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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 2022**

<b>RESULTS HIGHLIGHTS</b>			
	<b>2022</b>	<b>2021</b>	<b>Change</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	
Revenue	1,334,269	1,652,408	-19.25%
Gross profit	1,001,249	1,205,702	-16.96%
Gross profit margin	75.04%	72.97%	2.07% pts
Loss for the year attributable to owners	(51,239)	(27,485)	-86.43%
Net loss margin	(3.84%)	(1.66%)	-2.18% pts
	<i>(HK cents)</i>	<i>(HK cents)</i>	
Basic loss per share	(12.13)	(6.51)	-86.33%
Diluted loss per share	(12.13)	(6.51)	-86.33%
	<i>(HK cents)</i>	<i>(HK cents)</i>	
Interim dividend per share (paid)	-	2.00	-100.00%
Final dividend per share (proposed)	-	-	N/A
Total dividends per share for the year	-	2.00	-100.00%

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 2022, together with the comparative figures in 2021 and the relevant explanatory notes, as set out below.

## CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
REVENUE	4	1,334,269	1,652,408
Cost of sales		<u>( 333,020)</u>	<u>( 446,706)</u>
Gross profit		1,001,249	1,205,702
Other income and gains, net	5	30,104	75,797
Selling and distribution expenses		( 859,270)	(1,061,332)
Administrative expenses		( 176,096)	( 188,481)
Impairment of right-of-use assets		( 18,796)	( 25,777)
Impairment of financial assets, net		( 11,870)	( 979)
Other expenses	6	( 4,774)	( 11,102)
Finance costs	7	<u>( 12,175)</u>	<u>( 10,211)</u>
LOSS BEFORE TAX	8	( 51,628)	( 16,383)
Income tax credit/(expense)	9	<u>389</u>	<u>( 11,102)</u>
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>( 51,239)</u>	<u>( 27,485)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
- Basic (HK cents)		<u>(12.13)</u>	<u>(6.51)</u>
- Diluted (HK cents)		<u>(12.13)</u>	<u>(6.51)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
LOSS FOR THE YEAR	( <u>51,239</u> )	( <u>27,485</u> )
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	( 196,397 )	61,760
Other comprehensive income/(expense) that will not be reclassified to the income statement in subsequent periods:		
Revaluation surplus	3,652	13,991
Deferred tax debited to asset revaluation reserve	( <u>913</u> )	( <u>3,498</u> )
Net other comprehensive income that will not be reclassified to the income statement in subsequent periods	<u>2,739</u>	<u>10,493</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	( <u>193,658</u> )	<u>72,253</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>( 244,897 )</u>	<u>44,768</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		895,058	1,034,948
Investment properties		500,924	520,563
Right-of-use assets		145,181	174,863
Other Asset		402,697	437,073
Deferred tax assets		74,542	72,107
Deposits and other receivables		<u>11,672</u>	<u>20,782</u>
Total non-current assets		<u>2,030,074</u>	<u>2,260,336</u>
<b>CURRENT ASSETS</b>			
Inventories		458,256	526,358
Trade receivables	12	47,443	51,943
Prepayments, deposits and other receivables		57,034	76,438
Tax recoverable		3,820	11,066
Cash and cash equivalents		<u>380,178</u>	<u>378,636</u>
Total current assets		<u>946,731</u>	<u>1,044,441</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payable	13	39,028	33,976
Interest-bearing bank borrowings	14	38,877	57,887
Lease liabilities		33,751	47,468
Other payables and accruals		<u>153,483</u>	<u>197,221</u>
Total current liabilities		<u>265,139</u>	<u>336,552</u>
<b>NET CURRENT ASSETS</b>		<u>681,592</u>	<u>707,889</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,711,666	2,968,225
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	14	288,595	288,595
Lease liabilities		22,826	31,397
Deferred tax liabilities		124,831	127,513
Other payables		<u>3,082</u>	<u>4,447</u>
Total non-current liabilities		<u>439,334</u>	<u>451,952</u>
Net assets		<u>2,272,332</u>	<u>2,516,273</u>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital		4,224	4,224
Reserves		<u>2,268,108</u>	<u>2,512,049</u>
Total equity		<u>2,272,332</u>	<u>2,516,273</u>

## NOTES

### 1. BASIS OF PREPARATION

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

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

NOTES (continued)

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. SEGMENT INFORMATION

The Group's primary operating segment is the manufacture and sale of ladies' brassieres, panties, swimwear, sleepwear and others. Since this is the only operating segment of the Group, no further analysis thereof is presented. In determining the Group's geographical information, the revenue information is based on the locations of the customers, and the total non-current asset information, other than deferred tax assets, is based on the locations of the assets.

	Mainland China		Hong Kong		Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>1,287,846</u>	<u>1,602,751</u>	<u>38,790</u>	<u>45,168</u>	<u>7,633</u>	<u>4,489</u>	<u>1,334,269</u>	<u>1,652,408</u>
Non-current assets	<u>1,847,211</u>	<u>2,081,799</u>	<u>108,321</u>	<u>106,430</u>	<u>-</u>	<u>-</u>	<u>1,955,532</u>	<u>2,188,229</u>
Capital expenditure incurred during the year	<u>20,631</u>	<u>10,754</u>	<u>303</u>	<u>476</u>	<u>-</u>	<u>-</u>	<u>20,934</u>	<u>11,230</u>

For the years ended 31 December 2022 and 2021, as no revenue from sales to any customer of the Group has individually accounted for over 10% of the Group's total revenue, no information about major customers is presented under HKFRS 8.

NOTES (continued)

4. REVENUE

An analysis of revenue is as follows:

	2022 HK\$'000	2021 HK\$'000
<i>Revenue from contracts with customers</i>		
Sale of goods	<u>1,334,269</u>	<u>1,652,408</u>

5. OTHER INCOME AND GAINS, NET

	2022 HK\$'000	2021 HK\$'000
<u>Other income</u>		
Subsidy income*	20,075	37,586
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	20,703	18,221
Variable lease payments that do not depend on an index or a rate	548	691
Bank interest income	5,367	4,889
Interest accretion on non-current receivables	1,498	1,991
Gain on termination of leases	388	361
Others	<u>2,218</u>	<u>4,241</u>
	<u>50,797</u>	<u>67,980</u>
<u>Gains/(losses), net</u>		
Foreign exchange differences, net	( 21,228)	4,745
Changes in fair value of investment properties	<u>535</u>	<u>3,072</u>
	<u>( 20,693)</u>	<u>7,817</u>
	<u>30,104</u>	<u>75,797</u>

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

6. OTHER EXPENSES

	2022 HK\$'000	2021 HK\$'000
Charitable donation	2,558	8,514
Loss/(gain) on disposal/write-off of items of property, plant and equipment, net	184	( 156)
Write-off of deposits	-	424
Employee termination benefits	2,032	2,248
Others	<u>-</u>	<u>72</u>
	<u>4,774</u>	<u>11,102</u>

7. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest on bank loans	9,147	6,193
Interest on lease liabilities	<u>3,028</u>	<u>4,018</u>
	<u>12,175</u>	<u>10,211</u>

NOTES (continued)

8. LOSS BEFORE TAX

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

	2022 HK\$'000	2021 HK\$'000
Cost of inventories sold	333,020	446,706
Depreciation of property, plant and equipment	69,729	80,306
Depreciation of right-of-use assets	34,880	56,861
Gain on termination of leases	( 388)	( 357)
Lease payments not included in the measurement of lease liabilities	239,290	306,823
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Wages and salaries	408,987	481,466
Retirement benefit scheme contributions	52,979	53,472
Employee termination benefits	2,032	2,248
Equity-settled share option expense	671	1,533
	<u>464,669</u>	<u>538,719</u>
Advertising and counter decoration expenses	68,135	107,873
Impairment of right-of-use assets	18,796	25,777
Provision/(write-back/write-off of provision) for obsolete inventories, net	<u>(43,174)</u>	<u>59,184</u>

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2021: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the regions in which the Group operates.

	2022 HK\$'000	2021 HK\$'000
Current - Mainland China		
Charge for the year	-	10,500
Overprovision in prior years	( 2,419)	-
Deferred	<u>2,030</u>	<u>602</u>
Total tax charge/(credit) for the year	<u>( 389)</u>	<u>11,102</u>

10. DIVIDENDS

	2022 HK\$'000	2021 HK\$'000
Dividends paid during the year:		
Final in respect of the financial year ended		
31 December 2021 – Nil		
(2021: Final in respect of the financial year ended		
31 December 2020 – HK2.5 cents per ordinary share)	-	10,560
Interim – Nil (2021: HK2.0 cents per ordinary share)	<u>-</u>	<u>8,448</u>
	<u>-</u>	<u>19,008</u>

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2022.



NOTES (continued)

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic

The calculation of basic loss per share is based on:

	2022 HK\$'000	2021 HK\$'000
<u>Earnings</u>		
Loss attributable to owners of the Company, used in the basic loss per share calculation	<u>( 51,239)</u>	<u>( 27,485)</u>
Number of shares		
	2022	2021
<u>Shares</u>		
Number of ordinary shares of the Company in issue, used in the basic loss per share calculation	<u>422,416,638</u>	<u>422,416,638</u>
Basic loss per share (HK cents)	<u>(12.13)</u>	<u>(6.51)</u>

(b) Diluted

No adjustment has been made to the basic loss per share amount presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the impact of the share options has anti-dilutive effect on the basic loss per share amount presented.

12. TRADE RECEIVABLES

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

	2022 HK\$'000	2021 HK\$'000
Within 90 days	42,670	50,103
91 to 180 days	4,372	1,840
181 to 360 days	5,268	1,891
Over 360 days	<u>4,858</u>	<u>3,718</u>
	57,168	57,552
Less: Impairment allowance	<u>( 9,725)</u>	<u>( 5,609)</u>
	<u>47,443</u>	<u>51,943</u>

NOTES (continued)

13. TRADE AND BILLS PAYABLE

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

	2022 HK\$'000	2021 HK\$'000
Within 90 days	33,023	31,300
91 to 180 days	1,618	740
181 to 360 days	950	560
Over 360 days	<u>3,437</u>	<u>1,376</u>
	<u>39,028</u>	<u>33,976</u>

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

14. INTEREST-BEARING BANK BORROWINGS

	2022			2021		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
	Hong Kong Interbank Offered Rate ("HIBOR")					
Bank loans – secured	+1.45	2023	38,877	HIBOR +1.45	2022	47,530
Bank loans – unsecured	-	-	-	HIBOR +1.80	2022	10,357
			<u>38,877</u>			<u>57,887</u>
<b>Non-current</b>						
Bank loans – secured	HIBOR +1.45	2024-2025	<u>288,595</u>	HIBOR +1.45	2023-2024	<u>288,595</u>
			<u>327,472</u>			<u>346,482</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Operations Review

In 2022, the coronavirus (COVID-19) continued to mutate and spread rapidly, resulting in repeated and multiple outbreaks in China. Coupled with the Russia-Ukraine conflict, the U.S. interest rate hike together with balance sheet shrinkage and depreciation of Renminbi, China's economy was significantly under pressure. According to the National Bureau of Statistics, China's gross domestic product (GDP) in 2022 grew by 3.0% year-on-year, lower than the expected growth rate of 5.5%. The slowdown in economic growth directly affected the retail consumer market and total retail sales of consumer goods for the year decreased by 0.2% year-on-year. For the retail sales of commodities, the sales of garments, footwear, hats and knitwear fell by a relatively higher percentage of 6.5% year-on-year. By retail formats, the retail sales of department stores decreased by 9.3% year-on-year. Consumer sentiment continued to be sluggish, especially in the sub-essential underwear retail market, and the business environment remained challenging.

For the year ended 31 December 2022 (the "Current Year"), the Group's revenue decreased by 19.25% to HK\$1,334,269,000 from that of the year ended 31 December 2021 (the "Prior Year"). Gross profit margin increased by 2.0 percentage points to 75.0%. Loss attributable to owners of the Company was approximately HK\$51,239,000, representing an increase from loss attributable to owners of the Company of HK\$27,485,000 recorded in the Prior Year. Loss per share was HK12.13 cents (2021: HK6.51 cents).

Although the pandemic control has been gradually relaxed, it will take time for the pandemic to recede and for life to return to normal, and the economic outlook remains uncertain. Therefore, the board of directors has resolved not to recommend the payment of a final dividend. The Company believes that this measure is a prudent and responsible means of preserving cash for the long-term financial health of the Group.

### Brand management

In 2022, the Group continued to make good use of the advantages of its multi-brand strategy and adjusted marketing arrangements in response to market demand for its seven brands, namely **EMBRY FORM**, **FANDECIE**, **COMFIT**, **E-BRA**, **IVU**, **IADORE** and **LIZA CHENG**. The Group catered to the increasingly segmented market by highlighting unique brand personalities to fulfil the needs and preferences of varying customer groups. The Group enhanced its brand competitiveness and expanded market coverage while consolidating its flagship brands, **EMBRY FORM** and **FANDECIE**, which contributed the majority of sales.

In terms of brand promotion, the Group suspended most of its offline brand promotion in 2022 due to multiple resurgence of the pandemic and focused on online promotion, reserving resources for optimal promotion when the market sentiment recovers.

In response to the national dual carbon strategic objectives of "carbon peak" and "carbon neutrality", and to let consumers understand Embry's long-standing brand philosophy of sustainable green development, the Group held **Embry Form**'s "MADE IN GREEN" environmental protection theme exhibitions during the year in order to encourage more people to adopt a green and carbon-reducing lifestyle. Moreover, to convey the concept of "green ecological textiles" to consumers, the Group launched the "Jungle Secret" series designed by an internationally renowned underwear designer, including a variety of underwear products that combine green living and fashionable aesthetics. The Group also invited an international supermodel to become **Embry Form**'s green and healthy experience officer to deliver the message of green and healthy living to consumers through multimedia and further promote the Group's sustainable low-carbon concept.

In recent years, the 'China-chic' trend has swept the domestic market, and different brands have launched products related to the 'China-chic' trend, which are highly sought after by consumers, especially young consumers. Following the trend, the Group launched a variety of 'China-chic' underwear products in line with Chinese festivals and wedding traditions during the year, and collaborated with young artists to create the "Xi Le Jia An (《囍樂家安》)" red product theme painting and produce a series of online and offline promotional materials. Taking oriental aesthetics as an entry point, the Group combined quality products with traditional elements to build the brand value of **Embry Form**'s 'China-chic' products.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business and Operations Review (continued)

#### Brand management (continued)

In the post-pandemic consumption era, online shopping has become an indispensable part of people's lifestyle and e-commerce platforms continue to flourish. The Group kept abreast of the traffic trends and made use of social media platforms to promote its brands and strengthened the development of underwear styles exclusively for e-commerce. The Group continued to cooperate with Internet celebrities to promote its brands and products, increasing brand exposure and market penetration. The Group also leveraged customer interactions to build good customer relationships and enhance brand loyalty.

#### Sales network

In 2022, the Group continued to optimise its sales network. As of 31 December 2022, the Group had 1,084 retail outlets in total, including 915 concessionary counters and 169 retail stores, representing a net decrease of 167 retail outlets as compared to the end of 2021. The Group seized the opportunity of online sales, and actively explored and developed the online shopping market to improve the overall operational efficiency of its sales network. The Group strategically adjusted its store network and appropriately integrated the proportion of online and offline sales to achieve optimal channel coverage.

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

#### Product design, research and development

The Group has always adhered to excellent product quality and comfortable wearing experience and continued to upgrade product designs and source the right materials to meet consumers' demand for lightweight underwear products while ensuring a comfortable cutting and design. The Group has also continued to improve its production technology, striving to improve production efficiency and operational efficiency of its supply chain in order to maintain its leading position in the highly competitive market.

During the Current Year, the Group launched a full range of popular new collections, including: **EMBRY FORM**'s "Classic Temptation (經典誘惑)" and "Summer Romance (夏日羅曼史)"; **FANDECIE**'s "Summer Style (夏日潮搭)" and "Camping Time (露營時光)"; **COMFIT**'s "Stylish Girl (格調女孩)" and "Healthy New Breath (健康新呼吸)"; **LIZA CHENG**'s "Meet the Princess (遇見王妃)" and "Bird of Paradise (天堂鳥)"; **E-BRA**'s "Simple and Soft (簡柔)" and "Fall in Love (傾心)"; **IADORE**'s "Flowery (花漫)" and "Limpid and Sweet (清透微甜)"; **IVU**'s "Perfect Score (滿分系列)".

In 2022, the Group obtained new patents in China, including 14 utility model patents and 2 appearance design patents. As at 31 December 2022, the Group had a total of 105 patents, including 68 utility model patents, 11 invention patents and 26 appearance design patents.

#### Production capacity

The Group has its own production bases in Jinan, Shandong Province and Changzhou, Jiangsu Province. The plant in Shandong is equipped with intelligent finished goods and materials warehouses. Based on the recurring pandemic situation during the year, the Group carefully analysed the sales of different brands and segmented markets, reviewed and adjusted its production volume from time to time and implemented flexible production to maximise production efficiency and enhance supply chain efficiency.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business and Operations Review (continued)

#### Human resources

The Group understands that employees are one of the cornerstones of the Group's operations. The Group not only trained its employees and improved their welfare, but also reviewed the internal management culture from time to time to enhance the sense of belonging of employees. Meanwhile, the Group also actively improved production technology together with the utilisation of automated logistics system, improved the workflow of employees and raised production efficiency so as to mitigate the overall cost increase pressure and improve operational efficiency.

As at 31 December 2022, the number of employees of the Group was approximately 4,568 (2021: approximately 5,154). Total staff cost (including wages and basic salaries, commissions, bonuses, contributions to the retirement benefits scheme, share option expenses and excluding directors' and chief executive's remunerations) for the Current Year was HK\$464,669,000 (2021: HK\$538,719,000).

### Financial Review

#### Revenue

During the Current Year, revenue was HK\$1,334,269,000, representing a decrease of 19.25% from the Prior Year, mainly attributable to the continued depreciation of Renminbi and the continued weak consumer sentiment as a result of multiple resurgence of the COVID-19 in China and imposition of strict quarantine measures or lockdown restrictions in some cities in China, which led to the suspension of business at some of the Group's points of sale.

During the Current Year, revenue from retail sales was HK\$877,155,000, accounting for 65.74% of the Group's total revenue and representing a decrease of 28.42% from the Prior Year. The Group recorded an increase in sales on e-commerce platforms. Revenue from the Internet increased by 14.21% to HK\$411,478,000 in 2022, accounting for 30.84% of the total revenue. The increase was mainly due to the overall e-commerce business growth resulting from the increasing reliance of consumers on online shopping during the pandemic.

The mainland China market is the main source of income for the Group. During the Current Year, revenue from the mainland China market was HK\$1,287,846,000, accounting for 96.52% of the Group's total revenue.

Among the seven brands operated by the Group, **EMBRY FORM**, the flagship brand, and **FANDECIE**, the young and energetic brand, are the main sources of income for the Group and their contributions to the total revenue accounted for 52.25% and 19.05%, respectively. **EMBRY FORM**'s revenue amounted to HK\$697,133,000, which decreased by 14.90% from the Prior Year. **FANDECIE**'s revenue amounted to HK\$254,143,000, which decreased by 25.58% from the Prior Year. The other brands **E-BRA**, **COMFIT**, **IVU**, **IADORE** and **LIZA CHENG**'s revenue for the Current Year amounted to HK\$375,360,000, accounting for 28.13% of the overall revenue.

Lingerie continues to be the core product line of the Group. During the Current Year, sales of underwear decreased by 20.45% from the Prior Year to HK\$1,134,280,000, representing 85.01% of the revenue of the Group. Sales of sleepwear amounted to HK\$139,551,000, accounting for 10.46% of the revenue of the Group, while sales of swimwear amounted to HK\$41,767,000, accounting for 3.13% of the revenue of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Financial Review (continued)

#### Gross profit

During the Current Year, the Group recorded a gross profit of approximately HK\$1,001,249,000, representing a decrease of 16.96% from the Prior Year. It was mainly attributed to the decrease in the number of business days of sales channels due to the pandemic as well as the lack of consumer confidence in the general economic environment dampening consumer sentiment, underwear brands catered to market needs with larger discounts compared to the Prior Year. However, the reversal of inventory impairment under cost of sales for the Current Year amounted to approximately HK\$43,174,000, which raised the gross profit margin by 2.07 percentage points to 75.04% as compared to 2021.

#### Other income and gains

Other income and gains decreased by 60.28% to HK\$30,104,000 for the Current Year (2021: HK\$75,797,000), mainly due to the exchange loss of HK\$21,228,000 (2021: exchange gains of HK\$4,745,000) from the depreciation of Renminbi, and the decrease in subsidy income to HK\$20,075,000 (2021: HK\$37,586,000). Besides, the rental income for the Current Year was HK\$21,251,000 (2021: HK\$18,912,000).

#### Operating expenses

During the Current Year, the selling and distribution expenses decreased by 19.04% to HK\$859,270,000 (2021: HK\$1,061,332,000), accounting for 64.40% (2021: 64.23%) of the Group's revenue. The decrease in expenses was mainly attributed to the strict cost control of the Group while the ratio of selling and distribution expenses to overall sales remained at the same level as compared with that in the previous year.

Administrative expenses and impairment of financial assets totalled HK\$187,966,000, similar to the Prior Year, but the proportion of administrative expenses and impairment of financial assets to the Group's revenue increased to 14.09% (2021: 11.47%). Administrative expenses and impairment of financial assets included a provision for bad debts of trade and other receivables totalling HK\$11,870,000 (2021: HK\$979,000) for the year.

#### Impairment of right-of-use assets and other expenses

During the Current Year, impairment of right-of-use assets and other expenses (the "Non-Operating Expenses") amounted to approximately HK\$23,570,000 (2021: HK\$36,879,000), representing a decrease of HK\$13,309,000 from 2021. It was mainly attributed to the decrease in the provision for impairment of right-of-use assets in retail stores and charitable donations for the Current Year as compared to 2021.

#### Loss

Loss attributable to owners of the Company was HK\$51,239,000 for the Current Year, while loss attributable to owners of the Company for the Prior Year was HK\$27,485,000. The increase in loss was mainly due to the decrease in operating income brought by the suspension of business at some of the Group's points of sale due to the impact on domestic retail market during the Current Year, together with the decrease in other income and gains as mentioned above.

#### Liquidity and financial resources

The Group finances its operations mainly with internally generated cash flows. Financial position of the Group remained healthy during the Current Year. As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately HK\$380,178,000 (2021: HK\$378,636,000), maintaining at a stable level. As at 31 December 2022, the Group's interest-bearing bank borrowings amounted to HK\$327,472,000 (2021: HK\$346,482,000). As at 31 December 2022, equity attributable to owners of the Company was HK\$2,272,332,000 (2021: HK\$2,516,273,000). The gearing ratio of the Group was approximately 14.4% (2021: 13.8%).

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Financial Review (continued)

#### Capital expenditure

During the Current Year, the capital expenditure of the Group amounted to HK\$20,934,000 (2021: HK\$11,230,000), which was mainly used for the first phase of the photovoltaic power generation project of the plant in Shandong. The project will be test-run and is expected to help the Group save on electricity expenses. As at 31 December 2022, the capital commitments of the Group amounted to HK\$116,154,000 (2021: HK\$117,764,000), which were contracted but not provided for in the financial statements.

#### Charge on the Group's assets

As at 31 December 2022, the Group pledged Hong Kong investment properties, buildings and right-of-use assets with net book values of HK\$92,000,000, HK\$2,512,000 and HK\$11,743,000, respectively, to banks to finance loans.

#### Capital structure

As at 31 December 2022, the total issued share capital of the Company was HK\$4,224,000 (2021: HK\$4,224,000), comprising 422,416,638 (2021: 422,416,638) 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 2022, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK\$428,000 (2021: HK\$184,000). Save as disclosed above, the Group had no other significant contingent liabilities, nor any litigation or arbitration of material importance.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### PROSPECT

Looking ahead to 2023, with the gradual relaxation of domestic pandemic prevention and control at the beginning of the year, the market expects a mixed recovery in the overall economy in the first half of the year. The pace of recovery will vary across sectors, but the overall pace remains below the normal level and it will not return to normal growth until the second half of the year or later. Given the uncertain global economic and political environment, the Group expects that it will take some time for the consumer sector to fully recover although the Chinese government has made great efforts to stabilise the economy. It is expected that the recovery of sub-essential underwear market will lag behind the overall market.

Leveraging on years of experience and brand strength accumulated in the lingerie industry in China as well as its agility to change, the Group is confident that it can prudently respond to the current economic environment and progress steadily. Since consumers are still conservative towards buying underwear products, the Group will closely monitor market trends to make timely adjustments in terms of product design, production technology, marketing and sales channels to fulfil the changing consumer needs and preferences.

In the future, the Group will continue to review and adjust its business strategy and respond calmly in the economic environment which has not yet fully recovered. Meanwhile, the Group will continue to explore different segmented markets, grasp the opportunity of growing e-commerce sales to match the consumption pattern in the post-pandemic era, and strive to expand the market share of its brands in the online retail market and optimise the effectiveness of the sales network. In terms of production, the Group will respond promptly to market needs, leverage on the advantages of resource deployment through its self-production and self-distribution model as well as the ancillary logistics facilities of intelligent finished goods and materials warehouses to enhance production and logistics efficiency, and actively optimise its supply chain.

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



## **OTHER INFORMATION**

### **FINAL DIVIDEND**

On 23 March 2023, the Board resolved not to declare the payment of a final dividend for the year ended 31 December 2022.

### **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on 25 May 2023 ("AGM"), the register of members of the Company will be closed from Thursday, 18 May 2023 to Thursday, 25 May 2023, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 17 May 2023.

### **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 2022 annual report.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct for Directors' and employees' securities transactions ("Securities Dealing Code"). Having made specific enquiry of all the Directors and members of the senior management, they have confirmed their compliance with the required standard set out in the Securities Dealing Code during the year.

### **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the consolidated results of the Group for the year ended 31 December 2022. 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 2022 as set out in the preliminary results announcement have been agreed by the Company's independent auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("Ernst & Young") to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Ernst & Young on the preliminary results announcement.

**OTHER INFORMATION** (continued)

**PUBLICATION OF 2022 ANNUAL REPORT**

The 2022 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 2023

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