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Hembly International Holdings Limited

恒寶利國際控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 3989)

CONNECTED TRANSACTION

The Board is pleased to announce that on 26th June 2007, the Purchaser and the Seller entered into the Sale and Purchase Agreement pursuant to which the parties agreed to the transfer of the Equity Interests from the Seller to the Purchaser at the cash consideration of HK\$20,800,000.00. Upon completion of the Sale and Purchase Agreement, Well Metro will become a 95% owned subsidiary of the Group.

As at the date of the Sale and Purchase Agreement, the Purchaser is a wholly owned subsidiary of the Company; and the Seller, which sole director was a director of the Group's non-wholly owned subsidiary within the last 12 months, is also a substantial shareholder of Well Metro. Accordingly, the Seller is a connected person of the Company. The transfer of the Equity Interests constitutes a non-exempt connected transaction of the Company under Rule 14A.32 of the Listing Rules and is subject to reporting and announcement requirements but not subject to independent Shareholders' approval.

The Board is pleased to announce that on 26th June 2007, the Purchaser and the Seller entered into the Sale and Purchase Agreement pursuant to which the parties agreed to the transfer of the Equity Interests from the Seller to the Purchaser at the cash consideration of HK\$20,800,000.00. Upon completion of the Sale and Purchase Agreement, Well Metro will become a 95% owned subsidiary of the Group.

DETAILS OF THE SALE AND PURCHASE AGREEMENT

Date: 26th June 2007

Parties: the Seller
the Purchaser

Subject Matter: the transfer of the Equity Interests, being 25 shares in Well Metro, representing 25% of the registered capital of Well Metro held by the Seller, from the Seller to the Purchaser

Consideration: HK\$20,800,000.00

Completion: upon the full and final payment of 100% of the Consideration

The terms of the Sale and Purchase Agreement were arrived at after arm's length negotiation between the Seller and the Purchaser and the Consideration was arrived at based on the Directors' appraisal that Well Metro has an expanding and extensive distribution network in the People's Republic of China and has great potential for growth. Based on the above, the Directors (including the independent non-executive Directors) are of view that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Shareholders as a whole. The consideration will be financed by the Company's internal resources.

INFORMATION ON THE GROUP, THE PURCHASER, THE SELLER AND WELL METRO

The Group is principally engaged in the provision of supply chain services for its supply of apparel and accessories to international brand apparel makers and the distribution and retailing of apparel and footwear.

The Purchaser, namely, Spring Castle Group Limited, is an indirect wholly owned subsidiary and an investment vehicle of the Company.

To the best of the knowledge, information and belief, after making all reasonable inquiries, the Seller, namely, Charm Talent Investments Limited, which is also a substantial shareholder of Well Metro as at the date of the Sale and Purchase Agreement, is principally engaged in the business of investment holding. Besides, the sole director of the Seller was also a director of the Group's non-wholly owned subsidiary within the last 12 months.

Well Metro was established in 2004 by the Seller and the Purchaser and is principally engaged in the business of distribution and retailing of apparel and footwear. Well Metro is owned as to the Seller and the Purchaser in the ratio of 30% to 70% as at the date of the Sale & Purchase of the Agreement.

The audited net loss of Well Metro for the two financial years ended 2005 and 2006 were approximately HK\$4,540,000.00 and HK\$503,000.00 (before tax) and HK\$4,546,000.00 and HK\$497,000.00 (after tax and extraordinary items) respectively.

As at 31st May 2007, the un-audited net liabilities of Well Metro amounted to HK\$3,441,000.00.

As at Completion, Well Metro shall become the 95% owned subsidiary of the Company.

REASONS FOR THE SALE AND PURCHASE AGREEMENT

Given Well Metro has an expanding and extensive distribution network in the People's Republic of China and has great potential for growth, the Board considers that it will be in the best interests of the Company and the Shareholders to further increase the Group's stake in its distribution and retailing businesses by acquiring 25% equity shares in Well Metro, which is and will continue to be the investment vehicle of the Group's distribution and retailing businesses, at a consideration of HK\$20,800,000. For better reference, Well Metro does possess, as at the date of this announcement, exclusive distributorship and retailing rights in the People's Republic of China for famous European brands, which include Stonefly, Lotto, Sisley and Moschino.

LISTING RULES IMPLICATIONS

As at the date of the Sale and Purchase Agreement, the Purchaser is a wholly owned subsidiary of the Company; and the Seller, which sole director was a director of the Group's non-wholly owned subsidiary within the last 12 months, is also a substantial shareholder of Well Metro. Accordingly, the Seller is a connected person of the Company. The transfer of the Equity Interests constitutes a non-exempt connected transaction of the Company under Rule 14A.32 of the Listing Rules and is subject to reporting and announcement requirements but not subject to independent Shareholders' approval.

GENERAL

The Directors (including the independent non-executive Directors) consider that the Sale and Purchase Agreement was entered into after arm's length negotiations, reflects normal commercial terms, is on terms no less favourable to the Group than terms available to or from (as the case may be) independent third parties and that the terms are fair and reasonable so far as the shareholders of the Company are concerned and are in the interests of the Company and its shareholders as a whole.

DEFINITIONS

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

“Board”	the Board of Directors
“Company”	Hembly International Holdings Limited
“Completion”	completion of the Sale and Purchase Agreement

“Consideration”	HK\$20,800,000 being the consideration to be paid by the Purchaser to the Seller in respect of the transfer of the Equity Interests pursuant to the Sale and Purchase Agreement
“Directors”	directors of the Company
“Equity Interests”	25 shares in Well Metro, representing 25% of its registered capital
“Group”	directors of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Sale and Purchase Agreement”	the sale and purchase agreement dated 26th June 2007 and entered into between the Seller and the Purchaser in relation to, amongst other things, the transfer of the Equity Interests
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Spring Castle Group Limited, an indirect wholly owned subsidiary of the Company
“Seller”	Charm Talent Investments Limited, which sole director was a director of the Group’s non-wholly owned subsidiary within the last 12 months, is also a substantial shareholder of Well Metro as at the date of the Sale and Purchase Agreement.
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	shall have the meaning as prescribed under the Companies Ordinance, Cap 32, of the laws of Hong Kong and “subsidiaries” shall be construed accordingly

“Well Metro”

Well Metro Group Limited, an indirect non wholly owned subsidiary of the Company, which is owned as to 70% by the Company and 30% by the Seller, as at the date of the Sale and Purchase Agreement and an indirect 95% owned subsidiary of the Company as at Completion

By order of the Board of
Hembly International Holdings Limited
Ngok Yan Yu
Chairman

Hong Kong, 26 June 2007

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Ngok Yan Yu, Mr. Lam Hon Keung, Keith, Ms. Tang Chui Yi, Janny, Mr. Wong Ming Yeung, Mr. Piva Antonio and Mr. Appella Marcello; one non-executive Director, namely Mr. Je Kin Ming; and three independent non-executive Directors, namely Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing and Mr. Kwan Hung Sang, Francis.