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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: 03989)

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION  
RELATING TO THE DISPOSAL OF A SUBSIDIARY  
AND  
RESUMPTION OF TRADING**

**Financial Advisor to the Company**

**AmCap**

*Ample Capital Limited*

*豐盛融資有限公司*

**THE AGREEMENT**

The Board is pleased to announce that on 3 December 2008, the Seller, the Purchaser and the Company entered into the Agreement, pursuant to which the Seller has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, for an aggregate cash consideration of HK\$100,000,000, subject to the satisfaction of the Conditions.

Pursuant to the Agreement, the Company as guarantor has unconditionally and irrevocably undertaken and guaranteed, as a continuing obligation, to the Purchaser the due and punctual performance, observance and compliance by the Seller of its obligations in the Agreement and other documents in connection with the Disposal.

**VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION**

The Purchaser is an associate of NWD, which in turn beneficially owns the entire issued share capital of All Field, a substantial shareholder (within the meaning ascribed thereto in the Listing Rules) of Well Metro. The Purchaser is accordingly a connected person of the Company and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Disposal under Rule 14.07 of the Listing Rules exceed 75%, the Disposal also constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. Pursuant to the Listing Rules, the Disposal is subject to the approval by the Independent Shareholders at a general meeting of the Company and the EGM will be convened for such purpose. Smart Fame, which is an associate of NWD and interested in 15,199,320 Shares, representing approximately 5.37% of the total issued share capital of the Company as at the date of this announcement, is required to abstain from voting on the resolution(s) in respect of the Disposal at the EGM. The voting to be taken in the EGM to seek approval of the Disposal will be taken by poll.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, details of the Disposal, the letter from the Independent Board Committee to the Independent Shareholders, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, financial information of the Group and a notice of the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 28 November 2008 pending the release of this announcement. An application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 4 December 2008.

## **THE AGREEMENT**

### **Date:**

3 December 2008

### **Parties:**

Seller : Spring Castle Group Limited (a wholly-owned subsidiary of the Company).

Purchaser : Primewill Investments Limited, further information of which is set out in the paragraph headed "Information on the Purchaser" below.

Guarantor : the Company.

### **Assets to be disposed of:**

The Sale Shares, which represent approximately 83.33% of the issued share capital of Well Metro.

### **Consideration:**

The aggregate consideration for the Disposal is HK\$100,000,000. The Consideration was agreed by the parties after arm's length negotiations with reference to the price earning ratio and the net asset value of the Well Metro Group as at 30 September 2008.

The Consideration is to be satisfied by the Purchaser in the following manner:

- (a) as to HK\$50,000,000 (or its US\$ equivalent) (the "**First Deposit**") shall be paid by way of electronic transfer for same day value upon signing of the Agreement;

- (b) as to HK\$30,000,000 (or its US\$ equivalent) (the “**Second Deposit**”) shall be paid by electronic transfer for same day value upon completion of satisfactory due diligence findings by the Purchaser on the Well Metro Group; and
- (c) as to HK\$20,000,000 (or its US\$ equivalent), being the remaining balance of the Consideration, shall be paid by electronic transfer for same day value on Completion.

If Completion does not take place by the Completion Date or is not capable of taking place for any reason, notwithstanding any rights that the Seller may have, the Seller shall promptly (and in any event within two Business Days of the event giving rise to Completion not taking place or not being able to take place) refund to the Purchaser the First Deposit and, if the Second Deposit has been paid, the Second Deposit in full in immediately available funds by telegraphic transfer for same day value in Hong Kong dollars or United States dollars (as the case may be), without any claims on the Seller’s part for any set-off or counter claim.

**Conditions:**

Completion is conditional upon the satisfaction of the following Conditions:

- (a) the Company having obtained the approval of the Independent Shareholders in the EGM for the Disposal in accordance with the requirements of the Listing Rules;
- (b) the Purchaser being satisfied as to its due diligence findings of the Well Metro Group and whose satisfaction shall be communicated directly to the Seller in writing;
- (c) no event, circumstance, effect, occurrence or state of affairs or any combination thereof arising or occurring on or after the date of the Agreement which has, or may have, a Material Adverse Effect to the business, operations, assets, financial condition or prospects of a member of the Well Metro Group;
- (d) all consents, licenses, approvals or actions of any Governmental Entity in any such jurisdiction required to be obtained or made prior to Completion have been obtained or made in a manner satisfactory to the Purchaser;
- (e) the delivery to the Purchaser of written consents (in form and substance satisfactory to the Purchaser) from Stonefly S.p.A, Moschino S.p.A and any of their respective Affiliates consenting to the sale of the Sale Shares and agreeing to continue their respective business relationships with the relevant member of the Well Metro Group and agreeing not to exercise any right of termination in respect of any agreement governing their respective business relationships with the relevant member of the Well Metro Group by reason of the sale and purchase under the Agreement;
- (f) the delivery to the Purchaser of original documentary evidence showing to the satisfaction of the Purchaser (as determined by the Purchaser in its absolute and unfettered discretion) that the Company owns the brand of “Bond Street”;

- (g) the settlement in full of all of (i) the amounts due to or due from the Company (or its Affiliates) as at Completion; (ii) trust receipt loan and short term loan due to any banking, financial, lending or other similar institution or organisation, the payment due date of which falls on or before 31 December 2008; and (iii) overdue trade payable whose payment due date falls on or before 31 December 2008 (collectively “**Debt**”), of all members of the Well Metro Group to the satisfaction of the Purchaser (as determined by the Purchaser in its absolute and unfettered discretion) such that no member of the Well Metro Group has any unpaid or unsettled Debt as at Completion; and
- (h) completion of the transfer or assignment in full of (i) all the retail outlets, stores inventories, assets, liabilities (whether contingent or otherwise) and commitments of any member of the Well Metro Group that relate to the distribution of the products under the brand of “Sisley” and (ii) the construction-in-progress and land use rights relating to the land and property situated at Bali Town, Yangzhou Economy Development Zone, the PRC owned by a member of the Well Metro Group, in each case at a consideration not less than its net asset value as at the date of the latest management accounts of the relevant member of the Well Metro Group and to entity (not being a member of the Well Metro Group or any entity that is controlled by any member of the Well Metro Group) to the satisfaction of the Purchaser (as determined by the Purchaser in its absolute and unfettered discretion).

With regards to condition (e) above, the relevant members of the Well Metro Group have previously entered into licensing agreements with Stonefly S.p.A and Moschino S.p.A respectively, which contain restrictive covenants prohibiting any change of shareholding of Well Metro and/or members of the Well Metro Group unless written consents from Stonefly S.p.A and Moschino S.p.A have been obtained. As breach of these covenants may result in the termination of the licensing agreements, written consents are therefore required to ensure continued business relationship between the relevant members of the Well Metro Group and Stonefly S.p.A and Moschino S.p.A respectively after Completion.

At any time on or before 11:59 p.m. on the Long Stop Date, any Condition (except condition (a) above) may be waived in writing by the Purchaser only.

If the Conditions have not been satisfied or waived on or before 11:59 p.m. on the Long Stop Date, the Agreement shall automatically terminate and be deemed void and of no effect without any of the parties being liable to any other party in any way whatsoever (except in respect of any rights and liabilities which have accrued before termination) and neither the Seller nor the Purchaser shall be obliged to complete the sale and purchase of the Sale Shares pursuant to the Agreement.

#### **Seller’s undertakings:**

Under the Agreement, the Seller has undertaken to the Purchaser that there will not be any leakage events, other than the permitted leakage events between the date of the Agreement and the Completion Date. Leakage events include, among other things, (i) in the case where the unaudited or, where applicable, audited net asset value of Well Metro as at Completion Date is lower than HK\$142,527,000; and (ii) certain payments made by any member of the Well Metro Group to, or for the benefit of the Seller or any of its Affiliates including, among other things, any dividend or distribution and any management, services or other charges or fees. The Seller has also undertaken to the Purchaser that, if there is a breach of any of such no leakage undertakings by it or any of its Affiliates, it shall pay or procure payment to the Purchaser in cash on the Purchaser’s demand a sum equal to the aggregate of (i) the amount which would be necessary to put the relevant member of the Well Metro Group into the financial position which would have existed had there been no breach of the undertaking and (ii) all costs suffered or incurred by the Purchaser or any of its Affiliates in connection with the breach.

**Completion:**

Completion shall take place at 10:00 a.m. on the Completion Date.

**Guarantee and indemnity**

Pursuant to the Agreement, the Company as guarantor has unconditionally and irrevocably undertaken and guaranteed, as a continuing obligation, to the Purchaser, among other things, (a) the due and punctual performance, observance and compliance by the Seller of its obligations in the Agreement and other documents in connection with the Disposal; and (b) to indemnify the Purchaser against the losses, damages, costs and expenses of collecting any amount payable by the Seller.

**Purchaser's right to terminate:**

The Purchaser may terminate the Agreement by notice to the Seller and the Company at any time before Completion if an event which may have a Material Adverse Effect, a material breach of any warranty given in the Agreement, or any material breach by the Seller of its obligations under the Agreement, arises or occurs at any time before Completion.

**INFORMATION ON THE PURCHASER**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is (i) a company incorporated in the British Virgin Islands and principally engaged in investment holding; and (ii) an associate of NWD, which in turn beneficially owns the total issued share capital of All Field, a substantial shareholder (within the meaning ascribed thereto in the Listing Rules) of Well Metro. Accordingly, the Purchaser is a connected person of the Company.

**INFORMATION ON THE WELL METRO GROUP**

Well Metro is an investment holding company. As at the date of this announcement, Well Metro has in issue 7,500 common shares with a par value of US\$1.00 each, which are owned by the Seller, and 1,500 convertible preferred shares with a par value of US\$1.00 each, all of which are owned by All Field.

The Well Metro Group is principally engaged in the business of distribution and retailing of apparel and accessories in the PRC.

Based on the unaudited consolidated management accounts of Well Metro prepared using Hong Kong Financial Reporting Standards and included in the audited consolidated accounts of the Group, (a) the unaudited consolidated loss before taxation of Well Metro for the year ended 31 December 2006 was approximately HK\$906,000, whilst the unaudited consolidated profit before taxation of Well Metro for the year ended 31 December 2007 was approximately HK\$16,311,000; (b) the unaudited consolidated loss after taxation of Well Metro for the year ended 31 December 2006 was approximately HK\$900,000,

whilst the unaudited consolidated profit after taxation of Well Metro for the year ended 31 December 2007 was approximately HK\$10,417,000; and (c) the unaudited consolidated net asset value of Well Metro as at 31 December 2007 was approximately HK\$114,168,000.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

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.

The Directors are of the view that in the light of the recent global credit crunch and looming global recession, it is of paramount importance that the Group should exercise stringent control of its financial resources at hand. Having appraised the Group's principal business focus in managing the supply chain services and that of Well Metro (i.e., business of distribution and retailing of apparel and accessories in the PRC), the Directors also consider that at these difficult times, it is not in the best interest to devote valuable time and financial resources to the Well Metro Group, which would in turn divert the Group's resources in its principal business of the Group as aforesaid and to cope with the challenges that lie ahead. The Company considers that the Disposal, though will result in the record a loss of approximately HK\$50,000,000 as explained in the paragraph headed "Financial Effects of the Disposal" below, will realize its investment in the Well Metro Group for adequate proceeds to enhance the liquidity of the Group and enable the Group to focus on its principal engagement in the provision of supply chain services for apparel and accessories to international brand apparel makers.

The Directors (save for the members of the Independent Board Committee who will express their view in due course after taking into account the opinion of the independent financial adviser) consider that the terms of the Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

The proceeds from the Disposal will be used for general working capital of the Group.

## **FINANCIAL EFFECTS OF THE DISPOSAL**

Upon Completion, the Company expects to record a loss on disposal of approximately HK\$50,000,000 (after deduction of the related expenses payable by the Group) calculated with reference to the book value of the Well Metro Group. Based on the unaudited consolidated management accounts of Well Metro and exclusive of the Consideration, the Group's consolidated total assets will be decreased by approximately HK\$527,000,000 and the Group's consolidated total liabilities will be decreased by approximately HK\$384,500,000 immediately upon Completion.

Upon Completion, the Company will cease to hold any interests in Well Metro which will cease to be a subsidiary of the Company. The results of the Well Metro Group will no longer be consolidated into the Group's accounts.

## **VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION**

As disclosed in the paragraph headed “Information on the Purchaser” above, the Purchaser is an associate of NWD, which in turn beneficially owns the total issued share capital of All Field, which holds 16.67% interest of the issued share capital of Well Metro and thus is a substantial shareholder (within the meaning ascribed thereto in the Listing Rules) of Well Metro. Accordingly, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Disposal under Rule 14.07 of the Listing Rules exceed 75%, the Disposal also constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. Pursuant to the Listing Rules, the Disposal is subject to the approval by the Independent Shareholders at a general meeting of the Company and the EGM will be convened for such purpose. Smart Fame, which is an associate of NWD and interested in 15,199,320 Shares, representing approximately 5.37% of the total issued share capital of the Company as at the date of this announcement, is required to abstain from voting on the resolution(s) in respect of the Disposal at the EGM. To the best of the knowledge of the Directors, and having made reasonable enquiries, no Shareholders, save for Smart Fame (and its associates) are required to abstain from voting on the resolutions in respect of the Disposal at the EGM. The voting to be taken in the EGM to seek approval of the Disposal will be taken by poll.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether or not the terms of the Agreement (and the transactions contemplated thereunder) are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole. In this connection, an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, details of the Disposal, the letter from the Independent Board Committee to the Independent Shareholders, the letter from an independent financial adviser to the Independent Board Committee and the Independent Shareholders, financial information of the Group and a notice of the EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 28 November 2008 pending the release of this announcement. An application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 4 December 2008.

## DEFINITIONS

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

“Affiliates”	(a) in the case of a person which is a body corporate, any subsidiary or parent company of that person and any subsidiary of any such parent company, in each case from time to time; (b) in the case of a person which is an individual, any spouse, co-habitee and/or lineal descendants by blood or adoption or any person or persons acting in its or their capacity as trustee or trustees of a trust of which such individual is the settler; (c) in the case of a person which is a limited partnership, the partners of the person or their nominees or a nominee or trustee for the person, or any investors in a fund which holds interests, directly or indirectly, in the limited partnership; (d) and any Affiliate of any person in (a) to (c)
“Agreement”	the conditional sale and purchase agreement dated 3 December 2008 entered into by the Seller, the Purchaser and the Company in relation to the sale and purchase of the Sale Shares
“All Field”	All Field Investments Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of NWD
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong
“Company”	Hembly International Holdings Limited, a limited liability company incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Agreement
“Completion Date”	one Business Day after the Seller’s receipt of the Purchaser’s written confirmation of its satisfaction of the Conditions (such date not being later than the Long Stop Date)



“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conditions”	conditions precedent of Completion as more particularly described under the paragraph headed “Conditions” in this announcement
“Consideration”	HK\$100,000,000, being the total amount of consideration for the sale and purchase of the Sale Shares
“Director(s)”	director(s) of the Company
“Disposal”	the disposal by the Seller of the Sale Shares to the Purchaser pursuant to the Agreement
“EGM”	an extraordinary general meeting of the Company to be convened and held for approving, among other things, the Disposal
“Government Entity”	any supra-national, national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof) or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority, including the Stock Exchange and the Securities and Futures Commission
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely, Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing and Mr. Kwan Hung Sang, Francis
“Independent Shareholders”	Shareholders other than Smart Fame and its associates
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	(a) 28 February 2009; or (b) such other date as the parties to the Agreement may at any time and from time to time agree in writing

“Material Adverse Effect”	with respect to Well Metro or any of its subsidiaries, a material adverse effect on the business or financial condition of the Well Metro Group taken as a whole but excluding any event or series of events, in the nature of force majeure, including earthquake, typhoon, flood, or other acts of nature or acts of God, fire, flooding, explosions, civil commotion, acts of government, declaration of a national or international emergency or war, calamity, crisis, economic sanction, riot, outbreak or escalation of hostilities or any other acts of war (whether or not war is declared) or terrorism (whether or not responsibility has been claimed)
“NWD”	New World Development Company Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this announcement shall exclude Hong Kong, Macao and Taiwan
“Purchaser”	Primewill Investments Limited, a company incorporated in the British Virgin Islands
“Sale Shares”	7,500 common shares with a par value of US\$1.00 each in the share capital of Well Metro
“Seller”	Spring Castle Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Smart Fame”	Smart Fame Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

“Well Metro”	Well Metro Group Limited, a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is held as to 83.33% by the Seller and as to 16.67% by All Field, as at the date of this announcement
“Well Metro Group”	Well Metro and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 3 December 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.*