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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 20 February 2013, Embry Shandong 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 20 February 2013, Embry Shandong entered into the Construction Contract with Qingdao Jianan, pursuant to which Qingdao Jianan is to provide certain construction services to Embry Shandong on the principal terms as set out below.

The Construction Contract

Date: 20 February 2013

Parties: (a) Embry Shandong; 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 in Jinan City, Shandong Province, the PRC.

Pursuant to the Construction Contract, the scope of construction contract 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 equipment 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 the construction, decoration and steel structure work of factory premises, staff quarters, restaurants and factory site; the construction of mechanical and electrical system within the factory site, including purchase of 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 or around March 2013 and be completed in or around end of October 2013.

Consideration: The Consideration payable by Embry Shandong is RMB83,000,000 (equivalent to approximately HK\$103,750,000), 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 RMB83,000,000 (equivalent to approximately HK\$103,750,000) is to be paid by Embry Shandong in the following manner:

A) As to RMB71,000,000 (equivalent to approximately HK\$88,750,000) ("**Part A Consideration**"):

(1) 10% of the Part A Consideration (i.e. RMB7,100,000, equivalent to approximately HK\$8,875,000) shall be paid as an advance payment within 15 business days of the effective date of the Construction Contract and after the receipt by Embry Shandong of (i) the performance guarantee provided by a bank appointed by Qingdao Jianan in favour of Embry Shandong, pursuant to which the bank shall guarantee the performance of the Construction Contract, failing which the bank shall pay to Embry Shandong upon its request a sum of up to RMB7,100,000 (equivalent to approximately HK\$8,875,000); and (ii) the advance payment guarantee provided by a bank appointed by Qingdao Jianan in favour of Embry Shandong, pursuant to which the bank shall guarantee the repayment of an amount equivalent to a sum of up to RMB7,100,000 (equivalent to approximately HK\$8,875,000) in the event that Qingdao Jianan fails to refund the advance payment to Embry Shandong 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 80% of the Part A Consideration (i.e. RMB56,800,000, equivalent to approximately HK\$71,000,000) shall be settled, on a monthly basis during the construction period, such that for each month during the construction period, an amount up to 80% of the actual amount of construction work (to the exclusion of steel structure work) completed within that month according to the verified monthly progress report shall be payable within 15 business days of verification of such monthly progress;

(3) within 15 business days of completion of the construction work, Embry Shandong shall settle up to 90% of the Part A Consideration (i.e. RMB63,900,000, equivalent to approximately HK\$79,875,000);

(4) within 15 business days of completion of the final audit, which is to be conducted after final acceptance of the construction project (“**Final Acceptance**”) and within 3 months of receipt by Embry Shandong of the information on settlement submitted by Qingdao Jianan, Embry Shandong shall settle up to 95% of the audited amount of the Part A Consideration (i.e. RMB67,450,000, equivalent to approximately HK\$84,312,500); and

(5) out of the remaining 5% balance of the Part A Consideration (i.e. RMB3,550,000, equivalent to approximately HK\$4,437,500):

(a) 2% shall be paid within 15 business days of the day falling one year after the date of Final Acceptance, in the absence of any quality issues during such period;

- (b) 2% shall be paid within 15 business days of the day falling two years after the date of Final Acceptance, in the absence of any quality issues during such period; and
 - (c) 1% shall be paid within 15 business days of the day falling five years after the date of Final Acceptance, in the absence of any quality issues during such period.
- B) As to RMB12,000,000 (equivalent to approximately HK\$15,000,000) (“**Part B Consideration**”), such amount shall be payable by Embry Shandong to a sub-contractor responsible for construction of steel structure (“**Subcontractor**”) at the direction of Qingdao Jianan according to (i) a steel structure material supply agreement to be entered into between Qingdao Jianan and the Subcontractor (“**Steel Structure Material Supply Agreement**”); and (ii) a steel structure installation subcontracting agreement to be entered into between Qingdao Jianan and the Subcontractor (“**Steel Structure Installation Subcontracting Agreement**” and, collectively with the Steel Structure Material Supply Agreement, the “**Steel Structure Agreements**”).

The Steel Structure Agreements will be entered into by, and the contract sum of each of the Steel Structure Agreements will be determined between Qingdao Jianan and the Subcontractor after the signing of the Construction Agreement. The total contract sum under the Steel Structure Agreements shall add up to RMB12,000,000 (equivalent to approximately HK\$15,000,000), which is equivalent to the amount of the Part B Consideration. The Part B Consideration shall be payable by Embry Shandong in the following manner:

- (1) As to the contract sum under the Steel Structure Material Supply Agreement (“**Part B-1 Consideration**”):
 - (a) 30% of the contract sum under the Steel Structure Material Supply Agreement shall be paid within 15 business days of the entering into of the Steel Structure Material Supply Agreement and after the receipt by Embry Shandong of the 5-month advance payment guarantee provided by a bank appointed by the Subcontractor in favour of Embry Shandong, pursuant to which the bank shall guarantee the repayment of an amount equivalent to a sum of up to 30% of the contract sum under the Steel Structure Material Supply Agreement in the event that the Subcontractor fails to refund the advance payment to Embry Shandong pursuant to the Steel Structure Material Supply Agreement;

- (b) 30% of the contract sum under the Steel Structure Material Supply Agreement shall be paid within 15 business days before the delivery of primary and secondary steel structure materials after inspection and confirmation by Embry Shandong;
 - (c) 30% of the contract sum under the Steel Structure Material Supply Agreement shall be paid within 15 business days before the delivery of surrounding materials after inspection and confirmation by Embry Shandong; and
 - (d) 10% of the contract sum under the Steel Structure Material Supply Agreement shall be paid within 15 business days before the delivery of the final batch of materials after inspection and confirmation by Embry Shandong.
- (2) As to the contract sum under the Steel Structure Installation Subcontracting Agreement (“**Part B-2 Consideration**”):
- (a) 30% of the contract sum under the Steel Structure Installation Subcontracting Agreement shall be paid within 15 business days of the entering into of the Steel Structure Installation Subcontracting Agreement;
 - (b) 20% of the contract sum under the Steel Structure Installation Subcontracting Agreement shall be paid within 15 business days of the arrival of workers at the construction site;
 - (c) 20% of the contract sum under the Steel Structure Installation Subcontracting Agreement shall be paid within 15 business days of the completion of installation of primary steel structure;
 - (d) 20% of the contract sum under the Steel Structure Installation Subcontracting Agreement shall be paid within 15 business days of the completion of installation of roof panels;
 - (e) 8% of the contract sum under the Steel Structure Installation Subcontracting Agreement shall be paid within 15 business days of the completion of installation of wall panels; and
 - (f) 2% of the contract sum under the Steel Structure Installation Subcontracting Agreement shall be paid within 5 days of the final acceptance of steel structure work which is to be conducted after installation of the entire set of steel structure construction.

Pursuant to the Steel Structure Installation Subcontracting Agreement, the Subcontractor shall arrange for a bank guarantee to be provided in favour of Embry Shandong, pursuant to which the bank shall guarantee the performance of the Steel Structure Installation Subcontracting Agreement by the Subcontractor, failing which the bank shall pay to Embry Shandong upon its confirmation a sum of up to 5% of the contract sum under the Steel Structure Installation Subcontracting Agreement

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 December 2012 to February 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 Shandong is for the construction of factory premises and ancillary facilities at the new production site of the Group, which is part of the expansion plan 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 Shandong for the services rendered under the Construction Contract
“Construction Contract”	the construction contract dated 20 February 2013 entered into between Embry Shandong 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 Shandong”	Embry (Shandong) Garments Limited* (安莉芳(山東)服裝有限公司), 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 RMB0.80 = 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, 20 February 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.