

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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: 03989)

DISCLOSEABLE TRANSACTION

DISPOSAL OF ENTIRE EQUITY INTEREST IN A SUBSIDIARY

On 10 December 2009 (after trading hours of the Stock Exchange), the Vendor entered into the Disposal Agreement with the Purchaser for the sale of the entire registered capital of the Target for an aggregate cash consideration of HK\$60,000,000. The Target is the Company's wholly-owned subsidiary in Nanjing, the PRC, which sourcing, trading and manufacturing operations have closed down as a result of the reorganization exercise of the Company in the first half of 2009.

The consideration for the sale and purchase of the Sale Capital in the amount of HK\$60,000,000 should be paid by the Purchaser to the Vendor upon Completion.

Completion of the Disposal is subject to fulfillment or waiver (where applicable) of certain conditions precedent as set out in the section headed "Conditions precedent" below.

As the applicable percentage ratios of the Disposal under the Listing Rules exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules.

On 10 December 2009 (after the trading hours of the Stock Exchange), the Vendor entered into the Disposal Agreement with the Purchaser for the sale of the entire registered capital of the Target for an aggregate cash consideration of HK\$60,000,000. The Target is the Company's wholly-owned subsidiary in Nanjing, the PRC, which sourcing, trading and manufacturing operations have closed down as a result of the reorganization exercise of the Company in the first half of 2009.

Disposal agreement:

Date: 10 December 2009

Parties: (i) the Vendor (as vendor)
(ii) the Purchaser (as purchaser)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is an investment holding company and the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be disposed of:

The Sale Capital, representing the entire registered capital of the Target. The Target is the Company's subsidiary in Nanjing, the PRC.

Consideration:

Pursuant to the Disposal Agreement entered into by them dated 10 December 2009, the consideration for the sale and purchase of the Sale Capital in the amount of HK\$60,000,000 will be paid by the Purchaser to the Vendor upon Completion.

The consideration for the Disposal was arrived at after arm's length negotiations between the parties to the Disposal Agreement after taking into account the net asset value of the Target.

The Directors consider that the consideration for the Disposal and the terms of the Disposal Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Conditions precedent

Completion is subject to the following conditions precedent:

- (i) the result of a due diligence exercise to be carried out by the Purchaser on the assets and liabilities, business and prospects of the Target including the books, records, constitutional documents, contracts, accounting records and any other documents relating to the Target and its business being found to be reasonably satisfactory to the Purchaser;
- (ii) all necessary consents, confirmations, licenses, approvals or actions (where applicable) having been obtained from all relevant governmental, regulatory and other authorities, agencies and departments from any applicable jurisdictions (including, but not limited to the Stock Exchange) and banks (where applicable), in connection with the transactions contemplated under the Disposal Agreement;
- (iii) the obtaining of a legal opinion issued by a PRC legal advisor to be appointed by the Purchaser in relation to the business and operation of the Target, subject the PRC jurisdiction;

- (iv) all of the shareholders' loans advanced to the Target having been settled and/or waived in full;
- (v) no event, circumstance, effect, occurrence or state of affairs or any combination thereof arising or occurring on or after the date of the Disposal Agreement which has, or may have, a material adverse effect to the business, operations, assets, financial condition or prospects of the Target; and
- (vi) all necessary consents, confirmations, licenses, approvals or actions (where applicable) in relation to the Purchaser, its holding company(ies) (where any) and its (their) shareholders and directors, from the relevant governmental, regulatory and other authorities, agencies and departments (where applicable), in connection with the transactions contemplated under the Disposal Agreement.

If the above conditions precedent have not been satisfied or waived by the Purchaser except in respect of conditions precedent (ii) and (vi) which could not be waived) on or before 31 March 2010 (or such later date as the parties to the Disposal Agreement may agree), the Disposal Agreement shall cease and terminate and neither party shall have any obligations and liabilities towards each other thereunder, save for any antecedent breaches of the terms of the Disposal Agreement.

Completion

Completion shall take place upon the fulfillment (or waiver by the Purchaser, where applicable) of the conditions precedent referred to above or such other date as the parties to the Disposal Agreement may agree.

INFORMATION OF THE TARGET

The Target is the Company's subsidiary in Nanjing, the PRC, which sourcing, trading and manufacturing operations have been closed down as a result of the reorganization exercise of the Company in the first half of 2009.

Set out below are the unaudited and audited turnover, net (loss)/profit before tax of the Target for the eleven months ended 2009 and two years ended 31 December 2008 and 2007:

	For the eleven months ended 2009	For the year ended 31 December 2008	For the year ended 31 December 2007
	<i>(HK\$'000)</i> (unaudited)	<i>(HK\$'000)</i> (audited)	<i>(HK\$'000)</i> (audited)
Turnover	120,982	361,305	308,622
Net (loss)/profit before tax	(30,901)	9,913	35,281

The audited net asset value of the Target as at 30 November 2009, 31 December 2008 and 31 December 2007 were respectively approximately HK\$77,608,000, HK\$110,376,000 and HK\$94,403,000.

REASONS FOR THE DISPOSAL

Given the operations of the Target have materially closed down as a result of the reorganization exercise of the Company in the first half of 2009 (in light of the global credit crunch and looming global recession which has persisted, coupled with the need for the Company to maintain a higher ability to preserve working capital), the Directors are of the view that the Disposal will allow the Company to benefit from its unused facility and resources in the Target, and enhance the Group with adequate proceeds to increase its liquidity.

The net proceeds from the Disposal of HK\$60,000,000 will strengthen the financial position of the Group. The Group intends to use the proceeds as general working capital.

The Board considers that the terms of the Disposal are fair and reasonable and that the Disposal is in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

The unaudited net asset value of the Target as at 30 November 2009 was approximately HK\$77,608,000. It is expected that a loss of approximately HK\$18,000,000 will accrue to the Group. Such calculation is based on the consideration for the Disposal of HK\$60,000,000 to be received by the Group less the unaudited net asset value of the Target as at 30 November 2009 and the costs and expenses incurred to the Company in relation to the Disposal.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios of the Disposal under the Listing Rules exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

DEFINITION

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

“Board”	the board of Directors
“Company”	Hembly International Holdings Limited, a company incorporated in Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Capital in accordance with the terms of the Disposal Agreement
“connected persons”	has the meaning ascribed to this term under the Listing Rules

“Directors”	directors of the Company
“Disposal”	the disposal of the Sale Capital subject to and upon the terms and conditions of the Disposal Agreement
“Disposal Agreement”	an agreement entered into between the Company and the Purchaser in respect of the Disposal
“Group”	the Company and its subsidiaries
“Hembly (Nanjing) Garment”	恒寶利(南京)服装有限公司 (Hembly (Nanjing) Garment Co., Ltd), a company established in the PRC with limited liability on 7 April 2000 and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Taiwan and Macau Special Administrative Regions
“Purchaser”	Prideful Hill Investments Limited, which is a company incorporated in the British Virgin Island and is principally engaged in investment holding, or its wholly owned subsidiaries
“Sale Capital”	Registered capital of USD3,000,000 of Hembly (Nanjing) Garment
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholders”	the holders of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Hembly (Nanjing) Garment
“Vendor”	Hembly Garment Manufacturing Limited, a company incorporated in Hong Kong with limited liability on 26 March 1997 and a wholly-owned subsidiary of the Company

“HK\$” Hong Kong dollars, the lawful currency for the time being of Hong Kong

“%” per cent.

The English transliteration of the Chinese name in this announcement, where indicated, is included for information only, and should not be regarded as the official English name of such Chinese name.

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

Hong Kong, 10 December 2009

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. Marcello Appella and Mr. Chan Tak Yan; and three independent non-executive directors, namely Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing and Mr. Kwan Hung Sang, Francis.