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 2012

RESULTS HIGHLIGHTS

	Six months ended 30 June		
	2012	**2011**	**Change**
	(HK$'000)	*(HK$'000)*	
Revenue	1,024,167	841,283	+21.74%
Gross profit	831,568	685,326	+21.34%
Gross profit margin	81.19%	81.46%	-0.27% pts
Profit for the period attributable to owners of the Company	113,363	92,089*	+23.10%
Net profit margin	11.07%	10.95%*	+0.12% pts
	(HK cents)	*(HK cents)*	
Basic earnings per share	27.51	22.55*	+22.00%
Proposed interim dividend per share	4.00	3.00	+33.33%

* *The Group had adopted the Amendments to Hong Kong Accounting Standard ("HKAS") 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets from 1 January 2012. The change in accounting policy arising from Amendments to HKAS12 had been applied retrospectively, with consequential adjustments to comparatives for the 2011 interim period.*

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 2012 together with the unaudited comparative figures for the corresponding period in 2011 and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	Six months ended 30 June 2012 HK$'000 (unaudited)	Six months ended 30 June 2011 HK$'000 (unaudited and restated)
REVENUE	2	1,024,167	841,283
Cost of sales		(192,599)	(155,957)
Gross profit		831,568	685,326
Other income and gains	3	26,684	20,245
Selling and distribution expenses		(592,704)	(482,682)
Administrative expenses		(97,138)	(91,233)
Finance costs	4	(2,061)	(1,022)
PROFIT BEFORE TAX	5	166,349	130,634
Income tax expense	6	(52,986)	(38,545)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		113,363	92,089
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
- Basic (HK cents)		27.51	22.55
- Diluted (HK cents)		27.31	22.16

Details of the dividends are disclosed in note 8 to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended 30 June 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited and restated)
PROFIT FOR THE PERIOD	113,363	92,089
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	10,829	6,994
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	124,192	99,083

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2012

	Notes	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (restated)	1 January 2011 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	9	540,967	541,260	518,923
Investment properties		252,370	249,805	217,224
Prepaid land lease payments		40,020	35,521	35,020
Deferred tax assets		21,838	23,586	11,197
Deposits		6,028	6,826	5,497
Total non-current assets		861,223	856,998	787,861
CURRENT ASSETS				
Inventories		551,228	601,293	441,617
Trade receivables	10	93,870	62,675	64,838
Prepayments, deposits and other receivables		44,324	56,641	49,839
Cash and cash equivalents		299,697	179,607	195,090
Total current assets		989,119	900,216	751,384
CURRENT LIABILITIES				
Trade and bills payables	11	35,958	44,087	63,955
Interest-bearing bank borrowings	12	47,375	48,000	20,000
Tax payable		18,379	18,148	11,105
Other payables and accruals		162,664	149,591	223,306
Total current liabilities		264,376	259,826	318,366
NET CURRENT ASSETS		724,743	640,390	433,018
TOTAL ASSETS LESS CURRENT LIABILITIES		1,585,966	1,497,388	1,220,879
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	12	150,125	163,500	65,000
Deferred liabilities		4,414	4,234	3,471
Deferred tax liabilities		37,449	33,745	18,523
Other payables		22,963	22,683	21,882
Total non-current liabilities		214,951	224,162	108,876
NET ASSETS		1,371,015	1,273,226	1,112,003
EQUITY				
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Issued capital		4,138	4,113	4,067
Reserves		1,366,877	1,269,113	1,107,936
TOTAL EQUITY		1,371,015	1,273,226	1,112,003

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements 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 interim 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 interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011 except as described below. In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2012.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of HKAS 12 Amendments, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group had adopted HKAS 12 Amendments from 1 January 2012.

The Group has previously provided deferred tax on fair value gains on its investment properties assuming that the carrying amounts of these properties will be recovered through use. Upon the adoption of HKAS 12 Amendments, the Group re-measured the deferred tax relating to its investment properties based on the presumption that they are recovered entirely through sale as if this new policy had always been applied. The tax consequences in Hong Kong of a sale of the investment property and of the entity owning the investment property are not significantly different.

In Mainland China, the tax consequences of a sale of the investment property or of the entity owning the investment property may be different. The Group's business model is that the entity owning the investment property will recover the value through use and on this basis the presumption of sale has been rebutted. Consequently, the Group has continued to recognise deferred taxes on the basis that the values of its investment properties in Mainland China are recovered through use.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The effects of the above changes are summarised below:

Condensed consolidated income statement

For the six months ended 30 June	2012 HK$'000	2011 HK$'000
Decrease in income tax expense	-	804
Increase in profit attributable to owners of the Company	-	804
Increase in basic earnings per share (HK cents)	-	0.20
Increase in diluted earnings per share (HK cents)	-	0.19

Condensed consolidated statement of financial position

	30 June 2012 HK$'000	31 December 2011 HK$'000	1 January 2011 HK$'000
Decrease in deferred tax liabilities	3,300	3,300	2,331
Increase in retained profits	3,300	3,300	2,331

2. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, 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

	Six months ended 30 June 2012 HK$'000 (unaudited)	Six months ended 30 June 2011 HK$'000 (unaudited)
Other income		
Subsidy income*	15,178	3,168
Gross rental income	3,108	1,903
Bank interest income	1,001	437
Royalty income	134	235
Others	936	1,444
	20,357	7,187
Gains		
Foreign exchange differences, net	6,856	8,180
Changes in fair value of an investment property	-	4,875
Gain/(loss) on disposal/write-off of items of property, plant and equipment	(529)	3
	6,327	13,058
	26,684	20,245

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

4. FINANCE COSTS

	Six months ended 30 June 2012 HK$'000 (unaudited)	Six months ended 30 June 2011 HK$'000 (unaudited)
Total interest on bank loans wholly repayable within five years	2,061	1,022

5. PROFIT BEFORE TAX

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

	Six months ended 30 June 2012 HK$'000 (unaudited)	Six months ended 30 June 2011 HK$'000 (unaudited)
Cost of inventories sold	192,599	155,957
Depreciation	19,367	16,467
Amortisation of prepaid land lease payments	395	381
Minimum lease payments under operating leases in respect of:		
Land and buildings	33,833	30,400
Contingent rents of retail outlets in department stores	256,557	207,101
Advertising and counter decoration expenses	56,172	46,802
Research and development expenditure	1,091	1,587

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China ("PRC") being effective on 1 January 2008 (the "New PRC Tax Law"), the PRC income tax rate is unified to 25% for all enterprises. Under an implementation guidance note of the New PRC Tax Law, enterprises established before the publication of the New PRC Tax Law were entitled to preferential treatments of a reduced corporate income tax rate (the "CIT rate") granted by the relevant tax authorities. The new CIT rate would be gradually increased from the preferential rate to 25% within five years after the effective date of the New PRC Tax Law on 1 January 2008. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term prior to the New PRC Tax Law became effective continue to enjoy such treatment until the fixed term expires.

In addition, taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Six months ended 30 June 2012 HK$'000 (unaudited)	Six months ended 30 June 2011 HK$'000 (unaudited and restated)
Group:		
Current - Hong Kong	271	295
Current - Mainland China	44,651	33,092
Deferred	8,064	5,158
Total tax charge for the period	52,986	38,545

7. 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	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (unaudited profit for the period attributable to owners of the Company)	113,363	92,089
	'000	'000
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	412,032	408,451
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all options outstanding during the period	3,040	7,029
Weighted average number of ordinary shares for the purpose of diluted earnings per share	415,072	415,480

8. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Dividends paid during the period		
Final and special in respect of the financial year ended 31 December 2011 – HK7.0 cents and HK2.0 cents, respectively, per ordinary share (2011: final and special in respect of the financial year ended 31 December 2010 - HK5.0 cents and HK3.0 cents, respectively, per ordinary share)	37,240	32,803
Proposed interim dividend		
Interim – HK4.0 cents (2011: HK3.0 cents) per ordinary share	16,560	12,302

The interim dividend will be paid to the shareholders whose names appear in the register of members on 14 September 2012. The interim dividend was declared after the period ended 30 June 2012, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
At beginning of period/year, net of accumulated depreciation	541,260	518,923
Additions	13,334	38,462
Disposals/write-off	(560)	(35)
Depreciation provided during the period/year	(19,367)	(34,285)
Exchange realignment	6,300	18,195
At end of period/year, net of accumulated depreciation	540,967	541,260

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 from the sales department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Within 90 days	91,253	60,867
91 to 180 days	2,617	1,808
181 to 360 days	587	606
Over 360 days	85	92
	94,542	63,373
Less: Impairment allowance	(672)	(698)
	93,870	62,675

11. TRADE AND BILLS PAYABLES

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

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Within 90 days	33,214	31,594
91 to 180 days	1,804	10,906
181 to 360 days	809	1,521
Over 360 days	131	66
	35,958	44,087

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

12. INTEREST-BEARING BANK BORROWINGS

	30 June 2012			31 December 2011		
	Effective interest rate %	Maturity	HK$'000 (unaudited)	Effective interest rate %	Maturity	HK$'000 (audited)
Current						
Bank loans -unsecured	HIBOR+1.08 to HIBOR+2.25	2012-2013	47,375	HIBOR+1.08 to HIBOR+2.50	2012	48,000
Non-current						
Bank loans -unsecured	HIBOR+1.08 to HIBOR+2.25	2013-2016	150,125	HIBOR+1.08 to HIBOR+2.25	2013-2016	163,500
Total			197,500			211,500

12. INTEREST-BEARING BANK BORROWINGS (continued)

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Analysed into:		
Bank loans repayable:		
Within one year	47,375	48,000
In the second year	56,750	53,000
In the third to fifth years, inclusive	93,375	110,500
	197,500	211,500
Less: Amount repayable within one year and classified as current portion	(47,375)	(48,000)
Amount classified as non-current portion	150,125	163,500

The above bank loans are denominated in Hong Kong dollars. The bank loans are supported by corporate guarantees given by the Company, bear interest at rates ranging from 1.08% to 2.25% (31 December 2011: 1.08% to 2.50%) above the Hong Kong Interbank Offered Rate ("HIBOR") per annum.

13. COMMITMENTS

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

	30 June 2012 HK$'000 (unaudited)	31 December 2011 HK$'000 (audited)
Contracted for commitments in respect of its wholly-owned investment in the PRC	46,560	-
Contracted for commitments in respect of the acquisition of property, plant and equipment	13,332	10,079
Authorised, but not contracted for commitments in respect of		
- investment in Shandong Factory Phase II development	117,039	121,844
- investment in Changzhou Factory development	51,343	-
	168,382	121,844

14. COMPARATIVE AMOUNTS

As further explained in note 1 to the condensed consolidated financial statements, due to the adoption of the new and revised HKFRSs during the period, certain balances in the condensed consolidated financial statements have been revised accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS REVIEW

During the first half of 2012, the debt crisis in Europe continued to worsen and dampen the global economy, with no exception to China. The central government has taken mild regulatory measures and economic stimulus policies to contain inflation and encourage domestic consumption, in order to maintain steady development of the economy. External trade, however, was influenced by the external economic landscape, which resulted in its continuous sluggish growth and affected the overall retail and consumer market to a certain extent. According to China's National Bureau of Statistics, the Gross Domestic Product (GDP) amounted to RMB22,709.8 billion in the first half of the year, representing a year-on-year increase of 7.8%. The total retail sales of social consumer goods reached RMB9,822.2 billion, representing year-on-year growth of 14.4%, among which sales of daily consumer goods such as clothing saw more robust growth.

In view of the uncertain macro-economic environment, the Group prudently formulated its business development plan and flexibly adopted its multi-brand strategy. The Group also consolidated and optimised its sales network and adjusted the pace of store opening in order to further strengthen the business foundation and promote its sustainable and healthy business growth.

For the six months ended 30 June 2012 (the "Current Period"), the Group attained satisfactory business performance. Revenue grew by 21.74% over that of the six months ended 30 June 2011 (the "Prior Period") to HK$1,024,167,000. The increase in selling and distribution expenses during the period approximated that of revenue, up by 22.79%. Profit attributable to owners of the Company was HK$113,363,000, which increased by 23.10%. Earnings per share amounted to HK27.51 cents (2011: HK22.55 cents), representing an increase of 22.00%. The Board of Directors of the Company has resolved to declare an interim dividend of HK4.0 cents per share (2011: HK3.00 cents) for the Current Period.

Brand Management

Consumer sentiment fell with the prevailing complex and volatile economic environment in which consumers became more cautious and relatively less willing to pay high product prices. The Group continued to keep abreast of market conditions and customer needs and capitalise on the advantages of its multi-brand strategy. The Group currently operates five brands: ***EMBRY FORM, FANDECIE, COMFIT, E-BRA*** and ***LIZA CHENG***, so as to meet the demand for product diversification in different consumer markets and further consolidate its brand strengths.

The Group has made active efforts in the promotion and publicity of brands and products through various channels, so as to enhance brand equity. During the Current Period, the Group held a number of promotional and marketing activities, including the "EMBRY FORM Love Yourself Salon" ("安莉芳寵愛自己沙龍展"), the "Magic Pioneer Party of FANDECIE" ("芬狄詩魔力先鋒派對") and the "E-BRA Beauty Hunting School Function" ("E-BRA 尋找都市麗人校園活動"). All these activities enabled us to enhance market penetration and brand awareness, and to continuously strengthen the close relationship between the Group and distributors and customers across the country, thus further boosting product sales.

BUSINESS AND OPERATION REVIEW (continued)

Sales network
The Group sped up the closure of stores with low operating efficiency during the economic down cycle, in order to integrate resources more effectively, and optimise and adjust the sales network structure.

During the Current Period, the number of retail outlets of the Group registered a net decrease of 57. As at 30 June 2012, the Group operated a total of 2,019 retail outlets. Out of these outlets, the number of concessionary counters and stores were 1,816 and 203 respectively.

Product Design, Research and Development
With improving living standards of urban residents of China and the growing maturation of consumption patterns, women are increasingly in pursuit of brand names. In view of this, the Group continuously invested resources in the design, research and development of new products. Through the increase in the application of patented designs, the value of our products was enhanced and the consumption need of customers at different levels was satisfied.

During the Current Period, the Group has rolled out a variety of brand new product collections, including ***EMBRY FORM***'s "MISS EMBRY Series", "Romance and Comfort Series" and "Leopard Charm Series", ***FANDECIE***'s "Pastoral Series" and "LUCIE Spring and Summer Series", as well as ***E-BRA***'s "Paris Charm Series".

As at 30 June 2012, the Group had 1 invention patent, 29 utility model patents and 13 appearance design patents, which were registered in China and/or other parts of the world.

Production Capacity
Currently, the Group has three production bases located in Shenzhen, Jinan and Changzhou respectively. The Group closely monitors the changes in the demand of the consumer market. Through regular review of the capacity allocation and flexible deployment of workshop manpower and machine capacity, we actively responded to the impact of the instability of the global economic situation, in order to achieve better operational efficiency.

Human Resources
The robust labour market in China has resulted in a continued rise in wage pressures. Quality human resources are the core value of the Group. The Group endeavoured to enhance staff loyalty through the organisation of training courses and cultural activities and improvement in employee benefits. In order to improve the overall production and operational efficiency, the Group fine-tuned its productivity plan and adjusted the sales network. In line with this, the number of employees of the Group was reduced to approximately 8,200 (31 December 2011: approximately 8,500). The total staff costs (including wages and basic salaries, commissions, bonuses, contributions to the retirement benefits scheme and equity-settled share option expenses) for the Current Period was HK$272,376,000 (2011: HK$235,841,000).

FINANCIAL REVIEW

Revenue

By sales channels and regions
During the Current Period, revenue was HK$1,024,167,000, representing growth of 21.74% when compared with the Prior Period. The growth in revenue was mainly attributable to the success of the Group's multi-brand strategy and the steady growth in the overall customer demand amid the volatile market condition.

Retail sales for the Current Period amounted to HK$881,699,000, accounting for 86.09% of the Group's total revenue and representing an increase of 24.67% over the Prior Period. Sales of the wholesale business increased by 8.20% from HK$116,224,000 to HK$125,750,000. During the Current Period, the original design manufacturer business accounted for an insignificant proportion of the Group's total revenue. Revenue was HK$2,765,000, accounting for 0.27% of the Group's total revenue. Moreover, the direct online sales channels of the Group, which used the electronic network as a sales platform for the selling of a diverse range of brand products of the Group, generated a revenue contribution of HK$13,953,000, representing growth of 59.48% when compared with the Prior Period.

The Mainland China market is the main source of income for the Group. During the Current Period, the revenue from the Mainland China market amounted to HK$970,955,000, accounting for 94.80% of the Group's total revenue and representing an increase of 23.29% over the Prior Period.

By brands and product lines
At present, the Group operates five brands: ***EMBRY FORM***, ***FANDECIE***, ***COMFIT***, ***E-BRA*** and ***LIZA CHENG*** for customers of different age groups and purchasing power. During the Current Period, sales growth was attained for each of the five brands of the Group. ***EMBRY FORM***, our signature brand, is the main source of income for the Group with a sales increase of 20.09% to HK$532,973,000. ***FANDECIE*** contributed to 16.40% growth, with revenue increasing to HK$337,638,000 over the Prior Period. The slow down of growth was mainly attributable to the Group's sales network adjustment during the period. ***COMFIT*** achieved satisfactory performance, revenue grew by 75.93% to HK$73,628,000 over the Prior Period. ***E-BRA*** recorded revenue growth by 34.22% over the Prior Period to HK$72,056,000. In respect of ***LIZA CHENG***, revenue for the Current Period increased by 86.18% to HK$5,107,000.

Lingerie has always been the core product line of the Group. During the Current Period, sales of lingerie were HK$925,013,000, accounting for 90.32% of the Group's revenue and representing an increase of 24.25% over the Prior Period. Sleepwear delivered promising sales growth of 18.94%, whereas sales of swimwear recorded an increase of 6.63%. Sales of sleepwear and swimwear for the Current Period were HK$44,226,000 and HK$49,877,000 respectively, accounting for 4.32% and 4.87% of the Group's revenue respectively. The two product lines will help extend the development of the Group's product diversification.

FINANCIAL REVIEW (continued)

Gross Profit

During the Current Period, the Group recorded a gross profit of approximately HK$831,568,000, representing growth of about 21.34% over the Prior Period. The gross profit margin approximated that of the Prior Period at about 81.19%. Increase in provision for inventories and rising labour costs have led to increasing cost pressures. However, the Group's business expansion has further enhanced economies of scale, coupled with the enhancement of brand equity, the Group's gross profit margin was able to maintain at a stable level.

Other Income and Gains

Other income increased by 31.81% to HK$26,684,000 in the Current Period. Subsidy income for the Current Period was about HK$15,178,000. This income represented the subsidies received by the Group from the local municipal government. Exchange gains amounting to HK$6,856,000 was also recorded for the Current Period. These gains were derived from the appreciation of Renminbi arising from business operations in Mainland China. In addition, the Group's interest income increased by 129.06% to HK$1,001,000. The increase was due to a rise in the cash balance at banks arising from the operating income for the Current Period.

Operating Expenses

During the Current Period, selling and distribution expenses increased by 22.79% to HK$592,704,000 (2011: HK$482,682,000), representing 57.87% (2011: 57.37%) of the Group's revenue.

Selling and distribution expenses increased in the same pace as revenue, and the rise in staff costs continued to pressure operating costs. Besides, expenditure on advertising and decoration of retail outlets rose by 20.02% to HK$56,172,000, accounting for 5.48% (2011: 5.56%) of the Group's revenue.

Administrative expenses increased by 6.47% to HK$97,138,000, accounting for 9.48% of the Group's revenue, compared with 10.84% in the Prior Period.

Net Profit

Profit attributable to owners of the Company was HK$113,363,000 in the Current Period, representing an increase of 23.10% over the Prior Period. The increase in profit attributable to owners of the Company was mainly attributable to the sustained growth in revenue, the high level of gross profit margin and the increase in other income. The net profit margin increased from 10.95% in the Prior Period to 11.07%.

FINANCIAL REVIEW (continued)

Liquidity and Financial Resources
The Group generally finances its operations with internally generated cash flows. The financial position of the Group remained sound and healthy during the Current Period. As at 30 June 2012, the Group's cash and cash equivalents amounted to approximately HK$299,697,000 (31 December 2011: HK$179,607,000). As at 30 June 2012, the Group's borrowings amounted to HK$197,500,000 (31 December 2011: HK$211,500,000). During the Current Period, the Group did not pledge any assets to secure bank loans. Gearing ratio of the Group was approximately 14.41% as at 30 June 2012 (31 December 2011: 16.61%).

Capital Structure
As at 30 June 2012, the total issued share capital of the Company was HK$4,138,000 (31 December 2011: HK$4,113,000), comprising 413,774,000 (31 December 2011: 411,324,000) ordinary shares of HK$0.01 each. The increase in the number of issued shares was due to the exercise of the share options granted under the share option scheme by certain directors and employees of the Group.

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.

Capital Expenditure
The capital expenditure of the Group during the Current Period amounted to HK$13,334,000 (2011: HK$20,783,000).

Charge on the Group's Assets
As at 30 June 2012, the Group did not pledge any assets.

Foreign Currency Exposure
The Group carries out its trading transactions mainly in Hong Kong dollars and Renminbi. As the Group's foreign currency risks arising from the sales and purchases can be set off with each other, and hence is not significant to the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency. The Group does not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business.

Contingent Liabilities
A subsidiary of the Company was enquired by certain government bodies regarding the compliance of relevant foreign exchange rules in the PRC in relation to the remittance and use of funds in the course of purchase of the Embry Tower in Shanghai in 2009 and 2010. In the opinion of the directors, based on the legal advice from the Group's legal counsels, since the enquiry process is not yet concluded, whether or not the relevant company will be subject to any punishment and, if so, the amount of the ultimate liabilities (if any) cannot be measured with sufficient reliability, no provision has been made at this time.

Save as disclosed above, the Group has no other significant contingent liabilities, nor any litigation or arbitration of material importance.

PROSPECT

Clouded by the uncertain economic outlook worldwide, the growth of China's economy became sluggish. Domestic consumer demand was slowing down in the beginning of the year, posing challenges to the retail industry. It is expected that the business environment in the second half will remain volatile. In view of the complex challenges of the domestic and international economic environment, the central government made a downward adjustment on the expected growth of 2012 GDP to 7.5% in the beginning of the year. Meanwhile, it continued to adopt a package of stimulus measures to boost domestic demand, in order to stabilise the economy and promote further growth.

The Group will remain cautiously optimistic and pay close attention to market conditions. It will adopt a business strategy that allows sustainable development. The Group will continue to capitalise on the advantages of its multi-brand strategy and actively respond to the changes in the market through a diversified product portfolio.

In view of the numerous uncertainties in the current market condition, the Group exercised extra caution in its business development planning, in which it strives to balance the speed and efficiency of the sales network expansion. Accordingly, the Group has decided to adjust the store-opening target to around 50 retail outlets for the year. In connection with production, the Group will continue to closely monitor market demand and strengthen capacity management. The Group will also appropriately regulate the pace of the preliminary planning work of the phase II development of the Shandong plant, so as to achieve higher production efficiency.

In the long run, China's economy is expected to maintain steady growth supported by steady urbanisation, and rising disposable income. The Group is confident that potential demand remains huge in the market. Over the years, the Group has successfully fostered a number of brands and is a key player in China's underwear market. On the current foundation, the Group will take the initiative to study the possibility of business expansion this year, whilst also exploring the potential of the male underwear market, with an aim to further expand its product portfolio to support sustainable business development.

Armed with the Group's strong multi-brand edges and prudent yet practical development strategies, the Group will constantly optimise its sales network and develop an enriched diversity of innovative product portfolio in order to seize the opportunities arising from market changes and fortify the Group's leading position in the retail market, thereby fostering long-term and steady business growth and creating satisfactory returns for our shareholders.

OTHER INFORMATION

INTERIM DIVIDEND

On 28 August 2012, the Board resolved to declare the payment of an interim dividend of HK4.0 cents per ordinary share in respect of the six months ended 30 June 2012 (the "Interim Period") to shareholders registered on the register of members on Friday, 14 September 2012, resulting in an appropriation of approximately HK$16,560,000. The above-mentioned interim dividend will be payable on or before 3 October 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 14 September 2012. During such period, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 13 September 2012.

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors, all Directors confirmed that they had complied with the required standard as set out in the Model Code during the Interim Period.

PUBLICATION OF 2012 INTERIM REPORT

The 2012 interim report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and will also be published on the website of the Company at http://www.embryform.com and the "HKExnews" website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk in due course.

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

Hong Kong, 28 August 2012

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