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 2011

RESULTS HIGHLIGHTS

	2011	2010	Change
	(HK$'000)	*(HK$'000)*	
Revenue	1,694,987	1,349,846	+25.57%
Gross profit	1,394,372	1,086,116	+28.38%
Gross profit margin	82.26%	80.46%	+1.80% pts
Profit for the year attributable to owners	159,314	126,189	+26.25%
Net profit margin	9.40%	9.35%	+0.05% pts
	(HK cents)	*(HK cents)*	
Basic earnings per share	38.91	31.21	+24.67%
Diluted earnings per share	38.41	30.52	+25.85%
	(HK cents)	*(HK cents)*	
Interim dividend per share (paid)	3.00	3.00	N/A
Final dividend per share (proposed)	7.00	5.00	+40.00%
Special dividend per share (proposed)	2.00	3.00	-33.33%
Total dividends per share for the year	12.00	11.00	+9.09%

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 2011, together with the comparative figures in 2010 and the relevant explanatory notes, as set out below.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	4	1,694,987	1,349,846
Cost of sales		(300,615)	(263,730)
Gross profit		1,394,372	1,086,116
Other income and gains	5	57,520	27,708
Selling and distribution expenses		(1,017,100)	(789,679)
Administrative expenses		(195,077)	(134,034)
Other expenses		(6,205)	(4,330)
Finance costs	6	(2,242)	(97)
PROFIT BEFORE TAX	7	231,268	185,684
Income tax expense	8	(71,954)	(59,495)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		159,314	126,189
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	10		
- Basic (HK cents)		38.91	31.21
- Diluted (HK cents)		38.41	30.52

Details of the dividends are disclosed in note 9 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	159,314	126,189
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	23,564	20,207
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	182,878	146,396

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		541,260	518,923
Investment properties		249,805	217,224
Prepaid land lease payments		35,521	35,020
Deferred tax assets		23,586	11,197
Deposits	12	6,826	5,497
Total non-current assets		856,998	787,861
CURRENT ASSETS			
Inventories		601,293	441,617
Trade receivables	11	62,675	64,838
Prepayments, deposits and other receivables	12	56,641	49,839
Cash and cash equivalents		179,607	195,090
Total current assets		900,216	751,384
CURRENT LIABILITIES			
Trade and bills payables	13	44,087	63,955
Interest-bearing bank borrowings	14	48,000	20,000
Tax payable		18,148	11,105
Other payables and accruals	15	149,591	223,306
Total current liabilities		259,826	318,366
NET CURRENT ASSETS		640,390	433,018
TOTAL ASSETS LESS CURRENT LIABILITIES		1,497,388	1,220,879
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	163,500	65,000
Deferred liabilities		4,234	3,471
Deferred tax liabilities		37,045	20,854
Other payables	15	22,683	21,882
Total non-current liabilities		227,462	111,207
Net assets		1,269,926	1,109,672
EQUITY			
Equity attributable to owners of the Company			
Issued capital		4,113	4,067
Reserves		1,265,813	1,105,605
Total equity		1,269,926	1,109,672

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 (the "HKICPA"), 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 the 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 POLICY AND DISCLOSURES

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-lnt 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-lnt 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and the amendment to HKAS 1 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. The key amendment most applicable to the Group is HKAS 1 *Presentation of Financial Statements.* This amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

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.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-lnt 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those changes that are expected to affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in income statement, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in income statement. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to the income statement at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that is carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expected to adopt HKAS 12 Amendments from 1 January 2012. Upon the adoption, the Group's deferred tax liability with respect to investment property located in Hong Kong is expected to be reduced.

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 location of the customers, and the total non-current assets information, other than deferred tax assets, is based on the location of the assets.

	Mainland China		Hong Kong		Others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	1,590,288	1,244,878	91,189	89,263	13,510	15,705	1,694,987	1,349,846
Non-current assets	770,063	717,171	63,349	59,493	-	-	833,412	776,664
Capital expenditure incurred during the year	52,983	503,577	276	2,192	-	-	53,259	505,769

For the years ended 31 December 2011 and 2010, as no 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, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

5. OTHER INCOME AND GAINS

	2011 HK$'000	2010 HK$'000
Other income		
Subsidy income*	13,405	115
Gross rental income	4,241	2,242
Bank interest income	853	2,389
Royalty income	367	176
Others	4,988	662
	23,854	5,584
Gains		
Foreign exchange differences, net	22,750	17,999
Changes in fair value of investment properties	10,916	4,125
	33,666	22,124
	57,520	27,708

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

6. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Total interest on bank loans wholly repayable within five years	2,242	1,320
Less: Interest capitalised	-	(1,223)
Interest expenses charged to the income statement	2,242	97

7. PROFIT BEFORE TAX

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

	2011 HK$'000	2010 HK$'000
Cost of inventories sold	300,615	263,730
Depreciation	34,285	24,152
Amortisation of prepaid land lease payments	770	257
Minimum lease payments under operating leases in respect of:		
Land and buildings	63,196	52,137
Contingent rents of retail outlets in department stores	412,634	333,089
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	446,707	321,958
Provision/(write-back of provision) for long service payments	763	(600)
Retirement benefit scheme contributions	39,082	24,503
Equity-settled share option expenses	13,419	1,154
	499,971	347,015
Auditors' remuneration	2,590	2,350
Advertising and counter decoration expenses	108,696	105,371
Provision/(write-back of provision) for obsolete inventories, net*	(5,720)	18,639
Impairment of trade receivables	448	137
Write-off of trade receivables	-	23
Research and development expenditure	3,421	1,668
Loss on disposal/write-off of items of property, plant and equipment	6	307
Gross and net rental income	(4,241)	(2,242)
Changes in fair value of investment properties	(10,916)	(4,125)
Foreign exchange differences, net	(22,750)	(17,999)
Bank interest income	(853)	(2,389)

* The provision/(write-back of provision) for obsolete inventories, net is included in "Cost of sales" on the face of the consolidated income statement.

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Pursuant to the Enterprise Income Tax Law (the "New PRC Tax Law") of the PRC being effective on 1 January 2008, the PRC income tax rate is unified to 25% for all enterprises. Under an implementation guidance note of the New PRC Tax Law, enterprises established before the publication of the New PRC Tax Law were entitled to preferential treatments of a reduced corporate income tax rate (the "CIT rate") granted by the relevant tax authorities. The new CIT rate would be gradually increased from the preferential rate to 25% within five years after the effective date of the New PRC Tax Law on 1 January 2008. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

In addition, taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2011 HK$'000	2010 HK$'000
Group:		
Current - Hong Kong		
Charge for the year	518	472
Overprovision in prior years	(349)	(134)
Current - Mainland China		
Charge for the year	69,271	57,210
Underprovision/ (overprovision) in prior years	1	(1)
Deferred	2,513	1,948
Total tax charge for the year	71,954	59,495

9. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Dividends paid during the year:		
Final and special in respect of the financial year ended 31 December 2010 – HK5.00 cents and HK3.00 cents, respectively, per ordinary share (2010: final and special dividends of HK5.00 cents and HK2.00 cents, respectively, per ordinary share in respect of the financial year ended 31 December 2009)	32,803	28,300
Interim – HK3.00 cents (2010: HK3.00 cents) per ordinary share	12,305	12,170
	45,108	40,470
Proposed final and special dividends:		
Final and special – HK7.00 cents (2010: HK5.00 cents) and HK2.00 cents (2010: HK3.00 cents), respectively, per ordinary share	37,025	32,602

The proposed final and special dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect the dividend payable.

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of the basic and diluted earnings per share are based on the following data:

	2011 HK$'000	2010 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	159,314	126,189
	'000	'000
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	409,423	404,277
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the year	5,343	9,170
Weighted average number of ordinary shares for the purpose of diluted earnings per share	414,766	413,447

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 from 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:

	2011 HK$'000	2010 HK$'000
Within 90 days	60,867	62,291
91 to 180 days	1,808	2,547
181 to 360 days	606	239
Over 360 days	92	11
	63,373	65,088
Less: Impairment allowance	(698)	(250)
	62,675	64,838

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2011 HK$'000	2010 HK$'000
Prepaid land lease payments		780	752
Deposit paid and related direct cost for the land use rights in Shandong	(i)	2,568	2,478
Deposits for acquisition of items of property, plant and equipment		4,258	3,019
Prepayments		9,373	6,317
Deposits and other receivables		46,488	42,770
		63,467	55,336
Current portion included in prepayments, deposits and other receivables		(56,641)	(49,839)
Non-current portion		6,826	5,497

None of the above assets 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.

Note:

(i) During the reporting period ended 31 December 2009, the deposit of RMB18,540,000 paid for the land use rights is the total consideration for the land with an area of 123,350 square metres (the "Shandong Factory Phase II") adjacent to the land of the Group's factory located in Jinan City, Shandong Province, the PRC.

In December 2010, the deposit of RMB16,826,000 has been utilised for the grant of land use rights for a piece of land with an area of 111,944 square metres and has been reclassified as prepaid land lease payments.

The remaining balance for deposit paid and related direct cost for the land use right for a piece of land with an area of 11,406 square metres of RMB2,106,000 (approximately HK$2,568,000) were included in prepayments, deposits and other receivables as at 31 December 2011.

13. TRADE AND BILLS PAYABLES

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

	2011 HK$'000	2010 HK$'000
Within 90 days	31,594	57,979
91 to 180 days	10,906	4,704
181 to 360 days	1,521	741
Over 360 days	66	531
	44,087	63,955

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

14. INTEREST-BEARING BANK BORROWINGS

	2011			2010		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	HIBOR +1.08 to HIBOR +2.50	2012	48,000	HIBOR +1.08	2011	20,000
Non-current						
Bank loans – unsecured	HIBOR +1.08 to HIBOR +2.25	2013-2016	163,500	HIBOR +1.08	2012-2015	65,000

	2011 HK$'000	2010 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	48,000	20,000
In the second year	53,000	20,000
In the third to fifth years, inclusive	110,500	45,000
	211,500	85,000
Less: Amount repayable within one year and classified as current portion	(48,000)	(20,000)
Amount classified as non-current portion	163,500	65,000

The above bank loans are denominated in Hong Kong dollars. The bank loans are supported by corporate guarantees given by the Company, bear interest at rates ranging from 1.08% to 2.50% above the Hong Kong Interbank Offered Rate ("HIBOR") per annum.

15. OTHER PAYABLES AND ACCRUALS

	2011 HK$'000	2010 HK$'000
Other payables	84,769	167,935
Accruals	87,505	77,253
	172,274	245,188
Current portion included in other payables and accruals	(149,591)	(223,306)
Non-current portion	22,683	21,882

Other payables of the Group at 31 December 2011 included a subsidy of RMB18,600,000 (approximately HK$22,683,000) (2010: RMB18,600,000, approximately HK$21,882,000) received from the People's Government of Jinan, Shandong Province, the PRC, for the construction cost of basic infrastructure to be incurred by the Group for the Shandong Factory Phase II development.

The amount of HK$6,537,000 (2010: HK$5,980,000) included in other payables of the Group was due to related companies as at 31 December 2011. The balances of other payables were unsecured, interest-free and repayable in accordance with normal trading terms.

Other payables are non-interest-bearing.

16. COMMITMENTS

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

	2011 HK$'000	2010 HK$'000
Contracted for capital commitments in respect of its wholly-owned investments in the PRC	-	57,976
Contracted for commitments in respect of the acquisition of property, plant and equipment	10,079	12,334
Authorised, but not contracted for commitments in respect of investment in Shandong Factory Phase II development	121,844	121,898

The Company had no significant commitment at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS REVIEW

In 2011, the sovereign debt crisis in Europe continued to dampen market sentiment around the world and brought uncertainties to the global economy, thereby raising concerns about the economic outlook among various countries. In view of the complications of the domestic and international economic environment, the PRC government has taken bold regulation and control measures to improve external trade and encourage domestic consumption. These measures helped maintain growth momentum and steady development of the domestic economy. According to China's National Bureau of Statistics, the 2011 Gross Domestic Product (GDP) amounted to RMB47,156.4 billion, representing a year-on-year increase of 9.2%. The total retail sales of social consumer goods reached RMB18,122.6 billion, representing a year-on-year growth of 17.1%. Sales of daily consumer goods such as clothing exhibited a steady growth. This was a reflection that the domestic consumer demand remained robust against the backdrop of the uncertainties of the external economic landscape and the internal inflationary pressures of the previous year.

The Group has adopted a multi-brand strategy. It is well-poised to leverage its advantages of brand positioning and price differentiation, thereby expanding its market coverage and brand penetration, and seizing growth opportunities. In addition, the Group also expanded and optimised its sales network at a steady pace in order to consolidate the business foundation and support its long-term business growth.

During the year ended 31 December 2011 (the "Current Year"), the Group attained satisfactory business performance. Revenue grew by 25.57% over that of the year ended 31 December 2010 (the "Prior Year") to HK$1,694,987,000. The increase in staff costs, rising contingent rents and rental of sales outlets, as well as accelerated pace of shop opening during the year have fuelled a rapid increase of 28.80% in selling and distribution expenses. Profit attributable to owners of the Company was HK$159,314,000, which increased by 26.25% when compared to the figure of the Prior Year. Earnings per share amounted to HK38.91 cents (2010: HK31.21 cents), representing an increase of 24.67%.

The Board of Directors of the Company resolved to declare a final dividend of HK7.00 cents (2010: HK5.00 cents) per share and a special dividend of HK2.00 cents (2010: HK3.00 cents) per share for the Current Year. Together with the interim dividend of HK3.00 cents (2010: HK3.00 cents) per share distributed, the dividend on an annual basis was HK12.00 cents per share, representing a 9.09% increase over the Prior Year.

Brand Management

Faced with the complex and volatile business environment, the Group continued to keep abreast of market conditions and customer needs and capitalise on the advantages of its multi-brand strategy, with a view to further consolidating brand strengths. The Group currently operates five brands: ***EMBRY FORM*, *FANDECIE*, *COMFIT***, ***E-BRA*** and ***LIZA CHENG**,* so as to meet the market demand for product diversification and to establish a distinguished brand reputation.

In response to market changes, the Group has put into place flexible deployment and integration of resources, as well as appropriate deployment of brand development and promotion focus, in order to maximise the effectiveness of marketing. During the year, the Group enhanced the brand positioning of its two major brands, ***EMBRY FORM*** and ***FANDECIE***. The product mix of each of the five brands was constantly optimised to promote the all-round development of the brand, thereby further uplifting the competitive edges of each brand. With an affordable price positioning of ***E-BRA**,* the fifth brand launched by the Group in the second half of 2010, the Group succeeded in expanding the customer base with relatively more basic consumer demand.

BUSINESS AND OPERATIONS REVIEW (continued)

Brand Management (continued)

The Group has made active efforts in reinforcing the promotion and publicity of brands and products through various channels, so as to enhance brand equity. During the Current Year, the Group held a number of promotional and marketing activities, including the "Glamorous & Gorgeous EMBRY FORM Press Conference & Fashion Salon " (「魅力綻放安莉芳新品發佈秀暨新女性時尚沙龍」), the "*FANDECIE* Dazzling Tour " (「芬狄詩炫秀巡禮」) and the "E-BRA Exhibition of the China International Underwear Culture Week"(「中國國際內衣文化週之 E-BRA 品牌展」). All these activities enabled us to enhance market penetration and brand awareness, and to strengthen the close relationship between the Group and distributors and customers across the country, thus boosting product sales.

In respect of the Hong Kong market, in line with the advertising effect and topic of the Prior Year, renowned fashion models and artists were invited to act as leading characters in a series of print advertisements of ***EMBRY FORM*** and to show a series of products with patented designs. Positive response was received from the market.

Sales network

Invigorated by the accelerated urbanisation of Mainland China and the steady growth of the national income, there was a huge consumer demand. Given the success of the PRC government in controlling rising price, inflationary pressures were moderately alleviated in the second half of the year, this will exert positive impacts on the overall retail market. The Group continued to strategically expand its sales network, with a coverage stretching across the first-tier cities as well as the second-tier and third-tier cities which continued to achieve rapid economic growth. The speed of shop opening during the year remained stable.

Along with the gradual emergence of the uncertainties of the external economic environment in the second half of the year, the Group sped up the closure of stores of lower operating efficiency in the fourth quarter. With the effective integration of resources, coupled with the optimisation and adjustment of the sales network structure, we have reinforced our capability to manage and control our risk exposure.

During the Current Year, the number of retail outlets of the Group registered a net increase of 195. As at 31 December 2011, the Group operated a total of 2,076 retail outlets. Out of these outlets, the number of concessionary counters and stores were 1,862 and 214 respectively.

The Group developed direct online sales channels during the Current Year, in order to test the market response towards the online shopping of lingerie products. At present, the online shopping is mainly dedicated to the selling of basic products.

BUSINESS AND OPERATIONS REVIEW (continued)

Product design, research and development

With the improving living standards of urban residents of China and the growing maturation of consumption patterns, women are increasingly in pursuit of brand names. During the Current Year, through the increase in the application of patented designs by the Group, the value of our products was enhanced. By keeping ahead of the fashion trends of the lingerie product market, we are well-positioned to meet the consumption need of customers at different levels.

During the Current Year, the Group has rolled out a variety of brand new product collections. In particular, encouraging applause was received from customers for ***EMBRY FORM***'s "Blue Christmas Series", "Simple Chic Series", "Fresh Beauty Push-up Series" and "Elegant and Sophisticated Series"; ***FANDECIE***'s "Navy Badge Series" and "Dream Polka Dot Series"; as well as ***E-BRA***'s "Leopard Series", "Butterfly Charm Series" and "Sweet Polka Dot Series".

As at 31 December 2011, the Group had 29 application patents and 13 appearance design patents, which were registered in China and/or other parts in the world.

Production capacity

Currently, the Group has three production bases located in Shenzhen, Jinan and Changzhou. The Group closely monitors the changes in the demand of the consumer market. Through regular review of the capacity allocation and flexible deployment of workshop manpower and machine capacity, we actively responded to the impact of the instability of the global economic situation, in order to achieve better operational efficiency.

Awards

In the Current Year, ***EMBRY FORM*** was honoured as the "**The Best-Selling Lingerie Products in the Industry in China in terms of Volume, Sales, Market Share** " by the China Industrial Information Issuing Centre (the "Issuing Centre") (中國行業企業信息發佈中心). The Group has been awarded this honour for sixteen consecutive years. ***FANDECIE***, the Group's another brand, was also awarded the "**Top 10 Best Sellers in the Industry in China**" for the sixth consecutive year by the Issuing Centre. In addition, ***EMBRY FORM*** was granted the "**Superbrands**" honour by Superbrands Hong Kong from 2005 to 2011 and was awarded the "**Hong Kong Top Brand**" by the Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong for five consecutive years. Furthermore, the Group's subsidiary in Shandong was awarded as "**Enterprise of Optimal Efficiency for the Year 2011**" by the Zhangqiu Municipal Committee of the Communist Party of China and Zhangqiu Municipal People's Government during the Current Year. This award was in recognition of the Group's achievements in production efficiency. Each of these awards was an illustration that the Group has carved out a leading niche and a notable reputation in the market.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS AND OPERATIONS REVIEW (continued)

Human Resources

The robust labour market in China and the adjustment in the statutory minimum wages have resulted in a continued rise in wage pressures. Quality human resources are the core value of the Group. The Group endeavoured to enhance staff loyalty through the organisation of training courses and cultural activities and the improvement in employee benefits. In line with fine-tuning of the Group's productivity development plan, there was a corresponding reduction in the number of front-line production employees. This reduction was however offset by the increased manpower needs arising from the expanded sales network. The Group’s number of employees of about 8,500 (2010: 8,600) during the Current Year was maintained at a similar level to that of the Prior Year. The total staff costs (including wages and basic salaries, commissions, bonuses, contributions to the retirement benefits scheme and equity-settled share option expenses) for the Current Year was HK$499,971,000 (2010: HK$ 347,015,000).

FINANCIAL REVIEW

Revenue

By sales channels and regions
During the Current Year, the Group's revenue was HK$1,694,987,000, representing a growth of 25.57% over the Prior Year. The growth in revenue was mainly attributable to the continued boom of the PRC retail market, the expansion of the sales network and the surge in the overall customer demand. In addition, the well-defined brand positioning strategy and the increased application of patented technology on products have contributed to a rise in the average selling price of products.

Retail sales for the Current Year amounted to HK$1,409,173,000, accounting for 83.14% of the Group's total revenue and representing an increase of 21.23% when compared to that of the Prior Year; Sales of the wholesale business increased by 42.62% from HK$171,776,000 to HK$244,990,000. During the Current Year, the ODM business accounted for an insignificant proportion of the Group's total revenue. Revenue was HK$13,510,000, representing a decrease of 13.98% when compared to that of the Prior Year. Moreover, the Group expanded into direct online sales channels during the Current Year. The electronic network was used as a sales platform for the selling of a diverse range of brand products of the Group, thereby generating a revenue contribution of HK$27,314,000.

The Mainland China market is the main source of income for the Group. During the Current Year, the revenue from the Mainland China market amounted to HK$1,590,288,000, accounting for 93.82% of the Group's total revenue and representing an increase of 27.75% over the Prior Year.

By brands and product lines
At present, the Group operates five brands: ***EMBRY FORM*, *FANDECIE*, *COMFIT*, *E-BRA*** and ***LIZA CHENG*** for customers of different age groups and purchasing power. During the Current Year, sales growth was attained for each of the five brands of the Group. ***EMBRY FORM***, our signature brand, is the main source of income. This brand showed a continued rising trend in sales, which rose by 19.66% to HK$895,582,000. ***FANDECIE***, another engine of growth, contributed a 19.35% growth, with revenue increasing to HK$582,047,000 over the Prior Year. ***COMFIT***, with a focus on functionality and quality, achieved a 7.26% growth in revenue over the Prior Year to HK$89,147,000. ***E-BRA***, a brand positioned at affordable pricing, expanded the sales network for the Group. Positive market response was obtained. Revenue grew by 8.22 times over the Prior Year to HK$108,770,000. In respect of ***LIZA CHENG***, a brand with higher positioning, revenue for the Current Year increased by 91.94% to HK$5,931,000.

The Group has built its advantages in the research and development of lingerie as well as the production technology. Accordingly, lingerie has always been the core product line of the Group. During the Current Year, sales of lingerie were HK$1,493,817,000, accounted for 88.13% of the Group's revenue, representing an increase of 25.26% over the Prior Year. Swimwear delivered a promising sales growth of 38.61%, whereas sales of sleepwear recorded an increase of 27.60%. Sales of swimwear and sleepwear for the Current Year were HK$90,533,000 and HK$90,654,000 respectively, accounting for 5.34% and 5.35% of the Group's revenue respectively. The two product lines will help extend the development of the Group's product diversification.

FINANCIAL REVIEW (continued)

Gross profit

During the Current Year, the Group recorded a gross profit of approximately HK$1,394,372,000, representing growth of about 28.38% over the Prior Year. The gross profit margin was about 82.26%, which was better than the Prior Year. Rising costs of raw materials and labour costs have led to increasing cost pressures. However, the Group's business expansion has further enhanced the economies of scale, which coupled with proper cost control measures, the enhancement of brand equity and continued increase in the proportion of sales of patented products, helped to maintain the Group's gross profit margin at a stable level.

Other income and gains

Other income increased by 107.59% to HK$57,520,000 in the Current Year. Exchange gains for the Current Year amounted to HK$22,750,000. These gains were derived from the appreciation of Renminbi arising from business operations in Mainland China. Subsidy income for the Current Year was about HK$13,405,000. This income represented the subsidies received by the Group from the local municipal government. In addition, the surge in property prices in Hong Kong and China brought a gain of HK$10,916,000 arising from the appreciation of investment properties for the Group, representing an increase of HK$6,791,000 over the Prior Year. The Group's interest income decreased by 64.29% to HK$853,000. The decrease was due to the continued low interest rates in both China and Hong Kong and the deployment of part of the cash in payment for the acquisition of Embry Tower in Shanghai.

Operating expenses

During the Current Year, selling and distribution expenses increased by 28.80% to HK$1,017,100,000 (2010: HK$789,679,000), representing 60.01% (2010: 58.50%) of the Group's revenue.

The increase in selling and distribution expenses was mainly due to the rise in contingent rents and rental of sales outlets and other related selling expenses, along with the growth in revenue and the increase in the number of retail outlets. Rising inflation in China also brought about higher pressure on operating costs, particularly increase in staff costs. In addition to the above, equity-settled share option expenses also increased.

Also, because of the net increase in the number of concessionary counters and retail stores for the Current Year by 195, including the flagship stores located in Glory Mall in Beijing, Grand Gateway 66 in Shanghai, KK Mall in Shenzhen and the Venetian Macao in Macau, expenditure on advertising and decoration of sales outlets rose by 3.16% to HK$108,696,000, accounting for 6.41% (2010: 7.81%) of the Group's revenue.

Administrative expenses increased by 45.54% to HK$195,077,000, accounting for 11.51% of the Group's revenue, compared with 9.93% in the Prior Year. The increase was mainly due to the increase in staff costs, the equity-settled share option expenses and depreciation.

In order to promote the sense of belonging and loyalty among employees, the Group has offered more competitive remuneration through the grant of share options to employees. On 18 May 2011, shares options available for subscription for a total of 20,355,000 shares of the Company (the "2011 Options") were granted under the share option scheme of the Company. During the Current Year, the total share option expenses recognised by the Company in the income statement amounted to approximately HK$15,183,000 (2010: HK$2,337,000), of which share option expenses recognised for the grant of the 2011 Options were approximately HK$14,527,000.

FINANCIAL REVIEW (continued)

Tax

The Group's effective tax rate was 31.11% in the Current Year, compared to 32.04% in the Prior Year.

Net profit

Profit attributable to owners of the Company was HK$159,314,000 in the Current Year, representing an increase of 26.25% over the Prior Year. The increase in profit attributable to owners of the Company was mainly attributable to the sustained growth in revenue, the enhanced gross profit margin and the increase in other income. The net profit margin increased slightly from 9.35% in the Prior Year to 9.40%.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flows. The financial position of the Group remained sound and healthy during the Current Year. As at 31 December 2011, the Group's cash and cash equivalents amounted to approximately HK$179,607,000 (2010: HK$195,090,000). As at 31 December 2011, the Group's borrowings amounted to HK$211,500,000 (2010: HK$85,000,000). During the Current Year, the Group did not pledge any assets to secure bank loans. Gearing ratio was approximately 16.65% as at 31 December 2011 (2010: 7.66%).

Capital Structure

As at 31 December 2011, the total issued share capital of the Company was HK$4,113,000 (2010: HK$4,067,000), comprising 411,324,000 (2010: 406,698,500) ordinary shares of HK$0.01 each. The increase in the number of issued shares was due to the exercise of the share options granted under the pre-initial public offering share option scheme and the share option scheme for certain directors and employees of the Group.

In addition, on 18 May 2011, the Company granted 20,355,000 share options to certain directors and employees of the Group under the share option scheme in order to enable them to subscribe for a total of 20,355,000 shares of HK$ 0.01 each in the ordinary share capital of the Company.

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.

Capital expenditure

The capital expenditure of the Group during the Current Year amounted to HK$53,259,000 (2010: HK$505,769,000).

FINANCIAL REVIEW (continued)

Charge on the Group's assets

As at 31 December 2011, the Group did not pledge any assets .

Foreign currency exposure

The Group carries on its trading transactions mainly in Hong Kong dollars and Renminbi. As the Group's foreign currency risks generated from sales and purchases can be largely offset by one another, the foreign currency risk is considered minimal to the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency. The Group does not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business.

Contingent liabilities

A subsidiary of the Company is currently being enquired by certain government bodies regarding the compliance of relevant foreign exchange rules in the PRC in relation to the remittance and use of funds in the course of purchase of the Embry Tower in Shanghai in 2009 and 2010. In the opinion of the directors, based on the legal advice from the Group's legal counsels, since the enquiry process is not yet concluded, whether or not the relevant company will be subject to any punishment and, if so, the amount of the ultimate liabilities (if any) cannot be measured with sufficient reliability, no provision has been made at this time.

Save as disclosed above, the Group had no other significant contingent liabilities or any litigation or arbitration of material importance.

PROSPECT

Looking ahead to 2012, China will be inevitably affected to a certain extent given the uncertainty in the global economy as a result of the sovereign debt crisis in Europe and the slowdown of economic growth in the countries around the world. On the other hand, the continued inflationary pressures in China and the rising labour costs will lead to increasing operating cost pressures. Against this background, benefiting from greater intensity of efforts on macro-economic control measures by the central government, speeded up urbanisation, and further increase in national income levels, strong domestic consumer demand is gradually created. The overall economy is set to maintain steady and rational development.

As a market leader in the lingerie industry in China, the Group will continue to remain cautiously optimistic towards its business development. To stay ahead of the challenging market environment, the Group will adhere to a sustainable business strategy, with a view to seizing valuable opportunities emerging from the rise in the national income and the improvement in the quality of life, and to capturing the immense growth potential embedded in the second-tier and third-tier cities in China. Through efforts over the years, the development of the flagship brand ***EMBRY FORM*** has reaped fruitful results; the younger brand ***FANDECIE*** has successfully expanded into a broader customer base since its image upgrade in last year.

As the market environment is still subject to the impact of the instability of the domestic and international economy, the Group will expand and continue to optimise its sales network in a prudent manner, with a goal to adding about 150 retail outlets across the country. In connection with production, the Group will continue to closely monitor market demand and strengthen capacity management. The Group will also appropriately regulate the pace of the preliminary planning work of the Phase II development of Shandong plant, so as to achieve higher production efficiency.

Armed with the Group’s strong multi-brand edges and prudent development strategies, the Group will constantly optimise its sales network and develop an enriched diversity of innovative product portfolio in order to build up its competitive advantages. Efforts will be made to grasp more market opportunities and fortify the Group's leading position in the retail market, thereby fostering steady business growth and creating greater returns for our shareholders.

OTHER INFORMATION

FINAL AND SPECIAL DIVIDENDS
The Board has resolved to recommend the payment of a final dividend of HK7.00 cents and a special dividend of HK2.00 cents per ordinary share in respect of the year, to shareholders on the register of members of the Company on 29 May 2012, resulting in an appropriation of approximately HK$37,025,000.

The proposed final and special dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company ("AGM") expected to be held on 22 May 2012. The proposed final and special dividends will be payable on or about 12 June 2012.

CLOSURE OF REGISTER OF MEMBERS
(a) Entitlement to Attend and Vote at the AGM
The register of members of the Company will be closed from Friday, 18 May 2012 to Tuesday, 22 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 17 May 2012.

(b) Entitlement to the Proposed Final and Special Dividends
The register of members will be closed from Monday, 28 May 2012 to Tuesday, 29 May 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final and special dividends, all duly completed 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 25 May 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES
Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES
The Company complied with the applicable code provisions as set out in the Code on Corporate Governance Practices 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 2011 annual report.

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for securities transactions. Having made specific enquiry of all the Directors, all the Directors confirmed that they complied with the required standard set out in the Model Code during the year.

The Company has also complied with the requirement of the Listing Rules relating to the appointment of at least three independent non-executive directors and one of whom must have appropriate professional qualifications or accounting or related financial management expertise.

The audit committee of the Company has met with the external auditors of the Company, Messrs. Ernst & Young, to review the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2011, and is of the opinion that the consolidated results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made. The audit committee is composed of three independent non-executive Directors of the Company, 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.

PUBLICATION OF 2011 ANNUAL REPORT

The 2011 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 website of the Company at http://www.embryform.com and the "HKExnews" website of 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, 28 March 2012

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