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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 2016

RESULTS HIGHLIGHTS

	2016	2015	Change
	(HK$'000)	*(HK$'000)*	
Revenue	2,216,082	2,535,818	-12.61%
Gross profit	1,744,551	2,069,596	-15.71%
Gross profit margin	78.72%	81.61%	-2.89% pts
Profit for the year attributable to owners	98,402	201,574	-51.18%
Net profit margin	4.44%	7.95%	-3.51% pts
	(HK cents)	*(HK cents)*	
Basic earnings per share	23.62	48.38	-51.18%
Diluted earnings per share	23.62	48.38	-51.18%
	(HK cents)	*(HK cents)*	
Interim dividend per share (paid)	2.50	4.00	-37.50%
Final dividend per share (proposed) *	4.30	9.00	-52.22%
Special dividend per share (proposed)	-	1.00	N/A
Total dividends per share for the year	6.80	14.00	-51.43%

* With scrip dividend alternative for 2016 proposed final dividend

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 2016, together with the comparative figures in 2015 and the relevant explanatory notes, as set out below.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	4	2,216,082	2,535,818
Cost of sales		(471,531)	(466,222)
Gross profit		1,744,551	2,069,596
Other income and gains, net	5	52,763	45,046
Selling and distribution expenses		(1,377,636)	(1,534,899)
Administrative expenses		(245,694)	(267,369)
Other expenses		(7,274)	(7,169)
Finance costs	6	(8,263)	(6,617)
PROFIT BEFORE TAX	7	158,447	298,588
Income tax expense	8	(60,045)	(97,014)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		98,402	201,574
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	10		
- Basic (HK cents)		23.62	48.38
- Diluted (HK cents)		23.62	48.38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
PROFIT FOR THE YEAR	98,402	201,574
OTHER COMPREHENSIVE EXPENSE		
Other comprehensive expense to be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	(117,655)	(96,984)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	(19,253)	104,590

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,062,213	977,465
Investment properties		307,158	311,121
Prepaid land lease payments		33,996	37,363
Deferred tax assets		84,810	73,781
Deposits	12	14,139	12,414
Total non-current assets		1,502,316	1,412,144
CURRENT ASSETS			
Inventories		659,347	716,853
Trade receivables	11	85,220	90,486
Prepayments, deposits and other receivables	12	58,309	56,335
Cash and cash equivalents		190,187	233,017
Total current assets		993,063	1,096,691
CURRENT LIABILITIES			
Trade payables	13	87,678	68,206
Interest-bearing bank borrowings	14	133,278	124,878
Tax payable		20,536	71,806
Other payables and accruals	15	274,174	230,033
Total current liabilities		515,666	494,923
NET CURRENT ASSETS		477,397	601,768
TOTAL ASSETS LESS CURRENT LIABILITIES		1,979,713	2,013,912
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	221,555	183,333
Deferred liabilities		1,889	3,083
Deferred tax liabilities		36,782	36,673
Total non-current liabilities		260,226	223,089
Net assets		1,719,487	1,790,823
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,166	4,166
Reserves		1,715,321	1,786,657
Total equity		1,719,487	1,790,823

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2.1 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 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Other than as explained below regarding the impact of Amendments to HKAS 1, Amendments to HKAS 16 and HKAS 38 and certain amendments included in *Annual Improvements to 2012-2014 Cycle*, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
   (i) the materiality requirements in HKAS 1;
   (ii) that specific line items in the income statement and the statement of financial position may be disaggregated;
   (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
   (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to the income statement.

   Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the income statement. The amendments have had no significant impact on the Group’s financial statements.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of certain amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

The Group's primary operating segment is the manufacture and sale of ladies' brassieres, panties, swimwear and sleepwear. 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	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Revenue from external customers	2,129,821	2,431,547	81,177	99,007	5,084	5,264	2,216,082	2,535,818
Non-current assets	1,329,130	1,251,298	88,376	87,065	-	-	1,417,506	1,338,363
Capital expenditure incurred during the year	209,470	168,540	1,250	5,051	-	-	210,720	173,591

For the years ended 31 December 2016 and 2015, 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

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

5. OTHER INCOME AND GAINS, NET

	2016 HK$'000	2015 HK$'000
Other income		
Subsidy income*	39,477	39,076
Gross rental income	14,534	14,663
Contingent rents receivable in respective of operating leases	784	842
Bank interest income	2,083	2,255
Royalty income	278	161
Others	4,460	1,766
	61,616	58,763
Gains, net		
Foreign exchange differences, net	(22,131)	(21,717)
Changes in fair value of investment properties	13,000	8,000
Gain on disposal/write-off of items of property, plant and equipment, net	278	-
	(8,853)	(13,717)
	52,763	45,046

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

6. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Total interest on bank loans	8,263	6,617

7. PROFIT BEFORE TAX

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

	2016 HK$'000	2015 HK$'000
Cost of inventories sold*	471,531	466,222
Depreciation	53,476	49,533
Amortisation of prepaid land lease payments	928	974
Minimum lease payments under operating leases in respect of:		
Land and buildings	79,097	85,019
Contingent rents of retail outlets in department stores	545,052	636,453
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	618,736	671,427
Write-back of provision for long service payments	(697)	(597)
Retirement benefit scheme contributions	63,881	66,111
	681,920	736,941
Auditor's remuneration	2,980	3,170
Advertising and counter decoration expenses	122,088	138,509
Provision for obsolete inventories, net	37,366	12,413
Impairment/(write-back of impairment allowance) of trade receivables**	359	(17)
Research and development expenditure	3,574	3,681
Loss/(gain) on disposal/write-off of items of property, plant and equipment, net	(278)	416
Foreign exchange differences, net	22,131	21,717
Gross and net rental income	(15,318)	(15,505)
Changes in fair value of investment properties	(13,000)	(8,000)
Bank interest income	(2,083)	(2,255)

* The cost of inventories sold for the year included HK$175,828,000 (2015: HK$162,118,000), relating to staff costs, depreciation of manufacturing facilities, minimum lease payments under operating leases in respect of land and buildings and the net provision for obsolete inventories, which are also included in the respective total amounts disclosed above for each type of expenses.

** The impairment/(write-back of impairment allowance) of trade receivables 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% (2015: 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.

	2016 HK$'000	2015 HK$'000
Current - Hong Kong		
Charge for the year	811	788
Overprovision in prior years	(20)	(20)
Current - Mainland China		
Charge for the year	72,844	90,509
Deferred	(13,590)	5,737
Total tax charge for the year	60,045	97,014

9. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Dividends paid during the year:		
Final and special in respect of the financial year ended 31 December 2015 – HK9.00 cents and HK1.00 cent, respectively, per ordinary share (2015: 31 December 2014 – HK8.00 cents and HK2.00 cents, respectively, per ordinary share)	41,666	41,666
Interim – HK2.50 cents (2015: HK4.00 cents) per ordinary share	10,417	16,666
	52,083	58,332
Proposed final dividend:		
Final – HK4.30 cents per ordinary share (2015: Final and special – HK9.00 cents and HK1.00 cent, respectively, per ordinary share)	17,916	41,666

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

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the Company of HK$98,402,000 (2015: HK$201,574,000) and 416,661,000 (2015: 416,661,000) ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 31 December 2015.

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

	2016 HK$'000	2015 HK$'000
Within 90 days	79,516	86,886
91 to 180 days	5,704	3,600
181 to 360 days	977	1,017
Over 360 days	1,057	658
	87,254	92,161
Less: Impairment allowance	(2,034)	(1,675)
	85,220	90,486

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Prepaid land lease payments	877	939
Deposit paid and related direct cost for the land use right in Shandong	2,340	2,507
Deposits for acquisition of items of property, plant and equipment	11,799	9,907
Prepayments	16,059	15,494
Deposits and other receivables	41,373	39,902
	72,448	68,749
Current portion included in prepayments, deposits and other receivables	(58,309)	(56,335)
Non-current portion	14,139	12,414

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.

13. TRADE PAYABLES

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

	2016 HK$'000	2015 HK$'000
Within 90 days	80,240	60,837
91 to 180 days	3,051	3,424
181 to 360 days	2,018	1,207
Over 360 days	2,369	2,738
	87,678	68,206

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

14. INTEREST-BEARING BANK BORROWINGS

	2016			2015		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	Hong Kong Interbank Offered Rate ("HIBOR") +1.75 to HIBOR +2.25	2017	133,278	HIBOR +1.08 to HIBOR +2.25	2016	124,878
Non-current						
Bank loans – unsecured	HIBOR +1.85 to HIBOR +1.95	2018-2021	221,555	HIBOR +1.85 to HIBOR +2.25	2017-2020	183,333

	2016 HK$'000	2015 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	133,278	124,878
In the second year	57,278	37,778
In the third to fifth years, inclusive	164,277	145,555
	354,833	308,211
Less: Amount repayable within one year and classified as current portion	(133,278)	(124,878)
Amount classified as non-current portion	221,555	183,333

The above bank loans are denominated in Hong Kong dollars and bear interest at rates ranging from 1.75% to 2.25% above the HIBOR per annum (2015: 1.08% to 2.25% above the HIBOR per annum).

15. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Other payables	107,367	105,596
Accruals	166,807	124,437
	274,174	230,033

Other payables are non-interest-bearing.

16. COMMITMENTS

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

	2016 HK$'000	2015 HK$'000
Contracted for commitments in respect of the acquisition of property, plant and equipment	122,738	170,854

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations Review

Looking back on 2016, substantial changes were observed in the international political and economic scene. Britain's referendum to leave the European Union and the outcome of the United States presidential election were beyond market expectations, triggering turbulences in the financial markets. During the year, Renminbi depreciated 6.6% against the US dollar, its biggest annual decline since 1994. The growth rate of the Chinese economy continued to slow down. According to China's National Bureau of Statistics, the country's gross domestic product grew by 6.7% to RMB74,412.7 billion in 2016. The growth rate was 0.2 percentage point lower compared to that of last year.

Faced with volatile macro-environment, coupled with increasing cost of living in China, consumer sentiment was hampered. Moreover, after the implementation of two-child policy, more household consumers tended to reduce personal spending, thus exerting pressure on the sales of less-essential consumer goods. To encourage consumer spending, retailers actively carried out more sales promotions. As a result, industry competition was intensified and profit margin was squeezed. Against the backdrop of a weak retail market, the Group recorded a decrease in the overall sales in 2016.

For the year ended 31 December 2016 (the "Current Year"), the Group's revenue decreased by 12.61% over that of the year ended 31 December 2015 (the "Prior Year") to HK$2,216,082,000. Gross profit margin decreased by 2.89 percentage points to 78.72%. Profit attributable to owners of the Company was HK$98,402,000, net profit margin was 4.44%. Earnings per share was HK23.62 cents (2015: HK48.38 cents).

The Board of Directors of the Company resolved to declare a final dividend of HK4.30 cents per share (2015: final dividend of HK9.00 cents and special dividend of HK1.00 cent) for the Current Year and proposed a scrip dividend alternative to all shareholders. Together with the interim dividend of HK2.50 cents per share (2015: HK4.00 cents) distributed, will bring the total dividend for the Current Year to HK6.80 cents per share.

Brand management

In 2016, the overall sentiment in the retail market remained sluggish. While consumers demanded for higher quality, they tended to choose products with lower prices. The Group continued to make good use of its multi-brand strategy and allocated internal resources flexibly. The Group leveraged the strengths of various brands while consolidating its signature brand, ***EMBRY FORM***, to meet the needs of different consumers. The Group strategically cultivated the professional men's underwear brand ***IVU*** and the affordable while fashionable brand ***IADORE***. Both brands gained further market share in the respective target markets amid difficult business environment. Sales of the two brands recorded growth of 9.51% and 10.45%, respectively.

The Group promoted and advertised its brands and products actively to enhance brand equity. During the Current Year, the Group participated in the 25th China International Fashion Fair, in which it showcased the excellent craftsmanship of ***EMBRY FORM***, including the brand's 3D cutting, seamless designs and motif art. During the China International Knitting Trade Fair (Autumn/Winter), ***EMBRY FORM*** staged the "Romantic Holidays Fashion Trend Show", showcasing the products of ***EMBRY FORM***, ***FANDECIE***, ***IVU*** and ***LIZA CHENG***, which enhanced the overall image of the Group's brands and strengthened the influence of the brands. ***FANDECIE***, the Group's young and energetic lingerie brand, cooperated with a young girl group to film a music video, so as to boost its social media exposure and to reach more young consumers, which laid a better foundation for long-term brand influence.

Business and Operations Review (continued)

Brand management (continued)
To cater for online shopping and needs of consumers in China, the Group constantly focused on enhancing the image of its brands on the internet during the Current Year, with a view to raising brand awareness and laying a solid foundation for its e-commerce business. In terms of online sales, the Group continued to concentrate on sales of both promotional and online exclusive products. The Group also closely monitored the changes of customer needs and market trends and developed the e-commerce market prudently.

Sales network
In response to consumers' cautious spending and the weak retail market, the Group focused on enhancing operating efficiency during the Current Year. The Group appropriately adjusted 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 2016, the Group had 2,067 retail outlets in total, including 1,877 concessionary counters and 190 stores. During the Current Year, there was a net decrease of 149 retail outlets of the Group. Meanwhile, the Group's products were also available for sale through different online platforms so as to reach out to more potential customers on the internet.

Product design, research and development
Faced with increasingly severe market competition in the underwear industry, the Group committed to upholding high quality standards and continued to devote resources to the design, research and development of new products. The Group highlighted the characteristics of its various brands through innovation and improvement in patented designs to meet varying consumer needs.

During the Current Year, the Group launched a variety of well-received new collections, including: ***EMBRY FORM***'s "*Sicilia Series*" (「西西里系列」) and "*Slender and Elegant Series*" (「纖姿雅韻系列」); ***FANDECIE***'s "*Simple Life Series*" (「簡單生活系列」) and "*British Image Series*" (「英倫倩影系列」); ***COMFIT***'s "*Thin Cotton FIT Series*" (「薄棉 FIT 系列」) and "*Seamless 3DSeries II*" (「立體無痕 II 系列」); ***E-BRA***'s "*Simple Geometric Series*" (「極簡幾何系列」) and "*Fresh and Comfortable Cotton Series*" (「清新舒棉系列」); ***IADORE***'s "*Floral Series*" (「花香淺唱系列」) and "*Blossom Series*" (陌上花開系列); ***LIZA CHENG***'s "*Sweet Encounter Series*" (「香遇系列」) and "*Gorgeous Lace Series*" (「傾城蕾絲系列」).

As at 31 December 2016, the Group had 8 invention patents, 38 utility model patents, and 2 appearance design patents registered in China and/or other parts of the world.

Production capacity
Over the years, most of the products were manufactured by the Group. Through the flexible deployment of manpower and machine capacity, the Group quickly responded to market demand and rapid changes in consumer preferences. The Group currently has three production bases located in Shenzhen, Jinan and Changzhou respectively. The Group has continued to examine the changes in consumption trends and regularly reviewed capacity allocation to achieve a better operating efficiency.

The Group's automated supply chain logistics facility which comprises an intelligent warehouse at the production base in Jinan, Shandong province commenced its trial production on 1 December 2016 as scheduled. With this facility, the Group hopes to enhance the speed of delivery and increase the deployment flexibility of resources.

Business and Operations Review (continued)

Awards

During the Current Year, various brands of the Group, namely ***EMBRY FORM***, ***FANDECIE***, ***COMFIT*** and ***LIZA CHENG*** were awarded "**Annual Charity Award of China's Underwear Industry**", "**Annual Brand Equity Award of China's Underwear Industry**", "**Annual Innovation Award of China's Underwear Industry**" and "**Annual Advancement Award of China's Underwear Industry**" respectively in China (Shenzhen) International Brand Underwear Fair. Meanwhile, the Group was also awarded the honour of "**Best Market Influence**" in China International Knitting Trade Fair, recognising the Group's achievement in enhancing brand awareness of underwear enterprises in China.

During the Current Year, the Group was granted the "**National Excellent Enterprise with Foreign Investment — Excellent Tax Payment and Turnover Award**" again by China Association of Enterprises with Foreign Investment and Shenzhen Association of Enterprises with Foreign Investment. In addition, the Group was awarded with "**Shenzhen Mayor Quality Award —Encouragement Award**" and honoured as "**Enterprise of Optimal Efficiency**" by the Shenzhen Municipal People's Government and Zhangqiu Municipal People's Government respectively, and was honoured the title of "**Top 100 Garment Enterprises in China**" by the China National Garment Association. ***EMBRY FORM*** was rated as the "**Shenzhen Top Brand**" by the Shenzhen Top Brand Evaluation Committee for four consecutive times, and was accredited by the Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong as the "**Hong Kong Top Brand**" for ten consecutive years.

Human resources

Implementation of the minimum wage policy and tense labour supply in China have resulted in continuous wage increase. The Group endeavoured to boost 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 decreased to approximately 8,780 (2015: approximately 8,830). 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$681,920,000 (2015: HK$736,941,000).

Financial Review

Revenue

By sales channel and region
As a result of more cautious consumer sentiment and a weak retail market, revenue for the Current Year was HK$2,216,082,000, representing a 12.61% decrease over the Prior Year.

During the Current Year, revenue from the retail sales was HK$1,860,349,000, accounting for 83.95% of the Group's total revenue and representing a decrease of 13.37% over the Prior Year. Revenue from the wholesale business decreased by 13.33% from HK$273,147,000 to HK$236,741,000, accounting for 10.68% of the total revenue. Revenue from the Group's direct online sales channels increased by 3.63% from HK$109,919,000 to HK$113,908,000, accounting for 5.14% 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$2,129,821,000, accounting for 96.11% 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 revenue amounted to HK$1,029,931,000, with its contribution to the total revenue increasing to 46.49%, mainly due to the higher discount for ***EMBRY FORM*** products during the Current Year, attracting more consumers to buy this mid- to high-end signature brand. ***FANDECIE***'s revenue decreased by 18.41% from the Prior Year to HK$593,798,000, accounting for 26.79% of the total revenue for the Current Year. ***COMFIT***'s revenue decreased by 2.93% from the Prior Year to HK$193,277,000, accounting for 8.72% of the total revenue for the Current Year. ***E-BRA***'s revenue decreased by 18.48% from the Prior Year to HK$229,455,000, accounting for 10.35% of the total revenue for the Current Year. ***LIZA CHENG***'s revenue for the Current Year slightly increased by 0.30% to HK$38,945,000. ***IADORE***'s revenue increased by 10.45% from the Prior Year to HK$56,618,000, accounting for 2.55% of the total revenue for the Current Year. ***IVU***'s revenue increased by 9.51% from the Prior Year to HK$68,974,000, accounting for 3.11% of the total revenue for the Current Year. 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 decreased by 13.27% over the Prior Year to HK$1,943,254,000, representing 87.69% of the revenue of the Group. Sales of sleepwear remained stable and recorded HK$129,302,000, accounting for 5.83% of the total revenue of the Group, while sales of swimwear decreased by 14.67% to HK$127,779,000, accounting for 5.77% of the total revenue of the Group.

Financial Review (continued)

Gross Profit

During the Current Year, the Group recorded a gross profit of approximately HK$1,744,551,000, representing a decrease of 15.71% over the Prior Year. Gross profit margin was 78.72%, representing a slight decrease of 2.89 percentage points from the Prior Year. The decrease in gross profit margin was mainly due to the Group's enhanced effort in promotional activities in response to market competition and a weak retail environment resulted from prudent consumer sentiment.

Other income and gains

Other income rose 17.13% to HK$52,763,000 for the Current Year, mainly attributable to the gain of approximately HK$13,000,000 on investment properties revaluation during the Current Year. Nevertheless, those gains were partly offset by the foreign exchange loss of approximately HK$22,131,000 due to the significant depreciation of Renminbi in the second half of the year.

Operating expenses

During the Current Year, selling and distribution expenses decreased by 10.25% to HK$1,377,636,000 (2015: HK$1,534,899,000), accounting for 62.17% (2015: 60.53%) of the Group's revenue.

The decrease in selling and distribution expenses mainly reflected the Group's endeavour to control costs under the current business environment. The increase in rents of the retail outlets and staff costs continued to exert pressure on operating costs. In 2016, to mitigate rising cost pressure, the Group closed retail outlets with lower profitability so as to enhance its efficiency. During the Current Year, contingent rents of the retail outlets decreased by 14.36% to HK$545,052,000, accounting for 24.60% (2015: 25.10%) of the Group's revenue.

Administrative expenses decreased by 8.11% over the Prior Year to HK$245,694,000, accounting for 11.09% of the Group's revenue.

Net profit

Profit attributable to owners of the Company was HK$98,402,000 for the Current Year, representing a decrease of 51.18% over the Prior Year. Net profit margin decreased from 7.95% for the Prior Year to 4.44%. The decrease in net profit was due to a weak retail environment resulting from prudent consumer sentiment during the Current Year as well as the increase in the percentage of overall operating expenses to revenue and the depreciation of Renminbi.

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 2016, the Group's cash and cash equivalents amounted to approximately HK$190,187,000 (2015: HK$233,017,000). As at 31 December 2016, the Group's interest-bearing bank borrowings amounted to HK$354,833,000 (2015: HK$308,211,000). As at 31 December 2016, the equity interest attributable to owners of the Company amounted to HK$1,719,487,000 (2015: HK$1,790,823,000). Accordingly, the gearing ratio of the Group was approximately 20.64% (2015: 17.21%).

Financial Review (continued)

Capital expenditure
During the Current Year, the capital expenditure of the Group amounted to HK$210,720,000 (2015: HK$173,591,000), which was mainly used for the establishment of an automated supply chain logistics facility comprising an intelligent warehouse at the production base in Jinan, Shandong. As at 31 December 2016, the capital commitments of the Group amounted to HK$122,738,000 (2015: HK$170,854,000), which were contracted but not provided for in the financial statements.

Charge on the Group's assets
As at 31 December 2016, the Group did not pledge any assets.

Capital structure
As at 31 December 2016, the total issued share capital of the Company was HK$4,166,000 (2015: HK$4,166,000), comprising 416,661,000 (2015: 416,661,000) ordinary shares of HK$0.01 each.

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

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

Contingent liabilities
As at 31 December 2016, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK$1,788,000 (2015: HK$2,196,000). Save as disclosed above, the Group had no other significant contingent liabilities, nor any litigation or arbitration of material importance.

PROSPECT

Looking ahead to 2017, uncertainties over the global economic and political environment linger. The overall economic outlook will hinge on various factors including Brexit progress, US President Trump's external trade policy and the pace of interest rate hike by the Federal Reserve. China's manufacturing industry and export trade are facing competition from emerging economies in Southeast Asia, while the depreciation pressure on Renminbi continues. It is expected that the investment climate and consumer sentiment will remain cautious. The retail industry has to pay close attention to the market and respond carefully. However, economic growth in China will remain stable. Supply-side reform will result in improved quality of consumer goods. Consumption channels will be broadened through online retailing while consumption level will be raised on the back of China's accelerating urbanisation, thereby driving continued growth in China's consumption in the long term.

As a major brand operator in the lingerie industry in China, the Group remains cautious about its business outlook while closely monitoring the market conditions and adopting prudent and flexible development strategies to address the upcoming challenges in the market.

In view of the uncertainties in the market, the Group will focus on enhancing sales efficiency by planning its sales network strategically. The Group will remain prudent in integrating sales network, closing underperforming retail outlets and adjusting the proportion of stores and concessionary counters according to the business environment and consumption level in the market and in different regions. The Group expects a negative growth in the number of retail outlets in 2017. Despite the decrease in the number of net openings, the more optimal sales network will improve the overall operational efficiency in the long term. On the other hand, along with the completion of the intelligent warehouse by the end of 2016, the logistics procedures of the Group are expected to be more flexible. The Group is expected to achieve better overall operational efficiency and the price competitiveness of the Group will thereby be enhanced.

While maintaining its price competitiveness, the Group is also constantly committed to upholding high quality standards. Therefore, the Group will continue to devote resources to product design and development and enhance its innovation capabilities in order to cater for various consumption levels and meet the diverse consumer needs for product design, functionality and materials.

As China's economy becomes more developed, consumers are paying more attention to the safety of products and materials. In this regard, the Group will continue to capitalise on its expertise in tailoring and design to offer healthy products of aesthetic quality.

Despite a tough retail environment, the Group can still stand out at the time of adversity by leveraging on its solid business foundation, multi-brand strategy, innovative product portfolio and uncompromising product quality. The Group will continue to expand its target customer base while securing the existing customers. The Group will implement and review business strategies from time to time in a prudent manner to foster long-term and steady business growth, lay a solid foundation for the retail industry's future recovery and generate satisfactory returns to its shareholders.

OTHER INFORMATION

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK4.30 cents per ordinary share in respect of the year ended 31 December 2016 (the “Proposed Final Dividend”), to the shareholders whose names appear on the register of members of the Company on 6 June 2017, resulting in an appropriation of approximately HK$17,916,000. The Proposed Final Dividend will be paid in the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements (the “Scrip Dividend Scheme”).

The Scrip Dividend Scheme will be subject to (i) shareholders’ approval of the Proposed Final Dividend at the Company’s forthcoming annual general meeting to be held on 25 May 2017 (“AGM”); and (ii) the Stock Exchange granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the 5 trading days prior to and including 6 June 2017. Full details of the Scrip Dividend Scheme will be set out in a circular which is expected to be sent to the shareholders together with a form of election on 13 June 2017. Dividend warrants and/or new share certificates will be posted on 12 July 2017.

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 Friday, 19 May 2017 to Thursday, 25 May 2017, 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 Thursday, 18 May 2017.

(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 from Friday, 2 June 2017 to Tuesday, 6 June 2017, both days inclusive, during which period 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 Thursday, 1 June 2017.

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 2016 annual report, save for the following deviation:

The code provision E.1.2 stipulates that the chairman of the board of directors should attend the annual general meeting. Madam Ngok Ming Chu, the Chairman of the Board, was unable to attend the Company’s annual general meeting held on 20 May 2016 due to other engagement. In view of her absence, Madam Ngok had arranged for other directors and management, who are well-versed in the Company’s business and affairs, to attend the meeting and communicate with shareholders of the Company.

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 2016. 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 results for the year ended 31 December 2016 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. 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 this preliminary results announcement.

PUBLICATION OF 2016 ANNUAL REPORT

The 2016 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and will also be published on the websites of the Company at http://www.embrygroup.com and Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk in due course.

By Order of the Board
Embry Holdings Limited
Ngok Ming Chu
Chairman

Hong Kong, 23 March 2017

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