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EMBRY HOLDINGS LIMITED

安莉芳控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1388)

CONTINUING CONNECTED TRANSACTIONS – MASTER AGREEMENT

On 22 December 2017, the Group and Duosiwei Companies entered into the Master Agreement, pursuant to which the Group has agreed to engage Duosiwei Companies to provide services of decoration (including manufacturing of fixtures and fittings), designing and manufacturing of moulds of different types to the Group on a non-exclusive basis.

As the applicable percentage ratios are more than 0.1% but less than 5%, the transactions contemplated under the Master Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE MASTER AGREEMENT

Date : 22 December 2017

Parties:

1. Duosiwei Shenzhen;
2. Duosiwei Changzhou;
3. the Company;
4. Embry SZ;
5. Embry CZ;
6. Embry SD;
7. Embry SH; and
8. Embry HK.

Duosiwei Shenzhen is a wholly foreign owned enterprise established in the PRC and is owned as to 100% by Multiple Idea Limited, a company wholly owned by Mr. Cheng Chuen Chuen. Duosiwei Changzhou is a wholly foreign owned enterprise established in the PRC and is owned as to 100% by Mr. Cheng Chuen Chuen. Mr. Cheng Chuen Chuen is an executive Director; a son of Mr. Cheng Man Tai, a controlling Shareholder; a step-son of Madam Ngok Ming Chu, an executive Director and the chairman of the Group; and an elder brother of Ms. Cheng Pik Ho Liza, an executive Director and the chief executive officer of the Group.

Each of the Duosiwei Companies is principally engaged in the production, design and sale of fixtures and fittings for display, and different types of moulds including those for the production of brassieres and mannequins.

The Company is an investment holding company.

Each of Embry SZ, Embry CZ, Embry SD, Embry SH and Embry HK is an indirect wholly owned subsidiary of the Company and is principally engaged in the design, manufacture and trading of ladies' brassieres, panties, swimwear and sleepwear in the PRC, Hong Kong and Macau.

Effective date of the Master Agreement

The Master Agreement will become effective on 1 January 2018 and will terminate on 31 December 2020. Either party may terminate the Master Agreement early by giving three months' written notice to the other party.

Material terms of the Master Agreement

Pursuant to the Master Agreement, the Group has agreed to engage Duosiwei Companies to provide services of decoration (including manufacturing of fixtures and fittings), designing and manufacturing of moulds of different types to the Group (the "Services") on a non-exclusive basis. For the avoidance of doubt, the Group is not contractually bound to engage the Duosiwei Companies to provide the Services and is free to engage any other third party contractor for the provision of the Services during the term of the Master Agreement. Duosiwei Companies will produce the fixtures and fittings and moulds in accordance with the design and specifications provided by the Group.

The exact quantity, specifications and quality of the fixtures and fittings and moulds, place and date of delivery and payment terms will be set out in the orders to be issued by the Group to the Duosiwei Companies. In general, the Group is required to pay the service fees to Duosiwei Companies according to the terms set out in the sale and purchase agreement to be entered into between the Group and the Duosiwei Companies.

Basis of pricing

The terms of the Services (including the price) will be on normal commercial terms and will be determined between the Group and Duosiwei Companies on an arm's length basis. Duosiwei Companies have covenanted that the terms of the Services to be provided by them to the Group will be no less favourable than those provided by them to their independent third parties. The exact pricing of each order shall be subject to the Group's acceptance of the quotation of each order made by the relevant Duosiwei Companies.

Historical figures

The following is a summary of the historical figures for the provision of Services by Duosiwei Companies to the Group for each of the three years ended 31 December 2016 and the six months ended 30 June 2017:

For the year ended 31 December			For the six months ended
2014	2015	2016	30 June 2017
(audited)	(audited)	(audited)	(unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000
20,255	15,523	16,622	7,029

Proposed annual cap amounts

The Group estimates that the transactions contemplated under the Master Agreement would not exceed the following annual cap amounts for the three financial years ending 31 December 2020 respectively:

For the year ending 31 December		
2018	2019	2020
<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
33,000	33,000	33,000

Existing annual cap amounts

As set out in the Company's announcement dated 22 December 2014, the existing annual cap amounts of the transactions under the Existing Master Agreement for each of the three years ending 31 December 2017 are as follows:

Year ended 31 December		Year ending
2015	2016	31 December 2017
<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
33,000	33,000	33,000

As at the date of this announcement, the Group has not exceeded any of the above annual cap amounts.

Basis for the annual cap amounts

The Group will engage the Duosiwei Companies to provide the Services when new retail stores, concessionary counters or sales areas are being set up or when other ad hoc decoration work is required at retail stores, concessionary counters or sales areas, and new moulds are required for the production of brassieres and mannequins. The Group will also engage the Duosiwei Companies to provide the Services when the Group launches a new decoration theme for its retail stores, concessionary counters and sales areas. Generally, the Group's retail stores, concessionary counters and sales areas launch a new decoration theme every two to three years.

The annual cap amounts for the transactions contemplated under the Master Agreement for each of the three years ending 31 December 2020 were estimated primarily based on (i) the fees paid by the Group to the Duosiwei Companies for the three years ended 31 December 2016 and the six months ended 30 June 2017; (ii) the decoration work estimated to be required for the opening of new retail outlets in the PRC pursuant to the future plan of the Group; and (iii) the Group's plan to launch a new decoration theme for its existing retail outlets. The Directors consider that the annual cap amounts for the transactions contemplated under the Master Agreement for each of the three years ending 31 December 2020 are fair and reasonable.

Reasons for the continuing connected transactions

Currently, the Duosiwei Companies are providing the Services to the Group pursuant to the Existing Master Agreement. The term of the Existing Master Agreement will end on 31 December 2017. Accordingly, the Group and Duosiwei Companies entered into the Master Agreement to regulate the terms of the provision of the Services for the coming three years.

Pursuant to the Master Agreement, the Group is not contractually bound to engage the Duosiwei Companies to provide the Services and the Group is free to engage other independent contractors for the provision of the Services. The Group has from time to time engaged other independent contractors for the provision of the Services. The Group will take into account the quotations for the provision of the Services from various suppliers in deciding the appropriate contractors for the provision of the Services. Duosiwei Shenzhen has provided the Services to the Group for more than 20 years, whereas Duosiwei Changzhou has had business relationship with the Group for more than 16 years. As the quality of the Services has been up to the requirements and standards of the Group and the fact that the prices quoted by the Duosiwei Companies have been comparable to those quoted by independent contractors, the Directors consider that it is in the interests of the Group and the Shareholders as a whole to enter into the Master Agreement and continue to engage Duosiwei Companies to provide the Services following the expiry of the Existing Master Agreement.

Confirmation from the Directors

The Directors (including the independent non-executive Directors) confirm that the terms of the Master Agreement, which have been negotiated and agreed on an arm's length basis based on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable to the Group, and are in the interests of the Shareholders and the Group as a whole. The Directors (including the independent non-executive Directors) also confirm that the proposed annual cap amounts set out above are fair and reasonable and in the interests of the Shareholders and the Group as a whole.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Each of the Duosiwei Companies is ultimately and beneficially owned by Mr. Cheng Chuen Chuen, an executive Director. Each of the Duosiwei Companies is an associate of Mr. Cheng Chuen Chuen and is therefore a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Transactions between the Group and the Duosiwei Companies will be subject to the provisions set out in Chapter 14A of the Listing Rules.

As the applicable percentage ratios are more than 0.1% but less than 5%, the transactions contemplated under the Master Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Cheng Chuen Chuen is a step-son of Madam Ngok Ming Chu, an executive Director and the chairman of the Group; and an elder brother of Ms. Cheng Pik Ho Liza, an executive Director and the chief executive officer of the Group. In view of their interests or being deemed to have potential interests in the Master Agreement, Madam Ngok Ming Chu, Ms. Cheng Pik Ho Liza and Mr. Cheng Chuen Chuen abstained from voting on the relevant resolutions for approving the Master Agreement.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“associate”	has the meaning ascribed to it under the Listing Rules
“Company”	Embry Holdings Limited (安莉芳控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Duosiwei Changzhou”	常州多思維家俱裝飾工程有限公司 (unofficial translation being Changzhou Duosiwei Furniture Decoration Construction Co., Ltd.), a wholly foreign owned enterprise established in the PRC and is owned as to 100% by Mr. Cheng Chuen Chuen
“Duosiwei Companies”	collectively, Duosiwei Changzhou and Duosiwei Shenzhen
“Duosiwei Shenzhen”	多思維五金塑料製品（深圳）有限公司 (unofficial translation being Duosiwei Metal & Plastic Products (Shenzhen) Co., Ltd.), a wholly foreign owned enterprise established in the PRC and is owned as to 100% by Multiple Idea Limited (a company wholly owned by Mr. Cheng Chuen Chuen)
“Embry CZ”	安莉芳(常州)服裝有限公司 (unofficial translation being Embry (Changzhou) Garments Ltd.), a wholly foreign owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company
“Embry HK”	Embry (H.K.) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
“Embry SD”	安莉芳(山東)服裝有限公司 (unofficial translation being Embry (Shandong) Garments Limited), a wholly foreign owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company
“Embry SH”	安莉芳(上海)有限公司 (unofficial translation being Embry (Shanghai) Company Limited), a wholly foreign owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company
“Embry SZ”	安莉芳(中國)服裝有限公司 (unofficial translation being Embry (China) Garments Ltd.), a wholly foreign owned enterprise established in the PRC and an indirect wholly owned subsidiary of the Company

“Existing Master Agreement”	the master agreement entered into between Duosiwei Changzhou, Duosiwei Shenzhen, the Company, Embry CZ, Embry SZ, Embry SD, Embry SH and Embry HK in respect of the provision of services of decoration (including manufacturing of fixtures and fittings), designing and manufacturing of moulds of different types by Duosiwei Companies to the Group dated 22 December 2014
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Master Agreement”	the master agreement entered into between Duosiwei Changzhou, Duosiwei Shenzhen, the Company, Embry CZ, Embry SZ, Embry SD, Embry SH and Embry HK in respect of the provision of services of decoration (including manufacturing of fixtures and fittings), designing and manufacturing of moulds of different types by Duosiwei Companies to the Group dated 22 December 2017
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

On behalf of the board of Directors of
Embry Holdings Limited
Ngok Ming Chu
Chairman

Hong Kong, 22 December 2017

As at the date of this announcement, the board of Directors 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 three independent non-executive Directors, namely Mr. Lau Siu Ki, Mr. Lee Kwan Hung and Prof. Lee T. S.