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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)**

### **CONNECTED TRANSACTION RELATING TO A SETTLEMENT DEED**

Reference is made to the Acquisition Announcement relating to the Acquisition.

On 23 February 2010, the Company, the Purchaser and Bright King entered into the Settlement Deed relating to release of the Company's obligations under the Bright King Promissory Note and release of the Company's obligation to issue the Performance Based Promissory Note subject to the terms and conditions thereunder.

As the entire issued share capital of Bright King is owned by Mr. Ngok, the chairman, an executive Director and a substantial shareholder of the Company, Bright King is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Settlement Deed constitutes a non-exempted connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Bright King and its associates (including Mr. Ngok) are required to abstain from voting at the EGM to be held to approve the Settlement Deed and the transactions contemplated thereunder.

The Independent Board Committee comprising Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing, Mr. Kwan Hung Sang, Francis and Mr. Cheng Kai Tai, Allen (all independent non-executive Directors) has been established to give an opinion to the Independent Shareholders as to whether the terms of the Settlement Deed are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

A circular containing, among others, (i) details of the Settlement Deed; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Settlement Deed; (iii) a letter of advice from an independent financial adviser to be appointed by the Company to the Independent Board Committee and the Independent Shareholders in relation to the Settlement Deed; and (iv) a notice of EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **BACKGROUND**

Reference is made to the Acquisition Announcement. Completion of the Acquisition took place on 11 December 2009 on which the Company and Full Prosper issued the Bright King Promissory Note and the Bright King Subsidiary Promissory Note respectively to Bright King to satisfy part of the consideration payable by the Group to Bright King for acquisition of the Bright King Sale Shares. Pursuant to the Acquisition Agreement, the Company will also issue to Bright King the Performance Based Promissory Note, the initial principal amount of which will be subject to adjustments based on the audited consolidated results of the Smartview Group for the year ending 31 December 2010, to satisfy part of the consideration for the Group's acquisition of the Bright King Sale Shares. Details of the Bright King Promissory Note, the Bright King Subsidiary Promissory Note and the Performance Based Promissory Note together with the adjustment mechanism relating to its principal amount are set out in the Acquisition Announcement.

On 23 February 2010, the Company, the Purchaser and Bright King entered into the Settlement Deed relating to release of the Company's obligations under the Bright King Promissory Note and release of the Company's obligation to issue the Performance Based Promissory Note subject to the terms and conditions thereunder.

## **SETTLEMENT DEED**

### **Date**

23 February 2010

### **Parties**

- (i) Bright King;
- (ii) the Purchaser; and
- (iii) the Company.

## Major terms of the Settlement Deed

### *In relation to the Bright King Promissory Note*

Pursuant to the Settlement Deed, Bright King agrees with the Purchaser and the Company to release the Company from its obligations under the Bright King Promissory Note and to surrender the Bright King Promissory Note to the Company for cancellation subject to and upon the issue of the Fixed Amount Convertible Note to Bright King by the Company on the First Completion Date.

### *In relation to the Performance Based Promissory Note*

Pursuant to the Settlement Deed, Bright King agrees with the Purchaser and the Company to release the Company from its obligation to issue the Performance Based Promissory Note to Bright King pursuant to the Acquisition Agreement subject to and upon the issue of the Performance Based Convertible Note to Bright King by the Company on the Second Completion Date.

The initial principal amount of HK\$144,000,000 of the Performance Based Convertible Note to be issued to Bright King, will be subject to adjustments, if any, based on the 2010 Net Profit and in the manner as set out below:

- (a) In the event that the 2010 Net Profit is less than HK\$96,000,000, the initial principal amount of the Performance Based Convertible Note will be reduced by the amount to be arrived at by applying the following formula:

$$(\text{HK\$}96,000,000 - 2010 \text{ Net Profit}) \times 12 \times 12.46\%$$

provided that in the event the Smartview Group records a net loss after taxation, minority interest and extraordinary items for the financial year ending 31 December 2010, zero shall be adopted as 2010 Net Profit in the application of the formula.

- (b) In the event that the 2010 Net Profit exceeds HK\$96,000,000, the initial principal amount of the Performance Based Convertible Note will be increased by the amount to be arrived at by applying the following formula:

$$(2010 \text{ Net Profit} - \text{HK\$}96,000,000) \times 12 \times 12.46\%$$

provided that the 2010 Net Profit will be capped at HK\$300,000,000 for the purposes of determining the adjustment of the initial principal amount of the Performance Based Convertible Note, if any.

- (c) No adjustment to the initial principal amount of the Performance Based Convertible Note is required if the 2010 Net Profit equals to HK\$96,000,000.

The bases and manner of adjustments for the initial principal amount of the Performance Based Convertible Note are the same as that for the initial principal amount of the Performance Based Promissory Note.

Based on the adjustment mechanism, the principal amount of the Performance Based Convertible Note will be in the range of HK\$460,800 to HK\$449,020,800.

## **Conditions precedent**

### *Fixed Amount Convertible Note*

Completion of the issue of the Fixed Amount Convertible Note is subject to fulfilment of the following conditions:

- (a) the passing by the Independent Shareholders in general meeting of the necessary resolutions approving the Settlement Deed and all transactions contemplated in or incidental to the Settlement Deed, including the issue of the Convertible Notes to Bright King, in accordance with the Listing Rules;
- (b) the Company, the Purchaser and Bright King having obtained the consent of Simple Success and Bright Good in respect of the Settlement Deed;
- (c) all necessary consents, confirmations, permits, approvals, licences and authorisations having been obtained from all relevant governmental, regulatory or other authorities (including but not limited to the SFC and the Stock Exchange) and any other person(s) in connection with the transactions contemplated under the Settlement Deed having been obtained by the Company and the Purchaser; and
- (d) the Stock Exchange having granted to the Company the listing of, and permission to deal in, the Conversion Shares which may be issued upon exercise of the conversion right under the Fixed Amount Convertible Note.

None of the conditions set out above can be waived by any parties to the Settlement Deed. If these conditions have not been fulfilled by 5:00 p.m. (Hong Kong time) on 31 May 2010 (or such later date as the parties may agree in writing), the issue of the Fixed Amount Convertible Note by the Company pursuant to the Settlement Deed shall not proceed but none of the parties to the Settlement Deed shall have any claim of any nature or liabilities thereunder whatsoever against any of the other parties to the Settlement Deed save for any antecedent breaches of the terms thereof.

### *Performance Based Convertible Note*

Completion of the issue of the Performance Based Convertible Note to Bright King is subject to fulfilment of the following conditions:

- (a) the conditions for the issue of the Fixed Amount Convertible Note as set out in paragraphs (a), (b) and (c) under the section headed “**Conditions precedent — Fixed Amount Convertible Note**” above;
- (b) the Company’s auditor having certified the 2010 Net Profit; and

- (c) the Stock Exchange having granted to the Company the listing of, and permission to deal in, the Conversion Shares which may be issued upon exercise of the conversion right under the Performance Based Convertible Note.

None of the conditions set out above can be waived by any parties to the Settlement Deed. If these conditions have not been fulfilled by 5:00 p.m. (Hong Kong time) on 31 May 2011 (or such later date as the parties may agree in writing), the issue of the Performance Based Convertible Note by the Company pursuant to the Settlement Deed shall not proceed but none of the parties to the Settlement Deed shall have any claim of any nature or liabilities thereunder whatsoever against any of the other parties to the Settlement Deed save for any antecedent breaches of the terms thereof.

### **Completion**

Completion of the issue of the Fixed Amount Convertible Note and the Performance Based Convertible Note will take place on the third business day (or such other day as the parties to the Settlement Deed may agree) after fulfilment of their respective conditions precedent referred to above.

### **Convertible Notes**

The principal terms of the Convertible Notes are set out below:

|                   |   |
|-------------------|---|
| Issuer:           | The Company   |
| Principal amount: | HK\$55 million for the Fixed Amount Convertible Note<br><br>HK\$144 million (subject to adjustments on the bases and in the manner as set out in the section headed “ <b>Major terms of the Settlement Deed</b> ” in this announcement) |
| Maturity date:    | The fifth anniversary of the date of issue of the respective Convertible Notes.   |
| Redemption:       | The Company may not before the maturity date redeem the Convertible Notes. Any principal amount of the Convertible Notes which remains outstanding on the maturity date shall be redeemed at par.                                       |
| Interest:         | Nil   |
| Transferability:  | The Convertible Notes may be assigned or transferred to any transferee provided that such transferee may not be a connected person of the Company (as defined in the Listing Rules).  |

- Conversion:** Holders of the Convertible Notes shall have the right at any time from the date of issue of the Convertible Notes to (and excluding) the fifth business day immediately before the maturity date to convert the whole or part of the outstanding principal amount of the Convertible Notes into shares of the Company.
- Conversion price:** Initially HK\$1.2 per Share (subject to adjustments).
- The Initial Conversion Price is subject to adjustments upon the occurrence of consolidation or subdivision of Shares, capitalization issues, capital distribution, rights issues and issue of new shares or convertible securities of the Company at issue or conversion price at more than 5% discount to the then market price per share of the Company generally.
- Voting rights:** The holders of the Convertible Notes will not be entitled to attend or vote at any general meetings of the Company by reason only of it being the holders of the Convertible Notes.
- Ranking:** The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
- The Conversion Shares will in all respects rank *pari passu* with the shares of the Company in issue on the date of allotment and issue of such Conversion Shares and shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant conversion date.
- Lock-up:** There is no lock-up restriction on subsequent transfer of the Conversion Shares.

Undertakings: The instrument constituting the Convertible Notes will contain undertakings that a holder of the Convertible Notes (i) shall fully comply with all applicable laws, rules and regulations including but not limited to the Listing Rules and the Takeovers Code in respect of the holding of the Convertible Notes, the exercise of its conversion rights under the Convertible Notes, acceptance of Conversion Shares and settlement of the outstanding principal sum of the Convertible Notes; and (ii) it shall not exercise the conversion rights under the Convertible Notes to the extent that following such conversion would result in change in control (as defined under the Takeovers Code) of the Company.

Settlement: Holders of the Convertible Notes may, by serving a written notice to the Company not less than six months before the maturity date of the Convertible Notes designate that the Company shall settle the outstanding amount of the Convertible Notes by the issue of Conversion Shares at the applicable conversion price on the maturity date.

#### **INITIAL CONVERSION PRICE**

The Initial Conversion Price of HK\$1.20, which is the same as the initial conversion price for the Outstanding Convertible Notes, represents:

- (i) a discount of approximately 46.19% to the closing price of HK\$2.23 per Share as quoted on the Stock Exchange on 23 February 2010, being the day on which the Settlement Deed was entered into (the “**Last Trading Day**”);
- (ii) a discount of approximately 44.19% to the average of the closing price of HK\$2.15 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 43.13% to the average of the closing price of approximately HK\$2.11 per Share as quoted on the stock Exchange for the last consecutive ten trading days up to and including the Last Trading Day.

The Initial Conversion Price was determined after arm’s length negotiation between the parties to the Settlement Deed based on the initial conversion price of the Outstanding Convertible Notes.

## **CONVERSION SHARES**

Upon exercise in full of the conversion rights attaching to the Fixed Amount Convertible Note for conversion into Shares, assuming at the Initial Conversion Price of HK\$1.2 per Share, the Company will issue 45,833,333 Conversion Shares, representing (i) approximately 6.26% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 5.89% of the issued share capital of the Company as enlarged by the issue and allotment of such 45,833,333 Conversion Shares; and (iii) approximately 5.10% of the issued share capital of the Company as enlarged by the issue and allotment of all the Conversion Shares (assuming the Performance Based Convertible Note will be issued with the initial principal amount of HK\$144 million).

Upon exercise in full of the conversion rights attaching to the Performance Based Convertible Notes (assuming with the initial principal amount of HK\$144 million) for conversion into Shares, assuming at the Initial Conversion Price of HK\$1.2 per Share, the Company will issue 120,000,000 Shares, representing (i) approximately 16.38% of the issued share capital of the Company as at the date of this announcement; (ii) approximately 14.08% of the issued share capital of the Company as enlarged by the issue and allotment of such 120,000,000 Conversion Shares; and (iii) approximately 13.36% of the issued share capital of the Company as enlarged by the issue and allotment of all the Conversion Shares.

## **EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY**

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the issue of the Placing Shares (assuming no part of the Convertible Bonds has been converted); (iii) immediately after the issue of the Conversion Shares upon full conversion of the Fixed Amount Convertible Note and the Performance Based Convertible Note (assuming with the maximum principal amount of HK\$449,020,800) and issue of new shares of the Company upon full conversion of the Outstanding Convertible Notes to the extent that such exercise

would not result in a change of control under the Takeovers Code (assuming no part of the Convertible Bonds has been converted); and (iv) immediately after the issue of the new shares of the Company upon full conversion of the Convertible Bonds (assuming the Fixed Amount Convertible Note, the Performance Based Convertible Note with the maximum principal amount of HK\$449,020,800 and the Outstanding Convertible Notes have already been converted to the extent that such exercise would not result in a change of control under the Takeovers Code).

|   | As at the date of this announcement |                | Immediately after the issue of the Placing Shares (assuming no part of the Convertible Bonds has been converted) |                | Immediately after the issue of the Conversion Shares upon full conversion of the Fixed Amount Convertible Note and the Performance Based Convertible Note (assuming with the maximum principal amount of HK\$449,020,800) and issue of new shares of the Company upon full conversion of the Outstanding Convertible Notes to the extent that such exercise would not result in a change of control under the Takeovers Code (assuming no part of the Convertible Bonds has been converted)<br>(Note 3) |                | Immediately after the issue of the new shares of the Company upon full conversion of the Convertible Bonds (assuming the Fixed Amount Convertible Note, the Performance Based Convertible Note with the maximum principal amount of HK\$449,020,800 and the Outstanding Convertible Notes have already been converted to the extent that such exercise would not result in a change of control under the Takeovers Code)<br>(Note 3) |                |
|---|-------------------------------------|----------------|--|----------------|---|----------------|--|----------------|
| Mr. Ngok and his associates (including Bright King)                             | 76,594,205<br>(Note 1)              | 10.46%         | 76,594,205   | 10.32%         | 185,148,641   | 19.58%         | 205,931,313  | 19.62%         |
| Other Directors   | 3,858,030                           | 0.52%          | 3,858,030  | 0.52%          | 3,858,030   | 0.41%          | 3,858,030  | 0.37%          |
| <b>Mr. Ngok, his associates (including Bright King) and other Directors</b>     | 80,452,235                          | 10.98%         | 80,452,235   | 10.84%         | 189,006,671   | 19.99%         | 209,789,343  | 19.99%         |
| <b>Simple Success and Best View Enterprises Limited</b>                         | 136,400,000<br>(Note 2)             | 18.62%         | 136,400,000  | 18.39%         | 189,006,671   | 19.99%         | 209,789,343  | 19.99%         |
| <b>Holders of the Outstanding Convertible Notes (other than Simple Success)</b> | —                                   | 0.00%          | —  | 0.00%          | 42,500,000  | 4.49%          | 42,500,000   | 4.05%          |
| <b>The Subscriber</b>   | —                                   | 0.00%          | 9,341,000  | 1.26%          | 9,341,000   | 0.99%          | 71,741,000   | 6.84%          |
| <b>Other public Shareholders</b>  | 515,651,765                         | 70.40%         | 515,651,765  | 69.51%         | 515,651,765   | 54.54%         | 515,651,765  | 49.13%         |
| <b>Total issued shares</b>  | <b>732,504,000</b>                  | <b>100.00%</b> | <b>741,845,000</b>   | <b>100.00%</b> | <b>945,506,107</b>  | <b>100.00%</b> | <b>1,049,471,451</b>   | <b>100.00%</b> |

*Notes:*

1. The relevant Shares include 76,344,205 Shares held by Charm Hero Investments Limited, a wholly owned subsidiary of Mensun Limited (which was controlled by Mr. Ngok) and 250,000 Shares held by the spouse of Mr. Ngok as at the date of this announcement.
2. The relevant Shares include 60,000,000 Shares held by Simple Success and 76,400,000 Shares held by Best View Enterprises Limited (an associate of Mr. Cheng Yu Tung who is a director of New World Development Company Limited) as at the date of this announcement.
3. This column shows the shareholding structure with the Undertaking taken into account.

For illustration purposes and taking into no account of the Undertaking, the following table sets out the shareholding structure of the Company (i) immediately after the issue of the Placing Shares (assuming no part of the Convertible Bonds has been converted); (ii) immediately after the issue of the Conversion Shares upon full conversion of the Fixed Amount Convertible Note and the Performance Based Convertible Note (assuming with the maximum principal amount of HK\$449,020,800) (assuming no part of the Outstanding Convertible Notes or the Convertible Bonds has been converted); (iii) immediately after the issue of the Conversion Shares upon full conversion of the Fixed Amount Convertible Note and the Performance Based Convertible Note (assuming with the maximum principal amount of HK\$449,020,800) and the issue of new shares of the Company upon full conversion of the Outstanding Convertible Notes (assuming no part of the Convertible Bonds has been converted); and (iv) immediately after the issue of the new shares of the Company upon full conversion of the Convertible Bonds (assuming the Fixed Amount Convertible Note, the Performance Based Convertible Note with the maximum principal amount of HK\$449,020,800 and the Outstanding Convertible Notes have already been converted in full).

|   | Immediately after the issue of the Placing Shares (assuming no part of the Convertible Bonds has been converted) |                | Immediately after the issue of the Conversion Shares upon full conversion of the Fixed Amount Convertible Note and the Performance Based Convertible Note (assuming with the maximum principal amount of HK\$449,020,800) (assuming no part of the Outstanding Convertible Notes or the Convertible Bonds has been converted) |                | Immediately after the issue of the Conversion Shares upon full conversion of the Fixed Amount Convertible Note and the Performance Based Convertible Note (assuming with the maximum principal amount of HK\$449,020,800) and the issue of new shares of the Company upon full conversion of the Outstanding Convertible Notes (assuming no part of the Convertible Bonds has been converted) |                | Immediately after the issue of the new shares of the Company upon full conversion of the Convertible Bonds (assuming the Fixed Amount Convertible Note, the Performance Based Convertible Note with the maximum principal amount of HK\$449,020,800 and the Outstanding Convertible Notes have already been converted in full) |                |
|---|--|----------------|---|----------------|---|----------------|--|----------------|
| Mr. Ngok and his associates (including Bright King)                             | 76,594,205<br>(Note 1)   | 10.32%         | 496,611,538   | 42.74%         | 496,611,538   | 32.02%         | 496,611,538  | 30.78%         |
| Other Directors   | 3,858,030  | 0.52%          | 3,858,030   | 0.33%          | 3,858,030   | 0.25%          | 3,858,030  | 0.24%          |
| <b>Mr. Ngok, his associates (including Bright King) and other Directors</b>     | <b>80,452,235</b>  | <b>10.84%</b>  | <b>500,469,568</b>  | <b>43.07%</b>  | <b>500,469,568</b>  | <b>32.27%</b>  | <b>500,469,568</b>   | <b>31.02%</b>  |
| <b>Simple Success and Best View Enterprises Limited</b>                         | <b>136,400,000</b><br>(Note 2)   | <b>18.39%</b>  | <b>136,400,000</b>  | <b>11.74%</b>  | <b>483,066,666</b>  | <b>31.14%</b>  | <b>483,066,666</b>   | <b>29.94%</b>  |
| <b>Holders of the Outstanding Convertible Notes (other than Simple Success)</b> | <b>—</b>   | <b>0.00%</b>   | <b>—</b>  | <b>0.00%</b>   | <b>42,500,000</b>   | <b>2.74%</b>   | <b>42,500,000</b>  | <b>2.63%</b>   |
| <b>The Subscriber</b>   | <b>9,341,000</b>   | <b>1.26%</b>   | <b>9,341,000</b>  | <b>0.80%</b>   | <b>9,341,000</b>  | <b>0.60%</b>   | <b>71,741,000</b>  | <b>4.45%</b>   |
| <b>Other public Shareholders</b>  | <b>515,651,765</b>   | <b>69.51%</b>  | <b>515,651,765</b>  | <b>44.39%</b>  | <b>515,651,765</b>  | <b>33.25%</b>  | <b>515,651,765</b>   | <b>31.96%</b>  |
| Total issued shares   | <u>741,845,000</u>   | <u>100.00%</u> | <u>1,161,862,333</u>  | <u>100.00%</u> | <u>1,551,028,999</u>  | <u>100.00%</u> | <u>1,613,428,999</u>   | <u>100.00%</u> |

*Notes:*

- The relevant Shares include 76,344,205 Shares held by Charm Hero Investments Limited, a wholly owned subsidiary of Mensun Limited (which was controlled by Mr. Ngok) and 250,000 Shares held by the spouse of Mr. Ngok as at the date of this announcement.
- The relevant Shares include 60,000,000 Shares held by Simple Success and 76,400,000 Shares held by Best View Enterprises Limited (an associate of Mr. Cheng Yu Tung who is a director of New World Development Company Limited) as at the date of this announcement.

## **REASONS FOR ENTERING INTO THE SETTLEMENT DEED**

Given the principal amount of each of the Fixed Amount Convertible Note and the Performance Based Convertible Note is the same as that of the Bright King Promissory Note and the Performance Based Promissory Note, respectively, and all of them are non-interest bearing, the financial position of the Company will not be adversely affected by entering into the Settlement Deed. At the same time, the transaction will provide the Company with the opportunity to enjoy the potential benefits of settling the principal amounts of the Convertible Notes in whole or in part through the issue of the Conversion Shares, hence improving the liquidity and the financial position of the Group.

Having considered that the Initial Conversion Price is the same as the initial conversion price of the Outstanding Convertible Notes and the benefits of entering into the Settlement Deed as set out above, the Directors consider that the terms of the Settlement Deed are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The view of independent non-executive Directors will be formed after taking into account the advice from the independent financial adviser to be appointed by the Company and their view will be incorporated in the circular to be despatched to the Shareholders.

## **GENERAL**

The Group is principally engaged in manufacturing and sales of apparel and accessories, and the waste-to-energy business. Bright King is an investment holding company incorporated in the BVI.

Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

As the entire issued share capital of Bright King is owned by Mr. Ngok, the chairman, an executive Director and a substantial shareholder of the Company, Bright King is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Settlement Deed constitutes a non-exempted connected transaction on the part of the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Bright King and its associates (including Mr. Ngok) are required to abstain from voting at the EGM to be held to approve the Settlement Deed and the transactions contemplated thereunder.

The Independent Board Committee comprising Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing, Mr. Kwan Hung Sang, Francis and Mr. Cheng Kai Tai, Allen (all independent non-executive Directors) has been established to give an opinion to the Independent Shareholders as to whether the terms of the Settlement Deed are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Settlement Deed.

A circular containing, among others, (i) details of the Settlement Deed; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Settlement Deed; (iii) a letter of advice from an independent financial adviser to be appointed by the Company to the Independent Board Committee and the Independent Shareholders in relation to the Settlement Deed; and (iv) a notice of EGM will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

## **DEFINITIONS**

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

|                               |  |
|-------------------------------|--|
| “Acquisition”                 | the acquisition of the entire issued share capital of Smartview from the Vendors   |
| “Acquisition Agreement”       | the conditional sale and purchase agreement dated 8 September 2009 entered into amongst the Vendors, the Purchaser, the Company and Mr. Ngok in relation to the Acquisition (together with its supplemental agreement dated 18 September 2009) |
| “Acquisition Announcement”    | the announcement of the Company dated 23 September 2009 relating to the Acquisition  |
| “Board”                       | board of Directors   |
| “Bright Good”                 | Bright Good Limited, a company incorporated in BVI, being one of the Vendors   |
| “Bright King”                 | Bright King Investments Limited, a company incorporated in the BVI, being the vendor of the Bright King Sale Shares under the Acquisition Agreement  |
| “Bright King Promissory Note” | the promissory note in the principal amount of HK\$55 million issued by the Company to Bright King on 11 December 2009 to satisfy part of the consideration for the Bright King Sale Shares pursuant to the Acquisition Agreement              |
| “Bright King Sale Shares”     | 3,453 issued ordinary shares of US\$1.00 each in the capital of the Smartview, representing approximately 34.53% of the issued share capital of Smartview  |

|  |   |
|--|---|
| “Bright King Subsidiary Promissory Note” | the promissory note in the principal amount of HK\$200 million issued by Full Prosper to Bright King to satisfy part of the consideration for the Bright King Sale Shares   |
| “BVI”                                    | the British Virgin Islands  |
| “Company”                                | Hembly International Holdings Limited (stock code: 03989), a company incorporated in Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange   |
| “Conversion Shares”                      | new shares of the Company which may be issued under the Convertible Notes   |
| “Convertible Bonds”                      | convertible bonds in the principal amount of HK\$156 million which are proposed to be issued pursuant to a subscription agreement dated 29 January 2010 and entered into between the Company and the Subscriber, details of the proposed issue are set out in the announcement of the Company dated 29 January 2010 |
| “Convertible Notes”                      | collectively the Fixed Amount Convertible Note and the Performance Based Convertible Note   |
| “Director(s)”                            | director(s) of the Company  |
| “EGM”                                    | An extraordinary general meeting of the Company to be convened for the purpose of considering, and thought fit, approving the Settlement Deed and the transactions contemplated thereunder  |
| “First Completion Date”                  | the date on which the Fixed Amount Convertible Note will be issued in accordance with the Settlement Deed   |
| “Fixed Amount Convertible Note”          | the convertible note in the principal amount of HK\$55 million to be issued by the Company to Bright King on the First Completion Date pursuant to the Settlement Deed  |
| “Full Prosper”                           | Full Prosper Holdings Limited, a wholly-owned subsidiary of the Company   |
| “Group”                                  | the Company and its subsidiaries  |
| “Hong Kong”                              | the Hong Kong Special Administrative Region of the PRC  |
| “Independent Board Committee”            | an independent committee of the Board comprising Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing, Mr. Kwan Hung Sang, Francis and Mr. Cheng Kai Tai, Allen established for the purpose of advising the Independent Shareholders regarding the Settlement Deed   |

|                                      |   |
|--------------------------------------|---|
| “Independent Shareholders”           | Shareholders other than Bright King and its associates (including Mr. Ngok)   |
| “Initial Conversion Price”           | HK\$1.2 per Share (subject to adjustments)  |
| “Listing Rules”                      | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Mr. Ngok”                           | Mr. Ngok Yan Yu   |
| “Outstanding Convertible Notes”      | the convertible notes issued to Simple Success and Bright Good on 11 December 2009 pursuant to the Acquisition Agreement with the outstanding principal amount of HK\$467,000,000 as at the date of this announcement   |
| “Performance Based Convertible Note” | the convertible note in the principal amount of HK\$144 million (subject to adjustments) to be issued by the Company to Bright King on the Second Completion Date pursuant to the Settlement Deed   |
| “Performance Based Promissory Note”  | the promissory note in the initial principal amount of HK\$144 million (subject to adjustments) to be issued by the Company to Bright King to satisfy part of the consideration for the Bright King Sale Shares pursuant to the Acquisition Agreement                                       |
| “Placing Shares”                     | 9,341,000 new placing shares which are proposed to be issued pursuant to a subscription agreement dated 29 January 2010 and entered into between the Company and the Subscriber, details of the proposed issue are set out in the announcement of the Company dated 29 January 2010         |
| “Purchaser”                          | Rising Boom Enterprises Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company  |
| “Second Completion Date”             | the date on which the Performance Based Convertible Note will be issued in accordance with the Settlement Deed  |
| “Settlement Deed”                    | a deed of settlement dated 23 February 2010 and entered into among the Company, the Purchaser and Bright King relating to release of the Company’s obligations under the Bright King Promissory Note and release of the Company’s obligation to issue the Performance Based Promissory Note |

|                   |   |
|-------------------|---|
| “SFC”             | the Securities and Futures Commission of Hong Kong  |
| “Share(s)”        | ordinary share(s) of HK\$0.1 each in the capital of the Company   |
| “Shareholder(s)”  | holder(s) of the Share(s)   |
| “Simple Success”  | Simple Success Investments Limited, a company incorporated in the BVI, being one of the Vendors and a wholly-owned subsidiary of New World Development Company Limited, a company incorporated in Hong Kong and whose shares are listed on the Main Board of the Stock Exchange   |
| “Smartview”       | Smartview Investment Holdings Ltd., an investment holding company and a wholly owned subsidiary of the Company and the issued share capital of which was acquired by the Purchaser from the Vendors on 11 December 2009 pursuant to the Acquisition Agreement   |
| “Smartview Group” | Smartview and its subsidiaries  |
| “Stock Exchange”  | The Stock Exchange of Hong Kong Limited   |
| “Subscriber”      | Waste Resources G.P. Limited as general partner for and on behalf of Waste Resources Fund L.P.  |
| “Takeovers Code”  | The Hong Kong Code on Takeovers and Mergers, as amended from time to time   |
| “Undertaking”     | Undertaking of the holders of each of the Convertible Notes and the Outstanding Convertible Notes not to exercise the conversion rights if such conversion would result in change in control (as defined in the Takeovers Code) under the instrument constituting the Convertible Notes and the Outstanding Convertible Notes |
| “Vendors”         | Simple Success, Bright King and Bright Good, being the vendors of the entire issued share capital of Smartview under the Acquisition Agreement  |
| “HK\$”            | Hong Kong dollars, the lawful currency of Hong Kong   |
| “%”               | per cent  |

“2010 Net Profit” the audited consolidated net profit after taxation, minority interest and extraordinary items of the Smartview Group for the financial year ending 31 December 2010 as certified by the Company’s auditor

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

Hong Kong, 23 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.*