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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 2024**

RESULTS AND OPERATION HIGHLIGHTS

- Revenue was approximately HK\$631.4 million
- Gross profit was approximately HK\$478.3 million, gross profit margin increased by 1.3 percentage points to 75.8% year on year
- Affected by non-recurring, unrealised, and non-cash items, including, among others, the decrease in the fair value of investment properties in Chinese Mainland and Hong Kong, impairment of other asset in Shenzhen, and provisions for impairment of right-of-use assets in retail stores and counters, totalling approximately HK\$74.5 million, the Company recorded a loss attributable to owners of approximately HK\$82.2 million
- Use of celebrity endorsements to achieve brand exposure effectively boosting **EMBRY FORM**'s sales
- Focusing on strengthening the operations of e-commerce platforms, the overall e-commerce sales increased by 6.8% year on year to HK\$220.2 million

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of directors (the “Board” or “Directors”) of Embry Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2024 together with the unaudited comparative figures for the corresponding period in 2023 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 2024

	Notes	Six months ended 30 June	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
REVENUE	2	631,392	709,590
Cost of sales		<u>(153,068)</u>	<u>(181,328)</u>
Gross profit		478,324	528,262
Other income and gains, net	3	9,824	9,817
Selling and distribution expenses		(422,004)	(440,544)
Administrative expenses		(80,196)	(84,757)
Changes in fair value of investment properties		(43,674)	-
Impairment of other asset		(22,065)	-
Reversal of impairment/(impairment) of right-of-use assets		(8,737)	1,140
Other expenses	4	(1,495)	(571)
Finance costs	5	<u>(9,246)</u>	<u>(9,291)</u>
PROFIT/(LOSS) BEFORE TAX	6	(99,269)	4,056
Income tax credit	7	<u>17,034</u>	<u>1,311</u>
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(82,235)</u>	<u>5,367</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
- Basic (HK cents)		<u>(19.47)</u>	<u>1.27</u>
- Diluted (HK cents)		<u>(19.47)</u>	<u>1.27</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>(82,235)</u>	<u>5,367</u>
OTHER COMPREHENSIVE EXPENSE		
<i>Other comprehensive expense that may be reclassified to the income statement in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	<u>(45,817)</u>	<u>(98,784)</u>
<i>Other comprehensive income/(expense) that will not be reclassified to the income statement in subsequent periods:</i>		
Revaluation surplus	3,341	-
Deferred tax debited to asset revaluation reserve	<u>(835)</u>	<u>-</u>
<i>Net other comprehensive income that will not be reclassified to the income statement in subsequent periods</i>	<u>2,506</u>	<u>-</u>
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	<u>(43,311)</u>	<u>(98,784)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(125,546)</u>	<u>(93,417)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2024

	Notes	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	766,864	814,841
Investment properties		502,938	530,947
Right-of-use assets		115,545	147,315
Other asset		363,548	393,846
Deferred tax assets		107,358	98,499
Deposits and other receivables		17,345	17,512
Total non-current assets		<u>1,873,598</u>	<u>2,002,960</u>
CURRENT ASSETS			
Inventories		471,605	473,964
Trade receivables	10	53,739	45,204
Prepayments, deposits and other receivables		57,681	56,546
Tax recoverable		224	183
Cash and cash equivalents		<u>227,835</u>	<u>283,610</u>
Total current assets		<u>811,084</u>	<u>859,507</u>
CURRENT LIABILITIES			
Trade and bills payable	11	80,091	69,124
Interest-bearing bank borrowings		114,246	93,556
Lease liabilities		26,912	32,627
Other payables and accruals		<u>143,694</u>	<u>163,703</u>
Total current liabilities		<u>364,943</u>	<u>359,010</u>
NET CURRENT ASSETS		<u>446,141</u>	<u>500,497</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,319,739</u>	<u>2,503,457</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		153,249	194,756
Lease liabilities		14,869	21,394
Deferred tax liabilities		116,531	126,671
Other payables		<u>2,254</u>	<u>2,254</u>
Total non-current liabilities		<u>286,903</u>	<u>345,075</u>
NET ASSETS		<u>2,032,836</u>	<u>2,158,382</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,224	4,224
Reserves		<u>2,028,612</u>	<u>2,154,158</u>
TOTAL EQUITY		<u>2,032,836</u>	<u>2,158,382</u>

NOTES

1.1 BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2024 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 2023.

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 AND DISCLOSURES

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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The adoption of the above revised standards has no material impact on the results and financial position for the account or prior accounting periods which have been prepared and presented.

NOTES (continued)

2. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<i>Revenue from contracts with customers</i>		
Sales of goods	<u>631,392</u>	<u>709,590</u>

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Geographical markets		
Mainland China	611,286	686,772
Hong Kong	17,581	21,057
Others	<u>2,525</u>	<u>1,761</u>
Total revenue from contracts with customers	<u>631,392</u>	<u>709,590</u>

3. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other income		
Subsidy income*	207	6,055
Gross rental income from investment properties operating leases:		
Other lease payments, including fixed payments	7,964	8,966
Variable lease payments that do not depend on an index or a rate	312	339
Bank interest income	1,415	2,763
Gain on termination of leases	66	183
Others	<u>4,558</u>	<u>2,335</u>
Subtotal	<u>14,522</u>	<u>20,641</u>
Gains/(losses), net		
Foreign exchange differences, net	<u>(4,698)</u>	<u>(10,824)</u>
Total	<u>9,824</u>	<u>9,817</u>

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

NOTES (continued)

4. OTHER EXPENSES

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss on disposal/write-off of items of property, plant and equipment, net	16	135
Termination benefits	<u>1,479</u>	<u>436</u>
Total	<u>1,495</u>	<u>571</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on interest-bearing bank borrowings	8,028	8,079
Interest on lease liabilities	<u>1,218</u>	<u>1,212</u>
Total	<u>9,246</u>	<u>9,291</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Cost of inventories sold	153,068	181,328
Depreciation of property, plant and equipment	26,398	31,535
Depreciation of right-of-use assets	18,027	11,573
Lease payments not included in the measurement of lease liabilities	112,897	130,590
Advertising and counter decoration expenses	68,875	47,561
Impairment/(reversal of impairment) of right-of-use assets	<u>8,737</u>	<u>(1,140)</u>

NOTES (continued)

7. INCOME TAX

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current - Mainland China	-	136
Deferred tax credit	(17,034)	(1,447)
Total tax credit for the period	<u>(17,034)</u>	<u>(1,311)</u>

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

The calculation of the basic earnings/(loss) per share is based on the following data:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<u>Earnings/(loss)</u>		
Earnings/(loss) for the purpose of basic earnings per share	<u>(82,235)</u>	<u>5,367</u>

	Number of shares	
	Six months ended 30 June	2023
	2024	(unaudited)
	(unaudited)	(unaudited)
<u>Shares</u>		
Number of ordinary shares of the Company in issue, used in the basic earnings per share calculation	<u>422,416,638</u>	<u>422,416,638</u>

No adjustment has been made to the basic loss per share amount presented for the period ended 30 June 2024 in respect of a dilution as the impact of the share options has anti-dilutive effect on the basic loss per share amount presented.

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2023 in respect of a dilution as the impact of the share options has no dilutive effect on the basic earning per share amount presented.

9. PROPERTY, PLANT AND EQUIPMENT

	Six months ended	Year ended
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
At beginning of period/year, net carrying amount	814,841	895,058
Additions	5,615	27,660
Disposals/write-off	(23)	(219)
Depreciation provided during the period/year	(26,398)	(61,062)
Transfer to investment properties	(10,113)	(27,669)
Exchange realignment	<u>(17,058)</u>	<u>(18,927)</u>
At end of period/year, net carrying amount	<u>766,864</u>	<u>814,841</u>

NOTES (continued)

10. 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 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Within 90 days	50,931	43,197
91 to 180 days	2,548	1,746
181 to 360 days	537	295
Over 360 days	<u>3,660</u>	<u>4,199</u>
	57,676	49,437
Less: Impairment allowance	<u>(3,937)</u>	<u>(4,233)</u>
Total	<u><u>53,739</u></u>	<u><u>45,204</u></u>

11. TRADE AND BILLS PAYABLE

An ageing 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 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Within 90 days	76,794	66,388
91 to 180 days	1,499	300
181 to 360 days	737	453
Over 360 days	<u>1,061</u>	<u>1,983</u>
Total	<u><u>80,091</u></u>	<u><u>69,124</u></u>

12. COMMITMENTS

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

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Contracted for commitments in respect of the acquisition of property, plant and equipment	<u><u>106,629</u></u>	<u><u>105,725</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS REVIEW

In the first half of 2024, China's overall economy showed a steady trend of progress, but still faced challenges such as complicated external politics, divergent global monetary policies, insufficient effective demand in the domestic market, and weak social expectations. According to the National Bureau of Statistics, the country's gross domestic product (GDP) in the first half of 2024 grew by 5.0% year on year, while the GDP growth decreased from 5.3% in the first quarter to 4.7% in the second quarter, falling short of market expectations and reflecting the increasing difficulties and challenges in the current economic environment.

Despite the resilience shown by the China's economy in the first half of the year, the weak recovery trend continued. The sluggish real estate market and the unsatisfactory employment situation dampened consumer confidence, suppressing domestic demand and slowing household consumption expenditure growth. In the first half of 2024, the total retail sales of consumer goods grew by 3.7% year on year, lower than the GDP growth rate. Retail sales of commodities increased by 3.2% year on year. By retail format, the retail sales of department stores and branded stores fell by 3.0% and 1.8%, respectively, which further reflected the slow recovery of consumption demand. In a weak recovery environment, the importance of price in consumer decision-making increased significantly. Residents' income and consumption capacity were under slow recovery, and consumer behaviour was gradually evolving towards a trend of rational consumption focused on low-priced practicality. The overall consumer market sentiment was cautious, and the business environment for sub-essential underwear retails was challenging.

For the six months ended 30 June 2024 (the "Current Period"), the Group's revenue decreased by 11.0% to HK\$631,392,000 from that for the six months ended 30 June 2023 (the "Prior Period"). Gross profit margin increased by 1.3 percentage points to 75.8% year on year. Affected by non-recurring, unrealised, and non-cash items, including, among others, the decrease in the fair value of investment properties in Chinese Mainland and Hong Kong, impairment of other asset in Shenzhen, and provisions for impairment of right-of-use assets in retail stores and counters, totalling approximately HK\$74,476,000, the Company recorded a loss attributable to owners of approximately HK\$82,235,000 (2023: a profit of HK\$5,367,000). Loss per share amounted to HK19.47 cents (2023: earnings per share of HK1.27 cents).

The board of directors has resolved not to recommend the payment of an interim dividend in view of the uncertain economic outlook. The Company believes that this measure is a prudent and responsible means of preserving cash for the long-term financial health of the Group.

Brand management

In the first half of 2024, the Group leveraged its multi-brand strategy and adjusted marketing arrangements to meet market demand for its seven brands, namely *EMBRY FORM*, *FANDECIE*, *COMFIT*, *E-BRA*, *IVU*, *IADORE* and *LIZA CHENG*. The Group caters to the segmented market by highlighting unique brand personalities to meet the needs and preferences of varying customer groups. The Group enhanced its brand competitiveness and expanded market share while consolidating its flagship brand, *EMBRY FORM*, which contributed the majority of sales.

In terms of brand promotion, the Group adapted to market trends by adhering to a multi-channel and multimedia promotion strategy in the first half of the year, allocating resources in a timely manner and focusing on the operation of social media channels. The Group emphasised the use of celebrity endorsements, aiming to achieve continuous brand exposure across multiple mainstream social media platforms through celebrity effects. This enhanced brand reputation, attracted new customers, and increased the loyalty among existing ones, effectively boosting *EMBRY FORM*'s sales.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS AND OPERATIONS REVIEW (continued)

Brand management (continued)

The domestic e-commerce industry continued its positive trend in the first half of 2024, with online consumption steadily increasing. E-commerce platforms returned to focusing on user experience, further amplifying advantages in price and service, driving a continuous growth in online penetration rates. The Group responded to market trends by focusing on strengthening the operations of e-commerce platforms, placing corresponding recommended advertisements on the platforms to achieve brand exposure. The Group also leveraged social media platforms to promote its brands, followed the website traffic trends, strengthened the development of underwear styles exclusively for e-commerce and conducted precision marketing for its brands and products through collaboration with internet celebrities and interaction with customers, thus building good customer relationships and enhancing customers' brand loyalty. During the Current Period, the Group's overall e-commerce sales increased by 6.8% year on year, delivering a satisfactory performance.

Under the guidance of China's strategy of attaining the goals of "carbon peaking" and "carbon neutrality", the Group held the 22nd Eco Month event during the Current Period, promoting energy conservation and emission reduction initiatives through practical actions. Upholding the brand concepts of "green low carbon" and "sustainability", the Group launched the "Butterfly Habitat (蝶之棲息地)" conservation campaign, which included hosting art pop-up stores and offline clothing trade-in in large shopping malls and department stores in various cities, leveraging resources from the spokesperson and internet celebrities to expand outreach, encouraging consumers to reduce carbon emissions while conveying the brand's green and healthy aesthetics. In addition, the Group expressed the brand's commitment to environmental development through Eco Month activities, calling on the public to pay attention to environmental issues and participate in related actions to achieve sustainable development.

Sales network

In the first half of 2024, the Group further optimised and improved its sales network. As of 30 June 2024, the Group had a total of 907 retail outlets, including 757 concessionary counters and 150 retail stores. This represents a net decrease of 100 retail outlets compared to the end of December 2023. To enhance the overall operational efficiency of its sales network, the Group seized the opportunity of online sales, and actively explored and developed the online shopping market. The Group strategically adjusted its store network and balanced its online and offline sales channel to achieve optimal coverage.

During the Current Period, the Group continued to operate online mirror stores with product information synchronised with physical retail stores. This strategy created a synergistic relationship between online and offline channels to drive traffic, eliminated competition between them, and provided a convenient alternative shopping option to customers. This closed loop of operation also helped optimise store inventory deployment and management.

Product design, research and development

The Group has always been committed to excellent product quality and comfortable wearing experience. To meet consumer demand for environmentally friendly and lightweight underwear products, the Group continued to upgrade product designs and source appropriate materials while ensuring a comfortable fit and design. The Group has also continued to use green, environmentally friendly and non-polluting raw materials, committing to sustainable development at the source of production. Meanwhile, the Group has continued to improve its production technology, striving to improve production efficiency and operational efficiency of its supply chain in order to maintain its leading position in the highly competitive market.

BUSINESS AND OPERATIONS REVIEW (continued)

Product design, research and development (continued)

During the Current Period, the Group launched a full range of popular new collections, including, *EMBRY FORM*'s "GREEN EMBRY" and "Spring Traces (春日蹤跡)"; *FANDECIE*'s "Sweet Summer (甜美夏日)"; *COMFIT*'s "Artistic Mirage (藝術幻影)" and "Minimalist Lines (簡約線條)"; *LIZA CHENG*'s "Lace Geometry (蕾絲幾何)" and "Midsummer Dream (仲夏之夢)"; *E-BRA*'s "Soft Seamless (柔感無痕)" and "Full Body Shaping (豐盈美型)"; *IADORE*'s "Elegant Ripples (沁雅微瀾)" and "Fragrant Grass (芳草幽幽)"; *IVU*'s "Fortune Series (福運系列)".

The Group advocates for environmentally sound production processes while prioritising the health, comfort and eco-friendliness of its products for women. The Group has continued to strengthen the research and development of its green products, and launched new collections during the Current Period, with bio-based, environmentally friendly materials used for underwear shoulder straps, as well as zero-carbon fabrics and bamboo fibers. These materials decreased the use of the byproducts from petroleum refining. This indirectly helped reduce carbon dioxide emissions associated with the refining process. The product series also demonstrated the Group's commitment to low-carbon, environmental practices.

In the first half of 2024, the Group obtained one invention patent, five utility model patents and seven appearance design patents in China. As of 30 June 2024, the Group has a total of 135 patents, including 13 invention patents, 81 utility model patents and 41 appearance design patents.

Production capacity

The Group operates its own production bases in Jinan, Shandong Province, and Changzhou, Jiangsu Province, with the Shandong plant equipped with intelligent warehouses. The Group carefully analysed sales data and market trends to adjust production volume, maximising production efficiency and supply chain responsiveness.

To achieve sustainable development, the Group's Shandong Industrial Park prioritises low-carbon operations and environmental responsibility at the source. The industrial park utilises geothermal energy to tap the renewable energy, and adopts energy efficient features such as thermal insulation, energy-saving walls, and natural lighting to further reduce the environmental impact. Besides, the Group's proprietary packaging machines use degradable plastic products to minimise pollution.

Human resources

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

As of 30 June 2024, the total number of employees of the Group was 4,157 (31 December 2023: 4,390). Total staff cost (including wages and basic salaries, commissions, bonuses, contributions to the retirement benefits scheme, share option scheme but excluding directors' and chief executive's remunerations) for the Current Period was HK\$210,021,000 (2023: HK\$228,523,000).

FINANCIAL REVIEW

Revenue

Due to weak domestic consumer sentiment, revenue for the Current Period was HK\$631,392,000, representing a decrease of 11.0% from the Prior Period, and the Group's revenue from Chinese Mainland market decreased by approximately 6.9% year on year at constant exchange rates.

During the Current Period, revenue from retail sales was HK\$393,319,000, representing a decrease of 18.5% from the Prior Period, accounting for 62.3% of the Group's total revenue. The Group recorded a satisfactory growth in e-commerce sales, which increased by 6.8% year on year to HK\$220,159,000 in the first half of 2024, with its contribution to total revenue increased from 29.0% in the same period last year to 34.9%. The increase was primarily driven by the Group's enhanced e-commerce operations and improved supply chain management. These improvements enabled the Group to rapidly fulfil online orders, attracting and retaining customers effectively, which resulted in revenue growth from internet sales.

The Chinese Mainland market is the main source of income for the Group. During the Current Period, revenue from the mainland market was HK\$611,286,000, accounting for 96.8% of the Group's total revenue.

Among the seven brands operated by the Group, **EMBRY FORM**, the flagship brand, is the main source of income for the Group and its contribution to the total revenue accounted for 61.0%. Revenue from **EMBRY FORM** amounted to HK\$385,168,000, slightly up by 0.8% from that for the Prior Period. The revenue from other brands **FANDECIE**, **E-BRA**, **COMFIT**, **IVU**, **IADORE** and **LIZA CHENG** for the Current Period amounted to HK\$243,699,000, accounting for 38.6% of the total revenue.

Lingerie continues to be the core product line of the Group. During the Current Period, sales of underwear amounted to HK\$547,859,000, representing 86.8% of the revenue of the Group. Sales of sleepwear amounted to HK\$62,415,000, accounting for 9.9% of the revenue of the Group, while sales of swimwear amounted to HK\$9,300,000, accounting for 1.5% of the revenue of the Group.

Gross profit

During the Current Period, the Group recorded a gross profit of approximately HK\$478,324,000, representing a decrease of 9.5% from the Prior Period. It was mainly attributed to the decrease of approximately 11.0% in the Group's revenue as compared to the same period last year. Under stringent production cost control, the overall gross profit margin increased by 1.3 percentage points year on year to 75.8%.

FINANCIAL REVIEW (continued)

Operating expenses

During the Current Period, the selling and distribution expenses decreased by 4.2% year on year to HK\$422,004,000 (2023: HK\$440,544,000), accounting for 66.8% (2023: 62.1%) of the Group's revenue. The decrease in expenses was mainly due to the decrease in the number of concessionary counters and retail stores, resulting in a decrease in the related rental costs and wages of sales staff. Nevertheless, the Group has allocated more resources in sales and marketing during the Current Period, namely by engaging a spokesperson and organising more promotional activities, with the aim of enhancing the Group's brand awareness and driving the Group's overall sales in the future. In addition, the ratio of the selling and distribution expenses to the overall sales increased during the Current Period due to the lower sales.

Administrative expenses amounted to HK\$80,196,000 (2023: HK\$84,757,000), representing a decrease of 5.4% as compared to the same period last year, accounting for 12.7% (2023: 11.9%) of the Group's revenue.

Changes in fair value of investment properties and impairment of other asset

The sluggish property market in Chinese Mainland and Hong Kong has resulted in (i) a decrease of approximately HK\$43,674,000 in total in the fair value of the Group's investment properties in Shanghai and Changzhou, China and Hong Kong; and (ii) an impairment of approximately HK\$22,065,000 recorded for the other asset in Shenzhen, China (the right to receive the new properties under a relocation arrangement in 2017).

Impairment of right-of-use assets and other expenses

The Group made provisions for impairment of right-of-use assets in retail stores and counters of approximately HK\$8,737,000 (2023: reversal of impairment of HK\$1,140,000). Other expenses amounted to HK\$1,495,000, representing an increase of HK\$924,000 from the Prior Period. The increase was mainly due to the one-off severance payment of approximately HK\$1,479,000 (2023: HK\$436,000) as a result of streamlining structure.

Loss

During the Current Period, loss attributable to owners of the Company was HK\$82,235,000 (2023: profits of HK\$5,367,000), mainly attributable to the above-mentioned non-recurring, unrealised, and non-cash items.

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 of 30 June 2024, the Group's cash and cash equivalents amounted to approximately HK\$227,835,000 (31 December 2023: HK\$283,610,000). As of 30 June 2024, the Group's interest-bearing bank borrowings amounted to HK\$267,495,000 (31 December 2023: HK\$288,312,000). As of 30 June 2024, equity attributable to owners of the Company was HK\$2,032,836,000 (31 December 2023: HK\$2,158,382,000); the gearing ratio of the Group was approximately 13.2% (31 December 2023: 13.4%).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Capital expenditure

During the Current Period, the capital expenditure of the Group amounted to HK\$5,615,000 (2023: HK\$20,716,000), which was mainly used for the external waterproof renovation at the plant in Shandong. As of 30 June 2024, the capital commitments of the Group amounted to HK\$106,629,000 (31 December 2023: HK\$105,725,000), which were contracted but not provided for in the financial statements.

Charge on the Group's assets

As of 30 June 2024, the Group pledged Hong Kong investment properties, buildings and right-of-use assets with net book values of HK\$83,000,000, HK\$2,361,000 and HK\$11,036,000, respectively, to bank to finance loans.

Capital structure

As of 30 June 2024, the total issued share capital of the Company was HK\$4,224,000 (31 December 2023: HK\$4,224,000), comprising 422,416,638 (31 December 2023: 422,416,638) ordinary shares of HK\$0.01 each.

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

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

Foreign currency exposure

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

Contingent liabilities

As of 30 June 2024, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK\$646,000 (31 December 2023: HK\$646,000). 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 the year, there are increasing uncertainties in the external environment and significant challenges remain domestically. However, the Chinese government launched a series of policies in the first half of the year to boost the real estate market and stimulate domestic demand. These policies are expected to gradually be implemented in the second half of the year, accelerating consumption growth from a low base. It is likely that China's economy will remain stable and consumer trends will show modest growth. Nevertheless, market uncertainties may increase. As rationality and pragmatism become the mainstream consumer mindset, and consumers remain cautious in the short term, the growth rate of the sub-essential underwear market is expected to be slower than that of the overall market.

However, the Group is confident that its years of experience, brand strength and agility will enable it to gain a firm foothold in the industry in the current consumption environment. Since consumers are conservative towards spending on underwear products, the Group will closely monitor market trends to make timely adjustments in terms of product design, production technology, marketing and sales channels. The Group will continue to step up the development of products suitable for online shopping, enhance products' adaptability, strengthen cooperation with low-carbon material suppliers, and comprehensively develop low-carbon and environmentally friendly products, to meet the consumer demand for rational, quality-focused, and sustainable consumption.

In the future, the Group will continue to review and adjust its business strategy. It will continue to explore different market segments to cater to the positive trends in the e-commerce industry, strengthen operations on social media and e-commerce platforms, achieve brand promotion through multiple channels, consolidate the sales advantages of its brands in the online retail market, and stick to the strategy of driving sales through celebrity endorsements to increase the market share of its brands. In terms of production capability, the Group will respond promptly to market demands, capitalising on the advantages of deploying its self-production and self-distribution model and its ancillary intelligent finished goods and materials warehouse facilities to enhance production and logistics efficiency. It will also actively save energy, reduce emission and optimise the supply chain to achieve sustainable development.

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

OTHER INFORMATION

REVIEW OF INTERIM FINANCIAL INFORMATION

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

The external auditor of the Company has reviewed the condensed consolidated financial statements for the six months ended 30 June 2024 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 28 August 2024, the Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2024.

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 (including sale of treasury shares) of the Company during the Current Period.

As at 30 June 2024, there were no treasury shares held by the Company.

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 C1 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 C3 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 2024 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 2024 interim report of the Group containing all the information required by the Listing Rules will be published on the above websites in due course.

By Order of the Board
Embry Holdings Limited
Ngok Ming Chu
Chairman

Hong Kong, 28 August 2024

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 four independent non-executive Directors, namely Mr. Chan Chi On, Mr. Lau Siu Ki, Mr. Lee Kwan Hung and Prof. Lee T. S.