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 2018

RESULTS HIGHLIGHTS

	Six months ended 30 June		
	2018	**2017**	**Change**
	(HK$'000)	*(HK$'000)*	
Revenue	1,354,425	1,183,171	+14.47%
Gross profit	1,082,288	916,892	+18.04%
Gross profit margin	79.91%	77.49%	+2.42% pts
Profit for the period attributable to owners of the Company	116,195	88,213	+31.72%
Net profit margin	8.58%	7.46%	+1.12% pts
	(HK cents)	*(HK cents)*	
Basic earnings per share	27.51	21.17	+29.95%
Proposed interim dividend per share	3.50	2.50	+40.00%

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 2018 together with the unaudited comparative figures for the corresponding period in 2017 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 2018

	Notes	Six months ended 30 June 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
REVENUE	2	1,354,425	1,183,171
Cost of sales		(272,137)	(266,279)
Gross profit		1,082,288	916,892
Other income and gains, net	3	47,810	35,367
Selling and distribution expenses		(818,469)	(700,087)
Administrative expenses		(142,015)	(114,604)
Other expenses		(3,746)	-
Finance costs	4	(5,288)	(5,043)
PROFIT BEFORE TAX	5	160,580	132,525
Income tax expense	6	(44,385)	(44,312)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		116,195	88,213
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
- Basic (HK cents)		27.51	21.17
- Diluted (HK cents)		27.51	21.17

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June 2018 HK$'000 (unaudited)	Six months ended 30 June 2017 HK$'000 (unaudited)
PROFIT FOR THE PERIOD	116,195	88,213
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to the income statement in subsequent periods:		
Exchange differences arising on translation of foreign operations	(34,113)	59,111
Other comprehensive income/(expense) not to be reclassified to the income statement in subsequent periods:		
Revaluation surplus	5,445	6,484
Deferred tax debited to asset revaluation reserve	(1,361)	(1,620)
	4,084	4,864
OTHER COMPREHENSIVE INCOME/(EXPENSE), NET OF TAX	(30,029)	63,975
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	86,166	152,188

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2018

	Notes	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,177,389	1,162,378
Investment properties		400,240	367,954
Prepaid land lease payments		39,592	40,564
Other asset		426,667	431,807
Deferred tax assets		85,596	92,797
Deposits and other receivables		67,329	76,099
Total non-current assets		2,196,813	2,171,599
CURRENT ASSETS			
Inventories		651,376	655,453
Trade receivables	10	124,405	112,205
Prepayments, deposits and other receivables		83,892	75,883
Cash and cash equivalents		399,645	234,711
Total current assets		1,259,318	1,078,252
CURRENT LIABILITIES			
Trade payables	11	117,456	56,000
Interest-bearing bank borrowings	12	206,934	136,778
Tax payable		16,220	21,297
Other payables, accruals and contract liabilities		323,171	322,564
Total current liabilities		663,781	536,639
NET CURRENT ASSETS		595,537	541,613
TOTAL ASSETS LESS CURRENT LIABILITIES		2,792,350	2,713,212
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	12	211,389	189,278
Deferred liabilities		111	189
Deferred tax liabilities		158,288	156,635
Total non-current liabilities		369,788	346,102
NET ASSETS		2,422,562	2,367,110
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,224	4,224
Reserves		2,418,338	2,362,886
TOTAL EQUITY		2,422,562	2,367,110

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

1.1 Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2018 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 as at 31 December 2017.

The condensed consolidated financial statements have been prepared under the historical cost convention, except for the investment properties that are measured at fair value. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the following new and revised standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

1.2 New standards, interpretations and amendments adopted by the Group

The Group has been impacted by HKFRS 15 that require restatement of the financial statements. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Other new and revised standards apply for the first time in 2018, have no impact on the condensed consolidated financial statements of the Group.

<u>HKFRS 15 *Revenue from Contracts with Customers*</u>

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

1.2 New standards, interpretations and amendments adopted by the Group (continued)

HKFRS 15 *Revenue from Contracts with Customers* (continued)

The Group has elected to apply the modified transitional provisions whereby the effect of adopting HKFRS 15 for uncompleted contracts with customers as at 31 December 2017 are adjusted at the opening balance of equity as at 1 January 2018 and prior period comparatives are not restated. The effect of the adoption of HKFRS 15 are set out below.

The Group is in the business of manufacturing and trading of ladies' brassieres, panties, swimwear and sleepwear.

(a) *Sale of goods*
The Group sells goods directly to retail customers via retail stores, concessionary counters and internet. Revenue from sales of goods to retail customers is recognised when the product is transferred to the customers upon sale. Payment of the transaction price is due immediately when the customers purchase the goods. The payment is usually settled in cash or using credit cards.

The Group also sells goods to wholesalers. Revenue from sales of goods to wholesalers is recognised when control of the products has transferred, being when the products are delivered to the wholesalers and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products.

(b) *Loyalty points VIP programme*
The Group operates a loyalty points VIP programme, which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can be redeemed for cash coupon, subject to a minimum number of points obtained. Prior to the adoption of HKFRS 15, the loyalty programme offered by the Group resulted in the allocation of a portion of the transaction price to the loyalty programme using the fair value of points issued and recognition of the deferred revenue in relation to points issued but not yet redeemed or expired. The Group concluded that under HKFRS 15 the loyalty points gives rise to a separate performance obligation because they provide a material right to the customer and allocated a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price. The Group determined that, considering the relative stand-alone selling prices, the amount allocated to the loyalty programme should be lower compared to the previous accounting policy. The deferred revenue related to this loyalty points programme was reclassified to contract liabilities and the excess was adjusted to retained profits.

The consolidated statement of financial position as at 1 January 2018 was restated, resulting in: increase in contract liabilities amounting to HK$73,355,000; decrease in current portion of other payables and accruals and deferred tax assets amounting to HK$77,460,000 and HK$1,026,000, respectively; and increase in retained profits amounting to HK$3,079,000.

2. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Sales of goods – direct sales	1,354,425	1,183,171

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

3. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Other income		
Subsidy income*	30,779	15,153
Gross rental income	9,353	7,532
Contingent rents receivable in respective of operating lease	351	360
Bank interest income	1,349	1,123
Royalty income	126	106
Others	1,997	1,008
	43,955	25,282
Gains, net		
Foreign exchange differences, net	(3,145)	10,071
Changes in fair value of investment properties	7,000	-
Gain on disposal/write-off of items of property, plant and equipment, net	-	14
	3,855	10,085
	47,810	35,367

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

4. FINANCE COSTS

	Six months ended 30 June 2018 HK$'000 (unaudited)	Six months ended 30 June 2017 HK$'000 (unaudited)
Total interest on bank loans	5,288	5,043

5. PROFIT BEFORE TAX

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

	Six months ended 30 June 2018 HK$'000 (unaudited)	Six months ended 30 June 2017 HK$'000 (unaudited)
Cost of inventories sold	272,137	266,279
Depreciation	38,684	28,059
Amortisation of prepaid land lease payments	507	458
Impairment of trade receivables	11,331	935
Minimum lease payments under operating leases in respect of:		
Land and buildings	49,004	40,611
Contingent rents of retail outlets in department stores	304,171	284,353
Advertising and counter decoration expenses	86,153	51,614
Charitable donation*	3,724	-

* The charitable donation is included in "Other expenses" on the face of condensed consolidated income statement.

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the regions in which the Group operates.

	Six months ended 30 June 2018 HK$'000 (unaudited)	Six months ended 30 June 2017 HK$'000 (unaudited)
Group:		
Current - Hong Kong	-	2,997
Current - Mainland China	36,477	41,120
Deferred	7,908	195
Total tax charge for the period	44,385	44,312

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to owners of the Company of HK$116,195,000 (2017: HK$88,213,000) and 422,417,000 (2017: 416,661,000) ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2018 and 2017.

8. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Dividends paid/payable during the period		
Final in respect of the financial year ended 31 December 2017 – HK8.0 cents per ordinary share (2017: Final in respect of the financial year ended 31 December 2016 – HK4.3 cents* per ordinary share)	33,793	17,916
Proposed interim dividend		
Interim – HK3.5 cents per ordinary share (2017: HK2.5 cents^ per ordinary share)	14,785	10,528

The interim dividend will be paid to the shareholders whose names appear in the register of members on 12 September 2018. The interim dividend was declared after the period ended 30 June 2018, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

* On 25 May 2017, the Company's shareholders approved at the annual general meeting a final dividend of HK4.3 cents per share payable in cash with a scrip dividend alternative (the "2016 Scrip Dividend Scheme") for the year ended 31 December 2016. Further details of the 2016 Scrip Dividend Scheme are set out in the Company's circular dated 13 June 2017.

^ On 23 August 2017, the Company's board of directors declared an interim dividend of HK2.5 cents per share payable in cash with a scrip dividend alternative (the "2017 Interim Scrip Dividend Scheme") for the six months ended 30 June 2017. Further details of the 2017 Interim Scrip Dividend Scheme are set out in the Company's circular dated 21 September 2017.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
At beginning of period/year, net of accumulated depreciation	1,162,378	1,062,213
Additions	92,852	100,234
Disposals/write-off	(50)	(2,390)
Depreciation provided during the period/year	(38,684)	(57,218)
Transfer to investment properties (Note)	(24,431)	(28,713)
Exchange realignment	(14,676)	88,252
At end of period/year, net of accumulated depreciation	1,177,389	1,162,378

Note: During the period ended 30 June 2018, 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 to investment properties, this property was revalued at HK$29,876,000 with a revaluation surplus of HK$5,445,000 credited to the asset revaluation reserve.

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for wholesalers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables by the sales department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Within 90 days	119,304	106,096
91 to 180 days	14,686	6,109
181 to 360 days	3,035	3,259
Over 360 days	3,529	1,559
	140,554	117,023
Less: Impairment allowance	(16,149)	(4,818)
	124,405	112,205

11. 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 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Within 90 days	110,601	48,881
91 to 180 days	3,576	4,377
181 to 360 days	1,199	765
Over 360 days	2,080	1,977
	117,456	56,000

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

12. INTEREST-BEARING BANK BORROWINGS

	30 June 2018			31 December 2017		
	Effective interest rate %	Maturity	HK$'000 (unaudited)	Effective interest rate %	Maturity	HK$'000 (audited)
Current						
Bank loans -unsecured	Hong Kong Interbank Offered Rate ("HIBOR") +1.80	On Demand	97,656	-	-	-
	HIBOR +1.85 to HIBOR +2.00	2018-2019	109,278	HIBOR +1.85 to HIBOR +2.00	2018	136,778
			206,934			136,778
Non-current						
Bank loans -unsecured	HIBOR +1.85 to HIBOR +1.95	2019-2021	211,389	HIBOR +1.85 to HIBOR +1.95	2019-2021	189,278
			418,323			326,056

12. INTEREST-BEARING BANK BORROWINGS (continued)

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	206,934	136,778
In the second year	128,889	81,278
In the third to fifth years, inclusive	82,500	108,000
	418,323	326,056
Less: Amount repayable within one year or on demand and classified as current portion	(206,934)	(136,778)
Amount classified as non-current portion	211,389	189,278

The above bank loans are denominated in Hong Kong dollars and bear interest at rates ranging from 1.80% to 2.00% above the HIBOR per annum (31 December 2017: 1.85% to 2.00% above the HIBOR per annum).

13. COMMITMENTS

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

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Contracted for commitments in respect of the acquisition of property, plant and equipment	215,117	262,425

Management Discussion and Analysis

Business and Operations Review

In the first half of 2018, the global economic recovery slowed down while the overall trend remained stable. The RMB exchange rate against the U.S. dollars experienced a two-way fluctuation with appreciation followed by depreciation. It appreciated rapidly at the beginning of the year and saw depreciation since the end of April. In the first half of 2018, the RMB exchange rate recorded accumulated depreciation of 1.70% against the U.S. dollars. According to the National Bureau of Statistics of China, the country's gross domestic product for the first half of 2018 increased by 6.8% year-on-year, to RMB41,896.1 billion.

With the increasing levels of urbanisation and per capita disposable income, consumption upgrade together with changing consumption attitudes and spending habits are still the key to the development of the underwear market in China. The innovative ability of a lingerie company, segmentation of products and the improvement of end-customer experience contributed to the growth of the overall industry. Meanwhile, the scale of e-commerce has further expanded, and the trend of segmentation of underwear products has continued. The Group will continue to make good use of its multi-brand strategy to cater for consumer demand and changes in the market and actively promote steady business development.

For the six months ended 30 June 2018 (the "Current Period"), the Group's revenue increased by 14.47% to HK$1,354,425,000 over that for the six months ended 30 June 2017 (the "Prior Period"). Gross profit margin increased by 2.42 percentage points to 79.91%. Profit attributable to owners of the Company was HK$116,195,000, net profit margin was 8.58%. Earnings per share was HK27.51 cents (2017: HK21.17 cents). The Board of Directors of the Company has resolved to declare an interim dividend of HK3.50 cents per share (2017: HK2.50 cents) for the Current Period.

Brand management

In the first half of 2018, the Group adhered to its multi-brand strategy and achieved omni-channel coverage to develop the underwear market in a broad and in-depth manner. In accordance with the domestic consumption environment, the Group adjusted its brand strategy in a timely manner, such as positioning ***E-BRA*** as the brand for online shopping; and ***IADORE*** as an offline wholesale brand to capture the rapidly rising purchasing power of the third and fourth-tier markets. With the Group's research and development, production and channel advantages, it will continue to strengthen its brand image in each market segment, thereby increasing its market share.

The Group actively reinforced its brand building and increased product exposure to enhance its brand influence. During the Current Period, the Group participated in a series of activities in 2018 China (Shenzhen) International Brand Underwear Fair and Vipshop New Year Shopping Festival to showcase different styles of its brands and demonstrate its design capabilities, which laid a solid foundation for the long-term brand development. The Group also hosted EmbryTime VIP Salon, allowing valued customers to gain an in-depth understanding of the Group's green environmental philosophy and increasing their loyalty to the brand.

The Group has been focusing on the marketing and promotion of brands through a combination of online platforms and offline public relations activities, promoting the Group's products in a diversified and innovative manner, and broadening consumer awareness of its brands. In particular, at the opening act of Shenzhen Underwear Fair, the Group invited famous actors and Internet celebrities to join the opening ceremony and flexibly used a variety of new media to enhance brand awareness and further build a good reputation.

During the Current Period, the Group paid more attention to increasing the exposure of brands on popular social media. The Group drove foot traffic to its stores through online and offline interactions, thereby increasing sales. The Group also closely monitored the changes in customer spending habits, adjusted its promotional strategies and product mix to meet market demand, and grasped the market development opportunities.

Management Discussion and Analysis (continued)

Sales network

In order to enhance its operating efficiency, the Group continued to implement its network optimisation strategy during the Current Period. The Group appropriately adjusted its retail outlets by closing or relocating stores with lower efficiency so as to enhance the overall efficiency of its sales network. As at 30 June 2018, the Group had 1,867 retail outlets in total, including 1,632 concessionary counters and 235 stores. During the Current Period, there was a net decrease of 58 retail outlets of the Group. Meanwhile, the Group's products were also available for sale through different online platforms so as to reach out to more potential customers on the Internet.

Product design, research and development

The Group has committed to excellent product quality over the years and it continued to devote resources to the design, research and development of new products. With innovation of new designs, the Group continued to pursue improvement in patented designs so as to bring products of outstanding quality to the market.

During the Current Period, the Group launched a variety of well-received new collections, including: ***EMBRY FORM***'s "Nude Fashion Series" (「裸感風尚系列」) and "Elegant Satin Series" (「優雅色丁系列」); ***FANDECIE***'s "Joyful City Series" (「悅動全城系列」) and "Wonderland Series" (「奇趣王國系列」); ***COMFIT***'s "Pretty Shape Series" (「秀麗胸型系列」) and "Cotton Breathing Series" (「棉感呼吸系列」); ***E-BRA***'s "Glossy Exquisite Series" (「光面玲瓏系列」) and "Graceful Moon Series" (「輕盈皎月系列」); ***IADORE***'s "Aroma Walk Series" (「花香滿徑系列」) and "Light and Shadow Poetry Series" (「光影成詩系列」); ***LIZA CHENG***'s "Flower Kiss Series" (「花之吻系列」) and "Cherishing Love Series" (「珍愛系列」); ***IVU***'s "Aerobic Series" (「有氧系列」) and "Quality Sleep Series" (「優眠系列」).

In the first half of 2018, the Group obtained 12 new patents, including 7 utility model patents and 5 appearance design patents. As at 30 June 2018, the Group had 11 invention patents, 44 utility model patents, and 8 appearance design patents.

Production capacity

Over the years, most of the products were manufactured by the Group in its production bases. The Group quickly responded to market demand and rapid changes in consumer preferences with flexible deployment of manpower and machine capacity.

The Group's intelligent warehouse at the production base in Jinan, Shandong province completed its trial run in 2017 and commenced operation in the first half of 2018

In addition, the second phase of plant premises and ancillary facilities at the Group's production base in Changzhou, Jiangsu province is scheduled for completion by the end of 2018, in order to meet the future expansion needs of the Group.

Human resources

Implementation of the minimum wage policy and tight labour supply in China have resulted in continuous wage increase. The Group endeavoured to boost staff loyalty through measures such as organising training courses and improving employee benefits to enhance solidarity, thereby improving its overall operational efficiency. The number of employees of the Group increased to approximately 7,970 (31 December 2017: approximately 7,860). 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$381,946,000 (2017: HK$349,108,000).

Financial Review

Revenue

By sales channel and region

During the Current Period, revenue was HK$1,354,425,000, representing an increase of 14.47% from the Prior Period, mainly attributable to the Group's omni-channel coverage and its effective multi-brand strategy.

During the Current Period, revenue from retail sales was HK$1,122,648,000, accounting for 82.89% of the Group's total revenue and representing an increase of 8.96% from the Prior Period. Revenue from the Internet and wholesale business increased by 53.48% from HK$149,081,000 to HK$228,807,000, accounting for 16.89% 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$1,313,711,000, accounting for 96.99% of the Group's total revenue.

By brand and product line

The Group currently operates seven brands, namely ***EMBRY FORM***, ***FANDECIE***, ***COMFIT***, ***E-BRA***, ***IADORE***, ***IVU*** and ***LIZA CHENG***, serving customers with different needs and varying degrees of purchasing power.

EMBRY FORM, the signature brand, is the main source of income for the Group and its contribution to the total revenue amounted to 45.95%. ***EMBRY FORM***'s revenue amounted to HK$622,365,000, which increased by 11.91% from the Prior Period, mainly due to the outstanding quality of ***EMBRY FORM*** products, attracting more consumers to buy this mid- to high-end signature brand. ***FANDECIE***'s revenue amounted to HK$333,903,000, which increased by 9.20% from the Prior Period and accounted for 24.66% of the total revenue for the Current Period. ***COMFIT***'s revenue increased by 26.00% over the Prior Period to HK$125,309,000, accounting for 9.25% of the total revenue of the Current Period. ***E-BRA***'s revenue increased by 16.27% over the Prior Period to HK$145,070,000, accounting for 10.71% of the total revenue of the Current Period. ***LIZA CHENG***'s revenue for the Current Period increased by 22.10% to HK$27,234,000. ***IADORE***'s revenue increased by 13.88% over the Prior Period to HK$38,380,000, accounting for 2.83% of the total revenue of the Current Period. ***IVU***'s revenue increased by 58.77% over the Prior Period to HK$59,194,000, accounting for 4.37% of the total revenue of the Current Period. The brands' respective proportion in revenue mainly reflected the Group's alignment of its business focus to market development.

Lingerie has always been the core product line of the Group. During the Current Period, sales of lingerie increased by 14.00% over the Prior Period to HK$1,200,461,000, representing 88.63% of the revenue of the Group. Sales of sleepwear increased by 28.90% to HK$82,668,000, accounting for 6.10% of the total revenue of the Group, while sales of swimwear increased by 14.25% to HK$56,313,000, accounting for 4.16% of the total revenue of the Group.

Gross Profit

During the Current Period, the Group recorded a gross profit of approximately HK$1,082,288,000, representing an increase of 18.04% from the Prior Period. Gross profit margin increased by 2.42 percentage points over the Prior Period to 79.91%.

Other income and gains

Other income rose by 35.18% to HK$47,810,000 for the Current Period, including subsidies received by the Group from the local municipal government of approximately HK$30,779,000.

Operating expenses
During the Current Period, selling and distribution expenses increased by 16.91% to HK$818,469,000 (2017: HK$700,087,000), accounting for 60.43% (2017: 59.17%) of the Group's revenue. The increase in the proportion of selling and distribution expenses to overall sales was mainly due to the increase in advertising and counter decoration expenses.

Administrative expenses increased by 23.92% over the Prior Period to HK$142,015,000, accounting for 10.49% of the Group's revenue. (2017: 9.69%)

Net profit
Profit attributable to owners of the Company was HK$116,195,000 for the Current Period, representing an increase of 31.72% from the Prior Period. Net profit margin increased from 7.46% for the Prior Period to 8.58%. The increase in net profit was mainly due to the improvement in gross profit margin as a result of the effective multi-brand strategy and promotional initiatives, together with the accelerated inventory turnover helped by the commencement of operation of the intelligent warehouse in Current Period which better served the sales demand.

Liquidity and financial resources
The Group finances its operations mainly with internally generated cash flows. Financial position of the Group remained sound and healthy during the Current Period. As at 30 June 2018, the Group's cash and cash equivalents amounted to approximately HK$399,645,000 (31 December 2017: HK$234,711,000). As at 30 June 2018, the Group's interest-bearing bank borrowings amounted to HK$418,323,000 (31 December 2017: HK$326,056,000). As at 30 June 2018, equity attributable to owners of the Company was HK$2,422,562,000 (31 December 2017: HK$2,367,110,000). Accordingly, the gearing ratio of the Group was approximately 17.27% (31 December 2017: 13.77%).

Capital expenditure
During the Current Period, the capital expenditure of the Group amounted to HK$92,852,000 (2017: HK$75,680,000), which was mainly used for the Group's intelligent warehouse and the second phase of the plant premises and ancillary facilities at production base in Changzhou. As at 30 June 2018, the capital commitments of the Group amounted to HK$215,117,000 (31 December 2017: HK$262,425,000), which were contracted but not provided for in the financial statements.

Charge on the Group's assets
As at 30 June 2018, the Group did not pledge any assets.

Capital structure
As at 30 June 2018, the total issued share capital of the Company was HK$4,224,000 (31 December 2017: HK$4,224,000), comprising 422,417,000 (31 December 2017: 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 2018, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK$243,000 (31 December 2017: HK$243,000). 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 2018, escalating trade protectionism coupled with the uncertainty brought by the Brexit negotiations as well as intensifying volatility of the RMB exchange rate pose risks to the global economic growth, which could lead to a cautious consumer sentiment. However, China continues to undergo restructuring and transformation to a consumption-oriented economy, which will facilitate the further expansion of the domestic consumer goods market. At the same time, the urbanisation process is accelerating and upgrading of consumption structure is gaining momentum, thereby bringing enormous development opportunities for the retail industry in the long term.

As a major brand operator in the lingerie industry in China, the Group will closely follow the market changes, adopt flexible and diversified development strategies in a timely manner, respond quickly to market changes and promptly seize the market opportunities.

With the rapid growth of the consumption market, the Group will continue to strengthen the investment and development of wholesale and e-commerce and develop exclusive products based on market needs. The Group's products are also sold through trade fairs and different online platforms to enhance brand awareness and expand customer base. Meanwhile, the Group will continue to optimise its sales network structure, close underperforming stores and integrate its sales network, thereby raising overall operating efficiency. Through integration between online and offline development, the Group will strive to achieve omni-channel sales and enhance business competitiveness.

Moreover, to optimise productivity and enhance efficiency of the supply chain, the second phase of the automated supply chain logistics equipment is now being installed in the intelligent warehouse at the Group's production base in Jinan, Shandong province. The second phase of plant premises and ancillary facilities at the Group's production base in Changzhou, Jiangsu province also progressed as scheduled.

Despite the fast-changing market environment, leveraging on the solid business foundation, multi-brand strategy, broad product portfolio and outstanding product quality, the Group is confident of capitalising on market trends and fostering steady business growth with diversified effective strategies so as to generate satisfactory returns to its shareholders in the long term.

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 2018 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 23 August 2018, the Board resolved to declare the payment of an interim dividend of HK3.5 cents per ordinary share in respect of the Current Period to shareholders registered on the register of members on Wednesday, 12 September 2018, resulting in an appropriation of approximately HK$14,785,000. The above-mentioned interim dividend will be payable on 4 October 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday, 12 September 2018, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 11 September 2018.

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 2018 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 2018 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, 23 August 2018

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.