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 2023

RESULTS HIGHLIGHTS

	Six months ended 30 June		
	2023	**2022**	**Change**
	(HK$'000)	*(HK$'000)*	
Revenue	709,590	742,529	-4.44%
Gross profit	528,262	563,651	-6.28%
Gross profit margin	74.45%	75.91%	-1.46% pts
Profit for the period attributable to owners of the Company	5,367	1,116	+380.91%
Net profit margin	0.76%	0.15%	0.61% pts
	(HK cents)	*(HK cents)*	
Basic earnings per share	1.27	0.26	388.46%
Proposed interim dividend per share	-	-	N/A

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 2023 together with the unaudited comparative figures for the corresponding period in 2022 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 2023

	Notes	Six months ended 30 June 2023 HK$'000 (unaudited)	2022 HK$'000 (unaudited)
REVENUE	2	709,590	742,529
Cost of sales		(181,328)	(178,878)
Gross profit		528,262	563,651
Other income and gains, net	3	9,817	11,569
Selling and distribution expenses		(440,544)	(458,589)
Administrative expenses		(84,757)	(91,049)
Reversal of impairment/(impairment) of right-of-use assets		1,140	(6,876)
Other expenses	4	(571)	(3,435)
Finance costs	5	(9,291)	(4,453)
PROFIT BEFORE TAX	6	4,056	10,818
Income tax credit/(expense)	7	1,311	(9,702)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		5,367	1,116
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
- Basic (HK cents)		1.27	0.26
- Diluted (HK cents)		1.27	0.26

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	5,367	1,116
OTHER COMPREHENSIVE EXPENSE		
Other comprehensive expense that may be reclassified to the income statement in subsequent periods:		
Exchange differences arising on translation of foreign operations	(98,784)	(88,380)
Other comprehensive income/(expense) that will not be reclassified to the income statement in subsequent periods:		
Revaluation surplus	-	3,784
Deferred tax debited to asset revaluation reserve	-	(946)
Net other comprehensive income that will not be reclassified to the income statement in subsequent periods	-	2,838
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	(98,784)	(85,542)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	(93,417)	(84,426)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2023

	Notes	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	846,390	895,058
Investment properties		483,335	500,924
Right-of-use assets		137,157	145,181
Other asset		385,376	402,697
Deferred tax assets		73,219	74,542
Deposits and other receivables		10,659	11,672
Total non-current assets		1,936,136	2,030,074
CURRENT ASSETS			
Inventories		418,582	458,256
Trade receivables	10	44,937	47,443
Prepayments, deposits and other receivables		61,387	57,034
Tax recoverable		1,714	3,820
Cash and cash equivalents		386,093	380,178
Total current assets		912,713	946,731
CURRENT LIABILITIES			
Trade and bills payable	11	48,416	39,028
Interest-bearing bank borrowings		56,144	38,877
Lease liabilities		26,554	33,751
Tax payable		129	-
Other payables and accruals		141,845	153,483
Total current liabilities		273,088	265,139
NET CURRENT ASSETS		639,625	681,592
TOTAL ASSETS LESS CURRENT LIABILITIES		2,575,761	2,711,666
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		258,369	288,595
Lease liabilities		16,550	22,826
Deferred tax liabilities		118,634	124,831
Other payables		3,082	3,082
Total non-current liabilities		396,635	439,334
NET ASSETS		2,179,126	2,272,332
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,224	4,224
Reserves		2,174,902	2,268,108
TOTAL EQUITY		2,179,126	2,272,332

NOTES

1.1 BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2023 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 2022.

The condensed consolidated financial statements have been prepared under the historical cost convention, except for the investment properties which have been measured at fair value.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

NOTES (continued)

2. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	Six months ended 30 June 2023 HK$'000 (unaudited)	2022 HK$'000 (unaudited)
Revenue from contracts with customers		
Sales of goods	709,590	742,529

Disaggregated revenue information for revenue from contracts with customers

	Six months ended 30 June 2023 HK$'000 (unaudited)	2022 HK$'000 (unaudited)
Geographical markets		
Mainland China	686,772	719,556
Hong Kong	21,057	19,331
Others	1,761	3,642
Total revenue from contracts with customers	709,590	742,529

3. OTHER INCOME AND GAINS, NET

	Six months ended 30 June 2023 HK$'000 (unaudited)	2022 HK$'000 (unaudited)
Other income		
Subsidy income*	6,055	4,928
Gross rental income from investment properties operating leases:		
Other lease payments, including fixed payments	8,966	11,005
Variable lease payments that do not depend on an index or a rate	339	219
Interest accretion on non-current receivables	-	301
Bank interest income	2,763	2,195
Gain on termination of leases	183	224
Others	2,335	1,735
	20,641	20,607
Gains/(losses), net		
Foreign exchange differences, net	(10,824)	(10,038)
Changes in fair value of investment properties	-	1,000
	(10,824)	(9,038)
	9,817	11,569

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

NOTES (continued)

4. OTHER EXPENSES

	Six months ended 30 June 2023 HK$'000 (unaudited)	Six months ended 30 June 2022 HK$'000 (unaudited)
Loss on disposal/write-off of items of property, plant and equipment, net	135	94
Charitable donations	-	2,410
Termination benefits	436	931
	571	3,435

5. FINANCE COSTS

	Six months ended 30 June 2023 HK$'000 (unaudited)	Six months ended 30 June 2022 HK$'000 (unaudited)
Interest on interest-bearing bank borrowings	8,079	2,816
Interest on lease liabilities	1,212	1,637
	9,291	4,453

6. PROFIT BEFORE TAX

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

	Six months ended 30 June 2023 HK$'000 (unaudited)	Six months ended 30 June 2022 HK$'000 (unaudited)
Cost of inventories sold	181,328	178,878
Depreciation of property, plant and equipment	31,535	36,519
Depreciation of right-of-use assets	11,573	20,159
Lease payments not included in the measurement of lease liabilities	130,590	132,786
Advertising and counter decoration expenses	47,561	31,995
Impairment/(reversal of impairment) of right-of-use assets	(1,140)	6,876

NOTES (continued)

7. INCOME TAX

	Six months ended 30 June 2023 HK$'000 (unaudited)	2022 HK$'000 (unaudited)
Current - Mainland China	136	2,512
Deferred	(1,447)	7,190
Total tax charge/(credit) for the period	(1,311)	9,702

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share is based on the following data:

	Six months ended 30 June 2023 HK$'000 (unaudited)	2022 HK$'000 (unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	5,367	1,116

	Number of shares Six months ended 30 June 2023 (unaudited)	2022 (unaudited)
Shares		
Number of ordinary shares of the Company in issue, used in the basic earnings per share calculation	422,416,638	422,416,638

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2023 and 2022.

9. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June 2023 HK$'000 (unaudited)	Year ended 31 December 2022 HK$'000 (audited)
At beginning of period/year, net carrying amount	895,058	1,034,948
Additions	20,716	20,934
Disposals/write-off	(147)	(184)
Depreciation provided during the period/year	(31,535)	(69,729)
Transfer to investment properties	-	(9,929)
Exchange realignment	(37,702)	(80,982)
At end of period/year, net carrying amount	846,390	895,058

NOTES (continued)

10. TRADE RECEIVABLES

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

	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Within 90 days	42,145	42,670
91 to 180 days	1,175	4,372
181 to 360 days	1,322	5,268
Over 360 days	6,720	4,858
	51,362	57,168
Less: Impairment allowance	(6,425)	(9,725)
	44,937	47,443

11. TRADE AND BILLS PAYABLE

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 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Within 90 days	44,105	33,023
91 to 180 days	572	1,618
181 to 360 days	494	950
Over 360 days	3,245	3,437
	48,416	39,028

12. COMMITMENTS

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

	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Contracted for commitments in respect of the acquisition of property, plant and equipment	105,017	116,154

BUSINESS AND OPERATIONS REVIEW

China's economy has been recovering structurally since the relaxation of its pandemic prevention and control measures at the beginning of the year, but the pace of progress has fallen short of expectations. According to the National Bureau of Statistics, the country's gross domestic product (GDP) in the first half of the year grew by 5.5% year on year. However, the GDP growth in the second quarter lost momentum and merely edged up by 0.8% quarter on quarter due to a slowdown in consumption growth, even though it grew by 6.3% year on year because of the low base effect in the first half of last year. The total retail sales of consumer goods in the first half of 2023 increased by 8.2% year on year, but the growth rate in June alone slowed down significantly, rising by only 3.1% year on year. In addition, the consumer price index (CPI) remained flat year on year in June, with consumer good prices falling by 0.5%, further reflecting the lack of growth momentum in consumer demand.

In the first half of the year, the release of the pent-up demand triggered by the easing of the pandemic prevention and control measures in China led to a recovery in consumption. The brick-and-mortar retail businesses have gradually recovered, and consumption data in the catering, retail and tourism sectors have all indicated rebounds. However, the complicated global politics and economy, coupled with the not yet stable foundation for a sustained recovery in the domestic economy, have made China's consumer sentiment cautious. While the sales of daily necessities recovered at a faster pace, but the sub-essential underwear industry has not yet seen a full recovery in its business to the pre-pandemic levels.

For the six months ended 30 June 2023 (the "Current Period"), the Group's revenue decreased by 4.4% from that for the six months ended 30 June 2022 (the "Prior Period"). Gross profit margin decreased by 1.46 percentage points to 74.45% year on year. Profit attributable to owners of the Company was approximately HK$5,367,000, as compared with HK$1,116,000 recorded in the Prior Period. Earnings per share were HK1.27 cents (2022: HK0.26 cents).

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

Brand management

In the first half of 2023, the Group continued to leverage on the advantages of its multi-brand strategy and adjusted marketing arrangements in response to market demand for its seven brands, namely ***EMBRY FORM***, ***FANDECIE***, ***COMFIT***, ***E-BRA***, ***IVU***, ***IADORE*** and ***LIZA CHENG***. The Group caters to the segmented market by highlighting unique brand personalities to fulfil the needs and preferences of varying customer groups. The Group enhanced its brand competitiveness and expanded market share while consolidating its flagship brands, ***EMBRY FORM*** and ***FANDECIE***, which contributed the majority of sales.

In terms of brand promotion, the Group did not fully conduct its campaigns in the first half of the year even after the relaxation of the government's pandemic prevention and control measures, reserving resources for promotional campaigns in the second half of the year with the best results when the market sentiment further recovers.

BUSINESS AND OPERATIONS REVIEW (continued)

Brand management (continued)

To echo the Chinese government's dual goal of attaining carbon emissions peak and carbon neutrality as well as its other environmental protection initiatives, the Group conducted the "MADE IN GREEN Ocean Journey" art pop-up store activities in large shopping malls and department stores in various cities to convey the proposition of sustainability and environmental protection to the public. Through a series of Blue-Ribbon public welfare actions, the Group promoted environmental protection and called on the public to pay attention to environmental protection issues and participate in relevant activities, aiming to protect the ecosystem and enable sustainable development.

In the post-pandemic era, online shopping has become an indispensable part of people's lifestyle and e-commerce platforms continue to flourish. The Group made full use of social media platforms to promote its brands, followed the website traffic trends, strengthened the development of underwear styles exclusively for e-commerce and conducted precision marketing for its brands and products through collaboration with Internet celebrities and interaction with customers, thus building good customer relationships and enhancing customers' brand loyalty. During the Current Period, its different brands collaborated with a well-known young dancer, an artiste and a media professional, and strengthened their cooperation with social media to enhance brand exposure and deepen market penetration.

Sales network

In the first half of 2023, the Group continued to further optimise and improve its sales network. As at 30 June 2023, the Group had 1,039 retail outlets in total, including 872 concessionary counters and 167 retail stores, representing a net decrease of 45 retail outlets as compared to the end of December 2022. The Group seized the opportunity of online sales, and actively explored and developed the online shopping market to improve the overall operational efficiency of its sales network. The Group strategically adjusted its store network and appropriately integrated the proportion of online and offline sales to achieve optimal channel coverage.

During the Current Period, the Group continued to operate online mirror stores with product information synchronised with the physical retail stores, achieving mutual empowerment of online and offline channels to attract traffic. It eliminated competition between physical and online stores, and also provided a convenient alternative consumption channel to its customers. The closed loop of operation helped optimise deployment of store inventory and inventory management.

Product design, research and development

The Group has always adhered to excellent product quality and comfortable wearing experience and continued to upgrade product designs and source the right materials to meet consumers' demand for environmentally friendly and lightweight underwear products while ensuring a comfortable cutting and design. The Group has also continued to improve its production technology, striving to improve production efficiency and operational efficiency of its supply chain in order to maintain its leading position in the highly competitive market.

During the Current Period, the Group launched a full range of popular new collections, including: ***EMBRY FORM***'s "Beautiful Time (至美時光)" and "Cool Moisturizing (冰爽潤膚)"; ***FANDECIE***'s "Inspirational New Chapter (靈感新章)"; ***COMFIT***'s "Chic City (別緻都会)" and "Comfit Girl"; ***LIZA CHENG***'s "Artist (藝術家)" and "Sleepless Flower (花未眠)"; ***E-BRA***'s "Perfect Love (臻愛)" and "Slender Posture (纖姿)"; ***IADORE***'s "Flowery (花漫)" and "Limpid and Sweet (清透微甜)"; ***IVU***'s "Perfect Score (滿分系列)".

BUSINESS AND OPERATIONS REVIEW (continued)

Product design, research and development (continued)

The Group has been advocating environmental practices in production process while aiming for the healthiness, comfort and eco-friendly performance of its products for women. The Group has continued to strengthen the research and development of its green products, and launched the new "Heart of the Ocean" underwear series during the Current Period, with bio-based, environmentally friendly materials used for underwear fabrics and shoulder straps. This decreased the use of the by-products from and thus indirectly helped reduce the amount of carbon dioxide generated by the petroleum refining process. The product series also demonstrated the Group's commitment to low-carbon, environmental practices.

In the first half of 2023, the Group obtained three utility model patents and one appearance design patent in China. As at 30 June 2023, the Group has a total of 109 patents, including 71 utility model patents, 11 invention patents and 27 appearance design patents.

Production capacity

The Group has its own production bases in Jinan, Shandong Province and Changzhou, Jiangsu Province. The plant in Shandong is equipped with intelligent finished goods and materials warehouses. In response to market changes, the Group carefully analysed the sales of different brands and segmented markets, reviewed and adjusted its production volume from time to time to maximise production efficiency and enhance supply chain efficiency.

In order to achieve sustainable development, the Group's Shandong Industrial Park is environmentally friendly and maintain carbon emissions at a low level at the source. The industrial park uses ground source heat pump to tap the renewable energy, and adopts thermal insulation and energy-saving walls, natural lighting and other practices of energy conservation and emission reduction, thus further reducing the impact on the environment. The self-developed underwear automatic packaging machine uses degradable plastic products as packaging materials to reduce environmental pollution.

Human resources

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

As at 30 June 2023, the number of employees of the Group was approximately 4,484 (31 December 2022: approximately 4,568). Total staff cost (including wages and basic salaries, commissions, bonuses, contributions to the retirement benefits scheme, share option expresses and excluding directors' and chief executive's remunerations) for the Current Period was HK$228,523,000 (Six months ended 30 June 2022: HK$247,144,000).

FINANCIAL REVIEW

Revenue

During the Current Period, revenue was HK$709,590,000, representing a decrease of 4.44% from the Prior Period, mainly attributable to the depreciation of Renminbi in the first half of the year, while the Group's revenue would have increased by approximately 1.16% year on year at constant exchange rates. In addition, due to a slow recovery of China's economy and uncertainties of global politics and economy in the first half of the year, the underwear market has not yet returned to the pre-pandemic levels even though China already gradually relaxed its pandemic prevention and control measures at the beginning of the year and the consumer sentiment was recovering.

During the Current Period, revenue from retail sales was HK$482,731,000, accounting for 68.03% of the Group's total revenue and representing a decrease of 2.51% from the Prior Period. The Group recorded a decrease in sales at e-commerce platforms. Revenue from the Internet decreased by 6.96% to HK$206,064,000 in the first half of 2023, accounting for 29.04% of the total revenue. The decrease was mainly because consumers increased consumption offline after the pandemic prevention and control measures were eased in China at the beginning of the year. Revenue from the Internet declined year on year when people shopped online much more frequently during the peak of the pandemic.

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$686,772,000, accounting for 96.78% of the Group's total revenue.

Among the seven brands operated by the Group, ***EMBRY FORM***, the flagship brand, and ***FANDECIE***, the young and energetic brand, are the main sources of income for the Group and their contributions to the total revenue accounted for 53.83% and 16.89%, respectively. ***EMBRY FORM***'s revenue amounted to HK$381,932,000, which decreased by 2.06% from the Prior Period. ***FANDECIE***'s revenue amounted to HK$119,878,000, which decreased by 16.71% from the Prior Period. The other brands ***E-BRA***, ***COMFIT***, ***IVU***, ***IADORE*** and ***LIZA CHENG***'s revenue for the Current Period amounted to HK$206,019,000, accounting for 29.03% of the overall revenue.

Lingerie continues to be the core product line of the Group. During the Current Period, sales of underwear decreased by 4.89% from the Prior Period to HK$612,239,000, representing 86.28% of the revenue of the Group. Sales of sleepwear amounted to HK$73,804,000, accounting for 10.40% of the revenue of the Group, while sales of swimwear amounted to HK$14,206,000, accounting for 2.00% of the revenue of the Group.

Gross profit

During the Current Period, the Group recorded a gross profit of approximately HK$528,262,000, representing a decrease of 6.28% from the Prior Period. It was mainly attributed to the Group's initial investment in the first half of the year in preparation for the brand promotion in the second half of the year. As a result, sales expenses increased as compared to the same period last year. In addition, the increase in promotional activities resulted in a decrease in the unit selling price as compared to the same period last year. Overall gross profit margin decreased by 1.46 percentage points from the same period last year to 74.45%.

FINANCIAL REVIEW (continued)

Other income and gains

Other income and gains decreased by 15.14% to HK$9,817,000 for the Current Period (2022: HK$11,569,000), mainly due to the exchange loss of HK$10,824,000 from the depreciation of Renminbi, compared to the exchange loss of HK$10,038,000 in the same period last year, and the decrease in rental income by HK$1,919,000 from HK$11,224,000 in the same period last year to HK$9,305,000. Besides, the subsidy income for the Current Period was HK$6,055,000, as compared with HK$4,928,000 in the same period last year.

Operating expenses

During the Current Period, the selling and distribution expenses decreased by 3.93% to HK$440,544,000 (2022: HK$458,589,000), accounting for 62.08% (2022: 61.76%) of the Group's revenue. The decrease in expenses was mainly due to the decrease in the number of concessionary counters and retail stores, resulting in a decrease in the related rental costs and wages of sales staff. The ratio of the selling and distribution expenses to the overall sales increased during the Current Period due to a low base effect for sales.

Administrative expenses decreased by 6.91% over the Prior Period to HK$84,757,000, accounting for 11.94% (2022: 12.26%) of the Group's revenue.

Reversal of impairment of right-of-use assets and other expenses

In the Current Period, reversal of impairment of right-of-use assets amounted to approximately HK$1,140,000 (impairment in 2022: HK$6,876,000), representing a decrease of HK$8,016,000 from the same period last year. Other expenses decreased by HK$2,864,000 from the Prior Period to HK$571,000 as a result of the charity donation of HK$2,410,000 during the same period last year.

Net profit

Profit attributable to owners of the Company more than tripled to HK$5,367,000 for the Current Period from approximately HK$1,116,000 for the Prior Period due to a low base effect. The increase in net profit was mainly attributable to the decrease in other expenses, in particular the reversal of impairment of right-of-use assets previously recognised by the Group, and the recognition of tax credits by the Group.

Liquidity and financial resources

The Group finances its operations mainly with internally generated cash flows. Financial position of the Group remained healthy during the Current Period. As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately HK$386,093,000 (31 December 2022: HK$380,178,000). As of 30 June 2023, the Group's interest-bearing bank borrowings amounted to HK$314,513,000 (31 December 2022: HK$327,472,000). As at 30 June 2023, equity attributable to owners of the Company was HK$2,179,126,000 (31 December 2022: HK$2,272,332,000); the gearing ratio of the Group was approximately 14.4% (31 December 2022: 14.4%).

FINANCIAL REVIEW (continued)

Capital expenditure
During the Current Period, the capital expenditure of the Group amounted to HK$20,716,000 (2022: HK$4,171,000), which was mainly used for the first phase of the photovoltaic power generation project at the plant in Shandong. The project was capitalized as a fixed asset on the balance sheet and put into operation during the Current Period and is expected to help the Group save on electricity tariff. As at 30 June 2023, the capital commitments of the Group amounted to HK$105,017,000 (31 December 2022: HK$116,154,000), which were contracted but not provided for in the financial statements.

Charge on the Group's assets
As at 30 June 2023, the Group pledged Hong Kong investment properties, buildings and right-of-use assets with net book values of HK$92,000,000, HK$2,478,000 and HK$11,507,000, respectively, to bank to finance loans.

Capital structure
As at 30 June 2023, the total issued share capital of the Company was HK$4,224,000 (31 December 2022: HK$4,224,000), comprising 422,416,638 (31 December 2022: 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 2023, bank guarantees given in lieu of the Group's property rental deposits and utility deposits amounted to HK$173,000 (31 December 2022: HK$428,000). Save as disclosed above, the Group had no other significant contingent liabilities, nor any litigation or arbitration of material importance.

PROSPECT

Looking ahead to the second half of the year, the Chinese government will step up its efforts to stabilize the economy, aiming for steady national development. As a result, the retail market can expect moderate growth. However, consumers have become more prudent as they are facing the uncertainties of the global economy and politics and have experienced the COVID-19 pandemic. They are now more practical about making consumption decisions while aiming for better quality of life and sustainable consumption. They may even spend less. The retail and consumer industry has yet to see a full recovery to the pre-pandemic levels, and the underwear industry, in particular, is expected to recover more slowly than the overall retail market does.

Leveraging on years of experience and brand strength accumulated in the lingerie industry in China as well as its agility to change, the Group is confident that it can still gain a firm foothold in the industry amid the current consumption environment. Since consumers are conservative towards buying underwear products, the Group will closely monitor market trends to make timely adjustments in terms of product design, production technology, marketing and sales channels to fulfil the needs of consumers in rational consumption, emphasis on product quality, and fulfilling green and sustainable consumption.

In the future, the Group will continue to review and adjust its business strategy, continue to explore different market segments, and at the same time, matching with the consumption pattern in the post-pandemic era, increase interactive promotion through social media, boost e-commerce sales, strive to expand the market share of its brands in the online retail market and optimise the effectiveness of the sales network. In terms of production capability, the Group will respond promptly to market demands, leverage on the advantages of resource deployment through its self-production and self-distribution model as well as the ancillary logistics facilities of intelligent finished goods and materials warehouses to enhance production and logistics efficiency, and actively save energy, reduce emission and optimise the supply chain in order to achieve a sustainable development.

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

OTHER INFORMATION

REVIEW OF INTERIM FINANCIAL INFORMATION

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

The external auditor of the Company has reviewed the condensed consolidated financial statements for the six months ended 30 June 2023 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 24 August 2023, the Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023.

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ and employees’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the “Securities Dealing Code”). Having made specific enquiries of all Directors and members of the senior management, they have confirmed that they had complied with the required standard as set out in the Securities Dealing Code during the Current Period.

PUBLICATION OF 2023 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 2023 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, 24 August 2023

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