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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)

CLARIFICATION ANNOUNCEMENT

Reference is made to the announcement of the Company dated 29 January 2010 regarding the proposed issue of the Convertible Bonds in the principal amount of HK\$156,000,000 and 9,341,000 new Shares at the price of HK\$1.67 per Share.

The Company is deemed to have disposed of approximately 5.44% interest in the issued share capital of the Subsidiary as a result of the issue of the Convertible Bonds pursuant to the Listing Rules. The Deemed Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

This announcement provides further information relating to the Deemed Disposal.

Reference is made to the announcement of the Company dated 29 January 2010 regarding the proposed issue of the Convertible Bonds in the principal amount of HK\$156,000,000 and 9,341,000 new Shares at the price of HK\$1.67 per Share. Unless otherwise defined in this announcement, capitalised terms used herein shall have the same meanings as defined in the Announcement.

DEEMED DISPOSAL

As stated in the Announcement, subject to fulfilment of certain conditions, holders of the Convertible Bonds are entitled to convert the outstanding principal amount of the Convertible Bonds into Subsidiary Shares. Assuming the principal amount of the Convertible Bonds is fully converted into the Subsidiary Shares at the initial Subsidiary Conversion Price of HK\$271,000 per Subsidiary Share, the Subsidiary will issue 575 new Subsidiary Shares, representing approximately 5.44% of the issued share capital of the Subsidiary as enlarged by the issue and allotment of such Conversion Subsidiary Shares. The Company is therefore deemed to have disposed of 5.44% interest in the issued share capital of the Subsidiary as a result of the issue of the Convertible Bonds pursuant to the Listing Rules. As the

applicable percentage ratios for the Deemed Disposal under the Listing Rules is more than 5% and less than 25%, the Deemed Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules.

Information on the Group and the Subsidiary

The Group is principally engaged in manufacturing and sales of apparel and accessories and the waste-to-energy business.

The Subsidiary is a limited liability company which was incorporated in the British Virgin Islands on 8 January 2003. It is an investment holding company with operating subsidiaries principally engaged in waste-to-energy projects, in which municipal solid wastes are processed and used for power generation, in the PRC. The Subsidiary also provides consultancy services in relation to waste-to-energy technology development, design, system integration, project investment, operation and maintenance of waste treatment, especially waste-to-energy projects in the PRC. The Subsidiary became an indirect wholly owned subsidiary of the Company in December 2009.

Set out below is the audited financial information of the Subsidiary for the two years ended 31 December 2008:

	For the year ended	
	31 December 2007	31 December 2008
	<i>(HK\$)</i>	<i>(HK\$)</i>
Turnover	128,669,000	160,051,000
Profit before taxation	20,585,000	39,174,000
Profit after taxation	15,272,000	22,277,000

Based on the audited net asset value of the Subsidiary as at 31 July 2009, the book value of the Deemed Disposal Shares amounts to HK\$14,525,000.

Financial effect of the issue of the Convertible Bonds and the Deemed Disposal on the Group

Upon issue of the Convertible Bonds, the total assets of the Group will be increased by an amount equal to the principal amount of the Convertible Bonds; and the total liabilities of the Group will be increased by an amount equal to the liability component of the Convertible Bonds.

Assuming the principal amount of the Convertible Bonds is fully converted into the Subsidiary Shares at the initial Subsidiary Conversion Price of HK\$271,000 per Subsidiary Share, the Subsidiary will cease to be an indirect wholly owned subsidiary of the Company and will become an indirect 94.56% owned subsidiary of the Company after completion of the Deemed Disposal. The results of the Subsidiary will continue to be consolidated into the Group's financial results. For illustrative purposes, the estimated gain of the group to be derived from the Deemed Disposal will be, subject to audit,

approximately HK\$132,988,000 based on the audited net asset value of the Subsidiary as at 31 July 2009 assuming the principal amount of the Convertible Bonds is fully converted into the Subsidiary Shares at the initial Subsidiary Conversion Price of HK\$271,000 per Subsidiary Share.

DEFINITIONS

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

- “Announcement” the announcement of the Company dated 29 January 2010 regarding a proposed issue of Convertible Bonds in the principal amount of HK\$156,000,000 and 9,341,000 new Shares at the price of HK\$1.67 per Share
- “Deemed Disposal” the deemed disposal of 5.44% of the issued share capital of the Subsidiary by the Company under the Listing Rules due to the possible issue of 575 Subsidiary Shares pursuant to exercise of the conversion rights under the Convertible Bonds
- “Deemed Disposal
Shares” 575 Conversion Subsidiary Shares

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

Hong Kong, 8 February 2010

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Ngok Yan Yu, Mr. Marcello Appella and Mr. Chan Tak Yan; two non-executive directors, namely Mr. Ho Gilbert Chi Hang and Mr. Mok Chung Kwan, Stephen and four independent non-executive directors, namely Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing, Mr. Kwan Hung Sang, Francis and Mr. Cheng Kai Tai, Allen.