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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)

**DISCLOSEABLE TRANSACTION:
TURNKEY CONTRACT IN RELATION TO
INTELLIGENT LOGISTICS AND STORAGE SYSTEMS**

On 13 December 2017, Embry Shandong entered into the Contract with Dematic Shanghai in relation to the Transaction regarding the supply and installation of an automated supply chain logistics facility comprising mainly intelligent logistics and storage systems. As the applicable percentage ratios for the Transaction are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE TRANSACTION

On 13 December 2017, Embry Shandong entered into the Contract with Dematic Shanghai in relation to the Transaction regarding the supply and installation of an automated supply chain logistics facility comprising mainly intelligent logistics and storage systems on the principal terms as set out below:

The Contract

Date : 13 December 2017

Parties : (a) Embry Shandong; and
(b) Dematic Shanghai, as supplier.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Dematic Shanghai and its ultimate beneficial owners are third parties independent from the Company and its connected persons (as defined under the Listing Rules).

- Scope of services to be provided under the Contract** : The Contract sets out the terms and conditions on which Dematic Shanghai shall design, develop, manage, install and perform quality testings on the logistics and storage systems, including:
- (a) an intelligent warehouse for storage and buffering of stock along with, equipments that have capacity to hold more than 50,000 boxes;
 - (b) a box conveyor system for conveying of boxes;
 - (c) a software management system for efficient and automatic sorting and storing boxes; and
 - (d) modification of existing stock sorting and picking system.

The services (except the modification of existing stock sorting and picking system) are expected to be completed on or before 31 October 2018. The modification of existing stock sorting and picking system is expected to be completed on or before 24 April 2018.

- Consideration** : The Consideration payable by Embry Shandong shall be RMB54,000,000 (equivalent to approximately HK\$63,529,000), VAT inclusive. The Consideration is determined after arm's length negotiations with reference to the prevailing market prices for the provision of logistics and storage systems of comparable scale and complexity.

- Payment terms** : The Consideration RMB54,000,000 (equivalent to approximately HK\$63,529,000), VAT inclusive, shall be paid by Embry Shandong in the following manner:

- (a) 30% of the Consideration (i.e. RMB16,200,000, equivalent to approximately HK\$19,059,000) shall be paid as an advance payment within 10 business days after the signing of the Contract and upon receipt of the letter of advance payment guarantee provide by the parent company of Dematic Shanghai in favour of Embry Shandong for an amount equivalent to the advance payment); such letter of advance payment guarantee shall no longer be effective upon the date of delivery of the Major Equipment.

Before the payment of the second instalment of the Consideration, a letter of guarantee shall be provided by the parent company of Dematic Shanghai in favour of Embry Shandong for an amount equivalent to 10% of the Consideration; such letter of guarantee in favour of Embry Shandong shall no longer be effective upon the final acceptance of intelligent logistics and storage systems contemplated under the Contract, which is expected to be on 2 February 2019;

- (b) 40% of the Consideration (i.e. RMB21,600,000, equivalent to approximately HK\$25,411,000) shall be paid within 10 business days after the date of delivery of the Major Equipment at the premises of Embry Shandong;
- (c) 10% of the Consideration (i.e. RMB5,400,000, equivalent to approximately HK\$6,353,000) shall be paid within 10 business days after the installation and passing of the preliminary test of the Major Equipment ;

- (d) 10% of the Consideration (i.e. RMB5,400,000, equivalent to approximately HK\$6,353,000) shall be paid within 10 business days after passing the trial run of the Major Equipment ; and
- (e) remaining 10% of the Consideration (i.e. RMB5,400,000, equivalent to approximately HK\$6,353,000) shall be paid within 10 business days after passing the final quality test (“**Final Acceptance**”) of the intelligent logistics and storage systems and upon receipt of the letter of guarantee provided by the parent company of Dematic Shanghai in favour of Embry Shandong for an amount equivalent to 5% of the Consideration; such letter of guarantee shall no longer be effective upon the expiring of the quality assurance period.

It is expected that the payment of the Consideration will be financed by a combination of internal resources of the Group and bank borrowing. The amount of bank borrowing is to be determined by the Board taking into account factors such as the then existing interest rate and cash flow of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

As disclosed in the annual report of the Company for the year ended 31 December 2016, the Group will continue to promote modernisation of production to reduce manpower and achieve standardisation. The construction of the automated supply chain logistics facility comprising an intelligent warehouse in Shandong Province, the PRC, has commenced trial operation in December 2016. By entering into the Contract by Embry Shandong, the Board is of the view that the logistics and storage systems to be provided by Dematic Shanghai would facilitate the more efficient operation at the aforesaid intelligent warehouse in Shandong Province, the PRC. Upon implementation of the systems, it is expected that the speed of delivery and deployment flexibility of resources would be enhanced. Thus, efficiency of the Group’s supply chain would also be enhanced, the productivity and operational performance of the Group would be optimised and thereby the Group’s overall competitiveness would be strengthened.

The Board considered that the Contract, which was determined after arm’s length negotiations, was entered into on normal commercial terms and the terms are fair and reasonable. The Transaction contemplated thereunder is in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is principally engaged in the design, manufacture and trading of ladies’ brassieres, panties, swimwear and sleepwear in the PRC, Hong Kong and the Macau Special Administrative Region of the PRC.

INFORMATION ON DEMATIC SHANGHAI

Dematic Shanghai is a wholly foreign owned enterprise established in the PRC principally engaged in the supply of real time logistics, material handling and automated storage equipments and turnkey systems, provision of related technical support services, and provision of services of consultation, development, design, maintenance, testing, installation and debugging, after-sales services, technical training and technical consultation in this regard.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) for the Transaction under the Contract are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“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 (stock code: 1388)
“Consideration”	the total consideration payable by Embry Shandong for the services rendered under the Contract
“Contract”	the contract dated 13 December 2017 entered into between Embry Shandong as the purchaser and Dematic Shanghai as the supplier of certain intelligent logistics and storage systems to be installed at the production facilities of Embry Shandong
“Dematic Shanghai”	德馬泰克國際貿易(上海)有限公司 (Dematic International Trading Ltd., Shanghai*), a wholly foreign owned enterprise established in the PRC
“Directors”	the directors of the Company
“Embry Shandong”	安莉芳(山東)服裝有限公司(Embry (Shandong) Garments Limited*), a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Major Equipment”	the major equipment under the Contract (i.e. intelligent warehouse and box conveyor systems)
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)

“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transaction contemplated under the Contract
“VAT”	value-added tax in the PRC
“%”	per cent.

Unless otherwise specified, the conversion of RMB into HK\$ are based on an exchange rate of RMB0.85 = HK\$1.00. No presentation is made that any amounts in RMB and HK\$ have been or could be converted at the relevant dates at the above rates or any other rates or at all.

**For identification purpose only.*

On Behalf of the Board of
Embry Holdings Limited
Ngok Ming Chu
Chairman

Hong Kong, 14 December 2017

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 three independent non-executive Directors, namely Mr. Lau Siu Ki, Mr. Lee Kwan Hung and Prof. Lee T. S.