excluding the gain on the Relocation Arrangement and the respective income tax expense.

The calculation of adjusted basic earnings per share was based on:

	2018 HK$'000	2017 HK$'000
Earnings		
Profit attributable to owners of the Company	151,165	495,299
Adjustments for:		
Gain on the Relocation Arrangement	-	(449,980)
Income tax expense on the Relocation Arrangement	-	112,495
Adjusted earnings		
Profit attributable to owners of the Company excluding the gain on the Relocation Arrangement and the respective income tax expense	151,165	157,814
Adjusted basic earnings per share excluding the gain on the Relocation Arrangement and the respective income tax expense (HK cents)	35.79	37.66

11. OTHER ASSET

In accordance with the requirements of the Shenzhen City's urban development plan issued by Shenzhen City Luohu District Town Re-development Bureau (深圳市羅湖區城市更新局), on 23 October 2017, Embry (China) Garments Ltd. ("Embry SZ"), a wholly-owned subsidiary of the Company, entered into a relocation compensation agreement and a supplemental relocation compensation agreement (collectively known as the "Relocation Compensation Agreement") with Shenzhen Huiren Jewelry City Investment Limited (深圳市惠仁珠寶城投資有限公司), a company established in the PRC and an independent third party developer (the "Developer") in order to implement a renewal plan by demolishing and rebuilding in the Buxin Industrial Area, Shenzhen, the PRC. The details of the Relocation Compensation Agreement are set out in the Company's announcement dated 25 October 2017. According to the Relocation Compensation Agreement, Embry SZ shall surrender its land use right and its properties situated in the Buxin Industrial Area (the "Original Properties"). The Developer, in return, agreed to (i) compensate Embry SZ new properties in a form of new industrial research and development buildings (新型產業研發辦公樓及配套商業) on a piece of industrial purposed land with an area similar to that of the Original Properties, to be developed and built by the Developer (the "New Properties"); (ii) compensate Embry SZ the cost of land use right of the Original Properties, rental cost for Embry SZ to lease properties during the move out period and other costs related to the Relocation Arrangement ("Cash Compensation"), which are repayable from the Developer within 5 years; and (iii) sell extra properties at a new building to be constructed in the Buxin Industrial Area, Shenzhen, the PRC ("New Building") to Embry SZ, whereby the price and area of such properties at the New Building shall be subject to further negotiation between Embry SZ and the Developer (collectively known as the "Relocation Arrangement").

Embry SZ has moved out from the Original Properties in the prior year and signed the properties transfer confirmation (房屋移交確認書) with the Developer on 30 November 2017.

To the best of the knowledge, information and belief of the Company's directors, having made all reasonable enquiry, the Group does not expect any obstacles to receive the New Properties and the Cash Compensation from the Developer. During the year ended 31 December 2017, the Group derecognised the property, plant and equipment and prepaid lease payments with carrying amounts of HK$1,973,000 and HK$1,428,000, respectively. According to the terms of the Relocation Compensation Agreement and the properties transfer confirmation, the Group recognised the fair value of the right to receive the New Properties ("Other Asset") of HK$416,744,000, based on the valuation report issued by Cushman & Wakefield Limited ("CWL"), independent professionally qualified valuers, as "Other Asset" and the Cash Compensation of HK$50,780,000 net off with respective relocation expenses of HK$14,143,000. Accordingly, a gain in relation to the Relocation Arrangement of HK$449,980,000 and the respective income tax expense of HK$112,495,000 were recognised in the consolidated income statement during the year ended 31 December 2017. The valuation was dependent on certain significant inputs that involve judgements, including gross unit rate per square meter. Other Asset, being the consideration received upon disposal of the Original Properties under the Relocation Arrangement, is initially recognised at its fair value and subsequently carries at cost less impairment.

At 31 December 2018, the carrying amounts of Other Asset and receivables in relation to Cash Compensation under the Relocation Arrangement were approximately HK$407,273,000 (2017: HK$431,807,000) and HK$37,798,000 (2017: HK$47,921,000)(note 13), respectively.

12. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for wholesalers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables by the sales department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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:

	2018 HK$'000	2017 HK$'000
Within 90 days	71,389	106,096
91 to 180 days	3,851	6,109
181 to 360 days	8,359	3,259
Over 360 days	2,083	1,559
	85,682	117,023
Less: Impairment allowance	(10,442)	(4,818)
	75,240	112,205

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Prepaid land lease payments	933	989
Deposit paid and related direct cost for the land use right in Shandong	9,266	12,361
Deposits for acquisition of items of property, plant and equipment	934	23,663
Prepayments	30,549	29,969
Receivables in relation to Cash Compensation under the Relocation Arrangement (note 11)	37,798	47,921
Deposits and other receivables	55,577	37,079
	135,057	151,982
Current portion included in prepayments, deposits and other receivables	(95,991)	(75,883)
Non-current portion	39,066	76,099

None of the financial assets included in the above balances is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

14. 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:

	2018 HK$'000	2017 HK$'000
Within 90 days	105,274	48,881
91 to 180 days	15,115	4,377
181 to 360 days	2,462	765
Over 360 days	2,191	1,977
	125,042	56,000

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

15. INTEREST-BEARING BANK BORROWINGS

	2018			2017		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans - unsecured	Hong Kong Interbank Offered Rate ("HIBOR") +1.80	On demand	88,281	-	-	-
Bank loans - unsecured	HIBOR +1.85 to HIBOR +2.00	2019	125,778	HIBOR +1.85 to HIBOR +2.00	2018	136,778
			214,059			136,778
Non-current						
Bank loans - unsecured	HIBOR +1.85 to HIBOR +1.95	2020-2022	213,000	HIBOR +1.85 to HIBOR +1.95	2019-2021	189,278
			427,059			326,056

15. INTEREST-BEARING BANK BORROWINGS (continued)

	2018 HK$'000	2017 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	214,059	136,778
In the second year	102,000	81,278
In the third to fifth years, inclusive	111,000	108,000
	427,059	326,056
Less: Amount repayable within one year or on demand and classified as current portion	(214,059)	(136,778)
Amount classified as non-current portion	213,000	189,278

The above bank loans are denominated in Hong Kong dollars and bear interest at rates ranging from 1.80% to 2.00% above the HIBOR per annum (2017: 1.85% to 2.00% above the HIBOR per annum).

16. OTHER PAYABLES AND ACCRUALS

	Notes	2018 HK$'000	2017 HK$'000
Other payables	(a)	66,933	97,311
Accruals		118,449	134,499
Deferred revenue	(b)	-	77,460
Receipt in advance	(b)	-	13,294
Contract liabilities	(b)	42,875	-
		228,257	322,564

Notes:

(a) Other payables are non-interest-bearing.

(b) The contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the Group transfers goods to the customer. As at 31 December 2017, the amounts of HK$77,460,000 and HK$13,294,000 included in other payables and accruals of the Group were related to deferred revenue arising from the loyalty points VIP programme and receipt in advance from customers, respectively. Such amounts were reclassified as contract liabilities as at 1 January 2018.

As at 31 December 2018, the contract liabilities included deferred revenue arising from the loyalty points VIP programme of the Group and short-term advances received from customers for the sale of goods. The decrease in contract liabilities in 2018 was mainly due to the decrease in short-term advances received from customers for the sale of goods and deferred revenue arising from the loyalty points VIP programme of the Group. The details were set out in note 2 to the financial statements.

17. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	2018 HK$'000	2017 HK$'000
Contracted for commitments in respect of the acquisition of property, plant and equipment	201,516	262,425

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations Review

In 2018, the global economic growth momentum softened, and the growth of major economies was close to the peak. Against the backdrop of global liquidity tightening and rising trade protectionism, China's gross domestic product grew by 6.6% in 2018. Despite the achievement of the annual growth target of 6.5%, it was the lowest economic growth rate in China in 28 years. On a quarterly basis, the growth rate slowed down from 6.8% in the first quarter to 6.4% in the fourth quarter.

Although China's overall retail market continued to grow, consumers have become more conservative towards the consumption of secondary necessities under the shadow of uncertain domestic and foreign economic prospects, hindering the overall growth of the underwear industry in China. In 2018, rural retail sales of consumer goods increased by 10.1% year-on-year, 1.3 percentage points higher than the growth of urban retail sales of consumer goods, indicating the stronger consumption growth momentum of the third- and lower-tier cities. In view of the rapid rise of spending power in the third- and fourth-tier markets, the Group has increased the investment in ***E-BRA*** and ***IADORE*** which catered for the third- and lower-tier cities in the past year to capture opportunities arising from consumption upgrade in the third- and lower-tier cities. In the face of changes in consumer buying patterns and market segmentation, the Group also aligned channel and product development to meet the changing needs of consumers.

For the year ended 31 December 2018 (the "Current Year"), the Group's revenue increased by 4.80% over that of the year ended 31 December 2017 (the "Prior Year") to HK$2,451,874,000. Gross profit margin remained stable at 79.94%. Profit attributable to owners of the Company was HK$151,165,000, net profit margin was 6.17%. Earnings per share was HK35.79 cents (2017: HK118.21 cents; Excluding the gain on the Relocation Arrangement and related tax expenses, earnings per share was HK37.66 cents).

The Board of Directors of the Company resolved to declare a final dividend of HK7 cents per share (2017: HK8 cents) for the Current Year which, together with the interim dividend of HK3.5 cents per share (2017: HK2.5 cents) distributed, will bring a total dividend for the Current Year to HK10.5 cents per share.

Brand management

In 2018, the Group continued the effective multi-brand strategy to operate seven differently positioned brands to cope with the market's polarised consumption trends. The Group continued to consolidate its core brands, ***EMBRY FORM*** and ***FANDECIE***, which contributed to the majority of sales of the Group. These two brands also strengthened the mid- to high-end brand image with their long history and well-established market position. In order to grasp the opportunities arising from rapid consumption growth in the third- and lower-tier cities, the Group has increased its investment in these markets and focused on cultivating ***E-BRA*** and ***IADORE*** as growth drivers of the Group. In recent years, the Group has also opened multi-brand composite stores in several cities to operate the Group's brands so as to capture the needs of diverse groups of customers and provide them with a one-stop shopping experience, thereby driving foot traffic to stores.

During the Current Year, the Group continued to increase the exposure of its products in Mainland China and overseas countries by participating in exhibition activities in various regions and online marketing activities such as live webcasts. In July 2018, the Group participated in the International Apparel, Apparel Fabrics and Home Textiles Expo (Autumn) in New York, the United States. It featured the traditional Chinese cultural elements of the "12 Zodiacs" and showcased its brand features on the international stage. It was widely reported by the media including China News Service. In September 2018, the Group joined the exhibition team organised by the Shenzhen Trade Promotion Commission and held the Shenzhen Products Show in London, United Kingdom. All seven brands of the Group were exhibited during London Fashion Week. In China, the Group continued to participate in the industry exposition, China

International Knitting Trade Fair (Autumn/Winter), with the "12 Zodiacs" series appeared in the grand finale of the Shenzhen underwear brand joint show, attracting the audience's attention.

Business and Operations Review (continued)

Brand management (continued)

During the Current Year, the Group adopted a holistic approach to online promotion and marketing strategy involving various forms of promotion such as active search for information, follow the key opinion leaders, and imitation of fashion styles of celebrities, and cooperated with mainstream information platforms, celebrities and Internet celebrities. The Group also put placement advertisements in web drama series, and flexibly leveraged on the diversified and widespread nature of the Internet to reach out to the broad customer base. In particular, the Group participated in the brand question and answer campaign of the domestic mainstream information platform, in order to enrich brand information on the platform and to enhance consumers' knowledge and understanding of the brand. In addition, the Group also teamed up with film works for joint promotion, combining film elements with its ***FANDECIE*** products for simultaneous online and offline promotions.

Sales network

The Group continued to implement its network optimisation strategy during the Current Year. The Group appropriately adjusted the distribution of its retail outlets by closing or relocating stores with lower efficiency so as to enhance the overall efficiency of its sales network. As at 31 December 2018, the Group had 1,837 retail outlets in total, including 1,557 concessionary counters and 280 stores. During the Current Year, there was a net decrease of 88 retail outlets of the Group. Meanwhile, the Group’s products were also available for sale through different online platforms so as to cater to the changes in consumers' shopping habits.

Design, research and development

Solid self-development capabilities have always been one of the Group's competitive edges in the market. Adhering to the pursuit of product quality, the Group continued to invest resources in product research and development, and strived to optimise and improve the appearance, functionality and production technology of the products, and to provide superior-quality products to the market.

During the Current Year, the Group launched a variety of well-received new collections, including: ***EMBRY FORM***’s “Pleasant Moment Series” (「良晨美景系列」) and “Temptation Series” (「誘惑系列」); ***FANDECIE***’s “Free Cut Seamless Series” (「隨心裁無痕系列」) and “Star Dreams Series” (「星夢奇緣系列」); ***COMFIT***’s “Slim and Stunning Series” (「享瘦美體系列」) and “Comfortable Fashion Series” (「舒感時尚系列」); ***E-BRA***’s “Delightful Days Series” (「輕盈佳期系列」) and “Shining Fashion Series” (「盈亮風尚系列」) ; ***IADORE***’s “Romantic Shades Series” (「浪漫拂影系列」) and “Pure Time Series” (「清顏時光系列」); ***LIZA CHENG***’s “Flower Kiss Series” (「花之吻系列」) and “Butterfly Art Series” (「蝶藝系列」); ***IVU***’s “Supreme Mark Series” (「尊紋系列」).

In 2018, the Group obtained 13 new patents, including 8 utility model patents and 5 appearance design patents. As at 31 December 2018, the Group had 11 invention patents, 43 utility model patents and 8 appearance design patents.

Production capacity

Over the years, most of the products were manufactured by the Group in its production bases. The Group quickly responded to market demand and changes in consumer preferences with flexible deployment of manpower and machine capacity, to improve production and delivery efficiency.

Business and Operations Review (continued)

Production capacity (continued)
The Group's first phase of intelligent warehouse at the production base in Jinan, Shandong province completed its trial run in 2017 and commenced operation in the first half of 2018. The second phase of the equipment of intelligent warehouse is conducting trial run. Moreover, in order to optimise productivity and improve supply chain efficiency, the production base in Jinan is under construction of intelligent material warehouse.

In addition, the second phase of plant premises and ancillary facilities at the Group's production base in Changzhou, Jiangsu province is scheduled for completion in 2019.

Human resources
Implementation of the minimum wage policy and tight labour supply in China have resulted in consistent wage inflation. The Group endeavoured to increase staff loyalty through measures such as organising training courses and improving employee benefits to enhance solidarity, thereby improving its overall operational efficiency. The number of employees of the Group increased to approximately 8,052 (31 December 2017: approximately 7,862). 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$759,967,000 (2017: HK$712,289,000).

Financial Review

Revenue

By sales channel and region
Revenue for the Current Year was HK$2,451,874,000, representing a 4.80% increase over the Prior Year, mainly attributable to the Group's omni-channel coverage and its effective multi-brand strategy.

During the Current Year, revenue from the retail sales was HK$2,058,399,000, accounting for 83.95% of the Group's total revenue and representing an increase of 0.90% over the Prior Year. Revenue from the Internet and wholesale business increased by 32.68% from HK$292,917,000 to HK$388,632,000, accounting for 15.85% 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$2,375,600,000, accounting for 96.89% of the total revenue of the Group.

By brand and product line
The Group currently operates seven brands, namely ***EMBRY FORM***, ***FANDECIE***, ***COMFIT***, ***E-BRA***, ***IADORE***, ***IVU*** *and* ***LIZA CHENG***, serving customers with different needs and varying degrees of purchasing power.

EMBRY FORM, the signature brand, is the main source of income for the Group and its contribution to the total revenue amounted to 45.42%. ***EMBRY FORM***'s revenue amounted to HK$1,113,604,000, which increased by 2.44% of the total revenue for the Current Year. ***FANDECIE***'s revenue amounted to HK$615,805,000, remaining stable as last year, accounting for 25.12% of the total revenue for the Current Year. ***COMFIT***'s revenue increased by 8.96% from the Prior Year to HK$232,251,000, accounting for 9.47% of the total revenue for the Current Year. ***E-BRA***'s revenue increased by 5.23% from the Prior Year to HK$246,213,000, accounting for 10.04% of the total revenue for the Current Year. ***LIZA CHENG***'s revenue for the Current Year increased by 10.72% to HK$52,121,000. ***IADORE***'s revenue increased by 23.17% from the Prior Year to HK$71,810,000, accounting for 2.93% of the total revenue for the Current Year. ***IVU***'s revenue increased by 42.91% from the Prior Year to HK$115,227,000, accounting for 4.70% of the total revenue for the Current Year. Among the brands, the growth of ***IVU*** and ***IADORE****'s* revenue was more prominent, mainly benefited from the Group's increased investment in the two brands during the Current Year to capture faster spending growth in the third- and lower-tier cities. The brands' respective proportion in revenue mainly reflected the Group's alignment of its business focus to market development.

Lingerie has always been the Group's core product. During the Current Year, sales of lingerie increased by 4.52% over the Prior Year to HK$2,139,176,000, representing 87.24% of the revenue of the Group. Sales of sleepwear increased by 17.17% to HK$165,146,000, accounting for 6.74% of the total revenue of the Group, while sales of swimwear increased by 2.44% to HK$123,220,000, accounting for 5.03% of the total revenue of the Group.

Gross Profit
During the Current Year, the Group recorded a gross profit of approximately HK$1,960,027,000, representing an increase of 7.37% over the Prior Year. Gross profit margin increased by 1.91 percentage points over the Prior Year to 79.94%.

Other income and gains
Other income decreased by 18.90% to HK$72,513,000 for the Current Year, mainly due to the foreign exchange loss of approximately HK$14,096,000 resulted from the depreciation of Renminbi. Besides, fair value of investment properties has increased by HK$9,000,000.

Financial Review (continued)

Operating expenses
During the Current Year, selling and distribution expenses increased by 6.61% to HK$1,514,093,000 (2017: HK$1,420,233,000), accounting for 61.75% (2017: 60.71%) of the Group's revenue. The increase in the proportion of selling and distribution expenses to overall sales was mainly due to the increase in online advertising expenses on the Group's brands and the increase in counter decoration expenses according to the Group's market segmentation strategy.

Administrative expenses increased by 5.97% over the Prior Year to HK$266,038,000, accounting for 10.85% (2017: 10.73%) of the Group's revenue.

Net profit
Profit attributable to owners of the Company was HK$151,165,000 for the Current Year, representing a decrease of 69.48% over the Prior Year. Net profit margin amounted to 6.17%. Excluding the gain on the Relocation Arrangement and the related tax expenses in the Prior Year, net profit decreased by 4.21% from HK$157,814,000 to HK$151,165,000. Net profit margin decreased from 6.75% to 6.17%. The decrease in net profit was mainly due to the increase in advertising and counter decoration expenses.

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 2018, the Group's cash and cash equivalents amounted to approximately HK$158,414,000 (31 December 2017: HK$234,711,000). As at 31 December 2018, the Group's interest-bearing bank borrowings amounted to HK$427,059,000 (31 December 2017: HK$326,056,000). As at 31 December 2018, the equity interest attributable to owners of the Company amounted to HK$2,331,719,000 (31 December 2017: HK$2,367,110,000). Accordingly, the gearing ratio of the Group was approximately18.32% (31 December 2017: 13.77%).

Capital expenditure
During the Current Year, the capital expenditure of the Group amounted to HK$228,473,000 (2017: HK$100,234,000), which was mainly used for the Group's second phase of intelligent warehouse, intelligent material warehouse in Shandong and the second phase of the plant premises and ancillary facilities at production base in Changzhou. As at 31 December 2018, the capital commitments of the Group amounted to HK$201,516,000 (31 December 2017: HK$262,425,000), which were contracted but not provided for in the financial statements.

Charge on the Group's assets
As at 31 December 2018, the Group did not pledge any assets.

Capital structure
As at 31 December 2018, the total issued share capital of the Company was HK$4,224,000 (31 December 2017: HK$4,224,000), comprising 422,417,000 (31 December 2017: 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 2018, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK$679,000 (31 December 2017: HK$243,000). Save as disclosed above, the Group had no other significant contingent liabilities, nor any litigation or arbitration of material importance.

PROSPECT

Looking ahead to 2019, the global economy is full of uncertainties. In view of uncertainties including Sino-US trade frictions and Brexit, the United Nations and the International Monetary Fund have lowered their global economic growth targets for the next two years. The increase in uncertainties in the macro environment will affect the investment market sentiment and adversely affect overall consumer confidence. However, as the contribution ratio of consumption to China's economic growth continues to increase, domestic consumption has gradually become the main driving force for economic growth. Together with consumption upgrades propelled by the growth of China's per capita disposable income, the domestic retail market will develop healthily in the long term.

In recent years, the growth of sales in the lingerie market in China has stayed above 10%. According to the Analysis Report of Research and Development Trend in the Chinese Underwear Market released by China Industry Research Network, it is expected that the growth will remain at around 10% in the next three years, indicating the considerable market growth potential. However, in the face of a conservative market sentiment in the short term, the Group will adopt a vigilant approach, closely monitor the market trends, and re-examine and adjust its execution strategies in a timely manner.

In response to the increasingly personalised and diversified needs of the market, the Group will continue to leverage its existing economies of scale and multi-brand strategy. With the use of the customer relationship management system, we will launch targeted products and adjust sales networks according to the consumption patterns of consumers in local markets to improve sales efficiency. In terms of sales networks, the Group will allocate brands and product portfolios according to the market segment characteristics of the retail outlets, operate integrated stores in suitable locations to capture a wider customer base, and strike a balance between the proportion of concessionary counters and stores. To capitalise on the rapid growth of the e-commerce market, the Group will continue to explore opportunities in the e-commerce channels, develop more e-commerce exclusive products, improve delivery efficiency with constantly upgraded logistics system, make good use of new media to promote and reach more potential customers. With the online and offline retail outlets complementing each other to maximise the omni-channel sales, the Group’s competitiveness will be comprehensively enhanced.

Despite the rapid changes in the macro environment, with the Group's extensive experience in the industry and its solid business foundation, a nationwide sales network covering online and offline sales channels, commitment to quality, as well as flexible and effective multi-brand strategy, the Group will continue to respond promptly and appropriately to the changing market, so as to provide shareholders with stable and sustainable returns.

OTHER INFORMATION

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK7 cents per ordinary share in respect of the year ended 31 December 2018 (the “Proposed Final Dividend”), to the shareholders whose names appear on the register of members of the Company on 30 May 2019, resulting in an appropriation of approximately HK$29,569,000.

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 23 May 2019 ("AGM"). The Proposed Final Dividend will be payable on 14 June 2019.

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, 16 May 2019 to Thursday, 23 May 2019, 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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 15 May 2019.

(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, 30 May 2019 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, 29 May 2019.

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 2018 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 2018. 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 2018 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 2018 ANNUAL REPORT

The 2018 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, 21 March 2019

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.