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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

Reference is made to the announcement dated 5 July 2007 published by the Company in relation to, inter alia, the Old Sourcing Agreement.

The Old Sourcing Agreement is expiring on 31 December 2008. As it is the intention of Sergio Tacchini to develop the Group into its exclusive sourcing supplier in the Asian region, Sergio Tacchini and Hembly Garment Manufacturing entered into the New Sourcing Agreement. On 14 November 2008, Hembly Garment Manufacturing entered into the New Sourcing Agreement with Sergio Tacchini to set out the terms and conditions of the Sourcing Arrangement. The New Sourcing Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

A circular containing details relating to the New Sourcing Agreement, a letter from an independent committee of the Board containing its advice in respect of the New 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 New 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 5 July 2007 published by the Company in relation to, inter alia, the Old Sourcing Agreement.

BACKGROUND

On 4 July 2007, Hembly Garment Manufacturing entered into the Old Sourcing Agreement with Sergio Tacchini for a term of 19 months commencing from 1 June 2007 to 31 December 2008. Pursuant to the Old Sourcing Agreement, Sergio Tacchini 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 “Sergio Tacchini” and/or “S.T.” that will be manufactured in Asia.

As the Old Sourcing Agreement will expire on 31 December 2008, Sergio Tacchini and Hembly Garment Manufacturing has entered into the New Sourcing Agreement.

PARTICULARS OF THE NEW SOURCING AGREEMENT

Date:	14 November 2008
Parties:	Sergio Tacchini and Hembly Garment Manufacturing
Nature of transaction:	Sergio Tacchini 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 “Sergio Tacchini” and/or “S.T.” 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 Sergio Tacchini will settle directly with the relevant authorities) for each sport apparel, leisure wear and accessory purchased by Sergio Tacchini, payable by Sergio Tacchini to the Group at the end of each month
Effective period:	Three (3) years from 1 January 2009 to 31 December 2011, subject to Sergio Tacchini’s right of termination by giving 3 months’ written notice to Hembly Garment Manufacturing
Condition Precedent:	The New Sourcing Agreement is subject to the approval of the New Sourcing Agreement and the annual caps in relation to the transactions contemplated under the New Sourcing Agreement given by the independent shareholders of the Company in an extraordinary general meeting

REASONS FOR THE TRANSACTION

As disclosed in the announcement dated 5 July 2007, it is the intention of Sergio Tacchini to develop the Group into its exclusive sourcing supplier in the Asian region. The Old Sourcing Agreement will expire on 31 December 2008. Sergio Tacchini intends to continue the existing Sourcing Arrangement with the Group and to scale-up the same. The continuing of the Sourcing Arrangement and the increase in size of orders will definitely broaden revenue of the Group.

ANNUAL CAPS AND BASIS OF ANNUAL CAPS

The annual cap for the Old Sourcing Agreement for the 7 month period ending 31 December 2007 and the year ending 31 December 2008 as approved by the Shareholders in the extraordinary general meeting on 22 August 2007 were HK\$267,521,000 and HK\$362,880,000 respectively.

For the year ended 31 December 2007 and for the six months ended 30 June 2008, the provision of sourcing services by Hembly Garment Manufacturing, its subsidiaries and fellow subsidiaries to Sergio Tacchini amounted to about HK\$213,877,000 and HK\$130,332,000 respectively.

Based on the projection provided by Sergio Tacchini with the projected maximum amount of order that it shall place with the Group, the Board estimates that the annual caps for the amount of sales by the Group to Sergio Tacchini pursuant to the New Sourcing Agreement for the three years ending 31 December 2011 would approximately be HK\$410,000,000, HK\$540,000,000 and HK\$717,000,000 respectively. These annual caps of the New Sourcing Agreement for the three years are determined based on projections provided by Sergio Tacchini. Based on Sergio Tacchini's representations, Sergio Tacchini plans to consolidate all sourcing services with the intention that Hembly Garment Manufacturing will eventually become its exclusive sourcing supplier/agent in the Asian region. The increase in size of orders from Sergio Tacchini pursuant to the New Sourcing Agreement each year will increase the revenue of the Group for each relevant year and therefore the necessity to increase the proposed annual caps pursuant to the New Sourcing Agreement for each of the three years ending 31 December 2011 for 13%, 32% and 33% respectively.

LISTING RULES REQUIREMENTS

Sergio Tacchini is a company wholly-owned by Mr. Ngok and hence a connected person of the Company within the meaning of the Listing Rules. The transactions contemplated under the New 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 New Sourcing Agreement accordingly constitutes a continuing connected transaction of the Company under the Listing Rules.

As each of the relevant percentage ratios set out in the Listing Rules in respect of the annual caps for the amount of sales by the Group in relation to the New 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 New Sourcing Agreement will constitute non-exempt continuing connected transactions for 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 New 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 New Sourcing Agreement and an independent financial adviser has been appointed to advise the independent board committee of the Company.

INFORMATION ON THE GROUP AND SERGIO TACCHINI

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.

Sergio Tacchini is an Italian incorporated company 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 "S.T."

GENERAL

A circular containing, among other things, details relating to the New Sourcing Agreement, a letter from an independent committee of the Board containing its advice in respect of the New 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 New 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 New 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 New Sourcing Agreement and the related annual caps. As at the date of this announcement, Charm Hero Investments Limited holds 101,829,470 shares in the Company, representing approximately 35.98% of the issued share capital of the Company.

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 New Sourcing Agreement) consider that the New Sourcing Agreement was entered into after arm's length negotiations, is on normal commercial terms and on terms no less favourable to the Group than terms available to Independent Third Parties, and that the terms of the New Sourcing 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.

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”	the Company and its subsidiaries
“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

“Independent Third Party(ies)”	an independent third party(ies) which, to the best knowledge and belief of the Directors having made all reasonable enquiries, is/are not connected with the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates
“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
“New Sourcing Agreement”	sourcing agreement dated 14 November 2008 and made between Sergio Tacchini and Hembly Garment Manufacturing setting out terms and conditions of the Sourcing Arrangement for the three years ending 31 December 2011.
“Old Sourcing Agreement”	sourcing agreement dated 4 July 2007 and made between Sergio Tacchini and Hembly Garment Manufacturing setting out terms and conditions of the Sourcing Arrangement which will be expired on 31 December 2008
“Sergio Tacchini”	Sergio Tacchini International S.P.A., previously known as H4T S.R.L., a company incorporated in Italy and indirectly wholly-owned by Mr. Ngok
“Sourcing Arrangement”	the ongoing sourcing arrangement between the Group and Sergio Tacchini whereby the Group sells products to Sergio Tacchini
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 14 November 2008

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, Ms. Tang Wai Ha and Mr. Marcello Appella; two non-executive directors, namely Mr. Antonio Piva and 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.