Embry Holdings Limited
安莉芳控股有限公司

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

2017

追求卓越

Striving for Excellence

Interim Report

Contents

Corporate Information

Directors and Board Committees

Directors

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

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

Board Committees

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

Remuneration Committee
LEE Kwan Hung *(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

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 22, 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 2017 together with the unaudited comparative figures for the corresponding period in 2016 and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee and the external auditor of the Company.

Condensed Consolidated Income Statement

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
REVENUE	3	**1,183,171**	1,175,139
Cost of sales		**(266,279)**	(240,308)
Gross profit		**916,892**	934,831
Other income and gains, net	4	**35,367**	27,462
Selling and distribution expenses		**(700,087)**	(694,945)
Administrative expenses		**(114,604)**	(124,525)
Other expenses		**–**	(10)
Finance costs	5	**(5,043)**	(3,958)
PROFIT BEFORE TAX	6	**132,525**	138,855
Income tax expense	7	**(44,312)**	(49,507)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**88,213**	89,348
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
— Basic (HK cents)		**21.17**	21.44
— Diluted (HK cents)		**21.17**	21.44

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

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

Condensed Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**1,117,844**	1,062,213
Investment properties		**350,347**	307,158
Prepaid land lease payments		**40,541**	33,996
Deferred tax assets		**86,277**	84,810
Deposits		**24,171**	14,139
Total non-current assets		**1,619,180**	1,502,316
CURRENT ASSETS			
Inventories		**637,351**	659,347
Trade receivables	12	**118,087**	85,220
Prepayments, deposits and other receivables		**57,766**	58,309
Cash and cash equivalents		**230,332**	190,187
Total current assets		**1,043,536**	993,063
CURRENT LIABILITIES			
Trade and bill payables	13	**70,812**	87,678
Interest-bearing bank borrowings	14	**163,778**	133,278
Tax payable		**28,107**	20,536
Other payables and accruals		**298,672**	274,174
Total current liabilities		**561,369**	515,666
NET CURRENT ASSETS		**482,167**	477,397
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,101,347**	1,979,713
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	**209,166**	221,555
Deferred liabilities		**596**	1,889
Deferred tax liabilities		**37,826**	36,782
Total non-current liabilities		**247,588**	260,226
NET ASSETS		**1,853,759**	1,719,487

Condensed Consolidated Statement of Financial Position (continued)

30 June 2017

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
EQUITY		
Equity attributable to owners of the Company		
Share capital	4,166	4,166
Reserves	1,849,593	1,715,321
TOTAL EQUITY	1,853,759	1,719,487

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	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$'000	Share option reserve HK$'000	Retained profits HK$'000	Total reserves HK$'000	Total equity HK$'000
At 1 January 2017 (audited)	4,166	369,644	122,610	3,336	144,249	(82,045)	(3,168)	–	1,160,695	1,715,321	1,719,487
Profit for the period	–	–	–	–	–	–	–	–	88,213	88,213	88,213
Revaluation surplus	–	–	–	6,484	–	–	–	–	–	6,484	6,484
Deferred tax debited to asset revaluation reserve	–	–	–	(1,620)	–	–	–	–	–	(1,620)	(1,620)
Exchange differences related to foreign operations	–	–	–	–	–	59,111	–	–	–	59,111	59,111
Total comprehensive income for the period	–	–	–	4,864	–	59,111	–	–	88,213	152,188	152,188
2016 final dividends declared (note 10)	–	–	–	–	–	–	–	–	(17,916)	(17,916)	(17,916)
Transfer from retained profits	–	–	–	–	11,126	–	–	–	(11,126)	–	–
At 30 June 2017 (unaudited)	4,166	369,644	122,610	8,200	155,375	(22,934)	(3,168)	–	1,219,866	1,849,593	1,853,759

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2017

	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$'000	Share option reserve HK$'000	Retained profits HK$'000	Total reserves HK$'000	Total equity HK$'000
At 1 January 2016 (audited)	4,166	369,644	122,610	3,336	124,849	35,610	(3,168)	27,923	1,105,853	1,786,657	1,790,823
Profit for the period	–	–	–	–	–	–	–	–	89,348	89,348	89,348
Exchange differences related to foreign operations	–	–	–	–	–	(20,567)	–	–	–	(20,567)	(20,567)
Total comprehensive income/(expense) for the period	–	–	–	–	–	(20,567)	–	–	89,348	68,781	68,781
Share options lapsed (note 15)	–	–	–	–	–	–	–	(27,923)	27,923	–	–
2015 final and special dividends declared and paid (note 10)	–	–	–	–	–	–	–	–	(41,666)	(41,666)	(41,666)
Transfer from retained profits	–	–	–	–	12,228	–	–	–	(12,228)	–	–
At 30 June 2016 (unaudited)	4,166	369,644	122,610	3,336	137,077	15,043	(3,168)	–	1,169,230	1,813,772	1,817,938

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**96,288**	90,600
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**1,123**	766
Addition to prepaid land lease payments	**(5,888)**	–
Purchase of items of property, plant and equipment	**(75,680)**	(136,624)
Proceeds from disposal of items of property, plant and equipment	**71**	89
Net cash flows used in investing activities	**(80,374)**	(135,769)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	**80,230**	121,441
Repayment of bank borrowings	**(62,119)**	(66,271)
Dividends paid	**–**	(41,666)
Interest paid	**(5,043)**	(3,958)
Net cash flows from financing activities	**13,068**	9,546
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**28,982**	(35,623)
Cash and cash equivalents at beginning of period	**190,187**	233,017
Effect of foreign exchange rate changes, net	**11,163**	(4,163)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**230,332**	193,231

Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**172,861**	134,407
Non-pledged time deposits with original maturity of less than three months when acquired	**57,471**	58,824
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**230,332**	193,231

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. Basis of Preparation and Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standards ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The condensed consolidated financial statements have been prepared under the historical cost convention, except for the investment properties that are measured at fair value. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016 except as described below. In the current period, the Group has applied, for the first time, the following revised standards issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2017.

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

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

Notes to the Condensed Consolidated Financial Statements (continued)

3. Revenue and Segment Information

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

The Group's primary operating segment is the manufacture and sale of ladies' brassieres, panties, swimwear and sleepwear. Since this is the only operating segment of the Group, no further analysis thereof is presented.

4. Other Income and Gains, Net

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

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

Notes to the Condensed Consolidated Financial Statements (continued)

5. Finance Costs

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

6. Profit Before Tax

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

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

Notes to the Condensed Consolidated Financial Statements (continued)

7. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the regions in which the Group operates.

	Six months ended 30 June	
	2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Group:		
Current — Hong Kong	**2,997**	388
Current — Mainland China	**41,120**	45,459
Deferred	**195**	3,660
Total tax charge for the period	**44,312**	49,507

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:

		Six months ended 30 June	
	Notes	**2017 HK$'000 (unaudited)**	2016 HK$'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)	**7,029**	7,024
Rental expenses and utilities expenses for a property charged by a related company	(ii)	**89**	85
Rental expenses for a warehouse charged by a director of the Company	(iii)	**84**	84
Consultancy fee to a controlling shareholder of the Company	(iv)	**634**	568

Notes to the Condensed Consolidated Financial Statements (continued)

8. Related Party Transactions (continued)

(a) (continued)

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 a close family member of Mr. Cheng Man Tai, a controlling shareholder of the Company, Madam Ngok Ming Chu and Ms. Cheng Pik Ho Liza, two executive directors 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 2017 were HK$4,916,000 (31 December 2016: HK$7,540,000) 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.

(ii) The rental expenses and utilities expenses charged by 常州安莉芳發展有限公司 (Changzhou Embry Development Limited), a related company, which was controlled by Ms. Cheng Pik Ho Liza, an executive director of the Company and close family members of Mr. Cheng Man Tai, a controlling shareholder of the Company, Madam Ngok Ming Chu and Ms. Cheng Pik Ho Liza, two executive directors of the Company, were determined with reference to the then prevailing market conditions. The tenancy agreement was expired on 9 April 2017.

(iii) 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.

(iv) Mr. Cheng Man Tai, a controlling shareholder of the Company, has been re-engaged as a consultant of the Company for the fourth term of one year with effect from 25 March 2017. The terms of consultancy fee were based on agreements entered into between the Group and Mr. Cheng Man Tai.

Notes to the Condensed Consolidated Financial Statements (continued)

8. Related Party Transactions (continued)

(a) (continued)

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	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short term employee benefits	**10,770**	11,569
Post-employment benefits	**109**	166
Total compensation paid to key management personnel	**10,879**	11,735

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$88,213,000 (2016: HK$89,348,000) and 416,661,000 (2016: 416,661,000) ordinary shares in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2017 and 2016.

Notes to the Condensed Consolidated Financial Statements (continued)

10. Dividends

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

The proposed 2017 interim dividend for the period is with a scrip dividend alternative. The interim dividend was declared after the period ended 30 June 2017, and therefore has not been included as a liability in the condensed consolidated statement of financial position.

* On 25 May 2017, the Company's shareholders approved at the annual general meeting a final dividend of HK4.3 cents payable in cash with a scrip dividend alternative (the "2016 Scrip Dividend Scheme") for the year ended 31 December 2016 (the "2016 Final Dividend"). As at 30 June 2017, the 2016 Final Dividend of HK$17,916,000 has been included in other payables and accruals. Subsequent to the period ended 30 June 2017, 4,461,797 new shares were issued by the Company at the average closing price of HK$3.058 per share, credited as fully paid, to shareholders of the Company who had elected to receive scrip shares in lieu of cash under the 2016 Scrip Dividend Scheme to settle HK$13,644,000 of the 2016 Final Dividend. The remainder of the 2016 Final Dividend of HK$4,272,000 was satisfied by cash. Further details of the 2016 Scrip Dividend Scheme are set out in the Company's circular dated 13 June 2017.

Notes to the Condensed Consolidated Financial Statements (continued)

11. Property, Plant and Equipment

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

Note: During the period ended 30 June 2017, the Group rented out one of its occupied properties to an independent third party for rental income. At the date of change in use, this property became investment property. Upon the transfer from property, plant and equipment to investment properties, this property was revalued at HK$34,545,000 with a revaluation surplus of HK$6,484,000 credited to the asset revaluation reserve.

Notes to the Condensed Consolidated Financial Statements (continued)

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.

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

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

Notes to the Condensed Consolidated Financial Statements (continued)

13. Trade and Bill Payables

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

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

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

14. Interest-bearing Bank Borrowings

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

Notes to the Condensed Consolidated Financial Statements (continued)

14. Interest-bearing Bank Borrowings (continued)

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

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

Notes to the Condensed Consolidated Financial Statements (continued)

15. Share Option Scheme

The Company adopted a share option scheme on 18 December 2006 (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Details of the scheme are disclosed in the annual financial statements for the year ended 31 December 2016.

Set out below are the outstanding share options under the Share Option Scheme as at 30 June 2016:

Name or category of participant	At 1 January 2016	Granted during the period	Cancelled or lapsed during the period	Exercised during the period	At 30 June 2016	Date of grant of share options	Exercise period of share options	Exercise price of share options HK$ per share
	Number of share options							
Executive directors								
Madam Ngok Ming Chu	60,000	–	(60,000)	–	–	18 May 2011	18 May 2012 to 17 May 2016*	5.24
Ms. Cheng Pik Ho Liza	1,460,000	–	(1,460,000)	–	–	18 May 2011	18 May 2012 to 17 May 2016*	5.24
Ms. Lu Qun	540,000	–	(540,000)	–	–	18 May 2011	18 May 2012 to 17 May 2016*	5.24
Independent non-executive directors								
Mr. Lau Siu Ki	100,000	–	(100,000)	–	–	18 May 2011	18 May 2012 to 17 May 2016*	5.24
Mr. Lee Kwan Hung	100,000	–	(100,000)	–	–	18 May 2011	18 May 2012 to 17 May 2016*	5.24
Prof. Lee T. S.	100,000	–	(100,000)	–	–	18 May 2011	18 May 2012 to 17 May 2016*	5.24
Other employees								
In aggregate	11,120,000	–	(11,120,000)	–	–	18 May 2011	18 May 2012 to 17 May 2016*	5.24
Others	35,000	–	(35,000)	–	–	18 May 2011	18 May 2012 to 17 May 2016*	5.24
	13,515,000	–	(13,515,000)	–	–			

Notes to the Condensed Consolidated Financial Statements (continued)

15. Share Option Scheme (continued)

Notes to the reconciliation of share options under the Share Option Scheme outstanding during the period:

* The share options are vested to the grantees in the following manner:

— 30% of such options were vested on 18 May 2012 with an exercise period from 18 May 2012 to 17 May 2016;

— 30% of such options were vested on 18 May 2013 with an exercise period from 18 May 2013 to 17 May 2016; and

— the remaining 40% of such options were vested on 18 May 2014 with an exercise period from 18 May 2014 to 17 May 2016.

No share options were granted and exercised during the periods ended 30 June 2017 and 2016. All the outstanding options were lapsed upon expiry on 17 May 2016. The respective share option reserve of HK$27,923,000 had been transferred to retained profits during the period ended 30 June 2016.

16. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to six years.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Within one year	18,069	12,693
In the second to fifth years, inclusive	24,677	18,314
	42,746	31,007

Notes to the Condensed Consolidated Financial Statements (continued)

16. Operating Lease Arrangements (continued)

(a) As lessor (continued)

In addition, the operating lease rentals for the use of certain floor areas of the Group's building located in Shanghai are contingent based on sales of the shops pursuant to the terms and conditions as set out in the respective agreements. As the future sales of these shops could not be accurately determined, the relevant contingent rent has not been included above.

(b) As lessee

The Group leases certain of its shops, counters, warehouses and office properties under operating lease arrangements with leases negotiated for terms mainly ranging from one to ten years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Within one year	92,177	107,155
In the second to fifth years, inclusive	53,019	58,674
After five years	4,870	5,416
	150,066	171,245

In addition, the Group has entered into agreements with department stores to enable the Group to set up its retail outlets therein. The operating lease rentals for the use of their floor areas in department stores are based on the higher of a fixed rental or contingent rent based on sales of the retail outlets pursuant to the terms and conditions as set out in the respective agreements. As the future sales of these retail outlets could not be accurately determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

Notes to the Condensed Consolidated Financial Statements (continued)

17. Commitments

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

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

18. Approval of the Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved and authorised for issue by the Board on 23 August 2017.

Management Discussion and Analysis

Business and Operations Review

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

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

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

Brand management

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

Management Discussion and Analysis (continued)

Business and Operations Review (continued)

Brand management (continued)

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

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

Sales network

In face of shaky consumer confidence during the Current Period, the Group focused on enhancing operating efficiency, actively reviewed and adjusted its sales network, thereby appropriately adjusting the distribution of its retail outlets by closing or relocating stores with lower efficiency so as to enhance the overall efficiency of its sales network. As at 30 June 2017, the Group had 2,005 retail outlets in total, including 1,808 concessionary counters and 197 stores. During the Current Period, there was a net decrease of 62 retail outlets of the Group over that at the end of 2016. Meanwhile, the Group's products were also available for sale through different online platforms so as to reach out to more potential customers on the Internet.

Management Discussion and Analysis (continued)

Business and Operations Review (continued)

Product design, research and development

Faced with increasingly fierce market competition, the Group continued to devote resources to the design, research and development of new products. The constant improvement in patented designs further enriched the product quality and highlighted the characteristics of its various brands which catered for consumption needs of customers in different segments.

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

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

Production capacity

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

Management Discussion and Analysis (continued)

Business and Operations Review (continued)

Human resources

Tense labour supply and implementation of the minimum wage policy in China have resulted in continuous wage increase. The Group endeavoured to retain an outstanding work force and enhance staff loyalty through measures such as organising training courses and improving employee benefits in order to improve its overall operational efficiency to support the Group's development plan. The number of employees of the Group decreased to approximately 8,390 (31 December 2016: approximately 8,780). Total staff costs (including wages and basic salaries, commissions, bonuses, contributions to the retirement benefits scheme and excluding directors' and chief executive's remunerations) for the Current Period was HK$349,108,000 (2016: HK$346,057,000).

Financial Review

Revenue

By sales channel and region

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

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

The Mainland China market is the main source of income for the Group. During the Current Period, revenue from the Mainland China market was HK$1,140,981,000, accounting for 96.43% of the Group's total revenue and representing an increase of 1.14% from the Prior Period.

Management Discussion and Analysis (continued)

Financial Review (continued)

Revenue (continued)

By brand and product line

The Group currently operates seven brands, namely ***EMBRY FORM***, ***FANDECIE***, ***COMFIT***, ***E-BRA***, ***IADORE***, ***IVU*** and ***LIZA CHENG***, serving customers with different needs and varying degrees of purchasing power.

EMBRY FORM, the signature brand, is the main source of income for the Group and its revenue increased by 1.93% to HK$561,648,000, accounting for 47.48% of the total revenue for the Current Period. ***FANDECIE***'s revenue amounted to HK$307,833,000, which decreased by 1.36% from the Prior Period and accounted for 26.02% of the total revenue for the Current Period. ***COMFIT***'s revenue dropped by 0.58% over the Prior Period to HK$104,884,000, accounting for 8.86% of the total revenue of the Current Period. ***E-BRA***'s revenue decreased by 0.95% from the Prior Period to HK$119,531,000, accounting for 10.10% of the total revenue of the Current Period. ***LIZA CHENG***'s revenue for the Current Period increased by 17.51% to HK$23,008,000. ***IADORE***'s revenue increased by 11.22% over the Prior Period to HK$32,472,000, accounting for 2.74% of the total revenue of the Current Period. ***IVU***'s revenue decreased by 10.13% over the Prior Period to HK$30,038,000, accounting for 2.54% of the total revenue of the Current Period. The brands' respective proportion in revenue mainly reflected the Group's alignment of its business focus to market development.

Lingerie has always been the core product line of the Group. During the Current Period, sales of lingerie were HK$1,037,536,000, accounting for 87.68% of the Group's revenue and representing a decrease of 0.47% from the Prior Period. Sales of sleepwear remained stable at approximately HK$63,257,000, accounting for 5.35% of the Group's revenue. Sales of swimwear increased by 5.65% to HK$64,910,000, accounting for 5.49% of the Group's revenue.

Gross profit

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

Management Discussion and Analysis (continued)

Financial Review (continued)

Other income and gains

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

Operating expenses

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

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

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

Net profit

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

Liquidity and financial resources

The Group finances its operations mainly with internally generated cash flows. Financial position of the Group remained sound and healthy during the Current Period. As at 30 June 2017, the Group's cash and bank balances amounted to approximately HK$230,332,000 (31 December 2016: HK$190,187,000). As at 30 June 2017, the Group's interest-bearing bank borrowings amounted to HK$372,944,000 (31 December 2016: HK$354,833,000). As at 30 June 2017, equity attributable to owners of the Company was HK$1,853,759,000 (31 December 2016: HK$1,719,487,000). Accordingly, the gearing ratio of the Group was approximately 20.12% (31 December 2016: 20.64%).

Management Discussion and Analysis (continued)

Financial Review (continued)

Capital expenditure

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

Charge on the Group's assets

As at 30 June 2017, the Group did not pledge any assets.

Capital structure

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

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

Management Discussion and Analysis (continued)

Prospect

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

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

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

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

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

Other Information

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

As at 30 June 2017, 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
Madam Ngok Ming Chu	Interest of controlled corporations	244,071,190 (Note 1)	58.58
	Beneficial owner	2,302,000	0.55
	Interest of spouse	2,465,000 (Note 2)	0.59
Ms. Cheng Pik Ho Liza	Beneficial owner	26,616,215	6.39
Ms. Lu Qun	Beneficial owner	1,000,000	0.24
Mr. Lau Siu Ki	Beneficial owner	768,000	0.18
Mr. Lee Kwan Hung	Beneficial owner	532,000	0.13
Prof. Lee T. S.	Beneficial owner	604,000	0.14

Notes:

1. These shares are held as to 242,800,000 shares by Harmonious World and as to 1,271,190 shares by Fairmout Investments Limited ("Fairmout Investments"). Harmonious World is owned as to 40.91% by Madam Ngok Ming Chu and as to 59.09% by Mr. Cheng Man Tai. Fairmout Investments is owned as to 50% by Madam Ngok Ming Chu and as to 50% by Mr. Cheng Man Tai. Mr. Cheng Man Tai is the spouse of Madam Ngok Ming Chu.

2. Madam Ngok Ming Chu is deemed to be interested in the shares personally held by her spouse, Mr. Cheng Man Tai, pursuant to Part XV of the SFO.

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
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 2017, 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 2017, 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
Mr. Cheng Man Tai	Interest of controlled corporations	244,071,190 (Note 1)	58.58
	Beneficial owner	2,465,000	0.59
	Interest of spouse	2,302,000 (Note 2)	0.55
Harmonious World	Beneficial owner	242,800,000 (Note 3)	58.27
FIL Limited	Investment manager	37,520,000	9.00
Sinowide Investments Limited	Beneficial owner	30,000,000	7.20
Fidelity Funds	Beneficial owner	26,739,000	6.42

Notes:

1. These shares are held as to 242,800,000 shares by Harmonious World and as to 1,271,190 shares by Fairmout Investments. The relationships among Mr. Cheng Man Tai, Madam Ngok Ming Chu, Harmonious World and Fairmout Investments are disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above.

2. Mr. Cheng Man Tai is deemed to be interested in the shares personally held by his spouse, Madam Ngok Ming Chu, pursuant to Part XV of the SFO.

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

Other Information (continued)

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares (continued)

Save as disclosed above, as at 30 June 2017, no person, other than the Directors, whose interests are set out in the section headed "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.

Review of Interim Financial Information

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

The external auditor of the Company has reviewed the condensed consolidated financial statements for the six months ended 30 June 2017 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Interim Dividend

On 23 August 2017, the Board resolved to declare the payment of an interim dividend of HK2.5 cents per ordinary share in respect of the Current Period to shareholders registered on the register of members on Thursday, 14 September 2017 (the "Proposed Interim Dividend"), resulting in an appropriation of approximately HK$10,528,000. The Proposed Interim Dividend will be paid in the form of a scrip dividend with shareholders being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements (the "Scrip Dividend Scheme").

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

Other Information (continued)

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 12 September 2017 to Thursday, 14 September 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the Proposed Interim Dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 11 September 2017.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Compliance with the Corporate Governance Code

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

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

Model Code for Securities Transactions

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

Ngok Ming Chu
Chairman

Hong Kong
23 August 2017

Report on Review of Interim Financial Information

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 25, which comprise the condensed consolidated statement of financial position as at 30 June 2017, 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 Main Board Listing 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.

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.

Report on Review of Interim Financial Information (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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements 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

23 August 2017