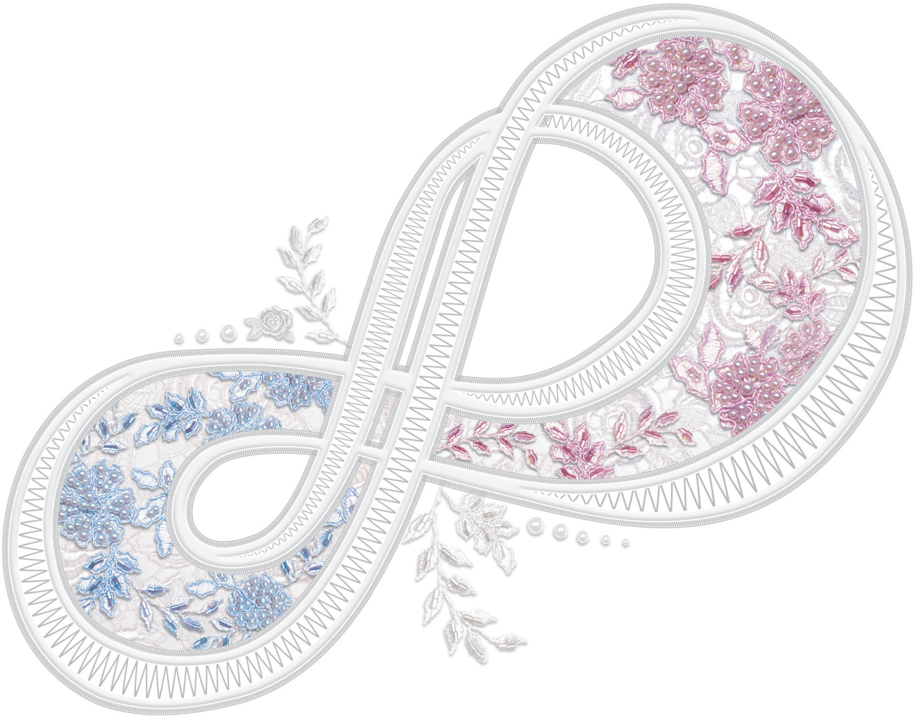
EMBRY HOLDINGS LIMITED
安莉芳控股有限公司

Incorporated in the Cayman Islands with limited liability
Stock Code: 1388



追求 Striving for 卓越 EXCELLENCE

2019 INTERIM REPORT

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CORPORATE INFORMATION

Directors and Board Committees

Directors

Executive Directors
CHENG Man Tai *(Chairman)*
CHENG Pik Ho Liza *(Chief Executive Officer)*
NGOK Ming Chu
CHENG Chuen Chuen
LU Qun

Independent Non-Executive Directors
LAU Siu Ki (alias, Kevin Lau)
LEE Kwan Hung (alias, Eddie Lee)
LEE T. S. (alias, Lee Tien-sheng)

Board Committees

Audit Committee
LAU Siu Ki (alias, Kevin Lau) *(Chairman)*
LEE Kwan Hung (alias, Eddie Lee)
LEE T. S. (alias, Lee Tien-sheng)

Remuneration Committee
LEE Kwan Hung (alias, Eddie Lee) *(Chairman)*
CHENG Pik Ho Liza
LAU Siu Ki (alias, Kevin Lau)
LEE T. S. (alias, Lee Tien-sheng)

Nomination Committee
LEE T. S. (alias, Lee Tien-sheng) *(Chairman)*
CHENG Pik Ho Liza
LAU Siu Ki (alias, Kevin Lau)
LEE Kwan Hung (alias, Eddie Lee)

Compliance Officer

CHAN Hei

Company Secretary

SO Ka Man

Registered Office

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business

7th Floor, Wyler Centre II
200 Tai Lin Pai Road
Kwai Chung, New Territories
Hong Kong

Principal Bankers

Hang Seng Bank Limited
Hang Seng Bank (China) Limited
Nanyang Commercial Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited
HSBC Bank (China) Company Limited
Bank of China Limited
China Construction Bank Corporation
China Merchants Bank Co., Ltd.

Legal Advisers

As to Hong Kong law:

Chiu & Partners

As to PRC law:

GFE Law Office
Grandall Law Firm (Jinan)
Zhong Lun Law Firm

Auditor

Ernst & Young
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

Share Registrars

Principal Share Registrar and Transfer Office in the Cayman Islands

SMP Partners (Cayman) Limited
Royal Bank House-3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Investor Relations

iPR Ogilvy Limited

Website

www.embrygroup.com

Stock Code

1388

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of directors (the "Board" or "Directors") of Embry Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2019 together with the unaudited comparative figures for the corresponding period in 2018 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 2019

		Six months ended 30 June	
	Notes	**2019** **HK$'000** **(unaudited)**	2018 HK$'000 (unaudited)
REVENUE	*3*	**1,199,358**	1,354,425
Cost of sales		**(264,606)**	(272,137)
Gross profit		**934,752**	1,082,288
Other income and gains, net	*4*	**35,523**	47,810
Selling and distribution expenses		**(738,912)**	(818,469)
Administrative expenses		**(120,404)**	(142,015)
Other expenses		**(3,290)**	(3,746)
Finance costs	*5*	**(12,710)**	(5,288)
PROFIT BEFORE TAX	*6*	**94,959**	160,580
Income tax expense	*7*	**(27,560)**	(44,385)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**67,399**	116,195
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		
— Basic (HK cents)		**15.96**	27.51
— Diluted (HK cents)		**15.96**	27.51

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	**67,399**	116,195
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to the income statement in subsequent periods:		
Exchange differences arising on translation of foreign operations	**107**	(34,113)
Other comprehensive income/(expense) will not be reclassified to the income statement in subsequent periods:		
Revaluation surplus	**–**	5,445
Deferred tax debited to asset revaluation reserve	**–**	(1,361)
Net other comprehensive income that will not be reclassified to the income statement in subsequent periods	**–**	4,084
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	**107**	(30,029)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**67,506**	86,166

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	**30 June 2019 HK$'000 (unaudited)**	31 December 2018 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**1,244,362**	1,219,470
Investment properties		**389,639**	387,639
Right-of-use assets	2.2	**183,581**	–
Prepaid land lease payments		**–**	37,326
Other asset		**407,273**	407,273
Deferred tax assets		**99,392**	88,286
Deposits and other receivables		**36,984**	39,066
Total non-current assets		**2,361,231**	2,179,060
CURRENT ASSETS			
Inventories		**807,464**	776,367
Trade receivables	12	**94,878**	75,240
Prepayments, deposits and other receivables		**82,833**	95,991
Tax recoverable		**2,131**	5,179
Cash and cash equivalents		**214,305**	158,414
Total current assets		**1,201,611**	1,111,191
CURRENT LIABILITIES			
Trade payables	13	**96,897**	125,042
Interest-bearing bank borrowings	14	**346,109**	214,059
Tax payable		**14,474**	19,224
Other payables and accruals	15	**250,595**	228,257
Lease liabilities	2.2	**77,306**	–
Total current liabilities		**785,381**	586,582
NET CURRENT ASSETS		**416,230**	524,609
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,777,461**	2,703,669
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	**183,833**	213,000
Lease liabilities	2.2	**67,263**	–
Deferred liabilities		**97**	2,245
Deferred tax liabilities		**156,612**	156,705
Total non-current liabilities		**407,805**	371,950
NET ASSETS		**2,369,656**	2,331,719

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2019

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
EQUITY		
Equity attributable to owners of the Company		
Share capital	4,224	4,224
Reserves	2,365,432	2,327,495
TOTAL EQUITY	2,369,656	2,331,719

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company									
		Reserves								
	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Enterprise expansion and statutory reserve funds HK$'000	Exchange fluctuation reserve HK$'000	Goodwill reserve HK$'000	Retained profits HK$'000	Total reserves HK$'000	Total equity HK$'000
At 1 January 2019 (audited)	4,224	386,512	122,610	12,251	180,593	(68,175)	(3,168)	1,696,872	2,327,495	2,331,719
Profit for the period	–	–	–	–	–	–	–	67,399	67,399	67,399
Exchange differences related to foreign operations	–	–	–	–	–	107	–	–	107	107
Total comprehensive income for the period	–	–	–	–	–	107	–	67,399	67,506	67,506
2018 final dividends declared (note 10)	–	–	–	–	–	–	–	(29,569)	(29,569)	(29,569)
Transfer from retained profits	–	–	–	–	11,248	–	–	(11,248)	–	–
At 30 June 2019 (unaudited)	4,224	386,512	122,610	12,251	191,841	(68,068)	(3,168)	1,723,454	2,365,432	2,369,656

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2019

	Attributable to owners of the Company									
		Reserves								
	Share capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Enterprise expansion and statutory reserve funds HK$'000	Exchange fluctuation reserve HK$'000	Goodwill reserve HK$'000	Retained profits HK$'000	Total reserves HK$'000	Total equity HK$'000
At 1 January 2018 (audited)	4,224	386,512	122,610	8,313	162,410	76,820	(3,168)	1,612,468	2,365,965	2,370,189
Profit for the period	–	–	–	–	–	–	–	116,195	116,195	116,195
Revaluation surplus	–	–	–	5,445	–	–	–	–	5,445	5,445
Deferred tax debited to asset revaluation reserve	–	–	–	(1,361)	–	–	–	–	(1,361)	(1,361)
Exchange differences related to foreign operations	–	–	–	–	–	(34,113)	–	–	(34,113)	(34,113)
Total comprehensive income/ (expense) for the period	–	–	–	4,084	–	(34,113)	–	116,195	86,166	86,166
2017 final dividends declared (note 10)	–	–	–	–	–	–	–	(33,793)	(33,793)	(33,793)
Transfer from retained profits	–	–	–	–	9,493	–	–	(9,493)	–	–
At 30 June 2018 (unaudited)	4,224	386,512	122,610	12,397	171,903	42,707	(3,168)	1,685,377	2,418,338	2,422,562

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**95,476**	213,543
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**613**	1,349
Purchase of items of property, plant and equipment	**(66,159)**	(92,852)
Proceeds from disposal of items of property, plant and equipment	**90**	28
Net cash flows used in investing activities	**(65,456)**	(91,475)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	**187,218**	172,000
Repayment of bank borrowings	**(84,335)**	(79,733)
Principal portion of lease payments	**(38,924)**	–
Dividends paid	**(29,569)**	(33,793)
Interest paid	**(9,041)**	(5,288)
Net cash flows from financing activities	**25,349**	53,186
NET INCREASE IN CASH AND CASH EQUIVALENTS	**55,369**	175,254
Cash and cash equivalents at beginning of period	**158,414**	234,711
Effect of foreign exchange rate changes, net	**522**	(10,320)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**214,305**	399,645
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**214,305**	256,759
Non-pledged time deposits with original maturity of less than three months when acquired	**–**	142,886
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**214,305**	399,645

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 August 2006 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is located at 7th Floor, Wyler Centre II, 200 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.

The Company is a subsidiary of Harmonious World Limited ("Harmonious World"), a company incorporated in the British Virgin Islands, which is considered by the directors as the Company's ultimate holding company.

2.1 Basis of Preparation

The condensed consolidated financial statements for the six months ended 30 June 2019 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 2018.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 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 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

HKFRS 16	*Leases*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's condensed consolidated financial statements. The nature and impact of HKFRS 16 are described below:

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 Changes in Accounting Policies and Disclosures (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee-Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for offices, and retail and counter shops. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 Changes in Accounting Policies and Disclosures (continued)

As a lessee — Leases previously classified as operating leases (continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review; and
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 Changes in Accounting Policies and Disclosures (continued)

As a lessee — Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) HK$'000 (Unaudited)
Assets	
Increase in right-of-use assets	196,894
Decrease in prepaid land lease payments	(37,326)
Decrease in prepayments, deposits and other receivables	(6,908)
Increase in total assets	152,660
Liabilities	
Increase in lease liabilities	152,750
Decrease in other payables and accruals	(90)
Increase in total liabilities	152,660

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	HK$'000 (Unaudited)
Operating lease commitments as at 31 December 2018	241,626
Weighted average incremental borrowing rate as at 1 January 2019	4.72%
Discounted operating lease commitments at 1 January 2019	222,040
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(69,290)
Lease liabilities as at 1 January 2019	152,750

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 Changes in Accounting Policies and Disclosures (continued)

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 Changes in Accounting Policies and Disclosures (continued)

Summary of new accounting policies (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 Changes in Accounting Policies and Disclosures (continued)

Amounts recognised in the condensed consolidated statement of financial position and income statement

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets			Lease liabilities
	Land HK$'000	**Buildings** HK$'000	**Total** HK$'000	HK$'000
As at 1 January 2019	38,259	158,635	196,894	152,750
Additions	–	31,229	31,229	31,110
Termination of leases	–	(3,538)	(3,538)	(3,287)
Depreciation expense	(472)	(39,841)	(40,313)	–
Interest expense	–	–	–	3,669
Payments	–	–	–	(38,924)
Exchange realignment	6	(697)	(691)	(749)
As at 30 June 2019	37,793	145,788	183,581	144,569
Analysed for reporting purpose as:				
Non-current	37,793	145,788	183,581	67,263
Current	–	–	–	77,306
	37,793	145,788	183,581	144,569

The Group recognised rent expense from short-term leases and variable lease payments not based on index or rate of HK$271,084,000 for the six months ended 30 June 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Revenue and Segment Information

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Sales of goods	**1,199,358**	1,354,425

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Business activities		
Concessionary counters	**866,306**	1,033,535
Retail stores	**125,970**	123,308
Internet and wholesale	**204,062**	194,612
Original design manufacturer ("ODM")	**3,020**	2,970
Total revenue from contracts with customers	**1,199,358**	1,354,425

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Revenue and Segment Information (continued)

Disaggregated revenue information for revenue from contracts with customers (continued)

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Brands		
Embry Form	**549,596**	624,036
Fandecie	**290,050**	334,530
Others	**356,692**	392,889
ODM products	**3,020**	2,970
Total revenue from contracts with customers	**1,199,358**	1,354,425
Products		
Lingerie	**1,063,653**	1,196,268
Sleepwear	**86,006**	85,743
Swimwear	**41,253**	57,192
ODM products	**3,020**	2,970
Other products	**5,426**	12,252
Total revenue from contracts with customers	**1,199,358**	1,354,425
Geographical markets		
Mainland China	**1,162,732**	1,313,711
Hong Kong	**33,606**	37,744
Others	**3,020**	2,970
Total revenue from contracts with customers	**1,199,358**	1,354,425

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Other Income and Gains, Net

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Other income		
Subsidy income*	21,031	30,779
Gross rental income	9,210	9,353
Contingent rents receivable in respective of operating leases	305	351
Interest accretion on non-current receivables	1,217	945
Bank interest income	613	1,349
Royalty income	–	126
Others	2,572	1,052
	34,948	43,955
Gains, net		
Foreign exchange differences, net	(1,425)	(3,145)
Changes in fair value of investment properties	2,000	7,000
	575	3,855
	35,523	47,810

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

5. Finance Costs

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on interest-bearing bank borrowings	9,041	5,288
Interest on lease liabilities	3,669	–
	12,710	5,288

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Profit Before Tax

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cost of inventories sold	**264,606**	272,137
Depreciation — Property, plant and equipment	**40,089**	38,684
Depreciation — Right-of-use assets	**40,313**	–
Amortisation of prepaid land lease payments	**–**	507
Impairment/(write-back of impairment) of trade receivables	**(2,119)**	11,331
Minimum lease payments under operating leases in respect of:		
Land and buildings	**21,288**	49,004
Contingent rents of retail outlets in department stores	**249,796**	304,171
Advertising and counter decoration expenses	**73,394**	86,153
Charitable donation*	**3,086**	3,724
Interest accretion on non-current receivables	**(1,217)**	(945)

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

7. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current — Mainland China	**38,538**	36,477
Deferred	**(10,978)**	7,908
Total tax charge for the period	**27,560**	44,385

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

	Notes	Six months ended 30 June **2019** **HK$'000** **(unaudited)**	 2018 HK$'000 (unaudited)
Continuing transactions			
Purchases of furniture and decoration services for counters and shops as well as different types of moulds from related companies	*(i)*	**7,263**	10,917
Rental expenses for a warehouse charged by a director of the Company	*(ii)*	**159**	159
Consultancy fee to a controlling shareholder of the Company	*(iii)*	**–**	654

Notes:

(i) The purchases of furniture and decoration services for counters and shops as well as different types of moulds from 多思維五金塑料製品(深圳)有限公司 (Duosiwei Metal & Plastic Products (Shenzhen) Co., Ltd.) and 常州多思維家俱裝飾工程有限公司 (Changzhou Duosiwei Furniture Decoration Construction Co., Ltd.) related companies controlled by Mr. Cheng Chuen Chuen, an executive director of the Company, and 新思維實業(深圳)有限公司 (Xinsiwei Industry (Shenzhen) Co., Ltd.), a related company controlled by close family members of Mr. Cheng Chuen Chuen, an executive director of the Company, were made according to the terms similar to those offered by the Group's independent suppliers. The balances owed to related companies as at 30 June 2019 were HK$4,677,000 (31 December 2018: HK$6,470,000) and were unsecured, interest-free and repayable in accordance with normal trading terms. The amounts have been included in other payables and accruals as at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Related Party Transactions (continued)

(a) (continued)

Notes: (continued)

(ii) The rental expenses were charged by Madam Ngok Ming Chu, an executive director of the Company, and determined with reference to the then prevailing market conditions.

(iii) Mr. Cheng Man Tai, a controlling shareholder of the Company, has been serving as a consultant of the Company since 25 March 2014. He had been engaged for the fifth term of one year effective from 25 March 2018 and ceased to be a consultant of the Company on 23 August 2018 upon appointment as an executive director of the Company. The terms of consultancy fee were based on consultancy agreements entered into between the Group and Mr. Cheng Man Tai.

The above continuing transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

(b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short term employee benefits	**10,151**	12,919
Post-employment benefits	**110**	66
Total compensation paid to key management personnel	**10,261**	12,985

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. 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$67,399,000 (2018: HK$116,195,000) and 422,416,638 (2018: 422,416,638) ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2019 and 2018.

10. Dividends

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Dividend paid during the period		
Final in respect of the financial year ended 31 December 2018 — HK7.0 cents per ordinary share (2018: Final in respect of the financial year ended 31 December 2017 — HK8.0 cents per ordinary share)	**29,569**	33,793
Proposed interim dividend		
Interim — HK2.0 cents per ordinary share (2018: HK3.5 cents per ordinary share)	**8,448**	14,785

The interim dividend will be paid to the shareholders whose names appear in the register of members on 11 September 2019. The interim dividend was declared after the period ended 30 June 2019, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Property, Plant and Equipment

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
At beginning of period/year, net of accumulated depreciation	**1,219,470**	1,162,378
Additions	**66,159**	228,473
Disposals/write-off	**(896)**	(1,254)
Depreciation provided during the period/year	**(40,089)**	(75,807)
Transfer to investment properties *(note)*	**–**	(23,559)
Exchange realignment	**(282)**	(70,761)
At end of period/year, net of accumulated depreciation	**1,244,362**	1,219,470

Note: During the year ended 31 December 2018, the Group rented out one of its occupied properties to an independent third party for rental income. At the date of change in use, this property became investment property. Upon the transfer from property, plant and equipment to investment properties, this property was revalued at HK$28,810,000 with a revaluation surplus of HK$5,251,000 credited to the asset revaluation reserve.

12. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Trade Receivables (continued)

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 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Within 90 days	**90,289**	71,389
91 to 180 days	**4,589**	3,851
181 to 360 days	**1,797**	8,359
Over 360 days	**6,526**	2,083
	103,201	85,682
Less: Impairment allowance	**(8,323)**	(10,442)
	94,878	75,240

13. Trade Payables

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

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Within 90 days	**86,179**	105,274
91 to 180 days	**3,830**	15,115
181 to 360 days	**3,366**	2,462
Over 360 days	**3,522**	2,191
	96,897	125,042

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Interest-Bearing Bank Borrowings

	30 June 2019 Effective interest rate %	30 June 2019 Maturity	30 June 2019 HK$'000 (unaudited)	31 December 2018 Effective interest rate %	31 December 2018 Maturity	31 December 2018 HK$'000 (audited)
Current						
Bank loans-unsecured	Hong Kong Interbank Offered Rate ("HIBOR")+1.80	On demand	116,563	HIBOR+1.80	On demand	88,281
	HIBOR+1.85 to HIBOR+2.00	2019–2020	195,455	HIBOR+1.85 to HIBOR+2.00	2019	125,778
	4.96	2019	34,091	–	–	–
			346,109			214,059
Non-current						
Bank loans-unsecured	HIBOR+1.85 to HIBOR+1.95	2020–2024	183,833	HIBOR+1.85 to HIBOR+1.95	2020–2022	213,000
			529,942			427,059

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	346,109	214,059
In the second year	99,111	102,000
In the third to fifth years, inclusive	84,722	111,000
	529,942	427,059
Less: Amount repayable within one year or on demand and classified as current portion	(346,109)	(214,059)
Amount classified as non-current portion	183,833	213,000

The above bank loans are denominated in Hong Kong dollars and Renminbi, amounted to HK$495,851,000 (31 December 2018: HK$427,059,000) and HK$34,091,000 (31 December 2018: Nil), respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Other Payables and Accruals

	Notes	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Other payables	(a)	**85,215**	66,933
Accruals		**112,065**	118,449
Contract liabilities	(b)	**53,315**	42,875
		250,595	228,257

Notes:

(a) Other payables are non-interest-bearing.

(b) The contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the Group transfers goods to the customer.

As at 30 June 2019, the contract liabilities included deferred revenue arising from the loyalty points VIP programme of the Group and short-term advances received from customers for the sale of goods.

16. Commitments

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

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Contracted for commitments in respect of the acquisition of property, plant and equipment	**179,711**	201,516

17. Approval of the Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved and authorised for issue by the Board on 22 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations Review

In the first half of 2019, the world economy saw slowing growth momentum, being dragged down by heightened geopolitical risks and lingering trade disputes. Facing with uncertain external environment, China was committed to maintaining a reasonable level of economic growth. China's gross domestic product for the first half of 2019 increased by 6.3% year-on-year, to RMB45,093.3 billion, with growth rate dropped by 0.5 percentage point over the same period last year.

Against the backdrop of the global economic uncertainty and the US-China trade war, the consumption market sentiment turned cautious. Consumers became more sensitive to discounts and pursued high value-for-money products. Meanwhile, online consumption has turned into a living attitude. The Group gradually accelerated the pace of expanding the online shopping market and set up independent online stores for each of the Group's brands to conduct targeted online promotion of the target customer base, thereby strengthening the Group's omni-channel coverage.

For the six months ended 30 June 2019 (the "Current Period"), the Group's revenue decreased by 11.45% to HK$1,199,358,000 over that for the six months ended 30 June 2018 (the "Prior Period"). Gross profit margin decreased by 1.97 percentage points to 77.9%. Profit attributable to owners of the Company was HK$67,399,000, net profit margin was 5.62%. Earnings per share was HK15.96 cents (2018: 27.51 cents). The Board of Directors of the Company has resolved to declare an interim dividend of HK2.00 cents per share (2018: HK3.50 cents) for the Current Period.

Brand management

The Group currently operates seven brands, namely ***EMBRY FORM***, ***FANDECIE***, ***COMFIT***, ***E-BRA***, ***IVU***, ***IADORE*** and ***LIZA CHENG***, serving customers with different needs and varying degrees of purchasing power. In the first half of 2019, the Group continued to implement its multi-brand strategy, gave full play to the characteristics of each of its seven brands and flexibly distributed the point of sales for each brand according to the consumption level of different cities in different tiers, and took care the characteristics of sales channels to cover the needs of multiple market segments. The Group's flagship brand ***EMBRY FORM*** and younger market brand ***FANDECIE*** mainly respond to the overall mid-to-high-end market demand, while the five brands namely ***COMFIT***, ***E-BRA***, ***IVU***, ***IADORE*** and ***LIZA CHENG*** are designed to precisely meet the diversified needs of the market. In recent years, the Group has opened multi-brand composite stores in several cities in China to address the needs of varying consumer groups and attract more potential consumers.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Brand management (continued)

The Group actively reinforced its brand building and increased product exposure to enhance its brand influence. As a partner of the underwear exhibition for many years, ***EMBRY FORM*** continued to be the brand for the opening show in 2019 China (Shenzhen) International Brand Underwear Fair to demonstrate the Group's 2020 product concept and increase the market attention to fashion products in the coming year. At the same time, the Group set up an art pavilion under the theme "The Charm of Time". Using laces as the keynote of the visual image, it showed the 24 solar terms and became the new landmark in the underwear fair that attracted countless fashionistas to take pictures and check in. ***EMBRY FORM*** has been emanating glamour of the brand with more than forty years of history.

With the rapid growth of the online shopping market, the Group has paid more attention to the targeted promotion strategies of various brands and integrated online and offline public relations activities and promotion. Among them, the Group invited groups of Internet celebrities to shoot street photography for ***EMBRY FORM***, ***FANDECIE*** and ***LIZA CHENG*** and upload the photos to their Instagram, WeChat public accounts, Xiaohongshu ("RED") and other social accounts, in order to enhance the brand awareness and favorability of the followers of these Internet celebrities through their styling and attire.

Sales network

Over the past six months, the Group continued to optimise omni-channel coverage to meet the needs of different consumption habits, while coping with changes in the market and consumer sentiment, and operated corresponding brands in appropriate regional markets. The Group appropriately adjusted its retail outlets by closing or relocating stores with lower efficiency so as to enhance the overall operating efficiency of its sales network. As at 30 June 2019, the Group had 1,737 retail outlets in total, including 1,463 concessionary counters and 274 stores. During the Current Period, there was a net decrease of 100 retail outlets of the Group. In response to the changes in domestic consumption habits, the Group designed exclusive products to cater for the uniqueness of the online shopping market, gradually increasing the market share of brands in the online shopping market and expanding online and offline coverage.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Product design, research and development

Solid self-development capabilities have always been one of the Group's competitive edges in the market. Adhering to the pursuit of product quality, the Group continued to invest resources in product research and development, and strived to optimise and improve the appearance, functionality and production technology of the products, and to provide superior-quality products to the market.

During the Current Period, the Group launched a variety of well-received new collections, including: ***EMBRY FORM***'s "Early Spring Series" (「曉春系列」) and "Semi-summer Series" (「半夏系列」); ***FANDECIE***'s "Icy Skin Series" (「冰爽美膚系列」) and "Bestie Secrets Series" (「閨密私語系列」); ***COMFIT***'s "Healthy S-BODY Series" (「健康S-BODY系列」) and "Fresh Breathable Series" (「透氣新呼吸系列」); ***E-BRA***'s "Light and Shadow Series" (「光影襲人系列」) and "Passionate City Series" (「情動都市系列」); ***IVU***'s "Platinum Series" (「鉑金莫系列」) and "U Home Enjoyment Series" (「U家優享系列」); ***IADORE***'s "Flawless Beauty Series" (「美肌無痕系列」) and "Beauty in Pairs Series" (「麗影成雙系列」); ***LIZA CHENG***'s "Glowing Flame Series" (「烈焰系列」) and "Fragrant Floret Series" (「馥蕾系列」).

In the first half of 2019, the Group obtained 7 new patents, including 3 utility model patents and 4 appearance design patents. As at 30 June 2019, the Group had 11 invention patents, 45 utility model patents and 12 appearance design patents.

Production capacity

Over the years, the Group implemented self-production and self-marketing strategy to effectively ensure quality. Leveraging on its economies of scale, the Group flexibly responded to market demand and changes in consumer preferences with flexible deployment of manpower and machine capacity.

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

In addition, the second phase of plant premises and ancillary facilities at the Group's production base in Changzhou, Jiangsu province has been completed, which can meet the future development needs of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Human resources

With increasing level of education and living standards of the people in China, salary expectations of workers have also increased accordingly, leading to the continuous upward trend of labour costs. On the one hand, the Group trained its employees and improved their welfare, reviewed the internal management culture from time to time and enhanced the sense of belonging of employees; on the other hand, the Group 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 at 30 June 2019, the number of employees of the Group increased to approximately 7,776 (31 December 2018: approximately 8,052). 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$375,617,000 (30 June 2018: HK$381,946,000).

Financial Review

Revenue

During the Current Period, revenue was HK$1,199,358,000, representing a decrease of 11.45% from the Prior Period, mainly attributable to the weak retail consumption sentiment resulting from the unstable outlook of the external economic environment.

During the Current Period, revenue from retail sales was HK$992,276,000, accounting for 82.73% of the Group's total revenue and representing an decrease of 14.23% from the Prior Period. Revenue from the Internet and wholesale business increased by 4.86% from HK$194,612,000 to HK$204,062,000, accounting for 17.02% 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$1,162,732,000, accounting for 96.95% of the Group's total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Revenue (continued)

Among the seven brands operated by the Group, ***EMBRY FORM*** and ***FANDECIE*** are the main sources of income for the Group and their contributions to the total revenue amounted to 45.83% and 24.18% respectively. ***EMBRY FORM***'s revenue amounted to HK$549,596,000, which decreased by 11.93% from the Prior Period. ***FANDECIE***'s revenue amounted to HK$290,050,000, which decreased by 13.30% from the Prior Period. The changes in the two brands were similar to that of the overall sales. The decline was mainly due to the continued sluggish retail sentiment and the cautious consumer sentiment resulting from uncertainties in the global macroeconomic environment. At the same time, depreciation of Renminbi led to a decrease in the book value of sales in Hong Kong dollars over the Prior Period. The other brands ***COMFIT***, ***E-BRA***, ***IVU***, ***IADORE*** and ***LIZA CHENG***'s revenue for the Current Period amounted to HK$356,692,000, accounting for 29.74% of the overall revenue.

Lingerie continues to be the core product line of the Group. During the Current Period, sales of lingerie decreased by 11.09% over the Prior Period to HK$1,063,653,000, representing 88.69% of the revenue of the Group. Sales of sleepwear increased by 0.31% to HK$86,006,000, accounting for 7.17% of the total revenue of the Group, while sales of swimwear decreased by 27.87% to HK$41,253,000, accounting for 3.44% of the total revenue of the Group.

Gross Profit

During the Current Period, the Group recorded a gross profit of approximately HK$934,752,000, representing a decrease of 13.63% from the Prior Period. Gross profit margin decreased by 1.97 percentage points over the Prior Period to 77.9%. It was mainly because the Group increased the discount rate to gain market share in response to the intense market competition.

Other income and gains

Other income decreased by 25.70% to HK$35,523,000 for the Current Period, including subsidies received by the Group from the local municipal government and rental income of approximately HK$21,031,000 and HK$9,210,000. Besides, fair value of investment properties has increased by HK$2,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Operating expenses

During the Current Period, selling and distribution expenses decreased by 9.72% to HK$738,912,000 (2018: HK$818,469,000), accounting for 61.61% (2018: 60.43%) of the Group's revenue. The increase in the proportion of selling and distribution expenses to overall sales was mainly attributable to the increase in proportion of rental of retail stores and depreciation due to the decrease in total revenue.

Administrative expenses decreased by 15.22% over the Prior Period to HK$120,404,000, accounting for 10.04% of the Group's revenue (2018: 10.49%).

Net profit

Profit attributable to owners of the Company was HK$67,399,000 for the Current Period, representing a decrease of approximately 41.99% from the Prior Period. Net profit margin decreased from 8.58% for the Prior Period to 5.62%. The decrease in net profit was mainly due to the decrease in sales resulting from the weak retail sentiment, together with the fact that the Group moderately increased its discounts in response to market demand, thus reducing the gross profit margin. In addition, the proportion of operating costs to total revenue also increased.

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 2019, the Group's cash and cash equivalents amounted to approximately HK$214,305,000 (31 December 2018: HK$158,414,000). As at 30 June 2019, the Group's interest-bearing bank borrowings amounted to HK$529,942,000 (31 December 2018: HK$427,059,000). As at 30 June 2019, equity attributable to owners of the Company was HK$2,369,656,000 (31 December 2018: HK$2,331,719,000). Accordingly, the gearing ratio of the Group was approximately 22.36% (31 December 2018: 18.32%).

Capital expenditure

During the Current Period, the capital expenditure of the Group amounted to HK$66,159,000 (2018: HK$92,852,000), which was mainly used for the construction of intelligent material warehouse at the production base in Jinan. As at 30 June 2019, the capital commitments of the Group amounted to HK$179,711,000 (31 December 2018: HK$201,516,000), which were contracted but not provided for in the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Charge on the Group's assets

As at 30 June 2019, the Group did not pledge any assets.

Capital structure

As at 30 June 2019, the total issued share capital of the Company was HK$4,224,000 (31 December 2018: HK$4,224,000), comprising 422,416,638 (31 December 2018: 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 at 30 June 2019, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK$679,000 (31 December 2018: HK$679,000). Save as disclosed above, the Group had no other significant contingent liabilities, nor any litigation or arbitration of material importance.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Prospect

Looking ahead to the second half of 2019, the trade negotiations are expected to continue and uncertainties over the global economic outlook will undermine investment and consumer confidence. Although China will continue to promote the optimisation of its industrial structure and strive to maintain a stable economic growth rate, the sluggish market sentiment will weaken the growth momentum of the non-essential retail industry. However, optimisation and adjustment of China's consumption structure and consumption upgrading are irreversible trends, which will support the steady and healthy growth of domestic consumption and retail industry in the long run.

With years of experience and brand strength accumulated in the lingerie industry in China, the Group will closely grasp market changes, adjust product design, production technology, marketing and sales channels to meet consumer needs, so as to accurately respond to market demands. According to the characteristics of sales channels, the Group will continue to develop relevant products and adjust the multi-brand product mix in stores, actively capture the growth potential of the online shopping market and strengthen the omni-channel coverage of the Group in a timely manner.

To cope with the rising production costs in China, the Group has actively optimised the supply chain in recent years, sorted out and centralised the finished products from different warehouses in the intelligent warehouse in Jinan, Shandong province, to further enhance the effectiveness of economies of scale. The Group has also utilised the automated logistics system of the intelligent warehouse to help the Group improve production efficiency. The Group's intelligent material warehouse will commence its trial run by the end of 2019. The supply chain efficiency will be further improved after the material warehouse officially has commenced operation, enabling the Group to flexibly adjust its production capacity and respond quickly to market feedbacks.

In an uncertain market environment, the Group will continue to adhere to the quality, conform to the preferences of the consumer market and give full play to the characteristics of multi-brand, while also develop and manufacture products that cater to target market segments. Meanwhile, the Group will continue to optimise its omni-channel sales strategies and maintain the Group's position in the underwear industry in China, thereby generating sustainable returns to its shareholders.

OTHER INFORMATION

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2019, the interests and short positions of the Directors and chief executive of the Company in the share capital and underlying shares of the Company or its associated corporations (the "Associated Corporation(s)") (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Mr. Cheng Man Tai	Interest of controlled corporations	249,137,574 *(Note 1)*	58.98
	Beneficial owner	2,983,688	0.71
	Interest of spouse	2,334,369 *(Note 2)*	0.55
Madam Ngok Ming Chu	Interest of controlled corporations	249,137,574 *(Note 1)*	58.98
	Beneficial owner	2,334,369	0.55
	Interest of spouse	2,983,688 *(Note 2)*	0.71
Ms. Cheng Pik Ho Liza	Beneficial owner	26,990,478	6.39
Mr. Cheng Chuen Chuen	Beneficial owner	513,793	0.12
Ms. Lu Qun	Beneficial owner	1,024,057	0.24
Mr. Lau Siu Ki	Beneficial owner	768,000	0.18
Mr. Lee Kwan Hung	Beneficial owner	522,000	0.12
Prof. Lee T. S.	Beneficial owner	604,000	0.14

Notes:

1. These shares are held as to 247,848,510 shares by Harmonious World and as to 1,289,064 shares by Fairmout Investments Limited ("Fairmout Investments"). Harmonious World is owned as to 59.09% by Mr. Cheng Man Tai and as to 40.91% by Madam Ngok Ming Chu. Fairmout Investments is owned as to 50% by Mr. Cheng Man Tai and as to 50% by Madam Ngok Ming Chu.

2. Madam Ngok Ming Chu is the spouse of Mr. Cheng Man Tai.

OTHER INFORMATION (continued)

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares (continued)

Long positions in ordinary shares of an Associated Corporation:

Name of director	Name of Associated Corporation	Relationship with the Company	Number of shares held	Capacity and nature of interest	Percentage of the Associated Corporation's issued share capital
Mr. Cheng Man Tai	Harmonious World	Ultimate holding company	57.91 shares of US$1 each	Beneficial owner	59.09
Madam Ngok Ming Chu	Harmonious World	Ultimate holding company	40.09 shares of US$1 each	Beneficial owner	40.91

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares of the Company or any of its Associated Corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

At no time during the Current Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

OTHER INFORMATION (continued)

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 30 June 2019, the following interests of 5% or more of the issued share capital of the Company (other than the interests of the Directors as disclosed above) were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Harmonious World	Beneficial owner	247,848,510 *(Note 1)*	58.67
Pandanus Associates Inc.	Interest of controlled corporations	51,796,000 *(Note 2)*	12.26
Pandanus Partners L.P.	Interest of controlled corporations	51,796,000 *(Note 2)*	12.26
FIL Limited	Investment manager	37,520,000	8.88
Sinowide Investments Limited	Beneficial owner	30,000,000	7.10
Fidelity Funds	Beneficial owner	24,606,000	5.83

Notes:

1. The relationship between Harmonious World, Mr. Cheng Man Tai and Madam Ngok Ming Chu is disclosed under the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above.

2. Pandanus Associates Inc. is a general partner of Pandanus Partners L.P. who in turn owns or controls one-third or more of voting rights in FIL Limited.

Save as disclosed above, as at 30 June 2019, no person, other than the Directors, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

OTHER INFORMATION (continued)

Changes in Directors' Information

Changes in Directors' information since the disclosure made in the 2018 annual report of the Company, that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Other Major Appointment

With effect from 21 June 2019, Mr. Lau Siu Ki has been appointed as an independent non-executive director of IVD Medical Holding Limited, the shares of which have been listed on the Stock Exchange since 12 July 2019.

Other than that disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 2019 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 22 August 2019, the Board resolved to declare the payment of an interim dividend of HK2.00 cents per ordinary share in respect of the Current Period to shareholders registered on the register of members on Wednesday, 11 September 2019, resulting in an appropriation of approximately HK$8,448,000. The above-mentioned interim dividend will be payable on 3 October 2019.

Closure of Register of Members

The register of members of the Company will be closed on Wednesday, 11 September 2019, on which no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 10 September 2019.

OTHER INFORMATION (continued)

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.

Disclosure pursuant to Code Provision A.5.5 (2) of the Corporate Governance Code

Reference is made to the circular of the Company dated 18 April 2019 (the "Circular") in relation to the general mandates and the re-election of directors. Pursuant to code provision A.5.5 (2) of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, where the board proposes a resolution to elect an individual as an independent non-executive director at a general meeting and the proposed director will be holding his seventh (or more) listed company directorship, the Company should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why the board believes the individual would still be able to devote sufficient time to the board. In this regard, the Board wishes to provide further information to elaborate and supplement the disclosure made in the Circular.

As disclosed in the Circular, the Nomination Committee and the Board of the Company have reviewed the structure and composition of the Board, the confirmations and disclosures given by the Directors, the qualifications, skills and experience, time commitment and the contribution of the retiring Directors with reference to the nomination principles and criteria set out in the Company's Board Diversity Policy and Director Nomination Policy and the Company's corporate strategy and the independence of all independent non-executive Directors. Having considered all such factors, including but without limitation to the time commitment of the retiring Directors, the Board recommended to the shareholders of the Company on the re-election of independent non-executive Directors, including Mr. Lee Kwan Hung ("Mr. Lee"), at the annual general meeting of the Company held on 23 May 2019 (the "AGM").

OTHER INFORMATION (continued)

Disclosure pursuant to Code Provision A.5.5 (2) of the Corporate Governance Code (continued)

Mr. Lee, who has been serving the Company for more than 9 years, is holding directorship in ten listed companies including the directorship as an independent non-executive Director of the Company as disclosed in the biographical information set out in Appendix II to the Circular. As disclosed in the Corporate Governance Report of the Company, Mr. Lee attended all the meetings of the Board and Board committees, and general meetings of the Company held in the previous and current financial years. Mr. Lee has always remained responsible in performance of his functions and discharge of his duties to the Company through active participation and discussion, bringing balance of views as well as knowledge, experience and expertise. Mr. Lee has confirmed that he would continue to devote sufficient time and attention to the affairs of the Company. Based on the foregoing, the Board considered that Mr. Lee would be able to devote sufficient time to the Board; and that Mr. Lee's directorship outside the Company would not affect him in maintaining his current role in, and his functions and responsibilities for, the Company. The Company considered that Mr. Lee would continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning and diversity. On this basis, the Board has recommended shareholders to vote for the relevant ordinary resolution for the re-election of Mr. Lee as an independent non-executive Director, which was duly passed at the AGM.

Compliance with the Corporate Governance Code

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

Model Code for Securities Transactions

The Company has adopted a code of conduct regarding Directors' and employees' securities transactions on terms no less exacting than the required standard set out in the Model Code (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.

On behalf of the Board

Cheng Man Tai
Chairman

Hong Kong
22 August 2019

INDEPENDENT REVIEW REPORT

EY 安永

To the board of directors of Embry Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Embry Holdings Limited (the "Company") and its subsidiaries set out on pages 3 to 28, which comprise the condensed consolidated statement of financial position as at 30 June 2019, and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT REVIEW REPORT (continued)

Scope of review

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

22 August 2019