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 2010

RESULTS HIGHLIGHTS

	2010	**2009**	**Change**
	(HK$'000)	*(HK$'000)*	
Revenue	1,349,846	1,176,089	+14.77%
Gross profit	1,086,116	941,189	+15.40%
Gross profit margin	80.46%	80.03%	+0.43% pts
Profit for the year attributable to owners	126,189	114,188	+10.51%
Net profit margin	9.35%	9.71%	-0.36% pts
	(HK cents)	*(HK cents)*	
Basic earnings per share	31.21	28.44	+9.74%
Diluted earnings per share	30.52	27.94	+9.23%
	(HK cents)	*(HK cents)*	
Interim dividend per share (paid)	3.00	3.00	N/A
Final dividend per share (proposed)	5.00	5.00	N/A
Special dividend per share (proposed)	3.00	2.00	+50.00%
Total dividends per share for the year	11.00	10.00	+10.00%

The board of directors (the "Board" or "Directors") of Embry Holdings Limited (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010, together with the comparative figures in 2009 and the relevant explanatory notes, as set out below.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	4	1,349,846	1,176,089
Cost of sales		(263,730)	(234,900)
Gross profit		1,086,116	941,189
Other income and gains	5	27,708	9,277
Selling and distribution expenses		(789,679)	(654,627)
Administrative expenses		(134,034)	(125,084)
Other expenses		(4,330)	(3,046)
Finance costs	6	(97)	-
PROFIT BEFORE TAX	7	185,684	167,709
Income tax expense	8	(59,495)	(53,521)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		126,189	114,188
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	10		
- Basic (HK cents)		31.21	28.44
- Diluted (HK cents)		30.52	27.94

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Profit for the year	126,189	114,188
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	20,207	1,060
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	146,396	115,248

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		518,923	203,519
Investment properties		217,224	32,000
Prepaid land lease payments		35,020	3,781
Deferred tax assets		11,197	2,609
Deposits	12	5,497	238,078
Total non-current assets		787,861	479,987
CURRENT ASSETS			
Inventories		441,617	345,556
Trade receivables	11	64,838	48,228
Prepayments, deposits and other receivables	12	49,839	23,546
Cash and cash equivalents		195,090	288,957
Total current assets		751,384	706,287
CURRENT LIABILITIES			
Trade and bills payables	13	63,955	36,823
Interest-bearing bank borrowings	14	20,000	-
Tax payable		11,105	17,996
Other payables and accruals	15	223,306	97,126
Total current liabilities		318,366	151,945
NET CURRENT ASSETS		433,018	554,342
TOTAL ASSETS LESS CURRENT LIABILITIES		1,220,879	1,034,329
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	65,000	-
Deferred liabilities		3,471	4,155
Deferred tax liabilities		20,854	14,801
Other payables	15	21,882	21,136
Total non-current liabilities		111,207	40,092
Net assets		1,109,672	994,237
EQUITY			
Equity attributable to owners of the Company			
Issued capital		4,067	4,021
Reserves		1,105,605	990,216
Total equity		1,109,672	994,237

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 amounts 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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC) – Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in Improvements to HKFRSs 2009, HK Interpretation 4 (Revised in December 2009) and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs* 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendments to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this Interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

  Upon the adoption of the amendments, the classification of leases in Mainland China remained as operating leases. As the lease in Hong Kong cannot be allocated reliably between land and building elements before the adoption of the amendments, in which case, the entire lease was generally treated as finance lease and accounted for as property, plant and equipment.

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(c) HK Interpretation 5: *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

HK Interpretation 5 requires that a loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. This Interpretation does not have a material impact on the Group's financial statements.

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 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* [2]
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 Adopter* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax Recovery of Underlying Assets* [5]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Right Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that 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 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	
	2010	2009	2010	2009	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	1,244,878	1,049,479	89,263	99,488	15,705	27,122	1,349,846	1,176,089
Non-current assets	717,171	422,998	59,493	54,380	-	-	776,664	477,378
Capital expenditure incurred during the year	503,577	20,986	2,192	177	-	-	505,769	21,163

For the years ended 31 December 2010 and 2009, 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

	2010	2009
	HK$'000	HK$'000
Other income		
Bank interest income	2,389	2,635
Gross rental income	2,242	2,099
Royalty income	176	98
Subsidy income from the People's Republic of China (the "PRC") government*	115	1,005
Others	662	1,904
	5,584	7,741

5. OTHER INCOME AND GAINS (continued)

	2010 HK$'000	2009 HK$'000
Gains		
Foreign exchange differences, net	17,999	(599)
Changes in fair value of an investment property	4,125	2,000
Fair value gains on financial assets at fair value through profit or loss	-	135
	22,124	1,536
	27,708	9,277

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

6. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Total interest on bank loan wholly repayable within five years	1,320	-
Less: Interest capitalised	(1,223)	-
Interest expenses charged to the income statement	97	-

7. PROFIT BEFORE TAX

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

	2010 HK$'000	2009 HK$'000
Cost of inventories sold	263,730	234,900
Depreciation	24,152	21,939
Amortisation of prepaid land lease payments	257	82
Minimum lease payments under operating leases in respect of:		
Land and buildings	52,137	51,273
Contingent rents of retail outlets in department stores	333,089	287,211
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	321,958	263,023
Write-back of provision for long service payments	(600)	(585)
Retirement benefit scheme contributions	24,503	20,301
Equity-settled share option expenses	1,154	2,438
	347,015	285,177
Auditors' remuneration	2,350	2,000
Advertising and counter decoration expenses	105,371	66,909
Provision for obsolete inventories, net	18,639	18,817
Impairment/(write-back of impairment allowance) of trade receivables	137	(228)
Write-off of trade receivables	23	88
Research and development expenditure	1,668	3,037
Loss on disposal/write-off of items of property, plant and equipment	307	710
Fair value gains on financial assets at fair value through profit or loss	-	(135)
Gross and net rental income	(2,242)	(2,099)
Changes in fair value of an investment property	(4,125)	(2,000)
Foreign exchange differences, net	(17,999)	599
Bank interest income	(2,389)	(2,635)

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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.

	2010 HK$'000	2009 HK$'000
Group:		
Current - Hong Kong		
Charge for the year	472	1,010
Overprovision in prior years	(134)	(133)
Current - Mainland China		
Charge for the year	57,210	43,614
Overprovision in prior years	(1)	(1)
Deferred	1,948	9,031
Total tax charge for the year	59,495	53,521

9. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Dividends paid during the year:		
Final and special in respect of the financial year ended 31 December 2009 – HK5.00 cents and HK2.00 cents, respectively, per ordinary share (2009: final and special dividends of HK3.00 cents and HK3.00 cents, respectively, in respect of the financial year ended 31 December 2008)	28,300	24,068
Interim – HK3.00 cents (2009: HK3.00 cents) per ordinary share	12,170	12,051
	40,470	36,119
Proposed final and special dividends:		
Final and special – HK5.00 cents (2009: HK5.00 cents) and HK3.00 cents (2009: HK2.00 cents), respectively, per ordinary share	32,602	28,159

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:

	2010 HK$'000	2009 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	126,189	114,188
	'000	'000
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	404,277	401,463
Effect of diluted share options	9,170	7,267
Weighted average number of ordinary shares for the purpose of diluted earnings per share	413,447	408,730

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 end of the reporting period, based on the invoice date, is as follows:

	2010 HK$'000	2009 HK$'000
Within 90 days	62,291	46,270
91 to 180 days	2,547	1,958
181 to 360 days	239	39
Over 360 days	11	74
	65,088	48,341
Less: Impairment allowance	(250)	(113)
	64,838	48,228

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2010 HK$'000	2009 HK$'000
Prepaid land lease payments		752	82
Deposit paid for acquisition of property in Shanghai	(i)	-	216,271
Deposit paid for the land use rights in Shandong	(ii)	2,478	21,068
Deposits for acquisition of items of property, plant and equipment		3,019	739
Prepayments		6,317	3,564
Deposits and other receivables		42,770	19,900
		55,336	261,624
Current portion included in prepayments, deposits and other receivables		(49,839)	(23,546)
Non-current portion		5,497	238,078

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.

Notes:

(i) Pursuant to an agreement entered into between a subsidiary of the Company and an independent third party on 15 October 2009, the Group has agreed to acquire a property located in Shanghai City, the PRC, at a consideration of approximately RMB380,638,000 which is for office and commercial use with 14 floors with a construction area of approximately 11,430 square metres. At 31 December 2009, the deposit paid was approximately RMB190,319,000. Such deposit was reclassified to the acquisition of the property in Shanghai during the reporting period ended 31 December 2010.

In the last quarter of the reporting period ended 31 December 2010, the Group has taken possession of the property. In addition to the consideration of the property, the Group has also incurred an amount of approximately RMB14,997,000 on renovation.

The total cost of the property is RMB395,635,000 (approximately HK$457,105,000), excluding the capitalising of finance costs of HK$1,223,000.

As the property was partly used as owner-occupied properties and as an investment property, the management has allocated the total cost of HK$458,328,000 between the property, plant and equipment and investment property on the gross area basis. Accordingly, HK$280,451,000 and HK$177,877,000 have been allocated to property, plant and equipment and investment property, respectively.

(ii) 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 2") 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 of a piece of land with area of 111,944 square metres and has been reclassified as prepaid land lease payments.

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:

	2010 HK$'000	2009 HK$'000
Within 90 days	57,979	33,759
91 to 180 days	4,704	1,787
181 to 360 days	741	312
Over 360 days	531	965
	63,955	36,823

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

14. INTEREST-BEARING BANK BORROWINGS

	2010			2009		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loan – unsecured	HIBOR +1.08	2011	20,000	-	-	-
Non-current						
Bank loan – unsecured	HIBOR +1.08	2012-2015	65,000	-	-	-

	2010 HK$'000	2009 HK$'000
Analysed into:		
Bank loan repayable:		
Within one year	20,000	-
In the second year	20,000	-
In the third to fifth year, inclusive	45,000	-
	85,000	-
Less: Amount repayable within one year and classified as current portion	(20,000)	-
Amount classified as non-current portion	65,000	-

The bank loan is supported by a corporate guarantee given by the Company, bears interest rate at 1.08% above the Hong Kong Interbank Offered Rate per annum and is repayable by 20 quarterly instalments.

15. OTHER PAYABLES AND ACCRUALS

	2010 HK$'000	2009 HK$'000
Other payables	167,935	61,196
Accruals	77,253	57,066
	245,188	118,262
Current portion included in other payables and accruals	(223,306)	(97,126)
Non-current portion	21,882	21,136

Other payables of the Group at 31 December 2010 included amounts of RMB86,953,000 (approximately HK$102,297,000) (2009: Nil) which was the remaining balance for the acquisition and renovation cost of the property located in Shanghai City, the PRC.

Other payables of the Group at 31 December 2010 also included a subsidy of RMB18,600,000 (approximately HK$21,882,000) (2009: RMB18,600,000, approximately HK$21,136,000) 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 2 development.

The amounts of HK$5,980,000 (2009: HK$9,093,000) included in other payables of the Group was due to related companies as at 31 December 2010. The balances 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:

	2010 HK$'000	2009 HK$'000
Contracted for capital commitments in respect of its wholly-owned investments in the PRC	57,976	293,000
Contracted for commitments in respect of		
- the acquisition of property, plant and equipment *	12,334	223,022
- the land lease payments in the PRC	-	7,599
	12,334	230,621
Authorised, but not contracted for commitments in respect of investment in Shandong Factory Phase 2 development	121,898	117,743

16. COMMITMENTS (continued)

* As at 31 December 2009, the Group had contracted for HK$223,022,000 in respect of the acquisition of the property located in Shanghai, which was also included in the above capital commitments in respect of its wholly-owned investments in the PRC.

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

BUSINESS AND OPERATION REVIEW

The world economy exhibited further complications in 2010, resulting in the different speed of recovery between the domestic and overseas economies. Due to the quantitative easing monetary policy implemented by the United States of America, liquidity in the capital market has increased. The Chinese government has taken flexible measures to prevent the possible overheating of the national economy while maintaining the recovery momentum with a view to steering the economy towards stable growth. According to the statistics from the National Bureau of Statistics of China, the gross domestic product for the year amounted to RMB39,798.3 billion, or 10.3% higher than last year, representing an accelerated growth. The prosperous economic development coupled with the increase in per-capita income and ever-rising spending power has stimulated domestic retail consumption. Although the growth in consumption slowed down slightly in the second half of the year, the growth trend was maintained with annual total retail sales of consumer products of RMB15,455.4 billion, representing a year-on-year growth of 18.4%.

Benefiting from the improved consumption environment, the Group achieved a satisfactory performance in 2010. For the year ended 31 December 2010 (the "Current Year"), the Group's revenue increased by 14.77% to HK$1,349,846,000 as compared to the year ended 31 December 2009 (the "Prior Year"). Profit attributable to owners of the Company increased by 10.51% to HK$126,189,000 as compared to the Prior Year. Earnings per share grew by 9.74% to HK31.21 cents (2009: HK28.44 cents). The Board of Directors of the Company has resolved to declare a final dividend of HK5.00 cents (2009: HK5.00 cents) and a special dividend of HK3.00 cents (2009: HK2.00 cents) per share for the Current Year. Together with the distributed interim dividend of HK3.00 cents, total dividend for the year amounted to HK11.00 cents per share, representing a 10.00% increase over the Prior Year.

Consumption pattern is evolving in tandem with the rapidly improving economic environment. In the Current Year, the Group continued to take advantages of its multi-brand strategy, differentiated positioning and pricing of each brand in order to cater for the demand and tastes of different consumers, thereby expanding its market share. With the 35th anniversary of the Group and the inauguration of the Embry Tower in Shanghai as the theme, the Group has organised a series of activities which enhanced its brand equity, and strengthened the Group's leading position in the domestic lingerie market.

Brand management

As a professional brand operator, the Group continued its diversified promotion plans by taking into account market conditions and customer needs in order to enhance equity, awareness and reputation of its brands. Following the introduction of a new brand, ***E-BRA***, in the fourth quarter of 2010, the number of brands operated by the Group has increased to five: ***EMBRY FORM***, ***FANDECIE***, ***COMFIT***, ***LC*** and ***E-BRA***, thus making the Group's brand strategy increasingly all-rounded which could better serve the needs of different customers.

The fifth brand, ***E-BRA***, is positioned as a brand catering to the mass market with affordable prices so as to attract customers with relatively basic consumption needs. The initial sales performance of ***E-BRA*** showed encouraging results. Based on these, the Group has adjusted its brand development plan. It aimed to achieve better marketing effectiveness at an early stage of development through cultivating and promoting the image of the brand.

In order to enhance the new image of ***FANDECIE,*** during the Current Year, the Group has increased its investment in the renovation of the ***FANDECIE*** stores. The stores portrayed an innovative and unique image of the young and energetic ***FANDECIE***. These initiatives have been well received by the market.

BUSINESS AND OPERATION REVIEW (continued)

Brand management (continued)

The Group has also launched a series of promotional activities in 2010 with themes, such as the "**EMBRY FORM SHARE THE MOMENT Photo Shoot Exhibition**" (**「安莉芳SHARE THE MOMENT沙龍展」**), the "**FANDECIE Dazzling Tour**" (**「芬狄詩炫秀巡禮活動」**), the "**EMBRY FORM & FANDECIE GREEN BRA GREEN LIFE Green Trendy Lingerie and Green Healthy Lifestyle**" (**「安莉芳與芬狄詩GREEN BRA GREEN LIFE綠色時尚內衣綠色健康生活」**), the "**EMBRY SHOW TIME**" tour as well as the prominent lingerie show "**MAGIC OF BODY Lingerie Show**" (**「穿越時空，華麗綻放 MAGIC OF BODY」**) with the Group's 35th anniversary as the theme, all of which achieved a great success. These activities were organised in various cities in China and encouraging response was received from the market. These activities successfully strengthened the Group's relationship with customers and distributors in different regions.

In respect of the Hong Kong market, the Group invited renowned fashion model and artists to feature in a series of print advertisements, promotional videos for the brand ***EMBRY FORM*** and new store opening. The model also featured a series of patented products for the brand, including those utilising the 3D Contour Support and Intelligent Straps patents which received positive market response.

Sales network

In the Current Year, the Group continued to optimise and expand its retail network. Due to urbanisation, incomes of both urban and rural residents have increased steadily and the consumers' purchasing power is gradually increased. The Group continued to open retail outlets in various cities and regions across China according to the purchasing power of the residents, and allocated resources to reach a broader range of customers. It has gradually shifted the focus of store expansion from prime locations in traditional major cities to peripheral areas of first-tier cities as well as to second- and third-tier cities in order to acquire opportunities brought about by changes in the economic environment.

Furthermore, the Group's flagship store in Shanghai was opened in December 2010 and contributed significantly to the enhancement of its brand image.

The Group had a net increase of 201 retail outlets nationwide during the Current Year. As at 31 December 2010, the Group operated a total number of 1,881 retail outlets, which comprised 1,719 concessionary counters and 162 retail shops.

Product design, research and development

As the living standard in China rises persistently, women have increased their attention to the characteristics of different brands and the uniqueness of their products. Following market trends and fads closely, the Group continued to allocate resources to design, research and development of new products to satisfy customer needs and attract consumption at the same time. In the Current Year, the Group launched a series of new collections. Many of these collections, such as the "Riverside Roses", the "Charismatic Collection", the "Sexy Collection" and the "Classic Lace" of ***EMBRY FORM***; the "Caramel Macchiato", the "Country Sweetie" and the "Sea Blue Sweetheart" of ***FANDECIE***; as well as a number of collections of the newly launched ***E-BRA***, have been well received by the customers.

Meanwhile, the Group also continued to input resources to develop patented products and extensive patent applications. As at 31 December 2010, the Group had 26 application patents and 13 appearance design patents registered in China and /or other parts of the world.

BUSINESS AND OPERATION REVIEW (continued)

Production capacity
The Group currently has three production bases located in Shenzhen, Changzhou and Jinan respectively. As at 31 December 2010, the Group's aggregate annual production capacity amounted to 21,200,000 standard product units. In order to satisfy the increasing market demand, the Group aimed to increase its capacity of production plants and to achieve better economy of scale by recruiting additional labour and providing better staff training to its workers.

Awards
For the Current Year, ***EMBRY FORM*** was named "**The Best-Selling Lingerie Products in the Industry in China in terms of Volume, Sales and Market Share**" for fifteen consecutive years by the China Industrial Information Issuing Centre (中國行業企業信息發佈中心) (the "Issuing Centre") in China. The Group's younger brand ***FANDECIE*** was also accredited with the "**Top 10 Best Sellers in the Industry in China**" award for five consecutive years by the Issuing Centre. In addition, ***EMBRY FORM*** was granted the "**Superbrands**" honour by Superbrands Hong Kong from 2005–2010 and was accredited as the "**Hong Kong Top Brand**" by the Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong for four consecutive years. Furthermore, in recognition of the Group's management standard in terms of production safety, Embry (Shandong) Garments Limited was awarded the "***Advanced Enterprise in Production Safety for Year 2010*** (***二零一零年度安全生產先進單位***)" by Jinan Municipal People's Government in the Current Year. All these accolades speak volumes for the Group's reputation and leading market position.

Human resources
The robust labour market in China had led to an increase in wages and turnover of workers. In the Current Year, the Group took multiple measures to retain talents and enhance staff loyalty through providing professional training courses and generous discretionary bonuses.

Following the increase in the number of retail outlets and the expansion of production bases, the Group's number of employees increased during the Current Year. As at 31 December 2010, the Group had approximately 8,600 employees (2009: 6,900). The Group's total staff costs (including wages and basic salaries, commissions, bonuses and retirement benefits scheme contributions) amounted to approximately HK$347,015,000 in the Current Year (2009: HK$285,177,000).

FINANCIAL REVIEW

Revenue

By sales channel and location

In the Current Year, the Group's revenue was HK$1,349,846,000, representing a growth of 14.77% as compared to the Prior Year. The growth was mainly attributable to the Group's well defined brand positioning strategy, expanded sales network and positive feedbacks from promotional activities. Enhanced awareness of the Group's brands and the rise in average selling prices as a result of more diversified application of patents also contributed to the growth in revenue.

Retail sales amounted to HK$1,162,365,000 in the Current Year, accounting for 86.11% of the Group's revenue and representing an increase of 13.19% from the Prior Year. Sales of the wholesale business increased by 40.76% from HK$122,038,000 to HK$171,776,000 in the Current Year. On the other hand, revenue from the ODM business dropped as the Group had focused on the production of its own branded products during the Current Year.

Mainland China remained as the Group's core market. In the Current Year, the revenue from the Mainland China market was HK$1,244,878,000, accounting for 92.22% of the Group's revenue and representing an increase of 18.62% over the Prior Year.

By brand and product line

Currently, the Group operates the following brands: ***EMBRY FORM***, ***FANDECIE***, ***COMFIT***, ***LC*** and ***E-BRA,*** which target at customers of different age groups and purchasing power. In the Current Year, the Group recorded revenue growth across all the five brands. The Group's signature brand ***EMBRY FORM***, continued its upward trend in sales and increased by 12.48% to HK$748,456,000. Revenue from ***FANDECIE*** increased by 17.16% to HK$487,680,000. ***COMFIT***, which emphases functionality and quality, gradually gained recognition and enjoyed remarkable growth, increased by 24.05% to HK$83,115,000 as compared with the Prior Year. ***E-BRA***, which was launched in the fourth quarter, expanded the channels of revenue for the Group and recorded a revenue of HK$11,800,000. In respect of ***LC***, which is positioned as a luxurious brand, revenue increased by 8.97 times to HK$3,090,000, primarily attributable to the introduction of new products during the Current Year.

Lingerie has always been the Group's core product line. It reflects the core competencies of the Group's research and development, and production technology of the products. During the Current Year, the sales of lingerie were HK$1,192,527,000, accounting for 88.35% of the Group's revenue and representing an increase of 15.38% over the Prior Year. Swimwear delivered a stable growth of 23.32% while sleepwear recorded an increase of 26.86%. Sales of swimwear and sleepwear were HK$65,315,000 and HK$71,047,000 respectively, accounting for 4.84% and 5.26% 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 approximately HK$1,086,116,000 in the Current Year, representing a growth of approximately 15.40% over the Prior Year. The overall gross profit margin was approximately 80.46%, which remained stable as compared to the Prior Year. Raw material price and wage hike together with intensified pressure of inflation have exerted increasing pressure on costs. However, the Group was still able to maintain a stable gross profit margin by achieving economies of scale through business expansion, effectively controlling costs, enhancing its brand equity and increasing sales of patented products.

FINANCIAL REVIEW (continued)

Other income and gains
Other income increased by 1.99 times to HK$27,708,000 in the Current Year. During the Current Year, there was an exchange gain of HK$17,999,000 resulting from the appreciation of Renminbi derived from the business operations in Mainland China. As the exchange rate in Renminbi remained at approximately the same level in the Prior Year, the Group did not have a significant exchange gain. In addition, the surge in property prices in Hong Kong brought a gain of HK$4,125,000 from the appreciation of investment property, representing an increase of HK$2,125,000 from the Prior Year. Furthermore, the Group's interest income has decreased by 9.34% to HK$2,389,000 due to continuously low interest rates both in China and Hong Kong and the application of part of the cash in payment of the consideration for the acquisition of Embry Tower in Shanghai.

Selling and distribution expenses
Selling and distribution expenses increased by 20.63% to HK$789,679,000 (2009: HK$654,627,000) in the Current Year, and their share in the Group's revenue increased to 58.50% (2009: 55.66%).

During the Current Year, the increase in the above expenses was partially attributable to the net increase of 201 retail outlets of both concessionary counters and retail stores, including the flagship store in Shanghai, in 2010. It was also attributable to the brand promotional activities with the Group's 35th anniversary as a theme. As a result, advertising and retail outlet decoration expenses increased by 57.48% to HK$105,371,000, accounting for 7.81% (2009: 5.69%) of the Group's revenue.

Administrative expenses increased by 7.16% to HK$134,034,000, accounting for 9.93% (2009: 10.64%) of the Group's revenue. The decrease in the share of administrative expenses in the Group's revenue was due to the economy of scale achieved by the Group.

Tax
The Group's effective tax rate was 32.04% in the Current Year, compared to 31.91% in the Prior Year. The increase in effective tax rate was mainly due to an increase in effective tax rate brought by the change in taxation laws in China. For instance, since 2008, the corporate income tax rate of the subsidiaries in China will be gradually increased to 25% within five years.

Net profit
Profit attributable to owners of the Company was HK$126,189,000 in the Current Year, representing an increase of 10.51% over the Prior Year. The increase in profit attributable to owners of the Company was mainly attributable to a constant growth in revenue and other income, as well as operation efficiency. The net profit margin decreased slightly from 9.71% in the Prior Year to 9.35% in the Current Year.

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 2010, the Group had cash and cash equivalents of HK$195,090,000 (2009: HK$288,957,000). As at 31 December 2010, the Group's borrowings amounted to HK$85,000,000 (2009: Nil). During the Current Year, the Group did not pledge any assets to secure bank loans. Gearing ratio was approximately 7.66% as at 31 December 2010 (2009: Nil).

Capital structure
As at 31 December 2010, the total issued share capital of the Company was HK$4,067,000 (2009: HK$4,021,000), comprising 406,698,500 ordinary shares (2009: 402,148,000) of HK$0.01 each. The increase in the number of issued shares resulted from the exercise of share options granted under the pre-initial public offering share option scheme and the share option scheme by certain Directors and employees of the Group.

FINANCIAL REVIEW (continued)

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$505,769,000 (2009: HK$21,163,000).

Charges on the Group's assets
As at 31 December 2010, the Group did not have any assets pledged.

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 created in the ordinary course of business.

Contingent liabilities
As at 31 December 2010, the Group had no significant contingent liabilities or any litigation or arbitration of material importance.

PROSPECT

The year of 2011 marks the first year of the "Twelfth Five-Year" Plan of China. The slow economic recovery abroad and increasing upward pressure on consumer prices in China add complications to its economic development. Being the leading lingerie enterprise in China, the Group aims to strengthen its competitive edges in terms of multi-brand operation and sales network, and capture development opportunities in the changing market. The Group will continue to monitor the domestic economic environment and consumption market closely, and formulate development plans more prudently.

With respect to brand development, the Group will capitalise on the rapid growth of ***FANDECIE*** and promote its new brand image launched in 2010 across the country to enhance market penetration of ***FANDECIE*** and its brand development. Meanwhile, the Group will also actively utilise its strength in its sales network to nurture ***E-BRA,*** and refine the image and brand strategy of ***E-BRA*** in order to build a solid foundation for its future growth.

In the coming year, the Group will continue to develop its sales network in the peripheral areas of major cities and in the second- and third-tier cities in China with the goal to launch approximately 150 additional retail outlets across the country.

On the other hand, following the inauguration of the Embry Tower in Shanghai, the Group's sales, research and development functions in Shanghai will work in collaboration with other parts of the Group in Hong Kong, Shenzhen, Changzhou and Jinan to better position itself to respond to consumers' demands more efficiently and effectively. The Group will continue to offer quality lingerie products and services and to disseminate the lingerie culture in "comfort, style, technology and environmental-protection".

PROSPECT (continued)

In the aspect of production, the Group will enlarge its production capacity in order to satisfy increasing market demand through measures such as adding new production lines and enhancing the skills and efficiency of its workforce.

In view of the optimisation of the economic structure and the rapid income growth among urban and rural residents in China, the Group is confident that its multi-brand strategy will continue to work to its advantage in terms of quick adaptation to market changes and satisfying needs at different levels, thereby helping the Group to capture a wider range of customers, be more profitable and continue to bring satisfactory return to the shareholders in 2011.

OTHER INFORMATION

FINAL AND SPECIAL DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK5.00 cents and a special dividend of HK3.00 cents per ordinary share in respect of the year, to shareholders on the register of members of the Company on 24 May 2011, resulting in an appropriation of approximately HK$32,602,000.

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 expected to be held on 24 May 2011. The proposed final and special dividends will be payable on or about 3 June 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20 May 2011 to Tuesday, 24 May 2011, 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 Thursday, 19 May 2011.

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 2010 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 2010, 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 2010 ANNUAL REPORT

The 2010 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, 31 March 2011

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.