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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 2017

RESULTS HIGHLIGHTS

	Six months ended 30 June		
	2017	**2016**	**Change**
	(HK$'000)	*(HK$'000)*	
Revenue	1,183,171	1,175,139	+0.68%
Gross profit	916,892	934,831	-1.92%
Gross profit margin	77.49%	79.55%	-2.06% pts
Profit for the period attributable to owners of the Company	88,213	89,348	-1.27%
Net profit margin	7.46%	7.60%	-0.14% pts
	(HK cents)	*(HK cents)*	
Basic earnings per share	21.17	21.44	-1.26%
Proposed interim dividend per share*	2.50	2.50	N/A

* With scrip dividend alternative for 2017 proposed interim dividend.

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 2017 together with the unaudited comparative figures for the corresponding period in 2016 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 2017

	Notes	Six months ended 30 June 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
REVENUE	2	1,183,171	1,175,139
Cost of sales		(266,279)	(240,308)
Gross profit		916,892	934,831
Other income and gains, net	3	35,367	27,462
Selling and distribution expenses		(700,087)	(694,945)
Administrative expenses		(114,604)	(124,525)
Other expenses		-	(10)
Finance costs	4	(5,043)	(3,958)
PROFIT BEFORE TAX	5	132,525	138,855
Income tax expense	6	(44,312)	(49,507)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		88,213	89,348
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	7		
- Basic (HK cents)		21.17	21.44
- Diluted (HK cents)		21.17	21.44

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
PROFIT FOR THE PERIOD	88,213	89,348
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	59,111	(20,567)
Other comprehensive income/(expense) not to be reclassified to the income statement in subsequent periods:		
Revaluation surplus	6,484	-
Deferred tax debited to asset revaluation reserve	(1,620)	-
	4,864	-
OTHER COMPREHENSIVE INCOME/(EXPENSE), NET OF TAX	63,975	(20,567)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	152,188	68,781

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2017

	Notes	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,117,844	1,062,213
Investment properties		350,347	307,158
Prepaid land lease payments		40,541	33,996
Deferred tax assets		86,277	84,810
Deposits		24,171	14,139
Total non-current assets		1,619,180	1,502,316
CURRENT ASSETS			
Inventories		637,351	659,347
Trade receivables	10	118,087	85,220
Prepayments, deposits and other receivables		57,766	58,309
Cash and cash equivalents		230,332	190,187
Total current assets		1,043,536	993,063
CURRENT LIABILITIES			
Trade and bill payables	11	70,812	87,678
Interest-bearing bank borrowings	12	163,778	133,278
Tax payable		28,107	20,536
Other payables and accruals		298,672	274,174
Total current liabilities		561,369	515,666
NET CURRENT ASSETS		482,167	477,397
TOTAL ASSETS LESS CURRENT LIABILITIES		2,101,347	1,979,713
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	12	209,166	221,555
Deferred liabilities		596	1,889
Deferred tax liabilities		37,826	36,782
Total non-current liabilities		247,588	260,226
NET ASSETS		1,853,759	1,719,487
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,166	4,166
Reserves		1,849,593	1,715,321
TOTAL EQUITY		1,853,759	1,719,487

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 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 financial statements for the year ended 31 December 2016 except as described below. In the current period, the Group has applied, for the first time, the following revised standards issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2017.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*

The adoption of the revised standards had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

2. REVENUE AND SEGMENT INFORMATION

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 2017 HK$'000 (unaudited)	Six months ended 30 June 2016 HK$'000 (unaudited)
Other income		
Subsidy income*	15,153	11,049
Gross rental income	7,532	7,048
Contingent rents receivable in respective of operating lease	360	400
Bank interest income	1,123	766
Royalty income	106	143
Others	1,008	3,629
	25,282	23,035
Gains, net		
Foreign exchange differences, net	10,071	(4,446)
Changes in fair value of investment properties	-	8,810
Gain on disposal/write-off of items of property, plant and equipment, net	14	63
	10,085	4,427
	35,367	27,462

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

4. FINANCE COSTS

	Six months ended 30 June 2017 HK$'000 (unaudited)	Six months ended 30 June 2016 HK$'000 (unaudited)
Interest on bank loans	5,043	3,958

5. PROFIT BEFORE TAX

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

	Six months ended 30 June 2017 HK$'000 (unaudited)	Six months ended 30 June 2016 HK$'000 (unaudited)
Cost of inventories sold	266,279	240,308
Depreciation	28,059	26,224
Amortisation of prepaid land lease payments	458	470
Minimum lease payments under operating leases in respect of:		
Land and buildings	40,611	39,931
Contingent rents of retail outlets in department stores	284,353	294,175
Advertising and counter decoration expenses	51,614	46,977

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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 2017 HK$'000 (unaudited)	Six months ended 30 June 2016 HK$'000 (unaudited)
Group:		
Current - Hong Kong	2,997	388
Current - Mainland China	41,120	45,459
Deferred	195	3,660
Total tax charge for the period	44,312	49,507

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$88,213,000 (2016: HK$89,348,000) and 416,661,000 (2016: 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 2017 and 2016.

8. DIVIDENDS

	Six months ended 30 June 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Dividends paid/payable during the period		
Final in respect of the financial year ended 31 December 2016 – HK4.3 cents * (2016: Final and special in respect of the financial year ended 31 December 2015 – HK9.0 cents and HK1.0 cent, respectively, per ordinary share)	17,916	41,666
Proposed interim dividend		
Interim – HK2.5 cents (2016: HK2.5 cents) per ordinary share	10,528	10,417

The proposed 2017 interim dividend for the period is with a scrip dividend alternative. The interim dividend was declared after the period ended 30 June 2017, 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 payable in cash with a scrip dividend alternative (the "2016 Scrip Dividend Scheme") for the year ended 31 December 2016 (the "2016 Final Dividend"). As at 30 June 2017, the 2016 Final Dividend of HK$17,916,000 has been included in other payables and accruals. Subsequent to the period ended 30 June 2017, 4,461,797 new shares were issued by the Company at the average closing price of HK$3.058 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2016 Scrip Dividend Scheme to settle HK$13,644,000 of the 2016 Final Dividend. The remainder of the 2016 Final Dividend of HK$4,272,000 was satisfied by cash. Further details of the 2016 Scrip Dividend Scheme are set out in the Company's circular dated 13 June 2017.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
At beginning of period/year, net of accumulated depreciation	1,062,213	977,465
Additions	75,680	210,720
Disposals/write-off	(57)	(40)
Depreciation provided during the period/year	(28,059)	(53,476)
Transfer to investment properties (Note)	(28,061)	-
Exchange realignment	36,128	(72,456)
At end of period/year, net of accumulated depreciation	1,117,844	1,062,213

Note: During the period ended 30 June 2017, 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$34,545,000 with a revaluation surplus of HK$6,484,000 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 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 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Within 90 days	111,569	79,516
91 to 180 days	6,518	5,704
181 to 360 days	1,493	977
Over 360 days	1,476	1,057
	121,056	87,254
Less: Impairment allowance	(2,969)	(2,034)
	118,087	85,220

11. TRADE AND BILL PAYABLES

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

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Within 90 days	64,198	80,240
91 to 180 days	907	3,051
181 to 360 days	1,979	2,018
Over 360 days	3,728	2,369
	70,812	87,678

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

12. INTEREST-BEARING BANK BORROWINGS

	30 June 2017			31 December 2016		
	Effective interest rate %	Maturity	HK$'000 (unaudited)	Effective interest rate %	Maturity	HK$'000 (audited)
Current						
Bank loans -unsecured	Hong Kong Interbank Offered Rate ("HIBOR") +1.75 to HIBOR +2.00	2017-2018	163,778	HIBOR +1.75 to HIBOR +2.25	2017	133,278
Non-current						
Bank loans -unsecured	HIBOR +1.85 to HIBOR +1.95	2018-2021	209,166	HIBOR +1.85 to HIBOR +1.95	2018-2021	221,555

12. INTEREST-BEARING BANK BORROWINGS (continued)

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Analysed into:		
Bank loans repayable:		
Within one year	163,778	133,278
In the second year	62,277	57,278
In the third to fifth years, inclusive	146,889	164,277
	372,944	354,833
Less: Amount repayable within one year and classified as current portion	(163,778)	(133,278)
Amount classified as non-current portion	209,166	221,555

The above bank loans are denominated in Hong Kong dollars and bear interest at rates ranging from 1.75% to 2.00% above the HIBOR per annum (31 December 2016: 1.75% to 2.25% above the HIBOR per annum).

13. COMMITMENTS

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

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Contracted for commitments in respect of the acquisition of property, plant and equipment	165,653	122,738

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS REVIEW

In the first half of 2017, the global economy recovered steadily with the U.S., Eurozone and Japanese economies picked up momentum in general. China's economic growth continued to outperform other emerging economies. According to the National Bureau of Statistics of China, the country's gross domestic product for the first half of 2017 increased by 6.9% year-on-year, 0.2 percentage point higher than the previous year, to RMB38,149.0 billion. Despite the gradual stabilisation of the economic environment, rising protectionism still weighed on the outlook for global trade.

Consumers remained cautious about spending due to the concerns over the external environment. They were more conscious about the prices of less-essential consumer goods and tended to seek options with lower prices. To encourage consumer spending, retailers actively carried out more sales promotions which further intensified industry competition. Against the backdrop of a weak retail market, the Group recorded a slight increase in the overall sales in the first half of 2017 and a decrease in gross profit due to more active promotions.

For the six months ended 30 June 2017 (the "Current Period"), the Group's revenue slightly increased by 0.68% to HK$1,183,171,000 over that for the six months ended 30 June 2016 (the "Prior Period"). Gross profit margin decreased by 2.06 percentage points to 77.49%. Profit attributable to owners of the Company slightly decreased by 1.27% to HK$88,213,000 over that for the Prior Period. Earnings per share was HK21.17 cents (2016: HK21.44 cents). The Board of Directors of the Company has resolved to declare an interim dividend of HK2.50 cents per share (2016: HK2.50 cents) for the Current Period and proposed a scrip dividend alternative to all shareholders.

Brand management

Given lingering concerns over the overall retail market, while most consumers tended to choose products with lower prices, some consumers continued to pursue high-end fashion without being affected by the macro environment. In face of the polarisation of consumption, the Group continued to make good use of its multi-brand strategy through flexible allocation of internal resources. During the Current Period, apart from focusing on cultivating and promoting the affordable young brand ***IADORE***, the Group also promoted its high-end lingerie brand ***LIZA CHENG***, in order to expand its market share in the respective target markets of the two brands. Sales of the two brands recorded growth of 11.22% and 17.51%, respectively.

The Group promoted and advertised its brands and products actively to enhance brand equity. During the Current Period, the Group participated in a series of activities in 2017 China (Shenzhen) International Brand Underwear Fair and Changsha Fashion Week to showcase different styles of its brands and demonstrate its design capabilities, which laid a solid foundation for the long-term brand influence.

As online shopping has become increasingly popular, the Group stayed focused on enhancing the image of its various brands on the Internet with a view to raising brand awareness during the Current Period. In particular, the Group made good use of new media during Changsha Fashion Week to conduct a live online broadcast of **EMBRY FORM** Lingerie Show and received positive responses on the Internet. In the future, the Group will continue to spread its brand culture on the Internet and promote its products. In terms of online sales, the Group currently concentrates on the sales of promotional products and online exclusive products. The Group also closely monitored the changes in customer needs and market trends in order to develop the e-commerce market prudently.

BUSINESS AND OPERATIONS REVIEW (continued)

Sales network
In face of shaky consumer confidence during the Current Period, the Group focused on enhancing operating efficiency, actively reviewed and adjusted its sales network, thereby appropriately adjusting the distribution of 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 2017, the Group had 2,005 retail outlets in total, including 1,808 concessionary counters and 197 stores. During the Current Period, there was a net decrease of 62 retail outlets of the Group over that at the end of 2016. 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
Faced with increasingly fierce market competition, the Group continued to devote resources to the design, research and development of new products. The constant improvement in patented designs further enriched the product quality and highlighted the characteristics of its various brands which catered for consumption needs of customers in different segments.

During the Current Period, the Group launched a variety of well-received new collections, including: ***EMBRY FORM***'s "Romantic Love Series" (「浪漫戀曲系列」) and "Sleek Breathing Series" (「盈潤呼吸系列」); ***FANDECIE***'s "Sweet Love Series" (「甜蜜愛戀系列」) and "Icy Sweet Series" (「冰爽甜筒系列」); ***COMFIT***'s "Zero Pressure Health Series" (「健康零壓系列」) and "Fashion FIT Series" (「時尚 FIT 系列」); ***E-BRA***'s "Sparkling Gloss Series" (「瑩彩光面系列」) and "Mirage Flower Stories Series" (「幻影花語系列」); ***IADORE***'s "Honey Sheen Series" (「光彩蜜意系列」) and "Sweet Beauty Series" (「心映佳人系列」); ***LIZA CHENG***'s "Coloured Diamonds Series" (「彩鑽系列」) and "Lace Slim Series" (「蕾絲纖美系列」); ***IVU***'s "Stylish Gentlemen Series" (「格調紳士系列」) and "Casual Cotton Linen Series" (「休閒棉麻系列」).

As at 30 June 2017, the Group had 9 invention patents, 38 utility model patents, and 3 appearance design patents registered in China and/or other parts of the world.

Production capacity
The Group currently has three production bases located respectively in Shenzhen, Jinan and Changzhou. The Group has stayed tuned to changes in consumer demands, regularly review capacity allocation and flexibly deploy manpower and machine capacity to achieve better operating efficiency.

Human resources
Tense labour supply and implementation of the minimum wage policy in China have resulted in continuous wage increase. The Group endeavoured to retain an outstanding work force and enhance staff loyalty through measures such as organising training courses and improving employee benefits in order to improve its overall operational efficiency to support the Group's development plan. The number of employees of the Group decreased to approximately 8,390 (31 December 2016: approximately 8,780). 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$349,108,000 (2016: HK$346,057,000).

FINANCIAL REVIEW

Revenue

By sales channel and region

During the Current Period, revenue was HK$1,183,171,000, representing a year-on-year increase of 0.68%. The steady performance was mainly attributable to appropriate sales strategies of the Group resulting in enhancement of overall operational efficiency.

During the Current Period, revenue from retail sales was HK$994,919,000, accounting for 84.08% of the Group's total revenue and representing an increase of 1.03% from the Prior Period. As the Group has been adjusting its business strategies, revenue from the wholesale business therefore decreased by 10.26% from HK$133,775,000 to HK$120,055,000, accounting for 10.15% of the total revenue. The Group has been striving to enhance the speed and efficiency of its overall supply chain logistics operations. Along with appropriate marketing and promotions, revenue from direct online sales channels increased by 21.73% from HK$52,936,000 to HK$64,440,000, accounting for 5.45% 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$1,140,981,000, accounting for 96.43% of the Group's total revenue and representing an increase of 1.14% from the Prior Period.

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 revenue increased by 1.93% to HK$561,648,000, accounting for 47.48% of the total revenue for the Current Period. ***FANDECIE***'s revenue amounted to HK$307,833,000, which decreased by 1.36% from the Prior Period and accounted for 26.02% of the total revenue for the Current Period. ***COMFIT***'s revenue dropped by 0.58% over the Prior Period to HK$104,884,000, accounting for 8.86% of the total revenue of the Current Period. ***E-BRA***'s revenue decreased by 0.95% from the Prior Period to HK$119,531,000, accounting for 10.10% of the total revenue of the Current Period. ***LIZA CHENG***'s revenue for the Current Period increased by 17.51% to HK$23,008,000. ***IADORE***'s revenue increased by 11.22% over the Prior Period to HK$32,472,000, accounting for 2.74% of the total revenue of the Current Period. ***IVU***'s revenue decreased by 10.13% over the Prior Period to HK$30,038,000, accounting for 2.54% 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 were HK$1,037,536,000, accounting for 87.68% of the Group's revenue and representing a decrease of 0.47% from the Prior Period. Sales of sleepwear remained stable at approximately HK$63,257,000, accounting for 5.35% of the Group's revenue. Sales of swimwear increased by 5.65% to HK$64,910,000, accounting for 5.49% of the Group's revenue.

FINANCIAL REVIEW (continued)

Gross profit

During the Current Period, the Group recorded a gross profit of approximately HK$916,892,000, representing a decrease of approximately 1.92% from the Prior Period. Gross profit margin was approximately 77.49%, recording a drop of 2.06 percentage points from that of the Prior Period. The decrease in gross profit margin was mainly due to the Group's enhanced effort in promotional activities in response to market competition amid a weak retail environment resulted from prudent consumer sentiment.

Other income and gains

Other income rose by 28.79% to HK$35,367,000 for the Current Period, mainly attributable to the foreign exchange gains of approximately HK$10,071,000 resulted from the appreciation of Renminbi.

Operating expenses

During the Current Period, selling and distribution expenses slightly increased by 0.74% to HK$700,087,000 (2016: HK$694,945,000), accounting for 59.17% (2016: 59.14%) of the Group's revenue.

Selling and distribution expenses remained flat, which mainly reflected the Group's endeavour to control costs under the current business environment. In 2017, to mitigate rising cost pressure, the Group will continue to close retail outlets with lower profitability so as to enhance its efficiency. During the Current Period, contingent rents of the retail outlets decreased by 3.34% to HK$284,353,000, accounting for 24.03% (2016: 25.03%) of the Group's revenue.

Administrative expenses decreased by 7.97% to HK$114,604,000, accounting for 9.69% of the Group's revenue, compared with 10.60% for the Prior Period.

Net profit

Profit attributable to owners of the Company was HK$88,213,000 for the Current Period, representing a year-on-year decrease of 1.27%. Net profit margin slightly decreased from 7.60% for the Prior Period to 7.46%. The decrease in net profit reflected the increase in promotions by the Group resulted from prudent consumer sentiment during the Current Period.

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 2017, the Group's cash and bank balances amounted to approximately HK$230,332,000 (31 December 2016: HK$190,187,000). As at 30 June 2017, the Group's interest-bearing bank borrowings amounted to HK$372,944,000 (31 December 2016: HK$354,833,000). As at 30 June 2017, equity attributable to owners of the Company was HK$1,853,759,000 (31 December 2016: HK$1,719,487,000). Accordingly, the gearing ratio of the Group was approximately 20.12% (31 December 2016: 20.64%).

FINANCIAL REVIEW (continued)

Capital expenditure
During the Current Period, the capital expenditure of the Group amounted to HK$75,680,000 (2016: HK$136,624,000), which was mainly used for the intelligent warehouse and the automated supply chain logistics facility of the Group. As at 30 June 2017, the capital commitments of the Group amounted to HK$165,653,000 (31 December 2016: HK$122,738,000), which were contracted but not provided for in the financial statements.

Charge on the Group's assets
As at 30 June 2017, the Group did not pledge any assets.

Capital structure
As at 30 June 2017, the total issued share capital of the Company was HK$4,166,000 (31 December 2016: HK$4,166,000), comprising 416,661,000 (31 December 2016: 416,661,000) ordinary shares of HK0.01 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 2017, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK$2,202,000 (31 December 2016: HK$1,788,000).

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

PROSPECT

In the second half of 2017, while the world economy has been in a better shape, geopolitical tensions pose risks to the global economic recovery. It is expected that consumer sentiment will remain cautious in the short term and thus retailers shall not slacken their efforts. However, in the long run, China is expected to maintain steady economic growth. Along with the rising consumption levels on the back of accelerating urbanisation, the demand for high-quality products will be increasingly stronger, thereby driving growth in China's domestic demand and consumption in the long term.

As a major brand operator in the lingerie industry in China, the Group remains cautious about its business outlook while closely monitoring the market conditions and adopting flexible and effective development strategies to address the upcoming challenges in the market.

In view of fast-changing consumer tastes, strategic planning for sales network and stringent cost control have become increasingly important. The Group will remain prudent in evaluating the market conditions and sales operation, appropriately integrating sales network and closing underperforming retail outlets. The Group expects a reduction in the number of retail outlets for the full year of 2017, thereby paving the way for a more optimal sales network and improvement in the overall operational efficiency. In addition, the Group's intelligent warehouse has been in trial run stage, along with the adjustment of other warehouses, the Group is expected to achieve better overall operational efficiency and respond more swiftly to market demand, thereby enhancing the overall competitiveness of the Group in relation to online shopping and supply chain logistics.

As China's consumption market has become more mature, consumer tastes are becoming increasingly sophisticated. They are demanding for products of better and more diversified pricings, designs, functionalities and materials. The Group will continue to devote resources to product design and development through innovation in order to cater for various consumption levels and meet the diverse consumer needs. The Group will continue to enhance its expertise in tailoring and design to offer healthy products of aesthetic quality while maintaining its price competitiveness so as to consolidate consumers' support towards the Group.

Leveraging on the solid business foundation established over the years, multi-brand strategy and broad product portfolio, the Group is confident that it can capitalise on its advantages in different market environments. In the coming six months, the Group will continue to implement pragmatic strategies, strive to strengthen its brand equity, foster long-term business growth and generate satisfactory returns for its shareholders.

OTHER INFORMATION

REVIEW OF INTERIM FINANCIAL INFORMATION

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

The external auditor of the Company has reviewed the condensed consolidated financial statements for the six months ended 30 June 2017 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 2017, the Board resolved to declare the payment of an interim dividend of HK2.5 cents per ordinary share in respect of the Current Period to shareholders registered on the register of members on Thursday, 14 September 2017 (the "Proposed Interim Dividend"), resulting in an appropriation of approximately HK$10,528,000. The Proposed Interim Dividend will be paid in the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements (the "Scrip Dividend Scheme").

The Scrip Dividend Scheme will be subject to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the 5 trading days prior to and including 14 September 2017. Full details of the Scrip Dividend Scheme will be set out in a circular which is expected to be sent to the shareholders together with a form of election on 21 September 2017. Dividend warrants and/or new share certificates will be posted on 25 October 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 12 September 2017 to Thursday, 14 September 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the Proposed 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 Monday, 11 September 2017.

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, save for the following deviation:

The code provision E.1.2 stipulates that the chairman of the board of directors should attend the annual general meeting. Madam Ngok Ming Chu, the Chairman of the Board, was unable to attend the Company's annual general meeting held on 25 May 2017 due to other engagement. In view of her absence, Madam Ngok had arranged for other directors and management, who are well-versed in the Company's business and affairs, to attend the meeting and communicate with shareholders of the Company.

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 2017 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 2017 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 2017

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