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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

RESULTS HIGHLIGHTS

	Six months ended 30 June		Change
	2021	2020	
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	
Revenue	891,129	784,956	13.53%
Gross profit	655,541	558,940	17.28%
Gross profit margin	73.56%	71.21%	2.35% pts
Profit/(loss) for the period attributable to owners of the Company	32,956	(38,713)	N/A
Net profit/(loss) margin	3.70%	-4.93%	8.63% pts
	<i>(HK cents)</i>	<i>(HK cents)</i>	
Basic earnings/(loss) per share	7.80	(9.16)	N/A
Proposed interim dividend per share	2.00	-	100.00%

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of directors (the "Board" or "Directors") of Embry Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2021 together with the unaudited comparative figures for the corresponding period in 2020 and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee and the external auditor of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Six months ended 30 June 2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
REVENUE	2	891,129	784,956
Cost of sales		<u>(235,588)</u>	<u>(226,016)</u>
Gross profit		655,541	558,940
Other income and gains, net	3	37,334	19,612
Selling and distribution expenses		(530,519)	(452,028)
Administrative expenses		(94,200)	(83,255)
Impairment of right-of-use assets		(2,257)	(33,386)
Other expenses	4	(1,161)	(27,778)
Finance costs	5	<u>(5,349)</u>	<u>(13,136)</u>
PROFIT/(LOSS) BEFORE TAX	6	59,389	(31,031)
Income tax expense	7	<u>(26,433)</u>	<u>(7,682)</u>
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>32,956</u>	<u>(38,713)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
- Basic (HK cents)		<u>7.80</u>	<u>(9.16)</u>
- Diluted (HK cents)		<u>7.80</u>	<u>(9.16)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>32,956</u>	<u>(38,713)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
<i>Other comprehensive income/(expense) that may be reclassified to the income statement in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	<u>31,739</u>	<u>(55,735)</u>
<i>Other comprehensive income/(expense) that will not be reclassified to the income statement in subsequent periods:</i>		
Revaluation surplus	9,958	-
Deferred tax debited to asset revaluation reserve	<u>(2,490)</u>	<u>-</u>
<i>Net other comprehensive income that will not be reclassified to the income statement in subsequent periods</i>	7,468	-
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	<u>39,207</u>	<u>(55,735)</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><u>72,163</u></u>	<u><u>(94,448)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2021

	Notes	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,061,629	1,122,637
Investment properties		503,520	448,193
Right-of-use assets		180,847	190,053
Other asset		431,807	426,667
Deferred tax assets		64,528	71,255
Deposits and other receivables		20,753	23,544
Total non-current assets		<u>2,263,084</u>	<u>2,282,349</u>
CURRENT ASSETS			
Inventories		556,458	578,590
Trade receivables	11	78,278	67,060
Prepayments, deposits and other receivables		76,821	76,297
Cash and cash equivalents		394,018	425,149
Total current assets		<u>1,105,575</u>	<u>1,147,096</u>
CURRENT LIABILITIES			
Trade payables	12	51,916	35,591
Interest-bearing bank borrowings		59,630	101,625
Lease liabilities		46,218	61,373
Tax payable		9,226	5,688
Other payables and accruals		181,627	204,766
Total current liabilities		<u>348,617</u>	<u>409,043</u>
NET CURRENT ASSETS		<u>756,958</u>	<u>738,053</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,020,042	3,020,402
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		314,513	362,791
Lease liabilities		24,605	32,067
Deferred tax liabilities		125,549	132,455
Other payables		4,276	4,700
Total non-current liabilities		<u>468,943</u>	<u>532,013</u>
NET ASSETS		<u>2,551,099</u>	<u>2,488,389</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,224	4,224
Reserves		<u>2,546,875</u>	<u>2,484,165</u>
TOTAL EQUITY		<u>2,551,099</u>	<u>2,488,389</u>

NOTES

1.1 BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standards ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

The condensed consolidated financial statements have been prepared under the historical cost convention, except for the investment properties which have been measured at fair value.

1.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7 HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform - Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)

Other than as explained below regarding the impact of amendment to HKFRS 16, the adoption of the revised standards had no material impact on the results and financial position for the current or prior accounting periods which have been prepared and presented.

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$375,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to condensed consolidated income statement for the period ended 30 June 2021.

NOTES (continued)

2. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<i>Revenue from contracts with customers</i>		
Sales of goods	<u>891,129</u>	<u>784,956</u>

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Geographical markets		
Mainland China	866,846	756,559
Hong Kong	22,412	21,382
Others	<u>1,871</u>	<u>7,015</u>
Total revenue from contracts with customers	<u>891,129</u>	<u>784,956</u>

3. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other income		
Subsidy income*	17,320	15,520
Gross rental income from investment properties operating leases:		
Other lease payments, including fixed payments	8,815	8,070
Variable lease payments that do not depend on an index or a rate	273	148
Interest accretion on non-current receivables	504	636
Bank interest income	2,550	453
Gain on termination of leases	238	347
Others	<u>2,992</u>	<u>1,337</u>
	<u>32,692</u>	<u>26,511</u>
Gains/(losses), net		
Foreign exchange differences, net	1,389	(3,822)
Changes in fair value of investment properties	<u>3,253</u>	<u>(3,077)</u>
	<u>4,642</u>	<u>(6,899)</u>
	<u>37,334</u>	<u>19,612</u>

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

NOTES (continued)

4. OTHER EXPENSES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss on disposal/write-off of items of property, plant and equipment, net	38	2
Charitable donations	-	1,124
Termination benefits	699	26,652
Others	424	-
	<u>1,161</u>	<u>27,778</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on interest-bearing bank borrowings	3,373	9,771
Interest on lease liabilities	<u>1,976</u>	<u>3,365</u>
	<u>5,349</u>	<u>13,136</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories sold	235,588	226,016
Depreciation of property, plant and equipment	41,387	38,133
Depreciation of right-of-use assets	26,079	59,960
Lease payments not included in the measurement of lease liabilities	172,961	121,594
Advertising and counter decoration expenses	32,492	21,935
Impairment of right-of-use assets	<u>2,257</u>	<u>33,386</u>

NOTES (continued)

7. INCOME TAX

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current - Mainland China	18,805	11,780
Deferred	<u>7,628</u>	<u>(4,098)</u>
Total tax charge for the period	<u><u>26,433</u></u>	<u><u>7,682</u></u>

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<u>Earnings/(loss)</u>		
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	<u><u>32,956</u></u>	<u><u>(38,713)</u></u>
	Number of shares	
	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	422,416,638	422,416,638
Effect of dilution - weighted average number of ordinary shares:		
Share options*	<u>275,629</u>	<u>-</u>
	<u><u>422,692,267</u></u>	<u><u>422,416,638</u></u>

* The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2020.

9. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<u>Dividend paid during the period</u>		
Final in respect of the financial year ended 31 December 2020 - HK2.5 cents per ordinary share (2020: Final in respect of the financial year ended 31 December 2019 – HK3.0 cents per ordinary share)	<u><u>10,560</u></u>	<u><u>12,672</u></u>
<u>Proposed interim dividend</u>		
Interim – HK2.0 cents (2020: Nil) per ordinary share	<u><u>8,448</u></u>	<u><u>-</u></u>

NOTES (continued)

10. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June 2021 HK\$'000 (unaudited)	For the year ended 31 December 2020 HK\$'000 (audited)
At beginning of period/year, net carrying amount	1,122,637	1,119,462
Additions	3,747	35,786
Finance costs capitalised	-	1,200
Disposals/write-off	(41)	(546)
Depreciation provided during the period/year	(41,387)	(76,585)
Transfer to investment properties (note)	(36,788)	(19,811)
Exchange realignment	<u>13,461</u>	<u>63,131</u>
At end of period/year, net carrying amount	<u>1,061,629</u>	<u>1,122,637</u>

Note: During the period ended 30 June 2021, the Group rented out one of its occupied properties to an independent third party for rental income. At the date of change in use, this property became investment property. Upon the transfer from property, plant and equipment of HK\$36,788,000 and corresponding right-of-use land of HK\$965,000 to investment properties, this property was revalued at HK\$47,711,000 with a revaluation surplus of HK\$9,958,000 credited to the asset revaluation reserve.

11. TRADE RECEIVABLES

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within 90 days	75,099	65,515
91 to 180 days	3,179	1,545
181 to 360 days	436	908
Over 360 days	<u>3,566</u>	<u>3,722</u>
	82,280	71,690
Less: Impairment allowance	(4,002)	(4,630)
	<u>78,278</u>	<u>67,060</u>

NOTES (continued)

12. TRADE PAYABLES

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within 90 days	47,214	31,883
91 to 180 days	2,532	1,086
181 to 360 days	172	670
Over 360 days	<u>1,998</u>	<u>1,952</u>
	<u>51,916</u>	<u>35,591</u>

13. COMMITMENTS

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Contracted for commitments in respect of the acquisition of property, plant and equipment	<u>116,358</u>	<u>117,213</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS REVIEW

The global impact of the coronavirus (COVID-19) pandemic continued in 2021, with varying recovery progress in different countries due to combined effects of multiple contributing factors including vaccination, variants of virus and supportive economic policies. China's gross domestic product (GDP) grew by 12.7% in the first half of the year. The overall economy continued to recover steadily, but at a slower pace.

In the first half of 2021, total retail sales of consumer goods grew by 23.0% year-on-year. The consumer market maintained a moderate recovery with a steady release of demand for commodities but with faster growth in the basic necessities category. It will take some time for the underwear retail market to recover to 2019 levels. In response to the still cautious consumer attitude, increased discount efforts were made in the overall Chinese underwear industry, putting pressure on gross profit levels.

For the six months ended 30 June 2021 (the “Current Period”), the Group’s revenue increased by 13.53% to HK\$891,129,000 from that for the six months ended 30 June 2020 (the “Prior Period”). Gross profit margin increased by 2.35 percentage points to 73.56%. Profit attributable to owners of the Company was HK\$32,956,000, compared to loss attributable to owners of the Company of HK\$38,713,000 recorded in the Prior Period. During the Current Period, the Company was benefited by the gradual economic recovery of China from the COVID-19 pandemic. It resulted in normalisation of demand in the domestic retail market during the Current Period as compared to the Prior Period, as well as the cost control measures implemented by the Group since 2020 in response to the challenging retail environment. Earnings per share was HK7.80 cents (2020: loss per share of HK9.16 cents).

The Board of Directors of the Company resolved to declare an interim dividend of HK2.0 cents per share (2020: nil) for the Current Year.

Brand management

In the first half of 2021, the Group continued to implement its multi-brand strategy to operate seven brands, namely **EMBRY FORM**, **FANDECIE**, **COMFIT**, **E-BRA**, **IVU**, **IADORE** and **LIZA CHENG**. Under the multi-brand strategy, the Group's brands are able to cater to the different needs of various customer segments by highlighting on the different brand features and distinctive brand personalities to meet consumers' product preferences. The Group continued to expand market coverage while consolidating its flagship brands, **EMBRY FORM** and **FANDECIE**, which contributed the majority of sales.

In terms of brand promotion, the Group gradually resumed investment in brand promotion in the first half of 2021 to maintain brand exposure. The Group collaborated with designers of international fashion brands to launch a crossover collection under the theme of “Tribute to the Classics (致敬經典)”, incorporating design elements of famous high-end boutique brands in the collection, which paid tribute to the classics while demonstrating the elegant style that Embry has always advocated. The launch of the crossover collection successfully increased consumer buzz and highlighted the elegant and classic image of the Group's brands.

In April 2021, **Embry** participated in the 2021 China (Shenzhen) International Brand Underwear Fair (中國（深圳）國際品牌內衣展), attracting many consumers to stop by the dreamy exhibition halls. Meanwhile, **Embry** continued to sponsor the “Charming Oriental China International Underwear Creative Design Competition 2021 (2021 魅力東方中國國際內衣創意設計大賽)” and the “8th SIUF International Supermodel Contest (SIUF 國際超模大賽)”, injecting new vitality into the development of the underwear industry.

BUSINESS AND OPERATIONS REVIEW (continued)

Brand management (continued)

Under the rapid growth in online consumption, the Group made full use of social media platforms to promote its brand and increased its online exposure through live webcasts with Internet celebrities to promote its products. The Group also leveraged on the zero estrangement feature of social media platforms to interact with its customer base in a more personalized manner to attract more online shoppers. In addition, the Group also enhanced the development of lingerie styles exclusively for e-commerce to cope with the changing consumer habits and the increasingly mature e-commerce environment.

Sales network

The Group completed its phased sales network adjustment in 2020. As of 30 June 2021, the Group had 1,340 retail outlets in total, including 1,121 concessionary counters and 219 retail stores, representing a net decrease of 58 retail outlets compared to the end of December 2020. During the Current Period, based on the completion of phased sales network adjustment, the Group continued to maintain the overall sales efficiency of its sales network. Sales efficiency remains the top priority in planning store openings despite a more normalised retail market.

During the Current Period, the Group further enhanced the coverage of its online shopping channel with online mirror stores that resemble offline stores in terms of product offerings. The product information in the online mirror stores is synchronised directly with the offline retail stores. This not only eliminates competition between physical stores and online stores, but also provides an alternative consumption channel when consumers are unable to visit the physical stores. Online mirror stores also facilitate flexible deployment of store inventory and optimization of inventory management, complementing offline retail stores to achieve online and offline integration.

Product design, research and development

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

During the Current Period, the Group launched a full range of popular new collections, including: **EMBRY FORM's** "Light Breath (輕呼吸)"; **FANDECIE's** "Animal Print (動物印花)"; **COMFIT's** "New Style (新風尚)"; **LIZA CHENG's** "Simple Love (簡愛)"; **E-BRA's** "Feathery Romance (輕曼)"; **IADORE's** "Floral Fragrance (馨香花語)"; **IVU's** "Perfect Score Series (滿分系列)".

During the first half of 2021, the Group obtained 4 new patents, including 2 utility model patents and 2 appearance design patents. As at 30 June 2021, the Group has a total of 87 patents, including 11 invention patents, 56 utility model patents and 20 appearance design patents.

Production capacity

With the moderate recovery of the retail consumer market, the Group's production capacity has basically returned to normal. The Group will continue to review the production situation from time to time and make timely deployment measures to cope with market changes. The Group will also carefully observe the sales situation in different market segments and adjust production volume to implement flexible production.

The Group will continue to utilise the intelligent finished goods and materials warehouses at its production base in Jinan, Shandong Province to enhance efficiency of product delivery and logistics, production efficiency and supply chain efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS AND OPERATIONS REVIEW (continued)

Human resources

Employees are one of the cornerstones of the Group's operations. On the one hand, the Group trained its employees and improved their welfare, reviewed the internal management culture from time to time and enhanced the sense of belonging of employees. On the other hand, the Group improved production technology together with the utilisation of automated logistics system, improved the workflow of employees and raised production efficiency, so as to mitigate the overall cost increase pressure and improve operational efficiency. Since 2020, the Group implemented an array of cost control measures, and streamlined its organisational structure and made reasonable shift arrangement in order to lower staff cost.

As at 30 June 2021, the number of employees of the Group was approximately 5,436 (31 December 2020: approximately 5,455). Total staff cost (including wages and basic salaries, commissions, bonuses, contributions to the retirement benefits scheme and excluding directors' and chief executive's remunerations) for the Current Period was HK\$278,372,000 (30 June 2020: HK\$213,768,000).

FINANCIAL REVIEW

Revenue

During the Current Period, revenue was HK\$891,129,000, representing an increase of 13.53% from the Prior Period, mainly attributable to the gradual recovery of consumption sentiment resulting from satisfactory economic recovery in China.

During the Current Period, revenue from retail sales was HK\$675,541,000, accounting for 75.80% of the Group's total revenue and representing an increase of 22.98% from the Prior Period. The Group recorded a decrease in sales on its e-commerce platform. Revenue from the Internet decreased by 14.66% to HK\$176,065,000 in the first half of 2021, accounting for 19.76% of the total revenue. The decrease was mainly attributable to the fact that sales on e-commerce platform gradually returned to normal as the pandemic eased during the Current Period and the domestic consumers' appetite for travel and spending grew, while the outbreak of the pandemic prompted some offline customers to switch to online shopping in the Prior Period, resulting in a larger base of sales on e-commerce platform. With online shopping becoming a major trend, e-commerce business continued to grow on a two-year average basis, up 19.90% from the six months ended 30 June 2019.

The Mainland China market is the main source of income for the Group. During the Current Period, revenue from the Mainland China market was HK\$866,846,000, accounting for 97.27% of the Group's total revenue.

Among the seven brands operated by the Group, **EMBRY FORM** and **FANDECIE** are the main sources of income for the Group and their contributions to the total revenue amounted to 48.67% and 20.46%. **EMBRY FORM**'s revenue amounted to HK\$433,841,000, which increased by 21.61% from the Prior Period. **FANDECIE**'s revenue amounted to HK\$182,274,000, similar to that of the Prior Period. The other brands **E-BRA**, **COMFIT**, **IVU**, **IADORE** and **LIZA CHENG**'s revenue for the Current Period amounted to HK\$273,143,000, accounting for 30.66% of the overall revenue.

Lingerie continues to be the core product line of the Group. During the Current Period, sales of underwear increased by 13.31% from the Prior Period to HK\$781,049,000, representing 87.65% of the total revenue of the Group. Sales of sleepwear amounted to HK\$76,889,000, accounting for 8.63% of the total revenue of the Group, while sales of swimwear amounted to HK\$21,518,000, accounting for 2.41% of the total revenue of the Group.

FINANCIAL REVIEW (continued)

Gross profit

During the Current Period, the Group recorded a gross profit of approximately HK\$655,541,000 representing an increase of 17.28% from the Prior Period. Gross profit margin increased by 2.35 percentage points from the Prior Period to 73.56%. It was mainly attributed to an increase in revenue as a result of an increase in the number of business days of sales channels in the Current Period compared to the Prior Period and a more normalised retail market as well as lesser discount offerings compared to the Prior Period.

Other income and gains

Other income increased by 90.36% to HK\$37,334,000 for the Current Period (2020: HK\$19,612,000), mainly due to the exchange gain of approximately HK\$1,389,000 from the appreciation of Renminbi and gains in fair value change of investment properties of approximately HK\$3,253,000, compared to the exchange loss of HK\$3,822,000 and loss in fair value change of investment properties of approximately HK\$3,077,000 in the same period last year, respectively. Besides, other gains were mainly subsidies received by the Group from the local municipal government of approximately HK\$17,320,000, and rental income of approximately HK\$9,088,000.

Operating expenses

During the Current Period, selling and distribution expenses increased by 17.36% to HK\$530,519,000 (2020: HK\$452,028,000), accounting for 59.53% (2020: 57.59%) of the Group's revenue. It was mainly attributed to the implementation of an array of cost control measures by the Group in response to the pandemic last year, including active control on renovation expenses and other expenses such as advertising, resulting in a decrease in the proportion of selling and distribution expenses to overall sales. During the Current Period, the operating environment and sales normalised and the Group resumed investment in the above expenses, resulting in an increase in expenses as compared to last year.

Administrative expenses increased by 13.15% over the Prior Period to HK\$94,200,000, accounting for 10.57% (2020: 10.61%) of the Group's revenue.

Impairment of right-of-use assets and other expenses

In the Prior Period, impairment of right-of-use assets and other expenses (the "Non-Operating Expense") amounted to HK\$61,164,000 as a result of the weak sales performance of the Group's retail stores due to the impact of the pandemic. In the Current Period, the Non-Operating Expense decreased by HK\$57,746,000 from the Prior Period to HK\$3,418,000 as demand in domestic retail market tended to normalise compared to the Prior Period.

Net profit

Profit attributable to owners of the Company was HK\$32,956,000 for the Current Period, while loss attributable to owners of the Company for the Prior Period was HK\$38,713,000. Net profit was mainly due to improvement in revenue as demand in the mainland retail market normalised during the Current Period, lower Non-Operating Expense, higher fair value gains on investment properties and increase in exchange gains resulted from the appreciation of Renminbi.

Liquidity and financial resources

The Group finances its operations mainly with internally generated cash flows. Financial position of the Group remained healthy during the Current Period. As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately HK\$394,018,000 (31 December 2020: HK\$425,149,000). As of 30 June 2021, the Group's interest-bearing bank borrowings amounted to HK\$374,143,000 (31 December 2020: HK\$464,416,000). As at 30 June 2021, equity attributable to owners of the Company was HK\$2,551,099,000 (31 December 2020: HK\$2,488,389,000). The gearing ratio of the Group was approximately 14.67% (31 December 2020: 18.66%).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Capital expenditure

During the Current Period, the capital expenditure of the Group amounted to HK\$3,747,000 (2020: HK\$36,986,000). The decrease was mainly due to completion of construction of intelligent material warehouse at the production base in Jinan in last year. As 30 June 2021, the capital commitments of the Group amounted to HK\$116,358,000 (31 December 2020: 117,213,000), which were contracted but not provided for in the financial statements.

Charge on the Group's assets

As at 30 June 2021, the Group pledged Hong Kong investment properties, buildings and right-of-use assets with net book values of HK\$86,000,000, HK\$2,663,000 and HK\$12,450,000, respectively, to bank to finance loans.

Capital structure

As at 30 June 2021, the total issued share capital of the Company was HK\$4,224,000 (31 December 2020: HK\$4,224,000), comprising 422,416,638 (31 December 2020: 422,416,638) ordinary shares of HK\$0.01 each.

Significant investment held, material acquisitions and disposals of subsidiaries and associated companies

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

Foreign currency exposure

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

Contingent liabilities

As at 30 June 2021, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK\$620,000 (31 December 2020: HK\$751,000). Save as disclosed above, the Group had no other significant contingent liabilities, nor any litigation or arbitration of material importance.

PROSPECT

Looking ahead to the second half of 2021, the global vaccination rate is gradually picking up, and some countries and regions are gradually relaxing their pandemic prevention and control measures to facilitate economic recovery. The effective control of the pandemic has put China ahead of the rest of the world in terms of recovery, and domestic consumers' appetite for travel and spending has also increased. However, the impacts of the variants of the virus and the relaxation of pandemic prevention and control measures remain unknown. There are still uncertainties in the future economic environment. The overall economy and the retail market are expected to steadily trend upward.

Leveraging on years of experience and brand strength accumulated in the lingerie industry in China as well as flexibility, the Group is confident that it can cope with the changing economic environment. Looking ahead, the Group will review the consumer market environment in a timely manner and make adjustments accordingly, so that the Group's business strategies can keep pace with the changing needs of consumers and respond calmly to various market changes in the face of numerous uncertainties. Meanwhile, the Group will grasp the growth potential of the online shopping market and conduct online marketing in line with market preferences, strive to expand the penetration of the brand in the online shopping market and maintain the sales effectiveness of the sales network to keep abreast of the change in domestic consumption patterns. Regarding production capability, the Group will continue to leverage on the advantages of resource deployment through its self-production and self-marketing model as well as the logistics ancillary facilities of intelligent finished goods and materials warehouses to enhance production efficiency and delivery efficiency, and actively optimise its supply chain to respond more promptly to market demands.

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

OTHER INFORMATION

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, the unaudited condensed consolidated financial statements of the Group for the Current Period and discussed risk management, internal controls and financial reporting matters.

The external auditor of the Company has reviewed the condensed consolidated financial statements for the six months ended 30 June 2021 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

INTERIM DIVIDEND

On 26 August 2021, the Board resolved to declare the payment of an interim dividend of HK2.0 cents per ordinary share in respect of the Current Period to shareholders registered on the register of members on Wednesday, 15 September 2021, resulting in an appropriation of approximately HK\$8,448,000. The abovementioned interim dividend will be payable on 6 October 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday, 15 September 2021, on which no transfer of shares will be registered. In order to qualify for the interim dividend, all 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 14 September 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Current Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Current Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' and employees' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the "Securities Dealing Code"). Having made specific enquiries of all Directors and members of the senior management, they have confirmed that they had complied with the required standard as set out in the Securities Dealing Code during the Current Period.

PUBLICATION OF 2021 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and the Company at <http://www.embrygroup.com> respectively. The 2021 interim report of the Group containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

By Order of the Board
Embry Holdings Limited
Cheng Man Tai
Chairman

Hong Kong, 26 August 2021

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