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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 AND CONNECTED TRANSACTION:
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
EMBRY DEVELOPMENT LIMITED;
AND
CONTINUING CONNECTED TRANSACTION:
LEASING OF FACTORY PREMISES**

On 27 November 2007, EGL, a wholly-owned subsidiary of the Company, entered into the Disposal Agreement with the Purchaser, pursuant to which EGL agreed to sell and the Purchaser agreed to purchase the Sale Share for a total consideration of HK\$56 million. The principal asset of the EDL Group is the Property. On the same day, Embry CZ, an indirect wholly-owned subsidiary of the Company, entered into the Tenancy Agreement with CZ Embry Development to lease the Property from CZ Embry Development at a monthly rental of RMB180,000 for a term commencing from the effective date of the Tenancy Agreement and ending on 31 December 2010.

The Disposal constitutes a discloseable transaction under the Listing Rules. Moreover, since the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction which will be subject to the approval of the Independent Shareholders by way of a poll at the EGM to be convened by the Company.

Upon completion of the Disposal, EDL will be beneficially owned by the Purchaser and therefore the Tenancy contemplated under the Tenancy Agreement also constitutes continuing connected transaction for the Company under the Listing Rules. Based on the terms of the Tenancy Agreement, the Tenancy will have on an annual basis an aggregate value not exceeding 2.5% of any of the relevant percentage ratios under Rule 14.07 of the Listing Rules and accordingly, it will only be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules. Details of the Tenancy will be disclosed in the Company's annual report and accounts and the Company will comply with the reporting and annual review requirements under Rule 14A.46 and Rules 14A.37 to 14A.40 of the Listing Rules for each of the relevant financial years.

A circular containing, among other things, further details of the Disposal Agreement and the transactions contemplated thereunder, the letter of advice from the IFA to the IBC and the Independent Shareholders, the recommendation of the IBC to the Independent Shareholders together with the notice of the EGM will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

THE DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are set out below.

Date

27 November 2007

Parties

Vendor: EGL, a wholly-owned subsidiary of the Company

Purchaser: Sinowide Investments Limited which is wholly-owned by Ms. Cheng Pik Ho Liza, Mr. Cheng Chuen Chuen and Mr. Cheng Chuen Chi in equal share

Ms. Cheng Pik Ho Liza is an executive Director and a shareholder of the Company holding approximately 1.95% of the entire issued share capital of the Company as at the date of this announcement.

Mr. Cheng Chuen Chuen is a director of Embry SZ and Embry SD holding approximately 0.5% of the entire issued share capital of the Company as at the date of this announcement.

Mr. Cheng Chuen Chi is a shareholder of the Company holding approximately 0.22% of the entire issued share capital of the Company as at the date of this announcement.

Ms. Cheng Pik Ho Liza, Mr. Cheng Chuen Chuen and Mr. Cheng Chuen Chi are members of the Cheng Family.

Subject matter of the Disposal

Pursuant to the Disposal Agreement, EGL agreed to sell and the Purchaser agreed to purchase the Sale Share (representing the entire issued share capital of EDL) for a total consideration of HK\$56 million subject to the terms and conditions thereof. EDL is an investment holding company incorporated in the BVI with limited liability on 14 August 1992 and its sole investment is the holding of the entire registered capital of CZ Embry Development. CZ Embry Development is a wholly foreign owned enterprise established in the PRC on 4 March 1993 and its principal activity is the investment holding of the Property.

Information on the Property

The Property principally consists of an industrial complex comprising a five-storey factory building, a three-storey composite building, a power room and a water pump room, the total gross floor area of which is approximately 14,140 sq.m.. The Property is currently occupied by Embry CZ and is primarily used by the Group for production and ancillary office uses. It is erected on a parcel of land with a site area of approximately 16,700 sq.m. and is situated at No. 8 Embry Road, Tongjiang Avenue, Changzhou, the PRC and has been granted with the land use right for a term of 50 years expiring on 27 June 2045 for composite use (including industrial and commercial purposes).

Consideration

The consideration of HK\$56 million was agreed after arm's length negotiations between EGL and the Purchaser after taking into account the unaudited net asset value of the EDL Group of approximately HK\$16.7 million (of which HK\$15.5 million represents the net book value of the Property) as at 31 October 2007 and the average initial valuation of the Property (for its current industrial use and composite development (including commercial purposes)) of approximately HK\$51.5 million as at 31 October 2007 prepared by DTZ (which is an independent valuer).

The consideration shall be paid by the Purchaser in the following manner:

1. a deposit (the "Deposit") of HK\$5.6 million, representing 10% of the Consideration has been paid in cash upon entering into of the Disposal Agreement;
2. as to HK\$28 million, representing 50% of the Consideration will be payable in cash upon completion of the Disposal; and
3. the remaining HK\$22.4 million, representing 40% of the Consideration, shall be payable upon completion of the Disposal by way of delivery of a promissory note to EGL. Pursuant to the promissory note, the principal amount of HK\$22.4 million together with the interest accrued thereon, calculated at an interest rate of 5% per annum, shall be payable by the Purchaser on 31 March 2008 subject to early repayment by the Purchaser.

Conditions

The Disposal is conditional upon the approval of the Disposal Agreement by the Independent Shareholders at the EGM. If such approval cannot be obtained within 120 days after the date of the Disposal Agreement ("**Long Stop Date**") (or such later date as the parties hereto may agree in writing), the Disposal Agreement shall lapse automatically.

In the event that the condition stated above is not fulfilled on or before the Long Stop Date, the Deposit (without interest) shall be refunded to the Purchaser within five business days from the Long Stop Date.

Completion

Completion of the Disposal shall take place on the second business day after the day on which the condition precedent to the completion of the Disposal is fulfilled.

If completion of the Disposal does not take place due to the breach of the terms of the Disposal Agreement on the part of the Purchaser, the Deposit will be forfeited by EGL.

THE TENANCY AGREEMENT

Date

27 November 2007

Parties

Lessor: CZ Embry Development, a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of EDL

Lessee: Embry CZ, a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company

Effective date of the Tenancy Agreement

The Tenancy Agreement will become effective on:

1. 1 January 2008; or
2. the date on which the following conditions having been fulfilled:
 - (a) the Tenancy Agreement having been signed by CZ Embry Development and Embry CZ;
 - (b) the Disposal having been approved by the Independent Shareholders at the EGM; and
 - (c) completion of the Disposal having taken place,

whichever is the later.

Term of lease

Pursuant to the terms of the Tenancy Agreement, Embry CZ will lease the Property at a monthly rental of RMB180,000 for a term commencing from the effective date of the Tenancy Agreement and ending on 31 December 2010, subject to the terms and conditions thereof.

After the first anniversary of the effective date, Embry CZ has the unilateral right to terminate the Tenancy Agreement prior to the expiry of the term by way of giving a six-month written notice to CZ Embry Development.

Rental

RMB180,000 per month (exclusive of water, management fees and other related charges), which is payable on a monthly basis.

The aforesaid monthly rental was agreed after arm's length negotiations between CZ Embry Development and Embry CZ with reference to the prevailing market monthly rental of RMB180,000 as at 31 October 2007 as advised by DTZ.

Annual Cap

For the purpose of the continuing connected transaction arising from the Tenancy Agreement, the annual caps for each of the financial year ending 31 December 2008, 2009 and 2010 will be RMB2.2 million, RMB2.2 million and RMB2.2 million respectively, which is arrived based on the monthly rental (exclusive of water, management fee and other related charges) payable pursuant to the Tenancy Agreement.

INFORMATION ON EDL GROUP

EDL is a company incorporated in the BVI with limited liability and is the beneficial owner of the entire registered capital of CZ Embry Development. CZ Embry Development is a wholly foreign owned enterprise established in the PRC and its principal activity is the investment holding of the Property.

The financial information of the EDL Group for the two financial years ended 31 December 2005 and 2006 and for the ten months ended 31 October 2007, which are prepared in accordance with Hong Kong Financial Reporting Standards, are as follows:

	Ten months ended 31 October 2007 (Unaudited) <i>HK\$'000</i>	Year ended 31 December 2006 (Unaudited) <i>HK\$'000</i>	Year ended 31 December 2005 (Unaudited) <i>HK\$'000</i>
Turnover	1,490.9	1,731.7	1,701.8
Profit before taxation	449.3	506.4	796.7
Profit after taxation	392.7	385.7	1,010.7
Net assets	16,704.1	15,469.2	12,904.1

REASONS FOR THE DISPOSAL AND THE TENANCY

The Group is principally engaged in the design, manufacture and retail distribution of lingerie products (including brassieres, panties and corsets), swimwear and sleepwear in the PRC, Hong Kong and Macau. At present, the Group has two production facilities, one of which is situated at the Property and the other is established in Shenzhen. Moreover, the Group has been constructing the Shandong Factory and its trial operation will be started in the first quarter of 2008.

The Property was established in Changzhou as one of the Group's production facilities in 1996. During the past twenty years, the Changzhou economy has been growing rapidly and the place at which the Property is located has been gradually transformed from an industrial zone to a composite business development district. Although the Property may be redeveloped into a composite building (including commercial purposes) according to its land use right certificate, the Directors consider that the potential redevelopment costs may be substantial to the Group and it has always been the Group's strategy to focus on its principal business and to become a leading lingerie retailer in the Greater China region. Accordingly, the Directors are of the view that it is more appropriate for the Group to consider relocating its existing operation of the Property and/or further expanding the Group's production scale should suitable development sites be identified in Changzhou (the "**Proposed CZ Development Plan**"). In light of this, the Directors believe that the entering into of the Disposal Agreement, together with the Tenancy Agreement, will not only facilitate the Company to proceed with the Proposed CZ Development Plan without affecting the overall production operation of the Group during the term of the Tenancy Agreement, but also generate an immediate net proceeds of approximately HK\$54.8 million from the Disposal.

The Directors intend to apply approximately HK\$30 million for the further development of the Proposed CZ Development Plan and the remaining of approximately HK\$24.8 million as general working capital of the Group. Moreover, it is estimated that, upon completion of the Disposal, the Group would record a gain on disposal of approximately HK\$39.3 million (based on the Consideration less the unaudited net asset value of the EDL Group of approximately HK\$16.7 million as at 31 October 2007) and each of EDL and CZ Embry Development will cease to be a subsidiary of the Group.

The terms of the Disposal Agreement and the Tenancy Agreement were arrived at after arm's length negotiation and are on normal commercial terms. The Directors (excluding the independent non-executive Directors who will be advised by the IFA) consider that the terms of the Disposal Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As regards the terms of the Tenancy Agreement, the Directors (including the independent non-executive Directors) consider that they are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GENERAL

The Disposal constitutes a discloseable transaction under the Listing Rules. Moreover, since the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction which will be subject to the approval of the Independent Shareholders by way of a poll at the EGM to be convened by the Company. In accordance with the Listing Rules, the Cheng Family and its associates holding approximately 74.8% of the entire issued share capital of the Company will abstain from voting on the resolution to be proposed at the EGM in relation to the Disposal.

Upon completion of the Disposal, EDL will be beneficially owned by the Purchaser and therefore the Tenancy contemplated under the Tenancy Agreement will constitute continuing connected transaction for the Company under the Listing Rules. Based on the terms of the Tenancy Agreement, the Tenancy will have on an annual basis an aggregate value not exceeding 2.5% of any of the relevant percentage ratios under Rule 14.07 of the Listing Rules and accordingly it will only be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules. Details of the Tenancy will be disclosed in the Company's annual report and accounts and the Company will comply with the reporting and annual review requirements under Rule 14A.46 and Rules 14A.37 to 14A.40 of the Listing Rules for each of the relevant financial years.

A circular containing, among other things, further details of the Disposal Agreement and the transactions contemplated thereunder, the letter of advice from the IFA to the IBC and the Independent Shareholders, the recommendation of the IBC to the Independent Shareholders together with the notice of the EGM will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

DEFINITIONS

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

“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Cheng Family”	Mr. Cheng Man Tai, Madam Ngok Ming Chu, Ms. Cheng Pik Ho Liza, Mr. Cheng Chuen Chuen and Mr. Cheng Chuen Chi, all being family members
“Consideration”	the total consideration for the Disposal
“Company”	Embry Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange

“CZ Embry Development”	Changzhou Embry Development Limited, a wholly foreign owned enterprise established in the PRC, a wholly-owned subsidiary of EDL and the sole beneficial owner of the Property
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Share under the Disposal Agreement
“Disposal Agreement”	the conditional agreement dated 27 November 2007 entered into between EGL and the Purchaser in relation to the Disposal
“DTZ”	DTZ Debenham Tie Leung Limited, an independent professional valuer
“EDL”	Embry Development Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company and the immediate holding company of CZ Embry Development
“EDL Group”	EDL and CZ Embry Development
“EGL”	Embry Group Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the Disposal Agreement and the transactions contemplated thereunder
“Embry CZ”	Embry (Changzhou) Garments Ltd., a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Embry SD”	Embry (Shandong) Garments Limited, a wholly foreign owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company
“Embry SZ”	Embry (China) 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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IBC”	an independent board committee of the Board comprising the independent non-executive Directors to advise the Independent Shareholders as to the terms of the Disposal Agreement and how to vote, taking into account the recommendations of the IFA
“IFA”	an independent financial adviser to be appointed to advise the IBC and the Independent Shareholders whether the terms of the Disposal Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole
“Independent Shareholders”	Shareholders other than the Cheng Family and its associates

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Property”	an industrial complex comprises a factory building, a composite building, a power room and a water pump room with a total gross floor area of approximately 14,140 sq.m., which is erected on a parcel of land and is situated at No. 8 Embry Road, Tongjiang Avenue, Changzhou, the PRC with a site area of approximately 16,700 sq.m.
“Purchaser”	Sinowide Investments Limited, a company incorporated in the BVI with limited liability and is wholly-owned by Ms. Cheng Pik Ho Liza, Mr. Cheng Chuen Chuen and Mr. Cheng Chuen Chi in equal share
“Sale Share”	the one issued share of EDL, representing the entire issued share capital of EDL
“Shandong Factory”	part of the manufacturing facilities of the Group, which are expected to commence trial production in the first quarter of 2008
“Share(s)”	the ordinary shares which have a par value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy”	the tenancy contemplated under the Tenancy Agreement
“Tenancy Agreement”	the tenancy agreement dated 27 November 2007 entered into between Embry CZ and CZ Embry Development in relation to the Tenancy
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metres
“%”	per cent.

By Order of the Board
Embry Holdings Limited
Cheng Man Tai
Chairman

Hong Kong, 27 November 2007

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