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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 2008

RESULTS HIGHLIGHTS

	2008 *(HK$ Million)*	**2007** *(HK$ Million)*	**Change**
Revenue	973.3	711.7	+36.8%
Gross profit	765.0	551.5	+38.7%
Gross profit margin	78.6%	77.5%	+1.1% pts
Operating profit	72.0	80.5	-10.6%
Gain on disposal of subsidiaries (one-off gain)	-	42.0	N/A
Profit for the year attributable to equity holders	72.0	122.5	-41.2%
	(HK cents)	*(HK cents)*	
Basic earnings per share	17.95	30.63	-41.4%
Proposed final dividend per share	3.0	6.0	-50.0%
Proposed special dividend per share	3.0	-	N/A

The board of directors (the "Board" or "Directors") of Embry Holdings Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008, together with the comparative figures in 2007 and the relevant explanatory notes, as set out below.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	4	973,342	711,668
Cost of sales		(208,321)	(160,123)
Gross profit		765,021	551,545
Other income and gains	5	18,752	69,240
Selling and distribution expenses		(569,563)	(396,846)
Administrative expenses		(116,385)	(80,439)
Other expenses		(2,720)	(143)
Finance costs	6	(2)	(118)
PROFIT BEFORE TAX	7	95,103	143,239
Tax	8	(23,120)	(20,723)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		71,983	122,516
DIVIDENDS	9	32,091	32,000
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	10		
- Basic (HK cents)		17.95	30.63
- Diluted (HK cents)		17.83	30.29

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		205,200	164,294
Investment property		30,000	31,000
Prepaid land lease payments		3,863	3,730
Deferred tax asset		3,361	-
Deposits		455	1,988
Total non-current assets		242,879	201,012
CURRENT ASSETS			
Inventories		360,342	295,959
Trade receivables	11	41,703	31,912
Prepayments, deposits and other receivables		24,735	33,948
Due from a related company		-	22,400
Financial assets at fair value through profit or loss		23,014	-
Cash and cash equivalents		336,500	349,247
Total current assets		786,294	733,466
CURRENT LIABILITIES			
Trade and bills payables	12	33,021	32,842
Tax payable		11,425	3,604
Other payables and accruals		64,937	52,652
Total current liabilities		109,383	89,098
NET CURRENT ASSETS		676,911	644,368
TOTAL ASSETS LESS CURRENT LIABILITIES		919,790	845,380
NON-CURRENT LIABILITIES			
Deferred liabilities		4,838	3,388
Deferred tax liabilities		6,522	2,532
Total non-current liabilities		11,360	5,920
Net assets		908,430	839,460
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		4,011	4,003
Reserves		880,351	811,457
Proposed final and special dividends	9	24,068	24,000
Total equity		908,430	839,460

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 property and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all amounts are rounded to the nearest thousand (HK$'000) except where otherwise indicated.

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The principal effects of adopting these new and revised HKFRSs are as follows:

a) Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

b) HK(IFRIC)-Int 11 HKFRS 2 - Group and Treasury Share Transactions

As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

c) HK(IFRIC)-Int 12 Service Concession Arrangements

No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

d) HK(IFRIC)-Int 14 HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

2.2 IMPACT OF 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 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment - Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation [1]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items [2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [1]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate [1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation [1]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners [2]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the accounting periods on or after 1 January 2010, other amendments are effective for accounting periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[1] Effective for accounting periods beginning on or after 1 January 2009
[2] Effective for accounting periods beginning on or after 1 January 2010
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

The Group's primary business segment is the manufacture and sale of ladies' brassieres, panties, swimwear and sleepwear. Since this is the only business segment of the Group, no further analysis thereof is presented.

Segment information is presented below in respect of the Group's geographical segment, which is regarded as the secondary segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

	Mainland China		Hong Kong		Others		Total	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Revenue from external customers	856,113	590,697	90,743	83,558	26,486	37,413	973,342	711,668
Segment assets	783,057	568,528	246,116	365,950	-	-	1,029,173	934,478
Capital expenditure incurred during the year	55,095	100,910	190	374	-	-	55,285	101,284

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

	2008 HK$'000	2007 HK$'000
Other income		
Bank interest income	5,392	11,935
Other interest income	281	-
Gross rental income	2,074	2,167
Subsidy income from the People's Republic of China (the "PRC") government:		
Reinvestment tax refunds #	2,852	1,811
Energy saving technology and product award fund *	561	-
Enterprises development fund *	132	-
Patent subsidies *	56	-
Others	1,398	1,373
	12,746	17,286

5. OTHER INCOME AND GAINS (continued)

	2008 HK$'000	2007 HK$'000
Gains		
Gain on disposal of subsidiaries	-	41,998
Fair value gains on financial assets at fair value through profit or loss	283	-
Foreign exchange differences, net	6,723	6,656
Changes in fair value of an investment property	(1,000)	3,300
	6,006	51,954
	18,752	69,240

According to the Income Tax Law of the PRC, the Group is entitled to refunds of corporate income tax, subject to the approval from the relevant offices of the Tax Bureau in the PRC. In prior years, the Group reinvested the profit distributions received from its subsidiary in a new entity established in the PRC and received approvals from the Tax Bureau in relation to the reinvestment tax refunds. The refunds are determined based on certain percentages of the profit distribution reinvested in prior years.

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

6. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
Bank loans and overdrafts repayable within five years	2	5
Bank loans repayable over five years	-	113
Total interest	2	118

7. PROFIT BEFORE TAX

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

	2008 HK$'000	2007 HK$'000
Cost of inventories sold	208,321	160,123
Depreciation	23,621	10,342
Amortisation of prepaid land lease payments	60	62
Minimum lease payments under operating leases in respect of:		
Land and buildings	40,940	25,982
Contingent rents of retail outlets in department stores	243,527	171,826
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	203,124	146,843
Provision for long service payments	1,521	192
Retirement benefits scheme contributions	25,966	17,100
Equity-settled share option expenses	1,475	3,472
	232,086	167,607
Auditors' remuneration	2,560	2,178
Advertising and counter decoration expenses	82,890	57,706
Provision for obsolete inventories, net	9,234	9,075
Write-back of impairment allowance of trade receivables	(730)	(316)
Write-off of trade receivables	968	-
Research and development expenditure	2,764	1,751
Loss on write-off of items of property, plant and equipment	65	152
Fair value gains on financial assets at fair value through profit or loss	(283)	-
Gross and net rental income	(2,074)	(2,167)
Changes in fair value of an investment property	1,000	(3,300)
Gain on disposal of subsidiaries	-	(41,998)
Foreign exchange differences, net	(6,723)	(6,656)
Bank interest income	(5,392)	(11,935)
Other interest income	(281)	-

8. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008.

Pursuant to the Corporate 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 (the "Implementation Guidance"), 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 5 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, based on existing legislation, interpretations and practices in respect thereof.

	2008 HK$'000	2007 HK$'000
Group:		
Current - Hong Kong	715	500
Current - Mainland China		
Charge for the year	21,812	19,482
Underprovision/(overprovision) in prior years	(36)	59
Deferred	629	682
Total tax charge for the year	23,120	20,723

9. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Interim - HK2.0 cents (2007: HK2.0 cents) per ordinary share	8,023	8,000
Proposed final and special - HK3.0 cents (2007: HK6.0 cents) and HK3.0 cents (2007: Nil), respectively, per ordinary share	24,068	24,000
	32,091	32,000

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.

10. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for the year ended 31 December 2008 is based on the profit for the year attributable to ordinary equity holders of the Company of HK$71,983,000 (2007: HK$122,516,000) and the weighted average of 400,989,000 (2007: 400,003,000) ordinary shares during the year.

The calculation of diluted earnings per share for the year ended 31 December 2008 is based on the profit attributable to ordinary equity holders of the Company of HK$71,983,000 (2007: HK$122,516,000). The weighted average number of ordinary shares used in the calculation is the 400,989,000 (2007: 400,003,000) ordinary shares as used in the basic earnings per share calculation, and the weighted average of 2,679,000 (2007: 4,532,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year.

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. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	2008 HK$'000	2007 HK$'000
Within 90 days	40,376	31,023
91 to 180 days	1,330	892
181 to 360 days	174	649
Over 360 days	164	1,026
	42,044	33,590
Less: Impairment allowance	(341)	(1,678)
	41,703	31,912

The carrying amounts of trade receivables approximate to their fair values.

12. TRADE AND BILLS PAYABLES

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

	2008 HK$'000	2007 HK$'000
Within 90 days	27,517	28,403
91 to 180 days	1,938	2,601
181 to 360 days	764	746
Over 360 days	2,802	1,092
	33,021	32,842

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

BUSINESS AND OPERATION REVIEW

The Group witnessed a successful year in 2008 by delivering a remarkable growth in revenue of 36.8% to HK$973.3 million. This far exceeded the compound annual growth rate in revenue of 13.5% between 2003 and 2007. The directors of the Company attributed this success to its well-planned brand management strategy, and aggressive and yet cautious network expansion plan. These sales initiatives were well supported by the experienced product development team as well as good quality controls resulted from a fully integrated business model.

In order to maintain its market leading position, the Group opened more than 200 new outlets in China in 2008. Such expansion inevitably resulted in higher payroll costs and decoration expenses especially in the initial stage of operations. The Group also rejuvenated the shop image of its ***FANDECIE*** brand during the year, in order to enhance its brand equity. On the other hand, in the second quarter of 2008, construction of the first phase of the Group's new plant in Zhangqiu City, Shandong Province (the "Shandong Industrial Park") was completed and it has since commenced operations. This will fuel the long term growth of the Group but has resulted in higher operating expenses in the near term. The above growth initiatives impacted the financial performance of the Group in 2008, resulting in a decrease of 41.2% in net profit to HK$72.0 million.

Brand management

To maintain the long-term growth momentum, the Group continued to promote and consolidate its three major brands, namely ***EMBRY FORM***, ***FANDECIE*** and ***COMFIT*** during the year ended 31 December 2008 (the "Current Year"). By adopting vigorous brand promotion strategies, the Group sought to refine the image of these brands during the Current Year. Aside from participating in regular lingerie trade fairs, the Group also focused on special promotion campaigns to strengthen the brands' image. Such campaigns received positive feedback from consumers. In the Current Year, the Group held a number of marketing events including the Lingerie Show at Shenzhen Road & Bridge Construction Group Corporation (路橋集團), Spring/Summer Collection Press Conference at Shanghai Jiuguang Department Store, "Path to Beauty" Patented Designs Roadshow in Shenyang, Summer Swimwear Festival and Swimwear Show at Shenzhen Maoye Huaqiang Bei Department Store. The Group also sponsored the costume for the models participating in the CCTV Model Competition. Furthermore, the Group continued to advertise and enhance publicity through different kinds of media. For instance, in the third quarter of 2008, the Group engaged a TV star for filming a series of print advertisements and television commercials to promote and present the various patented designs in Hong Kong.

Sales network

During the Current Year, the Group continued to expand its sales network aggressively with caution. In view of the strong market potential in China and the fact that there were quite a lot of underdeveloped areas, the Group opened more than 200 new retail outlets nationwide. The Group's total number of retail outlets in Mainland China, Hong Kong and Macau increased from 1,352 in 2007 to 1,557 in 2008, with the number of concessionary counters growing from 1,269 in 2007 to 1,440 in 2008 and the number of retail shops increasing from 83 in 2007 to 117 in 2008.

BUSINESS AND OPERATION REVIEW (continued)

Product design and development

Always striving for excellence, the Group continued to devote resources to the design, research and development of quality products that meet market needs. By fulfilling the ever-growing consumer demand, the Group has been able to create value and generate returns. Leveraging the Group's unique patented designs such as 3D Contour Support, Supportflex, Intelligent Straps, Breathable Cup, Invisible Cup, Seamless Back, Self-lock Antiskid Adjusting Buckle and Deep V Underwear, various collections were launched during the year in response to market trends and customer preferences. Those products with patented designs were well received by the market.

As at 31 December 2008, the Group had 19 applications patents and 13 appearance design patents registered in China and/or elsewhere in the world.

Production capacity

After the Shandong Industrial Park was commissioned, the annual production capacity of the Group's production bases was 14.8 million standard product units in aggregate in 2008. The increase of 3.0 million standard product units over 2007 enabled the Group to meet market demand in relation to business expansion in the future.

Awards

For the Current Year, ***EMBRY FORM*** was named "***The 2008 Best-selling Lingerie Products in the Industry in China***" for thirteen consecutive years by the China Industrial Information Issuing Center (中國行業企業信息發佈中心) (the "Issuing Center") in China. The Group's younger brand ***FANDECIE*** was also accredited with the "***Top 10 Best Sellers in the Industry in China***" award for three consecutive years by the Issuing Center. In addition, the Group was granted the "***Superbrands***" status by Superbrands Hong Kong from 2005-2008 and accredited as the "***Hong Kong Top Brand"*** by the Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong for two consecutive years. ***EMBRY FORM*** was also named the Signature Brand of the Lingerie Industry in China by the China Brand Research Institute. All these accolades speak volumes for the Group's excellent reputation and market leading position.

Human resources

As at 31 December 2008, the Group had approximately 6,800 employees (2007: 5,800). The Group's total staff costs (including wages and basic salaries, commission, bonus, retirement benefits scheme contributions) amounted to approximately HK$247.5 million in the Current Year (2007: HK$178.1 million).

Remuneration of employees is determined with reference to the market standard, individual performance and working experience, and certain staff members are entitled to commissions and share options. In addition to the basic salaries, the Group also provides, depending on the results of the Group and individual performance, discretionary bonuses in order to retain quality employees. In addition to offering competitive remuneration packages, the Group also put great emphasis on the investment in human resources. The Group organised various staff training courses regularly, with a view to enhancing their skills and knowledge.

FINANCIAL REVIEW

Revenue

By sales channel and location

For the Current Year, the Group's revenue was HK$973.3 million, representing a 36.8% increase from HK$711.7 million recorded in the year ended 31 December 2007 (the "Prior Year"). The increase was mainly attributable to satisfactory results achieved in same store sales, coupled with a steady network expansion nationwide. Retail sales were HK$857.6 million in the Current Year, accounting for 88.1% of the Group's revenue and representing an increase of 35.8% over the Prior Year. In addition to selling directly to consumers through its own network, the Group also made use of distributors to expand its network more efficiently. Wholesale business more than doubled to HK$89.3 million in the Current Year.

Mainland China remained to be the Group's core market. Revenue in Mainland China was HK$856.1 million in the Current Year, accounting for 88.0% of the Group's revenue and representing an increase of 44.9% over the Prior Year. In addition to sales growth, the appreciation of RMB against HK dollars also contributed to the remarkable revenue growth in Mainland China. Although Hong Kong is a relatively mature market, the Group was able to deliver a growth in revenue of 8.6% in the Hong Kong market with sales amounting to HK$90.7 million in the Current Year.

By brand and product line

As for brands, the Group's multi-brand strategy started paying dividends in the Current Year. While ***EMBRY FORM***, its signature brand, delivered a satisfactory growth of 32.7% in revenue to HK$585.5 million, ***FANDECIE***, its younger brand, achieved a remarkable growth of 61.6% in revenue to HK$306.9 million. ***COMFIT***, a brand focusing on functions and quality, also grew by 27.9% in revenue to HK$54.4 million, despite its relatively short history.

Lingerie has always been the Group's core product line as a result of its core competencies in the research and development, and production of lingerie. Sales of lingerie were HK$843.6 million in the Current Year, accounting for 86.7% of the Group's revenue and representing an increase of 44.4% over the Prior Year. Sleepwear and swimwear also delivered modest growth of 27.2% and 29.8% respectively in the Current Year. Sales of sleepwear and swimwear were HK$51.8 million and HK$47.4 million respectively, accounting for 5.3% and 4.9% respectively of the Group's revenue in the Current Year. These two product lines help complement the product range that the Group offers to consumers.

Gross profit

The Group's gross profit was HK$765.0 million in the Current Year, representing a growth of approximately 38.7% over the Prior Year. Thanks to the innovative products including patented products regularly launched in the Current Year, the Group maintained a leading position in the mid to high end lingerie market in China. As new products provide better value to customers, they generally command a higher selling price and therefore enable the Group to enjoy a healthy gross profit margin while costs of raw materials such as fabrics and lace remained fairly stable in the Current Year. While the output in the Shandong Industrial Park was still low after its commissioning in the second quarter of 2008, depreciation charge inevitably accounted for a greater proportion in cost of sales in the Current Year. In addition, the Group reviewed its depreciation policy and reduced the residual value of its fixed assets in the Current Year, resulting in an additional depreciation charge of HK$2.1 million being recorded in cost of sales. Nevertheless, the benefits achieved by selling higher value added products outweighed the increase in depreciation charges and other overheads in the new plant. Gross profit margin therefore improved slightly from 77.5% in the Prior Year to 78.6% in the Current Year.

FINANCIAL REVIEW (continued)

Other income and gains
Other income decreased by 72.8% to HK$18.8 million in the Current Year. It was mainly attributable to a one-off disposal gain of HK$42.0 million in relation to the Group's industrial complex in Changzhou, Jiangsu Province recorded in the Prior Year. In addition, as interest rates in China and Hong Kong were reduced a few times during the Current Year, the Group's interest income more than halved to HK$5.4 million.

Selling and distribution expenses
Selling and distribution expenses were HK$569.6 million in the Current Year, representing an increase of 43.5% over the Prior Year. Contingent rents of retail outlets in department stores increased by 41.7% to HK$243.5 million and accounted for 25.0% of the Group's revenue in the Current Year compared to 24.1% in the Prior Year. Such increase was partly due to temporary increase in contingent rental rates charged by department stores during the periods of promotion which took place more often than before in the fourth quarter of 2008. In the Current Year, the net increase of 205 new counters and shops resulted in a significant increase in decoration expenses. In addition, the Group also carried out counter upgrade regularly and, in particular, refined and rejuvenated the shop image of its ***FANDECIE*** brand. As a result, advertising and counter decoration expenses increased by 43.6% to HK$82.9 million and accounted for 8.5% of the Group's revenue compared to 8.1% in the Prior Year. The Group also increased headcount in its sales network amid expansion. The above three factors contributed to the increase in selling and distribution expenses which accounted for 58.5% of the Group's revenue compared to 55.8% in the Prior Year.

Administrative expenses
Administrative expenses were HK$116.4 million in the Current Year, representing an increase of 44.8% over the Prior Year and accounted for 12.0% of the Group's revenue in the Current Year compared to 11.3% in the Prior Year. Such increase was mainly attributable to the administrative expenses of HK$10.3 million incurred in the Shandong Industrial Park which started operations in April 2008. In addition, the reduction in the residual value of its fixed assets mentioned above also resulted in an additional depreciation charge of HK$2.4 million being recorded in administrative expenses.

Tax
The Group's effective tax rate was 24.3% in the Current Year, compared to 14.5% in the Prior Year. Excluding the one-off gain of HK$42.0 million, the effective tax rate was 20.5% in the Prior Year. The increase in effective tax rate was mainly due to the changes in tax law in China. For instance, the Group's principal subsidiary in Shenzhen was subject to corporate income tax at a rate of 18.0% in the Current Year as opposed to 15.0% in the Prior Year.

Net profit
The profit attributable to equity holders of the Company was HK$72.0 million in the Current Year, representing a decrease of 41.2% over the Prior Year. Excluding the one-off gain of HK$42.0 million recorded in the Prior Year, the decrease would be 10.6%.

Although the Group delivered an improvement in gross profit margin, this was not sufficient to cover the increase in operating expenses described above. The net profit margin was therefore reduced to 7.4% in the Current Year compared to 11.3% in the Prior Year (calculated on the basis of excluding the one-off gain mentioned above).

Liquidity and financial resources
The Group generally finances its operations with internally generated cash flow and proceeds from initial public offering ("IPO proceeds"). The financial position of the Group remained sound and healthy during the Current Year. As at 31 December 2008, the Group had cash and cash equivalents of approximately HK$336.5 million (2007: HK$349.2 million). As at 31 December 2008 and 2007, the Group did not have any interest-bearing bank borrowings.

FINANCIAL REVIEW (continued)

Capital expenditure

In the Current Year, the Group's capital expenditure amounted to HK$55.3 million (2007: HK$101.3 million). Such capital expenditure was financed by the IPO proceeds and the internally generated cash flow.

PROSPECT

In 2009, the global economy will be fraught with uncertainties. Governments of different countries have come up with bailout plans to mitigate the negative economic impact of the financial tsunami. In the second half of 2008, the Chinese government also took firm actions to stimulate the economy. The measures taken by the Chinese government included increasing money supply, stepping up investment in infrastructure construction and stimulating domestic demand, hoping that the economic growth can be sustained at a healthy level. The actual effects of the measures remain to be seen, nonetheless, the recession facing Europe and the US is set to slow down China's economic growth to some degree.

Against this economic backdrop, the Group is cautiously optimistic about the business prospect of the lingerie industry in China. It will therefore maintain a prudent policy and seek to strengthen its market leading position in 2009. To achieve this, it will take a pragmatic approach to seek strategic expansion of its sales network by opening more than 100 retail outlets across China and close down inefficient outlets where appropriate. In view of the growth potential in China market, the Group will step up efforts in penetrating into underdeveloped cities by opening self-managed retail outlets or selling through qualified distributors.

Brand equity is an important asset. The Group will continue to enhance the equity of the brands that it has developed by investing in production technology and developing its own intellectual property rights. It will also optimise its production planning and quality control, so as to ensure that its products are of top quality and are able to meet the needs of the customers. The Group will also be carrying out various advertising and promotion campaigns in relation to product launch and shop image revival. All in all, the Group has formulated an all-rounded strategy to maintain its market leading position and enhance its brand equity.

In order to cope with its business expansion, the Group has increased its production capacity after the Shandong Industrial Park was commissioned in the second quarter of 2008. The Group is in a position to allocate production flexibly among the three production bases in China in order to achieve better efficiency.

Although the economic slowdown in China has inevitably affected the business of the Group, and the challenging operating environment is expected to remain in the foreseeable future, the Group is fairly confident in executing its growth strategy well. The Group will continue to leverage its brand equity and expand its sales channels, thereby strengthening its market leading position and delivering business growth. The Group has always regarded human resources as an important asset. Despite the challenges ahead, it will take good care of the well being of its staff members and provide them with a pleasant working environment where their potentials can be developed. The Group will also endeavour to deliver revenue growth and implement cost control measures so as to maximise returns for its shareholders.

OTHER INFORMATION

FINAL AND SPECIAL DIVIDENDS
The Board has resolved to recommend the payment of a final dividend of HK3.0 cents and a special dividend of HK3.0 cents per ordinary share in respect of the year, to shareholders on the register of members of the Company on 2 June 2009, resulting in an appropriation of approximately HK$24.1 million.

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 expected to be held on 2 June 2009. The proposed final and special dividends will be payable on or about 9 June 2009.

CLOSURE OF REGISTER OF MEMBERS
The register of members of the Company will be closed from Wednesday, 27 May 2009 to Tuesday, 2 June 2009, both dates inclusive. During such period, no transfer of shares will be registered. In order to qualify for the proposed final and special dividends, all completed share transfer documents 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 Tuesday, 26 May 2009.

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES
The Company has complied with the applicable code provisions as set out in the Code on Corporate Governance Practices ("CG 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 2008 annual report save for the deviations from code provisions A.1.7, A.2.1 and D.1.2.

Under code provision A.1.7 of the CG Code, there should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the issuer's expense. The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/their duties to the issuer. In order to ensure full compliance with this code provision, a written "Procedure for Seeking Independent Professional Advice by Directors" was formulated in writing and endorsed by the Board during the year.

Under the second part of code provision A.2.1 of the CG Code, the division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. In order to ensure full compliance with this code provision, "Responsibilities of Chairman and Chief Executive Officer" was formulated in writing and endorsed by the Board during the year.

Under the first part of code provision D.1.2 of the CG Code, an issuer should formalise the functions reserved to the board and those delegated to management. In order to ensure full compliance with this code provision, "Responsibilities of the Board and the Management" was formulated in writing and endorsed by the Board during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (continued)
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 had 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 2008, 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 professional qualifications and experience in financial matters.

PUBLICATION OF 2008 ANNUAL REPORT
The 2008 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, 16 April 2009

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