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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 2020**

**RESULTS HIGHLIGHTS**

	<b>Six months ended 30 June</b>		<b>Change</b>
	<b>2020</b>	<b>2019</b>	
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	
Revenue	784,956	1,199,358	-34.55%
Gross profit	558,940	934,752	-40.20%
Gross profit margin	71.21%	77.94%	-6.73% pts
Profit/(loss) for the period attributable to owners of the Company	(38,713)	67,399	-157.44%
Net profit/(loss) margin	-4.93%	5.62%	-10.55% pts
	<i>(HK cents)</i>	<i>(HK cents)</i>	
Basic earnings/(loss) per share	(9.16)	15.96	-157.39%
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 2020 together with the unaudited comparative figures for the corresponding period in 2019 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 2020

	Notes	Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
REVENUE	2	784,956	1,199,358
Cost of sales		<u>(226,016)</u>	<u>( 264,606)</u>
Gross profit		558,940	934,752
Other income and gains, net	3	19,612	35,523
Selling and distribution expenses		(452,028)	( 738,912)
Administrative expenses		( 83,255)	( 120,404)
Impairment of right-of-use assets		( 33,386)	-
Other expenses	4	( 27,778)	( 3,290)
Finance costs	5	<u>( 13,136)</u>	<u>( 12,710)</u>
PROFIT/(LOSS) BEFORE TAX	6	( 31,031)	94,959
Income tax expense	7	<u>( 7,682)</u>	<u>( 27,560)</u>
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u><u>( 38,713)</u></u>	<u><u>67,399</u></u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
- Basic (HK cents)		<u><u>( 9.16)</u></u>	<u><u>15.96</u></u>
- Diluted (HK cents)		<u><u>( 9.16)</u></u>	<u><u>15.96</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>(38,713)</u>	<u>67,399</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>(55,735)</u>	<u>107</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	<u>(55,735)</u>	<u>107</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(94,448)</u>	<u>67,506</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
30 JUNE 2020

	Notes	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1,077,188	1,119,462
Investment properties		393,079	403,126
Right-of-use assets		200,022	293,381
Other asset		393,846	402,697
Deferred tax assets		73,538	92,306
Deposits and other receivables		29,337	25,031
Total non-current assets		<u>2,167,010</u>	<u>2,336,003</u>
<b>CURRENT ASSETS</b>			
Inventories		632,649	792,354
Trade receivables	11	82,089	79,814
Prepayments, deposits and other receivables		68,855	95,686
Tax recoverable		-	409
Cash and cash equivalents		361,091	200,230
Total current assets		<u>1,144,684</u>	<u>1,168,493</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	35,838	52,723
Interest-bearing bank borrowings		130,460	125,566
Lease liabilities		63,612	90,449
Tax payable		5,305	4,409
Other payables and accruals		193,885	225,460
Total current liabilities		<u>429,100</u>	<u>498,607</u>
NET CURRENT ASSETS		<u>715,584</u>	<u>669,886</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,882,594	3,005,889
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		464,411	432,614
Lease liabilities		42,036	68,661
Deferred liabilities		-	414
Deferred tax liabilities		130,334	154,925
Other payables		3,658	-
Total non-current liabilities		<u>640,439</u>	<u>656,614</u>
NET ASSETS		<u>2,242,155</u>	<u>2,349,275</u>
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital		4,224	4,224
Reserves		<u>2,237,931</u>	<u>2,345,051</u>
TOTAL EQUITY		<u>2,242,155</u>	<u>2,349,275</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1.1 BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2020 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 2019.

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 2019, 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>Definition of a Business</i>
Amendments to HKFRS 9 HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>Covid-19 - Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

#### Amendment to HKFRS 16

Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's office premises and stores have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK\$6,866,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to income statement for the period ended 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<i>Revenue from contracts with customers</i>		
Sales of goods	<u>784,956</u>	<u>1,199,358</u>

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Geographical markets</b>		
Mainland China	756,559	1,162,732
Hong Kong	21,382	33,606
Others	<u>7,015</u>	<u>3,020</u>
Total revenue from contracts with customers	<u>784,956</u>	<u>1,199,358</u>

3. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Other income</b>		
Subsidy income*	15,520	21,031
Gross rental income from investment properties operating leases:		
Other lease payments, including fixed payments	8,070	9,210
Variable lease payments that do not depend on an index or a rate	148	305
Interest accretion on non-current receivables	636	1,217
Bank interest income	453	613
Gain on termination of leases	347	-
Others	<u>1,337</u>	<u>2,572</u>
	<u>26,511</u>	<u>34,948</u>
<b>Gains/(losses), net</b>		
Foreign exchange differences, net	( 3,822)	( 1,425)
Changes in fair value of investment properties	<u>( 3,077)</u>	<u>2,000</u>
	<u>( 6,899)</u>	<u>575</u>
	<u>19,612</u>	<u>35,523</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. OTHER EXPENSES

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss on disposal/write-off of items of property, plant and equipment, net	2	69
Charitable donations	1,124	3,086
Write-off of deposits	-	135
Termination benefits	<u>26,652</u>	<u>-</u>
	<u>27,778</u>	<u>3,290</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on interest-bearing bank borrowings	9,771	9,041
Interest on lease liabilities	<u>3,365</u>	<u>3,669</u>
	<u>13,136</u>	<u>12,710</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories sold	226,016	264,606
Depreciation of property, plant and equipment	38,133	40,089
Depreciation of right-of-use assets	59,960	40,313
Write-back of impairment of trade receivables	( 1,030)	( 2,119)
Lease payments not included in the measurement of lease liabilities	121,594	271,084
Advertising and counter decoration expenses	21,935	73,394
Charitable donation	1,124	3,086
Impairment of right-of-use assets	33,386	-
Gain on termination of leases	( 347)	-
Interest accretion on non-current receivables	<u>( 636)</u>	<u>( 1,217)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INCOME TAX

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current - Mainland China	11,780	38,538
Deferred	( 4,098)	(10,978)
Total tax charge for the period	<u>7,682</u>	<u>27,560</u>

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

The calculation of basic earnings/(loss) per share amount is based on the loss for the period attributable to owners of the Company of HK\$38,713,000 (2019: profit of HK\$67,399,000) and 422,416,638 (2019: 422,416,638) ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2020 and 2019.

9. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<u>Dividend paid during the period</u>		
Final in respect of the financial year ended 31 December 2019		
- HK3.0 cents per ordinary share (2019: Final in respect of the financial year ended 31 December 2018 - HK7.0 cents per ordinary share)	<u>12,672</u>	<u>29,569</u>

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: HK2.0 cents per ordinary share, amounting to a total of approximately HK\$8,448,000)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
At beginning of period/year, net of accumulated depreciation	1,119,462	1,104,654
Additions	20,379	114,696
Disposals/write-off	( 25)	( 927)
Depreciation provided during the period/year	( 38,133)	( 79,219)
Transfer to investment properties (note)	-	( 7,077)
Exchange realignment	<u>( 24,495)</u>	<u>( 12,665)</u>
At end of period/year, net of accumulated depreciation	<u>1,077,188</u>	<u>1,119,462</u>

Note: During the year ended 31 December 2019, 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\$7,077,000 and corresponding right-of-use land of HK\$12,360,000 to investment properties, this property was revalued at HK\$23,182,000 with a revaluation surplus of HK\$3,745,000 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 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within 90 days	78,643	78,838
91 to 180 days	3,446	976
181 to 360 days	632	1,209
Over 360 days	<u>3,948</u>	<u>4,402</u>
	86,669	85,425
Less: Impairment allowance	<u>( 4,580)</u>	<u>( 5,611)</u>
	<u>82,089</u>	<u>79,814</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (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 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within 90 days	27,168	44,484
91 to 180 days	2,867	1,800
181 to 360 days	853	906
Over 360 days	<u>4,950</u>	<u>5,533</u>
	<u>35,838</u>	<u>52,723</u>

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

13. COMMITMENTS

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

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Contracted for commitments in respect of the acquisition of property, plant and equipment	<u>119,849</u>	<u>139,150</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND OPERATIONS REVIEW

In the first half of 2020, the outbreak of the coronavirus pandemic (COVID-19) almost paralyzed the daily lives of consumers and the global economic growth has been severely hit. Facing with uncertain external environment, China's gross domestic product (GDP) for the first quarter was also dragged down, decreasing by 6.8% over the same period last year. Although the growth rate in the second quarter returned to 3.2%, China's economy was still experiencing negative growth in the first half of the year, down 1.6% year-on-year.

Among all sectors, the retail consumption industry bore the brunt and the impact was particularly severe, even setting off a wave of layoffs and store closures. The outbreak of the contagious COVID-19 inevitably triggered consumer panic. The uncertain geopolitical situation also made the global economy unpredictable and retail consumption sentiment further weakened. Meanwhile, it wreaked havoc on the supply chain, where the production and distribution were disrupted.

For the six months ended 30 June 2020 (the "Current Period"), the industry experienced an exceptional recessive period. The Group's revenue decreased by 34.55% to HK\$784,956,000 over that for the six months ended 30 June 2019 (the "Prior Period"). Gross profit margin decreased by 6.73 percentage points to 71.21%. Loss attributable to owners of the Company was HK\$38,713,000. This includes the overall compensation for loss of office to employees and impairment of right-of-use assets amounted to HK\$60,038,000 in aggregate. Loss per share was HK9.16 cents (2019: earnings per share of HK15.96 cents).

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

#### **Brand management**

In the first half of 2020, the Group continued to implement its multi-brand strategy, fulfilling the varying customer preferences through the respective positioning of its brands, properly coordinated sales channels to deeply explore various underwear market segments.

In terms of brand development, in response to the coronavirus pandemic, the Group adjusted its brand marketing arrangements in due course during the Current Period and suspended the physical marketing and promotional activities. Not only does it serve the purpose of reducing transmission risk, but it also saved related expenses.

In terms of brand layout, the Group has long been capitalizing on its multiple brands to tap into the online and offline retailing market. *E-BRA* is an online brand, focusing on the online market; whereas *IADORE* serves as an offline wholesale brand, targeting third- and fourth-tier cities. During the pandemic, the online sales of its online brands and their exclusive products slightly mitigated the impact of the decline in the customer flow to our retail stores. Proper sales and promotion tactics also drove traffic to the online platforms. Although the domestic market demand for non-essential underwear products fell sharply, online sales recorded an increase of approximately 29.38% in the first half of 2020.

**BUSINESS AND OPERATIONS REVIEW** (continued)

**Sales network**

In the first half of 2020, the Group continued to optimise its omni-channel coverage and operated corresponding brands in appropriate regional markets. The Group also strategically adjusted its retail outlet layout to enhance the overall operational efficiency of its sales network. As of 30 June 2020, the Group had 1,494 retail outlets in total, including 1,255 concessionary counters and 239 retail stores. As of the end of June, there was a net decrease of 170 retail outlets compared to the end of December last year.

Following closely on different domestic consumption habits and align the ever-changing market sentiment, the Group will continue to adjust its sales network during the year and close stores with lower efficiency to enhance the overall operational efficiency. Meanwhile, the Group strived to accelerate the pace of digitalisation, collect and analyse data of consumption habits, continued to grasp the characteristics of the online shopping market, and designed exclusive products to reach more potential customers and grow our customer base online. Through a gradual establishment of online presence, the Group aims to achieve balance between the online and offline sales network.

**Product design, research and development**

The Group has always emphasised its self-developed technology and simultaneously take on the role of development and manufacturing to maintain a leading position in the market through its solid self-development capabilities. Adhering to the pursuit of product quality, the Group continued to devote resources to product research and development, and strived to optimise and improve the appearance, functionality and production technology of the products, and to provide superior-quality products to the market.

During the Current Period, the Group launched a full range of popular new collections, including: **EMBRY FORM**'s "Fashion Print Series" (「時尚印花系列」) and "Love Dream Series" (「戀夢系列」); **FANDECIE**'s "Airy Series" (「空氣感系列」) and "Dual-colour Ice Cream Series" (「雙色冰淇淋系列」); **E-BRA**'s "Soothing Skin Beauty Series" (「舒緩美肌系列」); **COMFIT**'s "Curvy Beauty Series" (「秀麗胸型系列」) and "Minimalist Comfort Series" (「極簡舒適系列」); **IADORE**'s "Minimalism Series" (「輕簡主義系列」) and **LIZA CHENG**'s "Cloudy Heaven Series" (「雲飛之間系列」).

In the first half of 2020, the Group obtained 4 new patents, including 1 utility model patent and 3 appearance design patents. As at 30 June 2020, the Group has 11 invention patents, 51 utility model patents and 16 appearance design patents.

**Production capacity**

The impact of the coronavirus pandemic has caused the demand for non-essential underwear to drop sharply. Leveraging on its self-production and self-marketing advantages, the Group flexibly deployed manpower and machine production capacity to actively respond to the rapid market changes. In view of transportation constraints and changes in consumption demand, the Group reviewed the operation process and inventory levels, and adjusted production according to the inventory status in order to reduce unnecessary logistics costs and maintain cash flow.

The Group's first and second phases of intelligent warehouse at the production base in Jinan, Shandong province commenced operation in the first half of 2018 and the first half of 2019, respectively, in order to improve the efficiency of product delivery and logistics. In addition, the intelligent material warehouse of the Jinan production base is conducting trial run, which is expected to improve production efficiency and supply chain efficiency of the Group.

In addition, the second phase of plant premises and ancillary facilities at the Group's production base in Changzhou, Jiangsu province was completed last year, catering to the Group's future needs of development.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### BUSINESS AND OPERATIONS REVIEW (continued)

#### Human resources

In response to the COVID-19 outbreak, the Group promptly implemented contingency plans, devising pandemic prevention measures. With COVID-19 pandemic gradually under control in China, the overall sales of the Group and the operation of retail outlets, production lines and back offices have gradually resumed work in the second quarter. In order to ensure the health of employees and customers, the Group has been doing its best to assist front-line retail employees to implement the pandemic prevention policy, so as to increase consumer confidence and maintain their trust in its brands.

Moreover, the Group implemented an array of cost control measures. On the one hand, the Group simplified its structure and made reasonable shift arrangement in order to lower staff cost. Besides, the chairman of the Board and all executive directors voluntarily reduced their remuneration by 75% for three months since 1 March 2020, to ride out the current difficult times with the employees of the Group.

As at 30 June 2020, the number of employees of the Group decreased to approximately 5,979 (31 December 2019: approximately 7,362). Total staff costs (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\$213,768,000, decreasing by 43.09% year-on-year (30 June 2019: HK\$375,617,000).

### FINANCIAL REVIEW

#### Revenue

During the Current Period, revenue was HK\$784,956,000, representing a decrease of 34.55% from the Prior Period, mainly attributable to the weak consumption sentiment resulting from the impact of the pandemic on the external economic environment.

During the Current Period, revenue from retail sales was HK\$549,304,000, accounting for 69.98% of the Group's total revenue and representing a decrease of 44.64% from the Prior Period. The outbreak of the pandemic prompted some customers to switch to online shopping, and the Group's sales on e-commerce platforms also recorded an increase. Revenue from the internet business increased by 29.38% to HK\$206,300,000 in the first half of 2020, accounting for 26.28% of the total revenue.

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\$756,559,000, accounting for 96.38% 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 45.45% and 23.25% respectively. *EMBRY FORM*'s revenue amounted to HK\$356,753,000, which decreased by 35.09% from the Prior Period. *FANDECIE*'s revenue amounted to HK\$182,502,000, which decreased by 37.08% from the Prior Period. The changes in the two brands were similar to that of the overall sales. The decline was mainly due to the impact of the pandemic on the retail markets and the weak consumer sentiment resulting from uncertainties in the global macroeconomic environment. The other brands *E-BRA*, *COMFIT*, *IVU*, *IADORE* and *LIZA CHENG*'s revenue for the Current Period amounted to HK\$238,686,000, accounting for 30.41% of the overall revenue.

Lingerie continues to be the core product line of the Group. During the Current Period, sales of lingerie decreased by 35.20% over the Prior Period to HK\$689,288,000, representing 87.81% of the total revenue of the Group. Sales of sleepwear amounted to HK\$73,521,000, accounting for 9.37% of the total revenue of the Group, while sales of swimwear amounted to HK\$11,989,000, accounting for 1.53% of the total revenue of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### FINANCIAL REVIEW (continued)

#### Gross profit

During the Current Period, the Group recorded a gross profit of approximately HK\$558,940,000 representing a decrease of 40.20% from the Prior Period. Gross profit margin decreased by 6.73 percentage points over the Prior Period to 71.21%. It was mainly attributed to Group's adoption of discount strategy to promote sales in response to the weak market sentiment.

#### Other income and gains

Other income decreased by 44.79% to HK\$19,612,000 for the Current Period, mainly due to the decrease of 26.20% to approximately HK\$15,520,000 in subsidies received from the local municipal government. Besides, other gains and expenses were mainly rental income of approximately HK\$8,218,000 and exchange loss of HK\$3,822,000 resulted from the depreciation of Renminbi.

#### Operating expenses

During the Current Period, selling and distribution expenses decreased by 38.83% to HK\$452,028,000 (2019: HK\$738,912,000), accounting for 57.59% (2019: 61.61%) of the Group's revenue. The decrease in the proportion of selling and distribution expenses to overall sales was mainly due to the Group's active control on renovation expenses and other expenses such as advertisements in response to the pandemic situation, resulting in a significant decrease in relevant expenses. Rental of some stores was also decreased under the pandemic situation.

Administrative expenses decreased by 30.85% over the Prior Period to HK\$83,255,000, accounting for 10.61% of the Group's revenue (2019: 10.04%).

#### Impairment of right-of-use assets and other expenses

During the Current Period, Impairment of right-of-use assets and other expenses (the "Non-Operating Expense") amounted to HK\$61,164,000, mainly due to the weak sales of the Group's retail stores and counters under the impact of the pandemic. Impairment of right-of-use assets of the retail stores and counters amounted to approximately HK\$33,386,000 and one-off termination benefit of approximately HK\$26,652,000 was incurred from the structure rationalisation.

#### Loss

Loss attributable to owners of the Company was HK\$38,713,000 for the Current Period, while profit attributable to owners of the Company for the Prior Period was HK\$67,399,000. Loss was mainly due to the decrease in operating income under the impact of the pandemic, combined with one-off expenses such as compensation for loss of office resulting from the structure rationalisation and impairment of right-of-use assets. After excluding the Non-Operating Expense, the profit attributable to equity holders for the period decreased of 68.24% to HK\$22,451,000 from HK\$70,689,000 in the same period last year.

#### 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 2020, the Group's cash and cash equivalents amounted to approximately HK\$361,091,000 (31 December 2019: HK\$200,230,000). As of 30 June 2020, the Group's interest-bearing bank borrowings amounted to HK\$594,871,000 (31 December 2019: HK\$558,180,000). As at 30 June 2020, equity attributable to owners of the Company was HK\$2,242,155,000 (31 December 2019: HK\$2,349,275,000). The gearing ratio of the Group was approximately 26.53% (31 December 2019: 23.76%).

#### Capital expenditure

During the Current Period, the capital expenditure of the Group amounted to HK\$20,379,000 (2019: HK\$114,696,000), which was mainly used for the construction of intelligent material warehouse at the production base in Jinan. As at 30 June 2020, the capital commitments of the Group amounted to HK\$119,849,000 (31 December 2019: HK\$139,150,000), which were contracted but not provided for in the financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### FINANCIAL REVIEW (continued)

#### **Charge on the Group's assets**

As at 30 June 2020, the Group pledged Hong Kong investment properties, buildings and right-of-use assets with net book values of HK\$86,000,000, HK\$2,764,000 and HK\$12,921,000, respectively, to bank to finance loans.

#### **Capital structure**

As at 30 June 2020, the total issued share capital of the Company was HK\$4,224,000 (31 December 2019: HK\$4,224,000), comprising 422,417,000 (31 December 2019: 422,417,000) 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 2020, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK\$751,000 (31 December 2019: HK\$816,000). 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 2020, increasing complicated and unpredictable geopolitics and related uncertain factors will shadow the outlook of the global economy, further undermining investment and consumption confidence. Although the domestic economy has improved significantly in the second quarter and consumption is expected to gradually recover, the external economic situation has seen no rebound. The pandemic would still have a profound impact on the overall consumption market, slowing the consumption recovery of underwear and other non-essential products.

With years of experience and brand strength accumulated in the lingerie industry in China, and the fully restored interaction mechanism between the retail industry and customers, the Group is confident that it can grasp market information to make appropriate decisions according to consumer needs in terms of product design, production technology, marketing and sales channels.

Going forward, the Group expects changes in consumption patterns after the market recovery from the pandemic to accelerate the online and offline integration of the retail industry to achieve sales network balance. The Group will closely follow the development of consumption behaviours and market demand, grasp the characteristics of sales channels, further explore the development potential of the online shopping market, adjust the multi-brand product mix in stores and develop relevant products.

The Group believes that progressing with time is the key to maintain competitiveness. Regarding production capacity, the Group will continue to leverage on its economies of scale and its strengths in self-production and self-marketing to further enhance its manufacturing efficiency and production flexibility, so as to achieve seamless production and respond more precisely to changes in market demand.

The Group will continue to adhere to the quality and consolidate the Group's leading position in the underwear industry in China, thereby generating sustainable returns to its shareholders.



## **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 2020 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 20 August 2020, the Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020.

### **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 2020 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 2020 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, 20 August 2020

*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.*