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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)

CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement dated 25 May 2007 published by the Company in relation to, inter alia, the Sourcing Arrangement.

To comply with Rule 14A.35 of the Listing Rules, Hembly Garment Manufacturing entered into the Sourcing Agreement with H4T on 4 July 2007 to set out the terms and conditions of the Sourcing Arrangement. The Sourcing Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

A circular containing details relating to the Sourcing Agreement, a letter from an independent committee of the Board containing its advice in respect of the Sourcing Agreement, a letter of advice from an independent financial adviser, and a notice convening an extraordinary general meeting of the Company to consider and, if thought fit, approve the Sourcing Agreement and the related annual caps will be despatched to shareholders of the Company as soon as practicable.

Reference is made to the announcement dated 25 May 2007 published by the Company in relation to, inter alia, the Sourcing Arrangement.

BACKGROUND

Currently the Seller is a customer of the Group under the Sourcing Arrangement and the amount of sales from the Group to the Seller amounted to approximately HK\$15,145,000 for the financial year ended 31 December 2006, representing approximately 2.5% of the Group's total sales for the same period.

Pursuant to the conditional lease agreement dated 2 May 2007 made between the Seller and H4T for the leasing of the ST Business and pursuant to which H4T has taken over the operation of the ST Business, and which became unconditional on 24 May 2007, H4T has taken over the operation of the ST Business as from 24 May 2007. In order to continue to run the ST Business, H4T needs to and intends to continue the existing Sourcing Arrangement between the Seller and the Group and to scale-up the same.

H4T is a company wholly-owned by Mr. Ngok and hence a connected person of the Company within the meaning of the Listing Rules. To comply with Rule 14A.35 of the Listing Rules, Hembly Garment Manufacturing, a limited company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, entered into the Sourcing Agreement with H4T on 4 July 2007 to set out the terms and conditions of the Sourcing Arrangement. The transactions contemplated under the Sourcing Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and the Sourcing Agreement accordingly constitutes a continuing connected transaction of the Company under the Listing Rules.

The Directors confirm that no transactions had been carried on between H4T and the Group under the Sourcing Arrangement during the period from 24 May 2007 (being the date on which the Sourcing Arrangement became a connected transaction) to 31 May 2007 (being the date immediately prior to the commencement of the term under the Sourcing Agreement).

PARTICULARS OF THE SOURCING AGREEMENT

Date:	4 July 2007
Parties:	H4T and Hembly Garment Manufacturing
Nature of transaction:	H4T appointed Hembly Garment Manufacturing (including all its subsidiaries and its fellow subsidiaries) as its sourcing supplier to provide exclusive sourcing services for all sourcing of sport apparel, leisure wear and related accessories bearing the trademarks of “S.T.” and/or “Sergio Tacchini” that will be manufactured in Asia
Consideration:	6% of FOB (free on board) price plus delivery and duty costs paid (but excluding value-added tax which H4T will settle directly with the relevant authorities) for each sport apparel, leisure wear and accessory purchased by H4T, payable by H4T to the Group at the end of each month
Effective period:	19 months from 1 June 2007 to 31 December 2008, subject to H4T’s right of termination by giving 3 months’ written notice to Hembly Garment Manufacturing

REASONS FOR THE TRANSACTION

As confirmed by Mr. Ngok, currently the Group is only one of the many suppliers of the Seller for the ST Business in the Asian region. It is the intention of Mr. Ngok that after H4T takes over the operation of the ST Business, H4T will replace the other current suppliers for the ST Business with the Group and develop the Group into its exclusive sourcing supplier/agent in the Asian region. By increasing its size of orders with the Group for products' sourcing under the Sourcing Arrangement, H4T will definitely increase the revenue of the Group.

ANNUAL CAPS AND BASIS OF ANNUAL CAPS

Based on the projection provided by H4T with the projected maximum amount of order that it shall place with the Group in relation to products' sourcing for the ST Business, the Board estimates that the annual caps for the amount of sales by the Group to H4T pursuant to the Sourcing Agreement for the 7-month period ending 31 December 2007 and for the year ending 31 December 2008 would approximately be HK\$267,521,000 and HK\$362,880,000 respectively, representing approximately 43.7% and 59.3% respectively of the total sales of the Group for the year ended 31 December 2006.

LISTING RULES REQUIREMENTS

As each of the relevant percentage ratios set out in the Listing Rules in respect of the maximum annual caps for the amount of sales by the Group in relations to the Sourcing Agreement is, on an annual basis, more than 2.5% and the annual consideration is estimated to be more than HK\$10,000,000, the Sourcing Agreement will be classified as a non-exempt continuing connected transaction of the Company under Rule 14A.16(5) of the Listing Rules and will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will comply with the independent shareholders' approval requirements under the Listing Rules in relation to the Sourcing Agreement. An independent board committee of the Company has been set up to advise the independent shareholders of the Company in relation to the Sourcing Agreement and an independent financial adviser has been appointed to advise the independent board committee of the Company.

GENERAL

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.

H4T is an Italian incorporated company set up for the purpose of operating and acquiring the ST Business which principal activities include, as far as the Directors are aware, the production (direct and indirect) and sale of clothing, shoes, accessories, perfumes, glasses and other products for sport and leisure and bearing the trademarks "Sergio Tacchini" and/or "ST".

A circular containing details relating to the Sourcing Agreement, a letter from an independent committee of the Board containing its advice in respect of the Sourcing Agreement, a letter of advice from an independent financial adviser, and a notice convening an extraordinary general meeting of the Company to consider and, if thought fit, approve the Sourcing Agreement and the related annual caps will be despatched to shareholders of the Company as soon as practicable. Voting on the resolutions approving the Sourcing Agreement and the related annual caps will be by poll. Charm Hero Investments Limited, which is the direct controlling shareholder of the Company and wholly-owned by Mr. Ngok, together with any of its associates will abstain from voting on the resolutions to be proposed at the Company's extraordinary general meeting to approve the Sourcing Agreement and the related annual caps.

The Directors (excluding the independent non-executive Directors whose views will be subject to the opinion of an independent financial adviser on the transactions under the Sourcing Agreement) consider that the Sourcing 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 of each such agreement and the relevant annual caps 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.

The Directors estimate that in relation to the Sourcing Agreement the benchmarks set out in Rule 14A.34 of the Listing Rules will not be exceeded prior to the holding of the extraordinary general meeting for approval of the Sourcing Agreement and the related annual caps.

DEFINITIONS

“Board”	board of Directors
“Company”	Hembly International Holdings Limited, a limited liability company incorporated in the Cayman Islands, the ordinary shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“Group”	Company and its subsidiaries
“H4T”	H4T s.r.l., a company incorporated in Italy and indirectly wholly-owned by Mr. Ngok
“Hembly Garment Manufacturing”	Hembly Garment Manufacturing Limited, a limited company incorporated in Hong Kong and a wholly-owned subsidiary 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
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ngok”	Ngok Yan Yu, the chairman and an executive director and substantial shareholder of the Company
“Seller”	Tacchini Group s.r.l., a customer of the Group under the Sourcing Arrangement
“Shares”	ordinary shares of HK\$0.1 each in the share capital of the Company
“Sourcing Agreement”	sourcing agreement dated 4 July 2007 and made between H4T and Hembly Garment Manufacturing to set out the terms and conditions of the Sourcing Arrangement
“Sourcing Arrangement”	the ongoing sourcing arrangement between the Group and the Seller whereby the Group sells products to the Seller for the purpose of the ST Business
“ST Business”	the assets and business to be acquired by H4T under the conditional sale and purchase agreement dated 2 May 2007 made between the Seller and H4T
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 5 July 2007

As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Ngok, 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.