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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 27 December 2017, Embry Changzhou entered into the Construction Contract with Zhongqing Jianan 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 27 December 2017, Embry Changzhou entered into the Construction Contract with Zhongqing Jianan, pursuant to which Zhongqing Jianan shall provide certain construction services to Embry Changzhou based on the principal terms as set out below:

The Construction Contract

Date : 27 December 2017

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

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Zhongqing Jianan and its ultimate beneficial owner(s) 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 Construction Contract : The construction of phase two factory premises and ancillary facilities at the Production Site.

Pursuant to the Construction Contract, the scope of construction contracting includes, among others, the optimisation of the 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, construction of phase two factory premises; interior decoration; curtain wall engineering; electrical and mechanical engineering; low power engineering; fire engineering; elevator engineering; greenery and landscaping; construction of roads and outdoor pipe 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, hole drilling of walls and roofs and reparation.

The construction work is expected to commence in December 2017 and be completed in September 2018.

Consideration : The Consideration payable by Embry Changzhou is RMB53,500,000 (equivalent to approximately HK\$62,941,000), 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 RMB53,500,000 (equivalent to approximately HK\$62,941,000) shall be paid in the following manner:

- (1) 30% of the Consideration (i.e. RMB16,050,000, equivalent to approximately HK\$18,882,000) shall be paid as an advance payment within 30 business days from the effective date of the Construction Contract and upon receipt of (i) the letter of advance payment guarantee procured by Zhongqing Jianan in favour of Embry Changzhou of an amount equivalent to 30% of the Consideration; and (ii) the performance guarantee procured by Zhongqing Jianan in favour of Embry Changzhou of an amount equivalent to 10% of the Consideration (i.e. RMB5,350,000, equivalent to approximately HK\$6,294,000);

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

- (2) monthly payment shall be made by Embry Changzhou based on 85% of 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 relevant payment application made by Zhongqing Jianan on the 25th day of each month. The project management company shall complete the assessment within 10 business days after receipt of such application; Embry Changzhou shall make payment within 20 business days after the issue of the payment certificate by the project management company;

The abovementioned advance payment made by Embry Changzhou shall be applied to settle the monthly payment to be paid by Embry Changzhou between 1 April 2018 and 31 August 2018, 20% of the abovementioned advance payment shall be deducted each time from the monthly payment to be paid by Embry Changzhou;

- (3) within 30 business days from completion of the construction work and receipt of a written confirmation issued by Embry Changzhou, the project management company and the supervisor (as designated by Embry Changzhou), Embry Changzhou shall settle up to 90% of the Consideration (i.e. RMB48,150,000, equivalent to approximately HK\$56,647,000);
- (4) within 30 business days from completion of the final audit, Embry Changzhou shall settle up to 95% of the audited amount of the Consideration (i.e. RMB50,825,000, equivalent to approximately HK\$59,794,000); the final audit shall be conducted by Embry Changzhou within 3 months after (i) final acceptance of the construction project; (ii) completion of all inspection procedures by the PRC authorities; and (iii) Embry Changzhou's receipt of the complete information on settlement submitted by Zhongqing Jianan; and
- (5) the remaining 5% of the Consideration (i.e. RMB2,675,000, equivalent to approximately HK\$3,147,000) shall serve as quality warranty money ("**Quality Warranty**"), out of which:
 - (a) 2% shall be paid within 30 business days after 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 after 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 after 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 of the construction project (save for the outdoor and indoor waterproof work which has a quality warranty period of five years).

Pursuant to the Construction Contract, all maintenance costs incurred during the Quality Warranty Period shall be borne by Zhongqing Jianan, and Embry Changzhou shall have the right to deduct such costs from the Quality Warranty.

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 at the date of this announcement, the Group had three production bases in the PRC, one of which was located at the Production Site. Construction of phase one factory premises at the Production Site was completed in 2015. Through the flexible deployment of manpower and machine capacity, the Group has responded to market demand and rapid changes in consumer preferences. The Group has continued to examine the changes in consumption trends and regularly reviewed capacity allocation to achieve a better operating efficiency.

Through entering into of the Construction Contract by Embry Changzhou, phase two factory premises and ancillary facilities will be constructed at the Production Site. Upon completion of the construction, the Board are of the view that the new factory premises would enable the Group to cater for its future expansion.

Zhongqing Jianan was selected from a tender process conducted in November 2017 for the Construction Contract. After due and careful consideration and an overall evaluation of its price quotation, qualification, experience and quality of work, Zhongqing Jianan was selected as the contractor for the Construction Contract.

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 ZHONGQING JIANAN

Zhongqing Jianan is a limited liability company established in the PRC. Its principal business activities include construction project general contracting, the development and management of real estate as well as municipal and landscape engineering.

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 contract dated 27 December 2017 and entered into between Embry Changzhou and Zhongqing Jianan as the contractor for the provision of construction services on and subject to its terms
“Directors”	the directors of the Company
“Embry Changzhou”	安莉芳(常州)服装有限公司 (Embry (Changzhou) Garments Ltd.*), 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)

“ Production Site ”	the production site of the Group located at No. 259 Hehai West Road in New Northern District of Changzhou City, the PRC (中國江蘇省常州市新北區河海西路 259 號)
“ RMB ”	Renminbi, the lawful currency of the PRC
“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“ Transaction ”	the transaction contemplated under the Contract
“ Zhongqing Jianan ”	中青建安建設集團有限公司(Zhongqing Jianan Construction Group Co., Ltd.*), a limited liability company established 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, 27 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.