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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)

**PLACING OF EXISTING SHARES AND
SUBSCRIPTION OF NEW SHARES
AND
RESUMPTION OF TRADING**

On 29th June 2007, the Placing and Underwriting Agreement was entered into between the Vendor and the Placing Agent, upon which the Placing Agent has agreed to underwrite the placing of 23,800,000 Placing Shares held by the Vendor to independent parties which (including their ultimate beneficial owners, where applicable) are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company at HK\$4.29 per Placing Share, upon which completion of Placing would take place on or before 6th July 2007. On 29th June 2007, the Subscription Agreement was also entered into between the Company and the Vendor, upon which the Vendor conditionally agreed to subscribe for 23,800,000 new Subscription Shares from the Company at HK\$4.29 per Subscription Share. The Subscription is subject to various conditions set out below under the section headed “Conditions of the Subscription”.

The price per Placing Share (which price is the same as that of the Subscription Share) represents (i) a discount of approximately 4.67% to the closing price of HK\$4.50 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 1.18% of the average closing price of approximately HK\$4.24 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a premium of approximately 2.88% over the average price of approximately HK\$4.17 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The Placing Shares represent approximately 9.35% of the existing issued share capital of the Company and approximately 8.55% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Assuming that the Placing Shares are fully placed under the Placing, the Placing will reduce the shareholding of the Vendor and parties acting in concert with it from approximately 40.01% to approximately 30.66% of the issued share capital of the Company as at the date of this announcement. The Subscription will then increase the aggregate shareholding of the Vendor and parties acting in concert with it to approximately 36.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, thereby triggering a general offer obligation. An application will be made by the Vendor to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Takeovers Code as a result of the Subscription. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares.

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 9th May 2007.

Assuming that the Placing Shares are fully placed under the Placing, the net proceeds from the Subscription will be approximately HK\$99.00 million and the net price per Subscription Share will be approximately HK\$4.16. The Company intends to use the net proceeds for future acquisition opportunities and as general working capital of the Group.

Trading in Shares on the Stock Exchange was suspended from 2:30 p.m. on 28th June 2007 at the request of the Company, pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:30 a.m. on 4th July 2007.

PLACING AND UNDERWRITING AGREEMENT AND SUBSCRIPTION AGREEMENT

1. The Placing

Vendor:

The Vendor, a company incorporated in the British Virgin Islands with limited liability, is wholly owned by Mr. Ngok, who is the Chairman of the Company and an executive Director.

As at the date of this announcement, the Vendor together with parties acting in concert with it held 101,829,470 Shares, representing approximately 40.01% of the existing issued share capital of the Company.

Number of Placing Shares:

The Placing Agent has underwritten to procure places for the purchase of 23,800,000 Shares owned by the Vendor, representing approximately 9.35% of the issued share capital of the Company as at the date of this announcement; and, assuming the Placing Shares are fully placed under the Placing, approximately 8.55% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares pursuant to the Subscription.

Places:

As represented by the Placing Agent to the Company, the Placing Shares will be placed to 6 places, all of which are private institutional investors which (including their ultimate beneficial owners, where applicable) are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Other than VP and WF, none of the places will become a substantial shareholder of the Company and/or become the holder of a notifiable interest (i.e. holding 5% or more of the shareholding in the Company) as per Part XV of the SFO immediately after the Placing but before the Subscription, and/or immediately after the Placing and the Subscription. VP, however shall become a substantial shareholder of the Company, holding a 10.26% shareholding in the Company immediately after the Placing but before the Subscription, and a minority shareholder of the Company, holding a 9.38% in shareholding in the Company, immediately after the Placing and the Subscription. Meanwhile, WF shall hold a notifiable interest as per Part XV of the SFO, namely, holding a 5.98% shareholding in the Company immediately after the Placing but before the Subscription, and a 5.47% shareholding in the Company, immediately after the Placing and the Subscription.

Placing price:

HK\$4.29 per Placing Share.

This price, which was fixed together with the other terms of the Placing and Underwriting Agreement and the Subscription Agreement on the evening of the Last Trading Day, was agreed after arm's length negotiations between the Vendor, the Company and the Placing Agent with reference to recent market prices of the Shares. This price represents (i) a discount of approximately 4.67% to the closing price of HK\$4.50 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 1.18% of the average closing price of approximately HK\$4.24 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a premium of approximately 2.88% over the average price of approximately HK\$4.17 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

Placing Agent and placing fee:

UOB Kay Hian (Hong Kong) Limited

The Placing Agent is entitled to a placing fee of 2% of the aggregate placing price of the Placing Shares placed pursuant to the Placing and Underwriting Agreement.

Independence of placees and Placing Agent

The Directors confirm that to the best of the directors' knowledge, information and belief having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owners, the proposed placees and their respective ultimate beneficial owners, are third parties independent of the Company and connected persons of the Company (as defined in the Listing Rules).

The Directors confirm that the Placing Agent and its beneficial owners, the proposed placees and their respective ultimate beneficial owners are independent of and not acting in concert with the Vendor and/or the parties acting in concert with it and not connected with the Vendor.

Completion of the Placing:

Under the terms of the Placing and Underwriting Agreement and the terms of the Subscription Agreement, completion of the Placing will take place on or before 6th July 2007, provided the Shares shall resume trading on the Stock Exchange on that day or such date as the Placing Agent may agree.

Completion of the Placing is conditional on (i) the Placing Shares being fully paid and rank pari passu with other shares presently in issue and free from encumbrances; and (ii) all necessary and related payments, fees and/or duties towards the sale and purchase of the Placing Shares being duly and fully discharged.

Rights of the Placing Shares:

The Placing Shares will be sold by the Vendor free of liens, charges, encumbrances and any third party rights and together with all rights attaching to the Placing Shares as at the date of completion of the Placing, including the right to receive all dividends and other distributions which may be declared, made or paid in respect of the Placing Shares of the record date shall fall on or after the date of completion of the Placing.

2. The Subscription

Subscriber:

The Vendor

Number of Subscription Shares:

The Company has agreed to allot and issue and the Vendor has agreed to subscribe for 23,800,000 new Shares which, having an aggregate nominal value of HK\$2,380,000, representing approximately 9.35% of the issued share capital of the Company as at the date of this announcement; and assuming the Placing Shares are fully placed under the Placing, approximately 8.55% of the issued share capital as enlarged by the allotment and issue of the Subscription Shares.

Subscription price:

HK\$4.29 per Subscription Share, which is equivalent to the price per Placing Share.

MANDATE TO ALLOT AND ISSUE NEW SHARES

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 9th May 2007 (“General Mandate”). The Directors were authorised to allot and issue up to 50,736,000 Shares pursuant to the General Mandate to issue Shares.

The Company has not exercised the power to allot and issue any new Shares pursuant to the General Mandate prior to the date of this announcement.

Ranking:

The Subscription Shares will rank equally in all respects among themselves and with all other Shares in issue as at the date of allotment and issue of the Subscription Shares.

Conditions of the Subscription:

The Subscription is conditional upon:

- (a) the Listing Committee of the Stock Exchange having granted or agreeing to grant the listing of and permission to deal in the Subscription Shares;

- (b) the Executive granting a waiver to the Vendor to the effect that neither the Vendor nor any party acting in concert (as defined in the Takeovers Code) with it will be obliged to make a general offer for the Shares under the Takeovers Code as a result of the Subscription; and
- (c) completion of the Placing pursuant to the Placing and Underwriting Agreement.

None of the above conditions can be waived by the parties to the Subscription Agreement.

Assuming the Placing Shares are fully placed under the Placing, the shareholding of the Vendor and parties acting in concert with it will decrease from approximately 40.01% to approximately 30.66% of the issued share capital of the Company as at the date of this announcement.

Completion of the Subscription:

Completion of the Subscription will take place no later than the business day following the day on which the conditions referred to above are fulfilled.

If the conditions to the Subscription are not fulfilled on or before 13th July 2007 (or such later date, subject to the approval of the Stock Exchange, as may be agreed by the Company and the Vendor), the Subscription will lapse. If the date of completion of the Subscription is to be extended beyond 13th July 2007, the Subscription will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules which will require approval of the independent Shareholders and the Company will take steps to ensure compliance with the Listing Rules. Further announcement will be made as and when appropriate.

The Subscription will increase the shareholding of the Vendor and parties acting in concert with it to approximately 36.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares thereby triggering a general offer obligation. An application will be made by the Vendor to the Executive for the granting of a waiver from the general offer obligation that might otherwise arise under the Takeovers Code as a result of the Subscription.

CHANGES TO THE SHAREHOLDING AS A RESULT OF THE PLACING AND THE SUBSCRIPTION

Assuming the Placing Shares are fully placed under the Placing, the shareholding of the Vendor (and parties acting in concert with it) in the Company immediately before the Placing, immediately after the Placing but before the Subscription, and immediately after the Placing and the Subscription are as follows:-

	Existing shareholding	% (<i>approx</i>)	After the Placing but before the Subscription	% (<i>approx</i>)	After the Placing and the Subscription	% (<i>approx</i>)
The Vendor and parties acting in concert with it	101,829,470	40.01	78,029,470	30.66	101,829,470	36.59
Directors (other than Mr. Ngok)	11,442,790	4.50	11,442,790	4.50	11,442,790	4.11
Other substantial shareholder (other than Charm Hero)						
Smart Fame Holdings Limited**	30,199,320	11.86	30,199,320	11.86	30,199,320	10.85
Placees (Public) (other than VP and WF)	–	–	14,300,000	5.62	14,300,000	5.14
VP* (one of the Placees)	23,620,420	9.28	26,120,420	10.26	26,120,420	9.38
WF* (one of the Placees)	8,222,000	3.23	15,222,000	5.98	15,222,000	5.47
Other Public	79,216,000	31.12	79,216,000	31.12	79,216,000	28.46
Total:	<u>254,530,000</u>	<u>100.00</u>	<u>254,530,000</u>	<u>100.00</u>	<u>278,330,000</u>	<u>100.00</u>

* VP and WF hold the above said shares in the capacity of investment manager.

** These shares of the Company were held by Smart Fame Holdings Limited, a wholly owned subsidiary of New World Industrial Holdings Limited.

As disclosed in the above shareholding table, immediately after the completion of the Placing as well as immediately after the completion of the Placing and completion of the Subscription, a minimum of 25% of the issued share capital of the Company will be in the public hands.

REASONS FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to enhance the capital base of the Company. The Directors (including the independent non-executive Directors) consider the terms (including the placing fee) of the Placing and Underwriting Agreement and the terms of the Subscription Agreement to be fair and reasonable and are in the best interests of the Company, as far as the Shareholders as a whole are concerned.

Assuming that the Placing Shares are fully paid under the Placing:

- (i) the gross proceeds from the Subscription are estimated to be approximately HK\$102.10 million;
- (ii) the net proceeds, after deducting related placing fee, professional fees and all related expenses from the Subscription which may be borne by the Company (if the Placing and the Subscription both go through) or the Vendor (if only the Placing but not the Subscription, goes through), are estimated to be approximately HK\$99.00 million;
- (iii) the net price per Subscription Share is approximately HK\$4.16.

The Company intends to use the net proceeds (which totals approximately HK\$99.00 million), as to approximately HK\$40.00 million for further acquisition opportunities and as to the balance of approximately HK\$59.00 million as general working capital of the Group. At present, the Group is still identifying suitable target company(s), in the same line of business as is carried out currently by the Group, to be acquired.

GENERAL INFORMATION

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.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS – IPO

Details of IPO

Date of fund raising	Nature of transaction	Joint Sponsors	Net amount raised	Number of shares issued	Approximately % of the total issued share capital of the Company as at the date of agreement
13th July 2006	Initial Public Offering	SBI Crosby Limited and Deloitte & Touche Corporate Finance Ltd.	HK\$101.6 million	70,080,000	27.53%

Status of use of proceeds of IPO

	Per Prospectus HK\$'000	Utilized HK\$'000	Balance as at 31 May 2007 HK\$'000
Expansion of existing joint ventures and establishment of new joint ventures as well as to fund strategic alliances	48,000	48,000	–
Acquisition of production machinery and equipment	15,000	4,200	10,800
Implementation of information management system	8,000	3,200	4,800
Repayment of bank borrowings	23,200	23,200	–
General working capital	7,400	7,400	–
	<u>101,600</u>	<u>86,000</u>	<u>15,600</u>

Save as mentioned above, the Group has not conducted any equity fund raising activities in the past 12 months from the date of this announcement.

TAKEOVERS CODE IMPLICATIONS

The Placing Shares represent approximately 9.35% of the existing issued share capital of the Company and approximately 8.55% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Assuming that the Placing Shares are fully placed under the Placing, the Placing will reduce the shareholding of the Vendor and parties acting in concert with it from approximately 40.01% to approximately 30.66% of the issued share capital of the Company as at the date of this announcement. The Subscription will then increase the aggregate shareholding of the Vendor and parties acting in concert with it to approximately 36.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, thereby triggering a general offer obligation.

An application will be made by the Vendor to the Executive for the granting of a waiver from general offer obligation that might otherwise arise under the Takeovers Code as result of the Subscription.

APPLICATION FOR LISTING

Application will be made to the Stock Exchange for the listing or, and permission to deal in, the Subscription Shares.

RESUMPTION OF TRADING IN SHARES

Trading in Shares on the Stock Exchange was suspended from 2:30 p.m. on 28th June 2007 at the request of the Company pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:30 a.m. on 4th July 2007.

DEFINITIONS

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

“acting in concert”	having the meaning ascribed thereto in the Takeovers Code
“associates”	having the meaning ascribed thereto in the Listing Rules
“Board”	the Board of Directors
“Company”	Hembly International Holdings Limited
“connected person(s)”	having the meaning ascribed thereto in the Listing Rules
“Directors”	directors of the Company

“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Group”	collectively, the Company and its subsidiaries for the time being
“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
“Last Trading Day”	28th June 2007, being the last trading day of the Shares on the Main Board of the Stock Exchange prior to the date of this announcement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ngok”	Mr. Ngok Yan Yu, the Chairman of the Company and an executive Director
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing and Underwriting Agreement and the Subscription Agreement
“Placing Agent”	UOB Kay Hian (Hong Kong) Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) to carry type 1 (dealing in securities, type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities);
“Placing Shares”	a total of 23,800,000 Shares beneficially owned by the Vendor pursuant to the Placing and Underwriting Agreement
“Placing and Underwriting Agreement”	the placing and underwriting agreement dated 29th June 2007 between the Vendor and the Placing Agent
“SFC”	means the Securities and Futures Commission
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modification from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 in the capital of the Company

“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
“Subscription”	the subscription of the Subscription Shares pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 29th June 2007 between the Company and the Vendor
“Subscription Shares”	a total of 23,800,000 Shares the exact number of which shall be equivalent to the number of the Placing Shares actually placed by the Placing Agent
“substantial shareholders”	having the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor/Charm Hero”	Charm Hero Investments Limited, a company incorporated in the British Virgin Islands with limited liability and beneficially wholly owned by Mr. Ngok
“VP”	means Value Partners Limited
“WF”	means Ward Ferry Management (BVI) Limited
%	percent

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

Hong Kong, 3rd July 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.