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HEMBLY

Hembly International Holdings Limited
恒寶利國際控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 03989)

Financial Advisor to the Company

AmCap

Ample Capital Limited

豐盛融資有限公司

Placing Agent



Fortune (HK) Securities Limited

PRIVATE PLACING OF NON-LISTED WARRANTS

PLACING OF WARRANTS

On 2 July 2009 (after trading hours), the Company and the Placing Agent entered into the Warrant Placing Agreement whereby the Company appointed the Placing Agent as sole and exclusive placing agent to procure the Placees to subscribe for 55,000,000 Warrants, on a fully underwritten basis, at the Warrant Issue Price of HK\$0.03 per Warrant.

The Warrants entitle the Placees to subscribe for a maximum of 55,000,000 New Shares at an initial Warrant Exercise Price of HK\$0.70 per New Share for a period of 18 months commencing from the date of issue of the Warrants. Each Warrant carries the right to subscribe for one New Share.

Completion of the Warrant Placing Agreement is subject to the fulfillment of the conditions stated in the section headed “Conditions of the Warrant Placing” in this announcement.

It is intended that the net proceeds from the Warrant Placing of approximately HK\$0.71 million will be applied as general working capital of the Group and any additional proceeds from the issue of the New Shares upon the exercise of the subscription rights attaching to the Warrants in future up to a maximum amount of approximately HK\$38.5 million will be applied as general working capital and as funds for future development of the Group.

The New Shares to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants will be issued under the General Mandate. Assuming the full exercise of the subscription rights attaching to the Warrants, the total funds, including the funds raised by the Warrant Placing, to be raised is approximately HK\$39.21 million, net of, among other fees, legal fees, printing expenses and the fees for the application of listing of the New Shares. The Company will apply to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

WARRANT PLACING AGREEMENT

On 2 July 2009, the Warrant Placing Agreement was entered into between the Company and the Placing Agent whereby the Company appointed the Placing Agent as sole and exclusive placing agent to procure the Placees to subscribe for 55,000,000 Warrants, on a fully underwritten basis, at the Warrant Issue Price of HK\$0.03 per Warrant.

Placing Commission

The Placing Agent will receive a commission equal to 2.5% of the Warrant Issue Price multiplied by the aggregate number of units of the Warrants.

Warrant Issue Price and Warrant Exercise Price

The Warrant Issue Price is HK\$0.03 per Warrant payable in cash.

The Warrant Exercise Price is HK\$0.70 per New Share, subject to adjustments for, subdivision or consolidation of shares, rights issues and other dilutive events which may have adverse effects on the rights of the holder of the Warrants.

The Warrant Exercise Price represents:

- (i) a premium of approximately 27.3% to the closing price of HK\$0.55 per Share as quoted on the Stock Exchange on 2 July 2009, being the date of the entering into of the Warrant Placing Agreement;
- (ii) a premium of approximately 17.4% to the average of the closing prices of HK\$0.596 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to 2 July 2009; and
- (iii) a discount of approximately 48.8% over the unaudited net asset value per Share attributable to the Shareholders of HK\$1.367 (based on the audited net asset value of HK\$582,270,000 as at 31 December 2008 over the existing issued share capital of 425,931,000 Shares as at the date of this announcement).

The aggregate of the Warrant Issue Price and the Warrant Exercise Price represents:

- (i) a premium of approximately 32.7% to the closing price of HK\$0.55 per Share as quoted on the Stock Exchange on 2 July 2009, being the date of the entering into of the Warrant Placing Agreement;
- (ii) a premium of approximately 22.5% to the average of the closing prices of HK\$0.596 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to 2 July 2009; and
- (iii) a discount of approximately 46.6% over the unaudited net asset value per Share attributable to the Shareholders of HK\$1.367 (based on the audited net asset value of HK\$582,270,000 as at 31 December 2008 over the existing issued share capital of 425,931,000 Shares as at the date of this announcement).

The Board considers that both the Warrant Issue Price and the Warrant Exercise Price and the aggregate of which are fair and reasonable, which are determined after arm's length negotiations between the Company and the Placing Agent. It is expected that the net price of each New Share to be issued upon the exercise of the rights under the Warrants, after deducting necessary related expenses, will be approximately HK\$0.70 per New Share.

The Placees

The Placing Agent will procure not less than six Placees to subscribe for the 55,000,000 Warrants on a fully underwritten basis. The Placees shall be independent institutional or private investors and each of them and their respective ultimate beneficial owners will be an Independent Third Party prior to and immediately after Completion. Immediately upon the exercise of the subscription rights attaching to the Warrants, it is expected that none of the Placees will become a substantial Shareholder.

Transferability

The Warrants are transferable in integral multiples of 10,000 Warrants subject to the consent of the Company whose consent shall not be unreasonably refused or withheld. The Company undertakes to comply with the Listing Rules and to make necessary announcement, where appropriate, if and when the Placees makes any transfer of the Warrants to other parties requiring disclosure.

Completion Date

Completion of the Warrant Placing will take place on the second Business Day after the fulfillment of the conditions referred to in the section headed "Conditions of the Warrant Placing" below.

Information of the Warrants

The Warrants will be issued to the Placees upon Completion in registered form and constituted by the instrument creating the Warrants. The Warrants will rank pari passu in all respects among themselves.

Each Warrant carries the right to subscribe for one New Share at the Warrant Exercise Price and is issued at the Warrant Issue Price.

The subscription rights attaching to the Warrants may be exercised at any time during a period of 18 months commencing from the date of issue of the Warrants. The New Shares, when fully paid and allotted, will rank pari passu in all respects with the then existing issued Shares of the Company.

A total of 55,000,000 Warrants are proposed to be issued. Upon full exercise of the subscription rights attaching to the Warrants, a total of 55,000,000 New Shares will be issued, representing (i) approximately 12.91% of the issued share capital of the Company of 425,931,000 Shares as at the date of this announcement; and (ii) approximately 11.44% of the issued share capital of the Company as enlarged by the allotment and issue of the New Shares from the full exercise of the subscription rights attaching to the Warrants.

The Warrant Exercise Price will be subject to adjustments (customarily for share consolidation, share subdivision and other adjustment events relating to the issue of securities).

Conditions of the Warrant Placing

The obligations of the Placing Agent under the Warrant Placing Agreement in respect of the Warrant Placing are conditional upon:

- (1) the Placing Agent successfully procuring Placee(s) to place the Warrants during the Placing Period (or such later time and date as the Placing Agent and the Company shall agree in writing) and
- (2) the Company's compliance with and procurement of the compliance of all conditions imposed by the Stock Exchange or by any other competent authority (in Hong Kong or elsewhere) for approval of the issuance of the Warrants or for the listing of and permission to deal in the Shares issued or to be issued on the exercise of the Warrants and ensure the continued compliance thereof (provided in each case that the Placees comply with and satisfies all such conditions).

If the conditions of the Warrant Placing Agreement are not fulfilled on or before 5:00 p.m. on 30 days after the execution of the Placing Agreement (or such later date as may be agreed between the Company and the Placing Agent), the Warrant Placing Agreement will terminate and cease to have any effect and none of the parties shall have any claim against the other save for any antecedent breaches of the provisions thereof.

Voting rights for the holders of the Warrants

The holder of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being holders of the Warrants. The holder of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

Rights of the holders of the Warrants on liquidation of the Company

If the Company is wound up during the subscription period of the Warrants, all subscription rights attaching to the Warrants which have not been exercised shall lapse, save for in the event of a voluntary wind-up, the holders of the Warrants shall be entitled with six weeks after the passing of such resolution approving the winding-up to exercise the subscription rights attaching the Warrants in accordance with the terms and conditions of the Warrants.

Mandate to issue the New Shares

The new Shares will be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 3 June 2009 subject to the limit of 84,909,000 Shares (representing approximately 20% of the aggregate nominal amount of the share capital of the Company in issue on that date). The 55,000,000 new Shares, to be allotted and issued upon full exercise of the subscription rights attaching to the Warrants, will utilise about 64.8% of the General Mandate.

APPLICATION FOR LISTING

The Company will apply to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares which may fall to be allotted and issued upon exercise of the subscription rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

REASONS FOR THE WARRANT PLACING

The Company was incorporated in Cayman Islands under the Companies Law as an exempted company with limited liability on 27 May 2004 and its shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 13 July 2006. The principal activities of the Company and its subsidiaries are the manufacture and sales of apparel and accessories, and distribution and retailing of apparel and footwear.

The Directors concluded that the Warrant Placing would be a good opportunity to raise further capital for the Company in that it will not have an immediate dilution effect on the shareholding of the existing Shareholders and approximately HK\$0.71 million will be raised immediately upon completion of the Warrant Placing. The Directors has considered the immediate funds to be raised is not essential to financing the operations of the Group, whilst the Group currently has sufficient working capital to carry

on its principal activities. However, the Directors are of the view that the Placing would provide the Group an excellent opportunity to raise further substantial funds in the event the Placees exercise their subscription rights attaching to the Warrants. If and when the Warrants are exercised, further funds of HK\$38.5 million will also be raised.

In view of the above, the Directors consider that the proposed issue of the unlisted Warrants is an appropriate method of raising further funds for the Company in the circumstances and that the Warrant Placing Agreement, the terms of which have been arrived at after arm's length negotiations between the Company and the Placing Agent are fair and reasonable and the Warrant Placing Agreement are in the interest of the Company and the Shareholders as a whole.

INTENDED USE OF PROCEEDS

It is expected the net proceeds of approximately HK\$0.71 million (with a net issue price of approximately HK\$0.013 per Warrant) will be raised by the Warrant Placing and the same will be utilised by the Group as its general working capital.

Assuming the full exercise of the subscription rights attaching to the Warrants, it is expected approximately HK\$38.5 million will be raised. The net proceeds of approximately HK\$38.5 million (with a net subscription price of approximately HK\$0.70 per Warrant) will be utilised by the Group for its general working capital.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

During the past 12 months immediately preceding the date of this announcement, the Company announced on 21 January 2009 that the Company and Fortune (HK) Securities Limited entered into an underwriting agreement to implement the open offer. The net proceeds from such open offer is approximately HK\$38.35 million. The proceeds have been applied as general working capital of the Group.

CHANGES OF SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 425,931,000 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the full exercise of the subscription rights attaching to the Warrants are as follows:

Shareholders	As at the date of this announcement		Upon completion of the Placing and full exercise of the subscription rights attaching to the Warrants	
	Shares	%	Shares	%
Charm Hero	152,744,205	35.86%	152,744,205	31.76%
Other Directors	3,968,030	0.93%	3,968,030	0.83%
The Placing Agent (<i>Note 1</i>)	0	0.00%	55,000,000	11.44%
Public				
Existing public Shareholders	<u>269,218,765</u>	<u>63.21%</u>	<u>269,218,765</u>	<u>55.98%</u>
Total	<u><u>425,931,000</u></u>	<u><u>100.00%</u></u>	<u><u>480,931,000</u></u>	<u><u>100.00%</u></u>

Note:

1. These scenarios are for illustration purpose only. It is the intention of the Placing Agent to sub-underwrite most, if not all, of the Warrants to independent third parties so that the Placing Agent will not hold more than 10% of the total issued share capital in the Company after completion of the Placing.

GENERAL

The Company confirmed that the issue of the Warrants comply with rules 15.02(1) and (2) of the Listing Rules. The Company will make further announcement(s) upon completion of the Placing with details of shareholding structures.

DEFINITIONS

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

“Board” the board of Directors

“Business Day” any day (not being a Saturday, Sunday and a public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours

“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 Warrant Placing in accordance with the terms and conditions of the Warrant Placing Agreement
“Directors”	the directors of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 3 June 2009 to allot and issue the New Shares which may be issued on exercise of the Warrants
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a party which is not connected persons (as defined under the Listing Rules) of the Company and is independent of the Company and its connected persons
“New Share(s)”	a maximum of 55,000,000 new Shares which may fall to be allotted and issued upon the exercise of the subscription rights attached to the Warrants
“Placee(s)”	any person or entity whom the Placing Agent have procured to subscribe for the Warrants
“Placing Agent”	Fortune (HK) Securities Limited, a licensed corporation carrying on type 1 regulated activity (Dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Shares of HK\$0.10 in the issued share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

“Warrant(s)”	55,000,000 non-listed warrants to be issued by the Company at the Warrant Issue Price, each entitles the holder thereof to subscribe for one New Share at the Warrant Exercise Price of HK\$0.70 (subject to adjustment) at any time during a period of 18 months commencing from the date of issue of the Warrants
“Warrant Exercise Price”	an initial exercise price of HK\$0.70 per New Share (subject to adjustment) at which holder of the Warrants may subscribe for the New Shares
“Warrant Issue Price”	HK\$0.03 per unit of Warrant to be issued pursuant to the Warrant Placing
“Warrant Placing”	a private placing of the Warrants at the Warrant Issue Price pursuant to the Warrant Placing Agreement
“Warrant Placing Agreement”	the conditional placing agreement dated 2 July 2009 entered into between the Company and the Placing Agent in relation to the Warrant Placing
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 2 July 2009

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Ngok Yan Yu, Mr. Lam Hon Keung, Keith, Ms. Tang Chui Yi, Janny, Mr. Wong Ming Yeung and Mr. Marcello Appella; a non-executive director, namely Mr. Antonio Piva; and three independent non-executive directors, namely Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing and Mr. Kwan Hung Sang, Francis.