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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: CONSTRUCTION CONTRACT

On 18 December 2013, Embry Changzhou entered into the Construction Contract in relation to the Transaction. 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 18 December 2013, Embry Changzhou entered into the Construction Contract with Qingdao Jianan, pursuant to which Qingdao Jianan is to provide certain construction services to Embry Changzhou on the principal terms as set out below.

The Construction Contract

Date: 18 December 2013

Parties: (a) Embry Changzhou; and
(b) Qingdao Jianan, as the contractor.

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

Scope of construction services: The construction of factory premises and ancillary facilities at the new production site of the Group located on Long Jiang Avenue, Hehai West Road in New Northern District of Changzhou City, the PRC (中國常州市新北區河海西路龍江大道).

Pursuant to the Construction Contract, the scope of construction contracting includes, among others, the optimization of construction design based on the existing original construction design, the manufacturing, supply, installation, protection, trial and testing and debugging of all required equipments and materials, and the coordination and management of the entire construction project, including cooperating and making necessary filing with relevant regulatory authorities and ensuring the project passes relevant fire design review, fire inspection, quality control inspection and final completion acceptance.

The scope of the construction services includes but not limited to foundation work including the construction of the factories, complex buildings, door gate, fire water pond, fish pond and factory area; interior decoration; electrical and mechanical engineering; low power engineering; fire engineering; curtain wall engineering; elevator engineering; pneumatic engineering; construction of roads and outdoor polluted rainwater pipes network; related work and safety measures including procurement of materials and equipment, construction, installation, testing and debugging until final acceptance; and other related construction works such as earth excavation and filling, pipes embedding, whole drilling of walls and roofs and reparation.

The construction work is expected to commence in December 2013 and be completed in October 2014.

Consideration: The Consideration payable by Embry Changzhou is RMB141,668,000 (equivalent to approximately HK\$181,626,000), subject to upward or downward adjustment pursuant to the terms of the Construction Contract. The Consideration is determined after arm's length negotiations with reference to the expected scope and complexity of the construction works to be carried out, the costs of material and labour costs estimated to be incurred, and the prevailing market prices for carrying out construction works of comparable scale and complexity.

Payment terms: The Consideration of RMB141,668,000 (equivalent to approximately HK\$181,626,000) is to be paid by Embry Changzhou in the following manner:

- (1) 10% of the Consideration (i.e. RMB14,166,800, equivalent to approximately HK\$18,163,000) shall be paid as an advance payment within 30 business days of the effective date of the Construction Contract and after the receipt by Embry Changzhou of (i) the performance guarantee provided by a bank appointed by Qingdao Jianan in favour of Embry Changzhou, pursuant to which the bank shall guarantee the performance of the Construction Contract, failing which the bank shall pay to Embry Changzhou upon its request a sum of up to 10% of the Consideration; and (ii) the advance payment guarantee provided by a bank appointed by Qingdao Jianan in favour of Embry Changzhou, pursuant to which the bank shall guarantee the repayment of an amount equivalent to 10% of the Consideration in the event that Qingdao Jianan fails to refund the advance payment to

Embry Changzhou pursuant to the Construction Contract.

Pursuant to the Construction Contract, the Construction Contract shall become effective upon the entering into of the Construction Contract and the filing of the Construction Contract with relevant regulatory authorities;

- (2) up to 85% of the Consideration (i.e. RMB120,417,800, equivalent to approximately HK\$154,382,000) shall be settled, on a monthly basis based on the actual amount of construction work completed each month according to the assessment of the project management company (as designated by Embry Changzhou), subject to the submission application made by Qingdao Jianan on the 25th day of each month. The project management company shall complete the assessment within 10 business days after such application and payment shall be made after 20 business days upon receiving payment proof issued by the project management company;
- (3) within 30 business days of completion of the construction work, Embry Changzhou shall settle up to 90% of the Consideration (i.e. RMB127,501,200, equivalent to approximately HK\$163,463,000) after a written confirmation is issued by Embry Changzhou, the project management company and the supervisor (as designated by Embry Changzhou);
- (4) within 30 business days of completion of the final audit, which is to be conducted after final acceptance of the construction project (“**Final Acceptance**”) and completion of all inspection procedures of the PRC authorities and within 3 months of receipt by Embry Changzhou of the information on settlement submitted by Qingdao Jianan, Embry Changzhou shall settle up to 95% of the audited amount of the Consideration (i.e. RMB134,584,600, equivalent to approximately HK\$172,544,000); and
- (5) the remaining 5% balance of the Consideration (i.e. RMB7,083,400, equivalent to approximately HK\$9,081,000) will serve as the quality warranty money (“**Quality Warranty**”), out of which:
 - (a) 2% shall be paid within 30 business days of the day falling one year after the Quality Warranty Period (as defined below), in the absence of any quality issues during such period;
 - (b) 2% shall be paid within 30 business days of the day falling two years after the Quality Warranty Period (as defined below), in the absence of any quality issues during such period; and
 - (c) 1% shall be paid within 30 business days of the day falling five years after the Quality Warranty Period (as defined below), in the absence of any quality issues during such period.

Pursuant to the Construction Contract, the Quality Warranty Period refers to two years subsequent to the Final Acceptance (save for the outdoor and indoor waterproof work which has a quality warranty period of five years).

It is expected that the payment of the Consideration will be financed mainly by internal resources of the Group and may also be financed partly by 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

Qingdao Jianan was selected from a tender process conducted in the period from October 2013 to November 2013 for the Construction Contract. After due and careful consideration and an overall evaluation of its price quotation, qualification, experience and quality of work, Qingdao Jianan was selected as the contractor for the Construction Contract.

The entering into of the Construction Contract by Embry Changzhou is for the construction of factory premises and ancillary facilities at the new production site of the Group. Upon completion of the construction, it is expected that the existing production facilities of the Group in Changzhou will be relocated to the new factory premises. The new factory premises is also constructed to cater for the future expansion of the Group.

The Board considered that the Construction 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 QINGDAO JIANAN

Qingdao Jianan is a limited liability company incorporated in the PRC. Its principal business activities include construction project general contracting, the development and management of real estate as well as industrial and civil construction.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) for the Transaction under the Construction 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 Changzhou for the services rendered under the Construction Contract
“Construction Contract”	the construction contract dated 18 December 2013 entered into between Embry Changzhou and Qingdao Jianan as the contractor for the provision of construction services on and subject to its terms
“Directors”	the directors of the Company
“Embry Changzhou”	Embry (Changzhou) Garments Ltd. (安莉芳(常州)服装有限公司), 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
“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)
“Qingdao Jianan”	Qingdao Jianan Construction Group Co., Ltd.* (青島建安建設集團有限公司), a limited liability company incorporated in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transaction contemplated under the Construction Contract
“%”	per cent.

Unless otherwise specified, the conversion of RMB into HK\$ are based on an exchange rate of RMB0.78 = 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.

** Unofficial names for identification purpose only*

On Behalf of the Board of
Embry Holdings Limited
Cheng Man Tai
Chairman

Hong Kong, 19 December 2013

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Cheng Man Tai (Chairman), Ms. Cheng Pik Ho Liza (Chief Executive Officer) and Madam Ngok Ming Chu; and three independent non-executive directors, namely Mr. Lau Siu Ki, Mr. Lee Kwan Hung and Prof. Lee T. S.