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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 2022**

RESULTS HIGHLIGHTS

	Six months ended 30 June		Change
	2022	2021	
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	
Revenue	742,529	891,129	-16.68%
Gross profit	563,651	655,541	-14.02%
Gross profit margin	75.91%	73.56%	2.35% pts
Profit for the period attributable to owners of the Company	1,116	32,956	-96.61%
Net profit margin	0.15%	3.70%	-3.55% pts
	<i>(HK cents)</i>	<i>(HK cents)</i>	
Basic earnings per share	0.26	7.80	-96.67%
Proposed interim dividend per share	-	2.00	-100%

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 2022 together with the unaudited comparative figures for the corresponding period in 2021 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 2022

	Notes	Six months ended 30 June 2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
REVENUE	2	742,529	891,129
Cost of sales		<u>(178,878)</u>	<u>(235,588)</u>
Gross profit		563,651	655,541
Other income and gains, net	3	11,569	37,334
Selling and distribution expenses		(458,589)	(530,519)
Administrative expenses		(91,049)	(94,200)
Impairment of right-of-use assets		(6,876)	(2,257)
Other expenses	4	(3,435)	(1,161)
Finance costs	5	<u>(4,453)</u>	<u>(5,349)</u>
PROFIT BEFORE TAX	6	10,818	59,389
Income tax expense	7	<u>(9,702)</u>	<u>(26,433)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>1,116</u>	<u>32,956</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
- Basic (HK cents)		<u>0.26</u>	<u>7.80</u>
- Diluted (HK cents)		<u>0.26</u>	<u>7.80</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	<u>1,116</u>	<u>32,956</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>(88,380)</u>	<u>31,739</u>
<i>Other comprehensive income/(expense) that will not be reclassified to the income statement in subsequent periods:</i>		
Revaluation surplus	3,784	9,958
Deferred tax debited to asset revaluation reserve	<u>(946)</u>	<u>(2,490)</u>
<i>Net other comprehensive income that will not be reclassified to the income statement in subsequent periods</i>	2,838	7,468
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	<u>(85,542)</u>	<u>39,207</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><u>(84,426)</u></u>	<u><u>72,163</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2022

	Notes	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	956,843	1,034,948
Investment properties		520,638	520,563
Right-of-use assets		155,699	174,863
Other asset		421,647	437,073
Deferred tax assets		71,247	72,107
Deposits and other receivables		18,944	20,782
Total non-current assets		<u>2,145,018</u>	<u>2,260,336</u>
CURRENT ASSETS			
Inventories		498,961	526,358
Trade receivables	11	70,946	51,943
Prepayments, deposits and other receivables		70,566	76,438
Tax recoverable		4,860	11,066
Cash and cash equivalents		403,432	378,636
Total current assets		<u>1,048,765</u>	<u>1,044,441</u>
CURRENT LIABILITIES			
Trade payables	12	65,428	33,976
Interest-bearing bank borrowings		38,877	57,887
Lease liabilities		37,496	47,468
Other payables and accruals		175,233	197,221
Total current liabilities		<u>317,034</u>	<u>336,552</u>
NET CURRENT ASSETS		<u>731,731</u>	<u>707,889</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,876,749</u>	<u>2,968,225</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		288,595	288,595
Lease liabilities		21,575	31,397
Deferred tax liabilities		129,823	127,513
Other payables		4,420	4,447
Total non-current liabilities		<u>444,413</u>	<u>451,952</u>
NET ASSETS		<u>2,432,336</u>	<u>2,516,273</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,224	4,224
Reserves		2,428,112	2,512,049
TOTAL EQUITY		<u>2,432,336</u>	<u>2,516,273</u>

NOTES

1.1 BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2022 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 2021.

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 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The adoption of the above 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.

2. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<i>Revenue from contracts with customers</i>		
Sales of goods	<u>742,529</u>	<u>891,129</u>

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Geographical markets		
Mainland China	719,556	866,846
Hong Kong	19,331	22,412
Others	<u>3,642</u>	<u>1,871</u>
Total revenue from contracts with customers	<u>742,529</u>	<u>891,129</u>

NOTES (continued)

3. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other income		
Subsidy income*	4,928	17,320
Gross rental income from investment properties operating leases:		
Other lease payments, including fixed payments	11,005	8,815
Variable lease payments that do not depend on an index or a rate	219	273
Interest accretion on non-current receivables	301	504
Bank interest income	2,195	2,550
Gain on termination of leases	224	238
Others	1,735	2,992
	<u>20,607</u>	<u>32,692</u>
Gains/(losses), net		
Foreign exchange differences, net	(10,038)	1,389
Changes in fair value of investment properties	1,000	3,253
	<u>(9,038)</u>	<u>4,642</u>
	<u>11,569</u>	<u>37,334</u>

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

4. OTHER EXPENSES

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss on disposal/write-off of items of property, plant and equipment, net	94	38
Charitable donations	2,410	-
Termination benefits	931	699
Others	-	424
	<u>3,435</u>	<u>1,161</u>

NOTES (continued)

5. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on interest-bearing bank borrowings	2,816	3,373
Interest on lease liabilities	<u>1,637</u>	<u>1,976</u>
	<u>4,453</u>	<u>5,349</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories sold	178,878	235,588
Depreciation of property, plant and equipment	36,519	41,387
Depreciation of right-of-use assets	20,159	26,079
Lease payments not included in the measurement of lease liabilities	132,786	172,961
Advertising and counter decoration expenses	31,995	32,492
Impairment of right-of-use assets	<u>6,876</u>	<u>2,257</u>

7. INCOME TAX

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current - Mainland China	2,512	18,805
Deferred	<u>7,190</u>	<u>7,628</u>
Total tax charge for the period	<u>9,702</u>	<u>26,433</u>

NOTES (continued)

8. 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:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<u>Earnings</u>		
Earnings for the purpose of basic and diluted earnings per share	<u>1,116</u>	<u>32,956</u>
	Number of shares	
	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	422,416,638	422,416,638
Effect of dilution - weighted average number of ordinary shares:		
Share options*	<u>-</u>	<u>275,629</u>
	<u>422,416,638</u>	<u>422,692,267</u>

* The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2022.

9. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<u>Dividend paid during the period</u>		
Final in respect of the financial year ended 31 December 2021: Nil		
- (2021: Final in respect of the financial year ended 31 December 2020 – HK2.5 cents per ordinary share)	<u>-</u>	<u>10,560</u>
<u>Proposed interim dividend</u>		
Interim – Nil (2021: HK2.0 cents per ordinary share)	<u>-</u>	<u>8,448</u>

NOTES (continued)

10. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June 2022 HK\$'000 (unaudited)	For the year ended 31 December 2021 HK\$'000 (audited)
At beginning of period/year, net carrying amount	1,034,948	1,122,637
Additions	4,171	11,230
Disposals/write-off	(94)	(71)
Depreciation provided during the period/year	(36,519)	(80,306)
Transfer to investment properties (note)	(10,288)	(44,411)
Exchange realignment	(35,375)	25,869
At end of period/year, net carrying amount	<u>956,843</u>	<u>1,034,948</u>

Note: During the period ended 30 June 2022, the Group rented out a floor 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\$10,288,000 and corresponding right-of-use land of HK\$506,000 to investment properties, this property was revalued at HK\$14,578,000 with a revaluation surplus of HK\$3,784,000 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 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Within 90 days	62,548	50,103
91 to 180 days	6,837	1,840
181 to 360 days	3,799	1,891
Over 360 days	4,053	3,718
	<u>77,237</u>	<u>57,552</u>
Less: Impairment allowance	(6,291)	(5,609)
	<u>70,946</u>	<u>51,943</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 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Within 90 days	60,986	31,300
91 to 180 days	1,796	740
181 to 360 days	1,161	560
Over 360 days	<u>1,485</u>	<u>1,376</u>
	<u>65,428</u>	<u>33,976</u>

13. COMMITMENTS

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

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Contracted for commitments in respect of the acquisition of property, plant and equipment	<u>112,122</u>	<u>117,764</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS REVIEW

In 2022, the coronavirus (COVID-19) continued to mutate and spread rapidly, resulting in the ups and downs of the pandemic in China. In late March, China's economy was significantly under pressure in the second quarter as lockdown measures due to the COVID-19 pandemic were imposed in major business hubs such as Shanghai and Shenzhen. According to the National Bureau of Statistics, China's gross domestic product (GDP) in the second quarter grew by 0.4%, well below the growth rate of 4.8% in the first quarter. China's GDP grew by 2.5% year-on-year in the first half of the year.

In the first half of 2022, due to various political and economic uncertainties such as multiple outbreaks of the COVID-19 pandemic, the Russia-Ukraine conflict, the U.S. interest rate hike together with balance sheet shrinkage and depreciation of Renminbi, consumption sentiment was sluggish. There was a marginal increase in people's savings and total retail sales of consumer goods decreased by 0.7% year-on-year. For the retail sales of commodities, the sales of apparel, footwear and hats and knitted textiles fell by a relatively higher percentage of 6.5% year-on-year. As the epidemic prevention and control gradually became effective, business and production activities in various regions have resumed slightly since June, but the sentiment in the consumer market remained cautious. Commodity sales grew at a faster pace in the basic necessities category, but it takes some time for the underwear retail market to recover to the pre-pandemic levels. In response to the cautious consumer attitude, price competition in the underwear industry in China was intense, putting pressure on gross profit of the Group. The business environment remains challenging.

For the six months ended 30 June 2022 (the "Current Period"), the Group's revenue decreased by 16.7% to HK\$742,529,000 from that for the six months ended 30 June 2021 (the "Prior Period"). Gross profit margin increased by 2.3 percentage points to 75.9%. Profit attributable to owners of the Company was approximately HK\$1,116,000, representing a decrease from profit attributable to owners of the Company of HK\$32,956,000 recorded in the Prior Period. Earnings per share were HK0.26 cents (2021: HK7.80 cents).

In view of the current COVID-19 pandemic and poor consumer sentiment causing uncertainties in the future, the board of directors has resolved not to recommend the payment of an interim dividend (2021: HK2 cents). The Company believes that this measure is a prudent and responsible means of preserving cash for the long-term financial health of the Group.

Brand management

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

In terms of brand promotion, the Group suspended most of its brand promotion in the first half of the year due to the resurgence of the pandemic, reserving resources for optimal promotion when the market sentiment recovers.

BUSINESS AND OPERATIONS REVIEW (continued)

Brand management (continued)

In response to climate change and environmental protection, as well as the national dual carbon strategic objectives of “carbon peak” and “carbon neutrality”, in May 2022, *Embry Form*’s “MADE IN GREEN” environmental protection theme exhibitions were unveiled simultaneously in shopping centres in Shenzhen and Zhuhai. Through the theme exhibitions, Embry hoped to arouse more people’s awareness of environmental protection, to care for and protect nature, and to participate in a green and carbon-reducing lifestyle together. In order to convey the core concept of “green ecological textiles” to consumers, the Group launched the “Jungle Secret” series designed by an internationally renowned underwear designer, leveraging the power of art to deliver the sustainable low-carbon concept and let consumers understand Embry’s brand belief of sustainable green development over the years.

As the world enters the post-pandemic era, online consumption has become an increasingly popular part of people’s lifestyle and e-commerce platforms are developing rapidly. The Group continued to make full use of social media platforms to promote its brands, followed the traffic trends and strengthened the development of underwear styles exclusively for e-commerce. The Group cooperated with Internet celebrities to promote its brands and products in popular ways. This not only increased brand exposure and market penetration, but also allowed interactions with customers in a personalised manner, building good relationships and enhancing brand loyalty.

Sales network

In the first half of 2022, the Group continued to further optimise its sales network. As at 30 June 2022, the Group had 1,128 retail outlets in total, including 952 concessionary counters and 176 retail stores, representing a net decrease of 123 retail outlets as compared to the end of December 2021. The Group seized the opportunity of online sales, and actively explored and developed the online shopping market to improve the overall operational efficiency of its sales network. The Group strategically adjusted its store network and appropriately integrated the proportion of online and offline sales to achieve optimal channel coverage.

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

Product design, research and development

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

During the Current Period, the Group launched a full range of popular new collections, including: *EMBRY FORM*’s “Simple Summer (至簡夏日)” and “Modern Online (摩登在線)”; *FANDECIE*’s “Summer Style (夏日潮搭)” and “Camping Time (露營時光)”; *COMFIT*’s “Stylish Girl (格調女孩)” and “Healthy New Breath (健康新呼吸)”; *LIZA CHENG*’s “Red Rhythm (紅韻)” and “Bird of Paradise (天堂鳥)”; *E-BRA*’s “Urban Melody (都市旋律)” and “Fall in Love (傾心)”; *IADORE*’s “Flowery (花漫)”; *IVU*’s “Perfect Score (滿分系列)”.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS AND OPERATIONS REVIEW (continued)

Product design, research and development (continued)

In the first half of 2022, the Group obtained 6 new utility model patents in China. As at 30 June 2022, the Group has a total of 96 patents, including 61 utility model patents, 11 invention patents and 24 appearance design patents.

Production capacity

The Group has its own production base in Jinan, Shandong Province, equipped with intelligent finished goods and materials warehouses. Based on the pandemic situation and changes in the general environment in the first half of the year, the Group carefully analysed the sales of different brands and segmented markets, reviewed and adjusted its production volume from time to time and implemented flexible production to maximize production efficiency and enhance supply chain efficiency.

Human resources

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

As at 30 June 2022, the number of employees of the Group was approximately 4,805 (31 December 2021: approximately 5,154). Total staff cost (including wages and basic salaries, commissions, bonuses, contributions to the retirement benefits scheme, share option expresses and excluding directors' and chief executive's remunerations) for the Current Period was HK\$247,144,000 (30 June 2021: HK\$278,372,000).

FINANCIAL REVIEW

Revenue

During the Current Period, revenue was HK\$742,529,000, representing a decrease of 16.68% from the Prior Period, mainly attributable to the continued weak consumer sentiment as a result of multiple resurgence of the COVID-19 pandemic in China and imposition of strict quarantine measures or lockdown restrictions in some cities in China, which led to the suspension of business at some of the Group's points of sale.

During the Current Period, revenue from retail sales was HK\$495,138,000, accounting for 66.68% of the Group's total revenue and representing a decrease of 26.70% from the Prior Period. The Group recorded an increase in sales on e-commerce platforms. Revenue from the Internet increased by 25.79% to HK\$221,468,000 in the first half of 2022, accounting for 29.83% of the total revenue. The increase was mainly due to the overall e-commerce business growth resulting from the fact that consumers relied on online shopping for most of the time during the pandemic.

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\$719,556,000, accounting for 96.91% of the Group's total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Revenue (continued)

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 accounted for 52.53% and 19.38%, respectively. *EMBRY FORM*'s revenue amounted to HK\$389,955,000, which decreased by 10.12% from the Prior Period. *FANDECIE*'s revenue amounted to HK\$143,931,000, which decreased by 21.04% from the Prior Period. The other brands *E-BRA*, *COMFIT*, *IVU*, *IADORE* and *LIZA CHENG*'s revenue for the Current Period amounted to HK\$205,001,000, accounting for 27.60% of the overall revenue.

Lingerie continues to be the core product line of the Group. During the Current Period, sales of underwear decreased by 17.58% from the Prior Period to HK\$643,731,000, representing 86.69% of the revenue of the Group. Sales of sleepwear amounted to HK\$76,518,000, accounting for 10.31% of the revenue of the Group, while sales of swimwear amounted to HK\$13,069,000, accounting for 1.76% of the revenue of the Group.

Gross profit

During the Current Period, the Group recorded a gross profit of approximately HK\$563,651,000, representing a decrease of 14.02% from the Prior Period. It was mainly attributed to the decrease in the number of business days of sales channels due to the pandemic as well as the fact that the changes in the economic environment dampened consumer sentiment and underwear brands catered to market needs with larger discounts compared to the Prior Period. However, there was an increase in gross profit margin of 2.3 percentage points from the same period last year to 75.9% due to the reversal of inventory impairment under cost of sales amounted to approximately HK\$20,196,000 during the Current Period.

Other income and gains, net

Other income and gains, net decreased by 69.01% to HK\$11,569,000 for the Current Period (2021: HK\$37,334,000), mainly due to the exchange loss of HK\$10,038,000 from the depreciation of Renminbi, compared to the exchange gain of HK\$1,389,000 in the same period last year, and the decrease in subsidy income by HK\$12,393,000 from HK\$17,320,000 in the same period last year to HK\$4,928,000. Besides, the rental income for the Current Period was HK\$11,224,000.

Operating expenses

During the Current Period, the selling and distribution expenses decreased by 13.56% to HK\$458,589,000 (2021: HK\$530,519,000), accounting for 61.76% (2021: 59.53%) of the Group's revenue. The decrease in expenses was mainly attributed to the decrease in sales for the Current Period as well as the decrease in sales-related rental expenses and wages. During the Current Period, due to the lower sales base, the proportion of expenses such as promotion fees and wages to overall sales increased.

Administrative expenses decreased by 3.35% over the Prior Period to HK\$91,049,000, accounting for 12.26% (2021: 10.57%) of the Group's revenue.

Impairment of right-of-use assets and other expenses

In the Current Period, impairment of right-of-use assets increased by HK\$4,619,000 from the same period last year to approximately HK\$6,876,000 (2021: HK\$2,257,000) due to the weak sales performance of the Group's retail stores brought by the recurrence of the pandemic. Other expenses increased by HK\$2,274,000 from the Prior Period to HK\$3,435,000 as a result of the charity donation of HK\$2,410,000 during the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Net profit

Profit attributable to owners of the Company was HK\$1,116,000 for the Current Period, while profit attributable to owners of the Company for the Prior Period was HK\$32,956,000. The decrease in profit was mainly due to the decrease in operating income brought by the sluggish domestic retail market under the pandemic during the Current Period, together with the decrease in other income and gains as well as the increase in impairment of right-of-use assets and other expenses due to the abovementioned reasons.

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 2022, the Group's cash and cash equivalents amounted to approximately HK\$403,432,000 (31 December 2021: HK\$378,636,000). As at 30 June 2022, the Group's interest-bearing bank borrowings amounted to HK\$327,472,000 (31 December 2021: HK\$346,482,000). As at 30 June 2022, equity attributable to owners of the Company was HK\$2,432,336,000 (31 December 2021: HK\$2,516,273,000). The gearing ratio of the Group was approximately 13.5% (31 December 2021: 13.8%).

Capital expenditure

During the Current Period, the capital expenditure of the Group amounted to HK\$4,171,000 (2021: HK\$3,747,000), which was mainly used for the Group's fixtures and office equipment. As at 30 June 2022, the capital commitments of the Group amounted to HK\$112,105,000 (31 December 2021: 117,746,000), which were contracted but not provided for in the financial statements.

Charge on the Group's assets

As at 30 June 2022, the Group pledged Hong Kong investment properties, buildings and right-of-use assets with net book values of HK\$92,000,000, HK\$2,562,000 and HK\$11,979,000, respectively, to bank to finance loans.

Capital structure

As at 30 June 2022, the total issued share capital of the Company was HK\$4,244,000 (31 December 2021: HK\$4,244,000), comprising 422,416,638 (31 December 2021: 422,416,638) ordinary shares of HK\$0.01 each.

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

During the Current 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 2022, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK\$302,000 (31 December 2021: HK\$184,000). 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 2022, with the pandemic prevention and control situation in China continues to improve and the national economic development is progressing steadily, the retail market is expected to recover. Given the uncertain global economic and political environment, the Group expects that it still takes some time for the consumption sector to fully recover although the Chinese government has made great efforts to stabilise the economy.

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

In the future, the Group will continue to review and adjust its business strategy and respond calmly in the volatile economic environment. Meanwhile, the Group will continue to explore different segmented markets, grasp the exploding e-commerce sales to match the consumption pattern in the post-pandemic era, and strive to expand the market share of its brands in the online retail market and optimise the effectiveness of the sales network. Regarding production capability, the Group will respond promptly to market demands, leverage on the advantages of resource deployment through its self-production model as well as the ancillary logistics facilities of intelligent finished goods and materials warehouses to enhance production and logistics efficiency, and actively optimise its supply chain.

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

OTHER INFORMATION

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 2022 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 25 August 2022, the Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2022.

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 2022 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 2022 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
Ngok Ming Chu
Chairman

Hong Kong, 25 August 2022

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