

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hembly International Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



HEMBLY INTERNATIONAL HOLDINGS LIMITED

恒寶利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3989

CONTINUING CONNECTED TRANSACTION

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

Hercules
Hercules Capital Limited

A letter from the Independent Board Committee (as defined in this circular) is set out on pages 9 to 10 of this circular. A letter from Hercules Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders (as defined in this circular) is set out on pages 11 to 17 of this circular.

A notice convening the EGM (as defined in this circular) to be held at 10:00 a.m. on Wednesday, 22 August 2007, at 36th Floor, No. 1 Hung To Road, Kwun Tong, Kowloon, Hong Kong is set out on pages 28 to 29 of this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
1. Introduction	3
2. Background	4
3. Particulars of the Sourcing Agreement	5
4. Reasons for the transaction	6
5. Annual caps and basis of annual caps	6
6. Implications under the Listing Rules	6
7. EGM	7
8. Further information	8
Letter from the Independent Board Committee	9
Letter from Hercules	11
Appendix – General Information	18
Notice of EGM	28

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“associates”	has the meaning defined under the Listing Rules
“Board”	board of Directors
“Articles”	articles of association of the Company
“Charm Hero”	Charm Hero Investments Limited, a company incorporated in the British Virgin Islands with limited liability, the direct controlling shareholder of the Company which is indirectly wholly-owned by Mr. Ngok
“Company”	Hembly International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and approve the Sourcing Agreement and the related annual caps, notice of which is set out at the end of this circular
“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
“Hercules”	Hercules Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sourcing Agreement
“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

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board, comprising all of the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Sourcing Agreement and the related proposed annual caps
“Independent Shareholders”	Shareholders other than Charm Hero and its associates
“Latest Practicable Date”	24 July 2007, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.10 each in the 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



HEMBLY INTERNATIONAL HOLDINGS LIMITED
恒寶利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3989

Executive directors:

Ngok Yan Yu (*Chairman*)
Lam Hon Keung, Keith
Tang Chui Yi, Janny
Wong Ming Yeung
Antonio Piva
Marcello Appella

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Non-executive director:

Je Kin Ming

*Head office and principal place
of business:*

36th Floor
No. 1 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Independent non-executive directors:

Lo Ming Chi, Charles
Pao Ping Wing
Kwan Hung Sang, Francis

26 July 2007

*To the Shareholders (and, for information only,
holders of share options of the Company)*

Dear Sirs,

CONTINUING CONNECTED TRANSACTION

1. INTRODUCTION

In the announcements dated 28 May 2007 and 5 July 2007, the Company announced that H4T and Hembly Garment Manufacturing entered into the Sourcing Agreement on 4 July 2007. The Sourcing Agreement constitutes continuing connected transactions for the Company subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The Independent Board Committee, comprising all of the independent non-executive Directors, Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing, and Mr. Kwan Hung Sang, Francis, has been formed to advise the Independent Shareholders in relation to the Sourcing Agreement and the related proposed annual caps.

Hercules has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Sourcing Agreement is on normal commercial terms and in the ordinary course of business of the Group and whether the terms of the Sourcing Agreement and the related proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

The purpose of this circular is:

- (a) to provide you with details of the Sourcing Agreement and the related proposed annual caps;
- (b) to set out the recommendations of the Independent Board Committee in respect of the Sourcing Agreement and the related proposed annual caps;
- (c) to set out the advice of Hercules to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sourcing Agreement and the related proposed annual caps;
- (d) to give you notice of the EGM to be held to consider and, if thought fit, approve the Sourcing Agreement and the related proposed annual caps; and
- (e) to provide you with such other information as is required under the Listing Rules.

2. 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.

LETTER FROM THE BOARD

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”.

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).

3. 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

LETTER FROM THE BOARD

4. REASONS FOR THE TRANSACTION

As confirmed by Mr. Ngok, before commencement of the term of the Sourcing Agreement on 1 June 2007, the Group was 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.

5. 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.

6. IMPLICATIONS UNDER THE LISTING RULES

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 accordingly, constitute continuing connected transactions of the Company under the Listing Rules.

As each of the relevant percentage ratios set out in the Listing Rules in respect of the maximum annual caps of the for the amount of sales by the Group in relation 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. The Independent Board Committee has been set up to advise the independent shareholders of the Company in relation to the Sourcing Agreement and Hercules has been appointed to advise the Independent Board Committee in this regard.

The Company will also comply with the requirements under Rules 14A.37 to 14A.40 of the Listing Rules in relation to the Sourcing Agreement for the duration for which the Sourcing Agreement is carried out. Details of the Sourcing Agreement will be included in the Company's published annual reports and accounts in accordance with Rules 14A.45 and 14A.46 of the Listing Rules. The Company will comply with the requirements under Rule 14A.36 of the Listing Rules if the annual caps under the Sourcing Agreement should exceed the applicable annual caps described above, or where the Sourcing Agreement is renewed or where there are material changes to its terms.

LETTER FROM THE BOARD

7. EGM

Your attention is drawn to pages 28 to 29 of this circular where you will find a notice of the EGM to be held at 10:00 a.m. on Wednesday, 22 August 2007 at 36th Floor, No. 1 Hung To Road, Kwun Tong, Kowloon, Hong Kong. At the EGM, resolutions will be put forward to the Independent Shareholders to approve the Sourcing Agreement and the related proposed annual caps. Voting on these resolutions will be by poll.

Pursuant to the Articles, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules or (before or on the declaration of the results of the show of hands or on the withdrawal of any other demand for poll) a poll is demanded by:

- (a) the chairman of the meeting; or
- (b) at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (e) if required by the Listing Rules, any Director or Directors, who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights of all Shareholders having the right to vote at such meeting.

Charm Hero, the direct controlling shareholder of the Company which is indirectly wholly-owned by Mr. Ngok, together with any of its associates will abstain from voting on the resolutions to be proposed at the EGM to approve the Sourcing Agreement and the related annual caps.

So far as the Company was aware having made all reasonable enquiries, Charm Hero held the voting right in respect of approximately 36.09% of the Company's issued ordinary share capital as at the Latest Practicable Date; no voting trust or other agreement or arrangement or understanding has been entered into by or was binding on Charm Hero and/or any of its associates; and there was no other obligation or entitlement of Charm Hero and/or any of its associates as at the Latest Practicable Date

LETTER FROM THE BOARD

whereby Charm Hero and/or any of its associates has/have or may have temporarily or permanently passed control over the exercise of the voting rights in respect of its/their Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event, not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

8. FURTHER INFORMATION

The Independent Board Committee has been appointed to advise the Independent Shareholders in relation to the Sourcing Agreement and the related proposed annual caps. Hercules has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Accordingly, your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 9 to 10 of this circular, which contains its recommendation to the Independent Shareholders, and the letter from Hercules set out on pages 11 to 17 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

Your attention is also drawn to the general information set out in the Appendix to this circular.

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



HEMBLY INTERNATIONAL HOLDINGS LIMITED
恒寶利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3989

Executive directors:

Ngok Yan Yu
Lam Hon Keung, Keith
Tang Chui Yi, Janny
Wong Ming Yeung
Antonio Piva
Marcello Appella

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Non-executive director:

Je Kin Ming

*Head office and principal place
of business:*

36th Floor
No. 1 Hung To Road
Kwun Tong
Kowloon
Hong Kong

Independent non-executive directors:

Lo Ming Chi, Charles
Pao Ping Wing
Kwan Hung Sang, Francis

26 July 2007

To the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTION

We refer to the circular to the Shareholders dated 26 July 2007 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in our opinion, the entering into of the Sourcing Agreement is in the interests of the Company and its Shareholders as a whole and the terms of which and the proposed annual caps in relation thereto as described in the Circular are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Hercules has been appointed to advise the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the “Letter from Hercules” as set out on pages 11 to 17 of the Circular. We have considered the terms and conditions of the Sourcing Agreement and the proposed annual caps in relation there to, the advice of Hercules and the other factors contained in the “Letter from the Board” as set out on pages 3 to 8 of the Circular.

In our opinion, the terms of the Sourcing Agreement and the related annual caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We also consider that the Sourcing Agreement is on normal commercial terms and in the ordinary course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Sourcing Agreement and the related annual caps.

Yours faithfully,
The Independent Board Committee of
Hembly International Holdings Limited
Pao Ping Wing
Lo Ming Chi, Charles
Kwan Hung Sang, Francis

LETTER FROM HERCULES

The following is the letter of advice from Hercules to the Independent Board Committee and the Independent Shareholders prepared for the purpose of incorporation in this circular.

Hercules **Hercules Capital Limited**

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

26 July 2007

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the continuing connected transactions contemplated by the Sourcing Agreement, details of which are set out in the letter from the Board contained in the circular dated 26 July 2007 to the Shareholders (the “**Circular**”) of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

On 5 July 2007, the Board announced that Hembly Garment Manufacturing, a wholly-owned subsidiary of the Company, had entered into the Sourcing Agreement with H4T on 4 July 2007. Pursuant to the Sourcing Agreement, H4T has 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 sports apparel, leisure wear and related accessories bearing the trademarks of “S.T.” and/or “Sergio Tacchini” that will be manufactured in Asia. H4T is a company wholly-owned by Mr. Ngok and hence a connected person of the Company within the meaning of the Listing Rules. Accordingly, under Chapter 14A of the Listing Rules, the transactions contemplated under the Sourcing Agreement constitute non-exempt continuing connected transactions for the Company and such agreement (and the related proposed annual caps) will be subject to approval by the Independent Shareholders, by way of poll, at the EGM. Charm Hero, which is the direct controlling Shareholder and wholly-owned by Mr. Ngok, together with any of its associates will abstain from voting on the resolution to approve the Sourcing Agreement and the related annual caps at the EGM.

LETTER FROM HERCULES

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing and Mr. Kwan Hung Sang, Francis, has been formed to advise the Independent Shareholders as to whether (i) the Sourcing Agreement is in the ordinary and usual course of business of the Company and on normal commercial terms; (ii) the terms of the Sourcing Agreement (and the related proposed annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the Independent Shareholders should vote in favour of the resolution to approve the Sourcing Agreement and the related proposed annual caps. We are engaged to advise the Independent Board Committee and the Independent Shareholders in these regards.

In formulating our recommendations, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company. We have assumed that such information and statements, and any representations made to us, are true, accurate and complete in all material respects as of the date hereof. We have also assumed that all information, opinions and representations contained or referred to in the Circular are true, accurate and complete in all material respects as at the date of the Circular and that they may be relied upon in formulating our opinion. The Directors have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reason to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons that we have taken into consideration in assessing the Sourcing Agreement and arriving at our opinion are set out as follows:

1. 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.

LETTER FROM HERCULES

H4T is a company wholly-owned by Mr. Ngok and hence a connected person of the Company within the meaning of the Listing Rules. In the view that 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 for the purpose of complying 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.

2. Reasons for the Sourcing Agreement

As noted in the letter from the Board, Mr. Ngok had confirmed that before commencement of the term of the Sourcing Agreement on 1 June 2007, 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.

Given that (i) 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; (ii) 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"; (iii) the Sourcing Agreement is meant to invigorate a subsisting business of the Group; (iv) by entering into the Sourcing Agreement, the Group is able to scale up its sourcing business and to secure a recurring stream of revenue; and (v) the amicable relationship between the Group and H4T enables the Group to minimise its marketing costs and efforts in negotiating new orders and its credit risks in collecting receivables from the ST Business, we consider the Sourcing Agreement is in the ordinary and usual course of business of the Group.

3. Terms of the Sourcing Agreement

Pursuant to the Sourcing Agreement, H4T has 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.

LETTER FROM HERCULES

Detailed terms of the Sourcing Agreement are set out below:

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

In assessing the pricing bases for the Sourcing Arrangement pursuant to the Sourcing Agreement, we have reviewed the pricing basis of three sourcing agreements, being all sourcing agreements, to the best of our knowledge, regarding sport apparel/leisure wear and related accessories announced by companies listed on the Stock Exchange since 1 January 2005. The table below summarises the terms of the relevant agreements:

Date of Announcement	Parties	Nature of agreement	Pricing basis	Duration
1 June 2007	On Time International Limited ⁽¹⁾ TellaS Ltd. ⁽¹⁾	Sourcing of men and women's apparel and accessories	At LDP ⁽²⁾ , which include a 6% mark-up margin based on FOB costs of the inventories	3 years
9 January 2007	裕晟(昆山)體育用品有限公司 (Yue Cheng (Kunshan) Sports Co. Ltd.) ⁽³⁾ ; and Rest Assured Group Limited	Sourcing of shoes, sports apparel and accessories merchandise	A fee equivalent to 5% of the FOB price set out in the purchase order	1 year
9 January 2007	廣州寶旭貿易有限公司 (Guangzhou Pouxue Trading Co. Ltd.) ⁽³⁾ ; and Rest Assured Group Limited	Sourcing of shoes, sports apparel and accessories merchandise	A fee equivalent to 5% of the FOB price set out in the purchase order	1 year

Source: announcements and circulars of the respective companies

LETTER FROM HERCULES

Note:

1. A subsidiary of Luen Thai Holdings Limited (Stock code: 311).
2. Means “landed duty paid”, whereby the seller is responsible for transporting goods to named ports or airports in the country of importation and bears the risks and costs, including duties, taxes and other charges of delivering the goods thereto, cleared for importation.
3. A subsidiary of Yue Yuen Industrial (Holdings) Limited (Stock code: 551).

Based on the table above, we note that the pricing basis for sourcing agreements regarding sports apparel/leisure wear and related accessories are largely charged with a mark-up on the FOB price in the range of 5% to 6%. The pricing basis for the Sourcing Arrangement charged by the Company under the Sourcing Agreement therefore falls within the market range.

In assessing the terms of the Sourcing Agreement, we have reviewed a subsisting sourcing contract made between a subsidiary of the Company and Morgan SA, which is a connected person of the Company by virtue of its being a substantial shareholder of such subsidiary, relating to the provision of sourcing services of feminine items of clothing by the former. The aforesaid sourcing contract was disclosed in the Company’s prospectus and relates to arrangements, which scope is similar to the one which forms subject to the Sourcing Agreement. Details of the aforesaid sourcing agreement are summarised below:

Date of Agreement	Parties	Nature of agreement	Pricing basis	Duration
26 August 2004 (as supplemented by a supplemental agreement dated 15 June 2006)	Morgan SA (“ Morgan ”); and M.D.T. Sourcing (China) Limited (“ M.D.T. China ”)	(i) Production of clothing bearing certain trademarks of Morgan; (ii) Sourcing of apparel products not being able to be produced by M.D.T. China; and (iii) Sourcing of fabrics, accessories components and other raw materials for the production of Morgan products	Free carrier (Incoterms) price plus a 6% commission	3 years

LETTER FROM HERCULES

Having made the aforesaid review and noting the pricing basis offered by H4T to the Group under the terms of the Sourcing Agreement, we note that the terms of the Sourcing Agreement are no less favourable to the Group than that offered in the aforesaid sourcing contract. As such, we consider that the terms of the Sourcing Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Save for the aforesaid sourcing contract, the Company has not entered into any other arrangements, which scope is materially comparable to the Sourcing Arrangements, with which we would consider to compare and review in the production of this letter.

4. Bases of the annual caps

For the purpose of Rule 14A.35(2) of the Listing Rules, the annual caps in respect of the provision of sourcing services of sports apparel, leisure wear and related accessories under the Sourcing Agreement for the 7-month period ending 31 December 2007 and for the year ending 31 December 2008 are HK\$267,521,000, HK\$362,880,000 respectively.

As discussed with the Directors and the management of the Company, the annual caps were determined based on the projection provided by H4T with the projected maximum amount of order that it would place with the Group in relation to products' sourcing for the ST Business. To assess whether the bases of the caps are fair and reasonable, we have considered the following factors:

- (i) the annual caps have been formulated with reference to the historical actual amounts of transactions for the ST Business and the projection provided by H4T, factoring into expected increase in demand for the Group's services under the Sourcing Arrangement;
- (ii) the proposed annual caps have been made with reference to the existing business contracts on hand with H4T;
- (iii) the increase of the cap amount of the Sourcing Arrangement is a result of an expected increase in the trading volume of the services provided by the Group to H4T, which is in line with the business plan of H4T in expanding its reliance on the Group; and
- (iv) the Directors have confirmed to us that the Group has excess capacity to meet the anticipated growth in demand for the Group's services for the 7-month period ending 31 December 2007 and for the year ending 31 December 2008.

In view of the above, we consider that the annual caps offer greater flexibility to the Group and are justifiable and thus are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LETTER FROM HERCULES

5. Conditions of the continuing connected transaction

As stated in the letter from the Board, the Company will comply with the requirements under Rules 14A.37 to 14A.40 of the Listing Rules in relation to the Sourcing Agreement for the duration for which the Sourcing Agreement is carried out. Details of the Sourcing Agreement will be included in the Company's published annual reports and accounts in accordance with Rules 14A.45 and 14A.46 of the Listing Rules. The Company will also comply with the requirements under Rule 14A.36 of the Listing Rules if the annual caps under the Sourcing Agreement should exceed the applicable annual caps described above, or where the Sourcing Agreement is renewed or where there are material changes to its terms. On this basis, we are of the view that the interests of the Company and its shareholders will be properly safeguarded.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the Sourcing Agreement is in the ordinary and usual course of business and on normal commercial terms; and (ii) the terms of the Sourcing Agreement and the related proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the resolution to approve the Sourcing Agreement and the related proposed annual caps at the upcoming EGM.

Yours faithfully,
For and on behalf of
Hercules Capital Limited
Louis Koo
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information which regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. INTERESTS IN SECURITIES

(a) Interests and short positions of Directors and chief executive in shares and debentures

As at the Latest Practicable Date, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

(i) Shares of the Company

Name of Director	Capacity	Number of Shares held	Approximate percentage of shareholdings
Mr. Ngok	Interest of a controlled corporation	101,829,470 (Note 1)	36.09%
Lam Hon Keung, Keith	Beneficial owner and interest of a controlled corporation	1,694,710 (Note 2)	0.60%
Marcello Appella	Interest of a controlled corporation	3,588,030 (Note 3)	1.27%
Je Kin Ming	Interest of a controlled corporation	5,980,050 (Note 4)	2.12%
Kwan Hung Sang, Francis	Beneficial owner	280,000	0.10%

Notes:

1. These Shares were held by Charm Hero Investments Limited (“**Charm Hero**”), a wholly owned subsidiary of Mensun Limited (“**Mensun**”), which was wholly owned by Mr. Ngok Yan Yu, a controlling shareholder and the chairman of the Company. As such, Mr. Ngok Yan Yu was deemed or taken to be interested in the shares of the Company held by Charm Hero for the purposes of the SFO.
2. These Shares were held as to 100,000 Shares by Lam Hon Keung, Keith and as to the remaining 1,594,710 Shares by Polybest Group Limited (“**Polybest**”), which was wholly owned by Mr. Lam Hon Keung, Keith, an executive director of the Company. As such, Mr. Lam Hon Keung, Keith was deemed or taken to be interested in the shares of the Company held by Polybest for the purposes of the SFO.
3. These Shares were held by Sycomore Limited (“**Sycomore**”), which was owned as to 50% by Mr. Marcello Appella, an executive director of the Company, and 50% by Mrs. Maguy, Alice, Juliette, Marie Pujol ep. Appella, the spouse of Mr. Marcello Appella. As such, Mr. Marcello Appella was deemed or taken to be interested in the shares of the Company held by Sycomore for the purpose of the SFO.
4. These Shares were held by Capital Way Management Limited (“**Capital Way**”), a wholly owned subsidiary of Walter International Corporation, which was wholly owned by Mr. Je Kin Ming, a non-executive director of the Company. As such, Mr. Je Kin Ming was deemed or taken to be interested in the shares held by Capital Way for the purposes of the SFO.

(ii) Shares of the associated corporations of the Company

Name of director	Name of associated corporation	Capacity	Number/ class of shares held	Approximate percentage of shareholdings
Mr. Ngok	Complete Expert Limited (“ Complete Expert ”)	Trustee	20 ordinary (<i>Note 1</i>)	20%
	Charm Hero	Interest of a controlled corporation	2 ordinary (<i>Note 2</i>)	100%
	Mensun	Beneficial owner	100 ordinary	100%

Notes:

1. Pursuant to a declaration of trust dated 1 September 2004, Mr. Ngok, a controlling shareholder and the chairman of the Company, held 20 shares in Complete Expert, being 20% of its entire issued share capital, in trust for Hembly Garment Manufacturing, an indirect wholly owned subsidiary of the Company.
2. Charm Hero was a wholly owned subsidiary of Mensun which was wholly owned by Mr. Ngok.

(iii) *Share options of the Company*

Name of director	Number of shares options held (Note 1)	Exercisable period (Note 2)	Approximate percentage of issued share capital of the Company	Exercise price
Mr. Ngok	1,000,000	14/9/2006 – 13/9/2009 (Note 1)	0.35%	HK\$2.60
Tang Chui Yi, Janny	800,000	14/9/2006 – 13/9/2009 (Note 1)	0.28%	HK\$2.60
Lam Hon Keung, Keith	400,000	14/9/2006 – 13/9/2009 (Note 1)	0.14%	HK\$2.60
Wong Ming Yeung	400,000	14/9/2006 – 13/9/2009 (Note 1)	0.14%	HK\$2.60
Antonio Piva	500,000	14/9/2006 – 13/9/2009 (Note 1)	0.18%	HK\$2.60
Marcello Appella	500,000	14/9/2006 – 13/9/2009 (Note 1)	0.18%	HK\$2.60
Je Kin Ming	500,000	14/9/2006 – 13/9/2009 (Note 1)	0.18%	HK\$2.60

Notes:

- The number of options held by each person is the same as the number of underlying Shares in which that person is interested pursuant to the options.
- All of the above share options were granted on 14 September 2006, 20% of the share options granted to the Directors would vest on 14 September 2006 and be exercisable from 14 September 2006 to 13 September 2009. Another 30% of the granted share options would vest on 14 September 2007 and be exercisable from 14 September 2007 to 13 September 2009. The remaining 50% of the granted share options would vest on 14 September 2008 and be exercisable from 14 September 2008 to 13 September 2009.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Notifiable interests and short positions of substantial shareholders and other persons in Shares

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following substantial shareholders of the Company within the meaning of the Listing Rules and other persons (in each case other than the Directors and chief executive of the Company) had an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholdings
Charm Hero	Beneficial owner	101,829,470	36.09%
Mensun	Interest of a controlled corporation	101,829,470 (Note 1)	36.09%
Mr. Ngok	Interest of a controlled corporation	101,829,470 (Note 1)	36.09%
Tang Chui Yi, Janny	Interests of a spouse	101,829,470 (Note 1)	36.09%
Smart Fame Holdings Limited	Beneficial owner	15,199,320	5.39%
New World Liberty China Ventures Limited	Interest of a controlled corporation	15,199,320 (Note 2)	5.39%

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholdings
New World China Enterprises Investments Limited	Interest of a controlled corporation	15,199,320 (Note 2)	5.39%
Liberty New World China Enterprises Investments, LP	Interest of a controlled corporation	15,199,320 (Note 2)	5.39%
New World China Industrial Limited	Interest of a controlled corporation	15,199,320 (Note 2)	5.39%
New World Enterprise Holdings Limited	Interest of a controlled corporation	15,199,320 (Note 2)	5.39%
New World Development Company Limited	Interest of a controlled corporation	15,199,320 (Note 2)	5.39%
Value Partners Limited	Beneficial owner	26,120,420	9.26%
Cheah Cheng Hye	Interest of a controlled corporation	26,120,420 (Note 3)	9.26%
Keywise Capital Management (HK) Limited	Interest of controlled corporations	15,800,000 (Note 4)	5.60%
Ward Ferry Management (BVI) Limited	Interest of controlled corporations	15,222,000 (Note 5)	5.39%

Notes:

1. These Shares were held by Charm Hero, a wholly owned subsidiary of Mensun which was wholly owned by Mr. Ngok. As such, Mensun and Mr. Ngok were deemed or taken to be interested in the shares of the Company held by Charm Hero for the purpose of the SFO, and Ms. Tang Chui Yi, Janny, being the spouse of Mr. Ngok, was also deemed or taken to be interested in the shares of the Company held by Charm Hero for the purpose of the SFO.
2. These Shares were held by Smart Fame Holdings Limited, a wholly owned subsidiary of New World Liberty China Ventures Ltd., which was owned as to 50% by New World China Enterprises Investments Limited and as to 50% by Liberty New World China Enterprises Investment, LP, New World China Enterprises Investments Limited was a wholly owned subsidiary of New World China Industrial Limited, which was in turn a wholly owned subsidiary of New World Enterprise Holdings Limited, which was in

- turn wholly owned by New World Development Company Limited. As such, New World Liberty China Ventures Ltd., New World China Enterprises Investments Limited, New World China Industrial Limited, New World Enterprise Holdings Limited, New World Development Company Limited and Liberty New World China Enterprises Investments, LP were deemed to be beneficially interested in the said shares of the Company held by Smart Fame Holdings Limited for the purposes of the SFO.
3. These Shares were held by Value Partners Limited, which was owned as to approximately 35.65% by Cheah Cheng Hye. As such, Cheah Cheng Hye was deemed or taken to be interested in the shares of the Company held by Value Partners Limited for the purpose of the SFO.
 4. These Shares were held by Keywise Greater China Opportunities MasterFund, as their beneficial owner and were held by Keywise Capital Management (HK) Limited as their investment manager. As such, Keywise Capital Management (HK) Limited was deemed or taken to be beneficially interested in the said shares of the company held by Keywise Greater China Opportunities Master Fund for the purpose of the SFO.
 5. These Shares were held as to 8,222,000 Shares by WF Asian Reconnaissance Fund Limited and as to 7,000,000 Shares by WF Asian Smaller Companies Fund Limited. Both WF Asian Reconnaissance Fund Limited and WF Asian Smaller Companies Fund Limited were managed by Ward Ferry Management (BVI) Limited in the capacity as investment manager. As such, Ward Ferry Management (BVI) Limited was deemed or taken to be beneficially interested in the Shares respectively held by WF Asian Reconnaissance Fund Limited and WF Asian Smaller Companies Fund Limited for the purposes of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any substantial shareholder of the Company within the meaning of the Listing Rules or other person (in each case other than a Director or chief executive of the Company) who had, as at the Latest Practicable Date, an interest or a short position in Shares or underlying Shares which was required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

(c) Interests in 10% or more of shares in subsidiaries

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following are the persons who (not being a member of the Group or a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the subsidiaries of the Company or in any options in respect of such capital:

Name of subsidiary	Name of shareholder	Number of shares held or extent of registered capital in which interested	Approximate percentage of the existing issued share capital or registered capital of the subsidiary
Pro-Brilliance International Development Limited	Long Wise (Holdings) Limited	35 (Note 1)	35%
Pro-Brilliance International Development Limited	Wong Hei See	35 (Note 1)	35%
M.D.T. Sourcing (China) Limited	Morgan SA	382,200 (Note 2)	49%

Notes:

1. The 35 shares were held in trust by Long Wise (Holdings) Limited for the benefit of Ms. Wong Hei See pursuant to a declaration of trust dated 9 August 2003.
2. The 382,200 shares were held by Morgan SA.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than a member of the Group or a Director or chief executive of the Company) who was, as at the Latest Practicable Date, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the subsidiaries of the Company or in any options in respect of such capital.

3. DIRECTORS' SERVICE CONTRACTS

Executive Directors

Each of the executive Directors has entered into a service contract with the Company. Particulars of these contracts are set out below:

Each of the service contracts is for an initial term of three years commencing on from 15 June 2006 unless terminated by not less than three months' notice in writing served by either the Director or the Company. In certain other circumstances, each service contract can also be terminated by the Company, including but not limited to serious breaches of the Directors' obligations under the service contract or serious misconduct.

The current basic annual salaries of the executive Directors are as follows:

Name of Director	Amount (HK\$)
<i>Executive Directors</i>	
Mr. Ngok	1,200,000
Mr. Lam Hon Keung, Keith	360,000
Ms. Tang Chui Yi, Janny	1,800,000
Mr. Wong Ming Yeung	720,000
Mr. Antonio Piva	696,000
Mr. Marcello Appella	840,000

In addition, for the financial year ending 31 December 2006 and each of the financial years thereafter, the executive Directors are also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of the Company may not exceed 15% of the audited consolidated or combined net profit of the Group (after taxation and minority interests but before extraordinary and exceptional items) in respect of the financial year of the Group.

Non-executive Director and independent non-executive Directors

Letters of appointment have been signed by the Company with the non-executive Director and independent non-executive Directors. The non-executive Director and the independent non-executive Directors have been appointed for a term of three years commencing from 15 June 2006. Save for directors' fees of HK\$30,000.00 and HK\$20,000.00 per month for the non-executive Director and each of the independent non-executive Directors respectively, none of the non-executive Director and independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director or independent non-executive Director.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2006 (the date to which the latest published audited accounts of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited financial statements of the Company were made up.

7. EXPERT

- (a) The following are the qualifications of the expert who has given its opinions or advice which are contained in this circular:

Name	Qualifications
Hercules Capital Limited	licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO

- (b) Hercules has no shareholding in any member of the Group and does not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Hercules has no direct or indirect interest in any assets which have been, since 31 December 2006 (the date to which the latest published audited accounts of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or are proposed to be acquired, disposed of by, or leased to any member of the Group.

- (d) Hercules has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter and the reference to its name included herein in the form and context in which they respectively appear.

8. GENERAL

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company at 36th Floor, No. 1 Hung To Road, Kwun Tong, Kowloon, Hong Kong from the date of this circular up to and including 22 August 2007:

- (a) the Articles;
- (b) the Sourcing Agreement;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 9 to 10 of this circular;
- (d) the letter of advice from Hercules, the text of which is set out on pages 11 to 17 of this circular;
- (e) the written consent of Hercules referred to in the section headed “Expert” in this appendix; and
- (f) the service contracts referred to in the section headed “Directors’ service contracts” in this appendix.



HEMBLY INTERNATIONAL HOLDINGS LIMITED
恒寶利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3989

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Hembly International Holdings Limited (the “**Company**”) will be held at 10:00 a.m. on Wednesday, 22 August 2007, at 36th Floor, No. 1 Hung To Road, Kwun Tong, Kowloon, Hong Kong for the purposes of considering and, if thought fit, passing with or without modifications the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the Sourcing Agreement dated 4 July 2007 and made between H4T S.r.l. and Hembly Garment Manufacturing Limited (the “**Sourcing Agreement**”, a copy of which has been produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) and the execution thereof and implementation of all transactions thereunder be and are hereby approved, ratified and confirmed;
- (b) the proposed maximum aggregate annual values of the transactions under the Sourcing Agreement as described in the Circular be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorised to sign, execute, perfect and deliver all such documents and do all such deeds, acts, matters and things as they may in their absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the Sourcing Agreement and all transactions and other matters contemplated thereunder or ancillary thereto, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Sourcing Agreement which in their opinion is not of a material nature and to effect or implement any other matters referred to in this Resolution.”

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

Hong Kong, 26 July 2007

NOTICE OF EGM

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or, where that member holds two or more shares, more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. To be valid, a proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof.
3. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the meeting, in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding. Several executors or administrators of a deceased shareholder in whose name any share stands shall for this purpose be deemed joint holders thereof.
4. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Charm Hero Investments Limited and its associates shall abstain from voting in respect of the resolution set out in the notice as set out above which shall be voted only by way of poll.