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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: 3989)

**PLACING OF NEW SHARES,  
ENTERING INTO THE INVESTMENT TERM SHEET AND  
RESUMPTION OF TRADING**

**Placing Agent**



**PLACING OF NEW SHARES**

The Company and the Placing Agent entered into the Placing Agreement with the Placing Agent on 24 November 2009, whereby the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, a maximum of 25,000,000 Placing Shares to independent Placées at a price of HK\$2.60 per Placing Share.

The maximum of 25,000,000 Placing Shares represent (i) approximately 4.76% of the existing issued share capital of the Company of 524,852,000 Shares; and (ii) approximately 4.55% of the Company's issued share capital of 549,852,000 Shares as enlarged by completion of the Placing.

The gross proceeds from the Placing will be up to a maximum of approximately HK\$65 million. The Company plans to use the net proceeds from the Placing of up to approximately HK\$63.5 million for the general working capital of the Group.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares.

**Completion of the Placing is subject to the satisfaction of the condition precedent in the Placing Agreement.**

**As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### **ENTERING INTO THE INVESTMENT TERM SHEET**

After the trading hours on 20 November 2009, the Company entered into the Investment Term Sheet with the Investor in relation to the Proposed CB Subscription and the Proposed Share Issuance. The Investment Term Sheet is non-legally binding save for clauses in relation to break fee and confidentiality.

**The Proposed CB Subscription and the Proposed Share Issuance are subject to further negotiations by the parties to reach a formal agreement. As the Proposed CB Subscription and the Proposed Share Issuance may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### **RESUMPTION OF TRADING**

At the request of the Company, trading of the Shares has been suspended with effect from 9:30 a.m. on 23 November 2009 pending the release of this announcement. Trading of the Shares will resume at 9:30 a.m. on 25 November 2009.

## **THE PLACING AGREEMENT**

### **Date**

24 November 2009

### **Issuer**

The Company

### **Placing Agent**

CCB International Capital Limited

The Placing Agent, CCB International Capital Limited, has conditionally agreed to place a maximum of 25,000,000 Placing Shares on a best efforts basis. The Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

## **Placees**

The Placing Shares will be placed by the Placing Agent on a best effort basis to Placee(s) who, and whose ultimate beneficial owners, will not be connected persons of the Company and will not be connected with the directors, chief executive, or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules). It is expected that none of the Placee(s) will become a substantial Shareholder (as defined in the Listing Rules) immediately after the Placing. In the event that the number of Placees is less than six in numbers, further announcement will be made to provide details of the Placee(s) in compliance with the Listing Rules.

## **Placing Shares**

The maximum of 25,000,000 Placing Shares represent (i) approximately 4.76% of the existing issued share capital of the Company of 524,852,000 Shares; and (ii) approximately 4.55% of the Company's issued share capital of 549,852,000 Shares as enlarged by completion of the Placing (assuming that no new Shares will be issued from the date of this announcement until Completion).

## **Ranking of the Placing Shares**

The Placing Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares.

## **Placing Price**

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent with reference to current market price of the Shares. The Placing Price of HK\$2.60 represents:

- (i) a premium of approximately 10.64% to the closing price of HK\$2.35 per Shares as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 15.66% to the average closing price of approximately HK\$2.248 per Shares as quoted on the Stock Exchange for the last 5 consecutive trading days including the Last Trading Day;
- (iii) a premium of approximately 14.84% to the average closing price of approximately HK\$2.264 per Shares as quoted on the Stock Exchange for the last 10 consecutive trading days including the Last Trading Day;
- (iv) a premium of approximately 16.12% to the average closing price of approximately HK\$2.239 per Shares as quoted on the Stock Exchange for the last 20 consecutive trading days including the Last Trading Day;

The Directors consider that the terms of the Placing Agreement are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

### **General Mandate**

The Placing Shares will be allotted and issued under the general mandate to allot, issue and deal with Shares granted to the Directors by a resolution of the Shareholders passed at the Company's extraordinary general meeting held on 7 October 2009 subject to the limit up to 20% of the then issued ordinary Shares with a par value of HK\$0.10 each in the capital of the Company. Under the general mandate, the Company is authorized to issue up to 102,126,200 Shares. Up to the date of this announcement, no new Shares have been issued under the general mandate. The Placing and the issue of new Placing Shares are not subject to Shareholders' approval.

### **Conditions precedent to completion of the Placing**

Completion of the Placing is conditional upon:

- (i) the Listing Committee of the Stock Exchange agreeing to grant a listing of and permission to deal in the Placing Shares (either unconditionally or subject to conditions which are acceptable to the Company and the Placing Agent); and
- (ii) no representation, warranty or undertaking under this Agreement having been breached in any material respect by the Company or is otherwise rendered inaccurate, untrue or misleading in any material respect, in each case on or prior to the Completion Date.

If the conditions precedent are not fulfilled by 31 December 2009, the Placing will lapse and all rights, obligations and liabilities of the parties hereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against any other in respect of the Placing, save for any antecedent breaches of the Placing Agreement.

### **Completion of the Placing**

Completion of the Placing will take place on the third Business Day next following fulfilment of the conditions precedent as set out in the Placing Agreement or such later day as the Placing Agent (after consultation with the Company) may inform the Company in writing, on which Completion shall take place, which date of Completion in any event shall be no later than 7 January 2010 (or such later date as may be agreed by the parties hereto).

Further announcement(s) will be made by the Company upon completion of the Placing.

## **Termination**

**Notwithstanding anything contained in the Placing Agreement, if at any time on or prior to the Completion Date:**

- (a) in the opinion of the Placing Agent, there shall have been, since the date of the Placing Agreement, such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or**
- (b) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Completion Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provisions of the Placing Agreement; or**
- (c) any suspension of dealings in the Shares for more than five (5) consecutive trading days (other than as a result of the Placing or the issue of convertible bonds and new Shares as contemplated in the non-legally binding investment term sheet entered into by the Company on 20 November 2009); or**
- (d) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Completion Date,**

**then and in any such case, the Placing Agent may after consultation with the Company (to the extent that the same is reasonably practicable) terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to the Completion Date.**

## **Application for Listing**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Placing Shares.

**Completion of the Placing is subject to the satisfaction of the conditions precedent as set out in the Placing Agreement.**

**As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **OTHER INFORMATION ON THE PLACING**

### **Reasons for the Placing and Use of Proceeds**

The Company was incorporated in the 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 since 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.

As announced in the Company's announcement dated 23 September 2009 and circular dated 23 November 2009, the Company entered into an acquisition agreement on 8 September 2009, pursuant to which the Group has conditionally agreed to acquire the entire issued share capital of the Target Company at a total consideration of HK\$1,155.54 million (subject to adjustment). The Target Company is an investment holding company and, together with its subsidiaries, is carrying on the principal business of waste-to-energy technology and services and which specializes in technology development, design, system integration, project investment, operation and maintenance of waste treatment, especially waste-to-energy projects in the PRC. The acquisition constitutes a very substantial acquisition and connected transaction for the Company under the Listing Rules. An extraordinary general meeting of the Company is scheduled to be convened on 9 December 2009 to consider and approve the said acquisition.

The gross proceeds from the Placing will be up to a maximum of approximately HK\$65 million. The Company plans to use the net proceeds from the Placing, which amount to a maximum of approximately HK\$63.5 million, for strengthening the capital of the Group. The net proceeds raised per Placing Share is approximately HK\$2.54.

Under the prevailing market conditions, the Directors are of view that the Placing will enlarge the shareholder base and capital base of the Company, and will strengthen the Group's financial position. Accordingly, the Directors consider that the Placing is in the interests of the Company and the Shareholders as a whole.

### **Effect on shareholding structure**

The existing and enlarged shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after Completion (assuming there are no further issue of new Shares from the date of this announcement up to Completion), (iii) immediately after the issue of Shares upon conversion of the Simple Success Convertible Notes and the Bright Good Convertible Notes (as defined in the

Company's announcement dated 23 September 2009 and its circular dated 23 November 2009) to the extent that such issue does not result in a change of control in the Company, and (iv) immediately after the issue of the Shares upon conversion in full of the Simple Success Convertible Notes and the Bright Good Convertible Notes are set out below:

Shareholders	As at the date of this announcement		Immediately after Completion		Immediately after the issue of Shares upon conversion of the Simple Success Convertible Notes and the Bright Good Convertible Notes to the extent that such issue does not result in a change of control in the Company		Immediately after the issue of Shares upon conversion in full of the Simple Success Convertible Notes and the Bright Good Convertible Notes (Note 2)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Charm Hero (Note 1)	152,744,205	29.10	152,744,205	27.78	152,744,205	15.33	152,744,205	13.72
Other Directors (other than Mr. Ngok Yan Yu)	3,968,030	0.76	3,968,030	0.72	3,968,030	0.40	3,968,030	0.36
Simple Success Investment Limited and parties acting in concert with it (Note 2)	-	-	-	-	289,932,320	29.10	406,666,666	36.53
Bright Good Limited and parties acting in concert with it (Note 2)	-	-	-	-	156,700,000	15.73	156,700,000	14.08
<b>Public Shareholders</b>								
The Placees	-	-	25,000,000	4.55	25,000,000	2.51	25,000,000	2.25
Others	368,139,765	70.14	368,139,765	66.95	368,139,765	36.94	364,959,765	32.78
<b>Total</b>	<b>524,852,000</b>	<b>100</b>	<b>549,852,000</b>	<b>100</b>	<b>996,484,320</b>	<b>100</b>	<b>1,113,218,666</b>	<b>100</b>

**Notes:**

1. These Shares are held by Charm Hero Investments Limited, a wholly owned subsidiary of Mensun Limited, which was controlled by Mr. Ngok Yan Yu, chairman and an executive Director of the Company.
2. Each of Simple Success Investments Limited and Bright Good Limited will undertake to the Company under the respective instruments constituting the Simple Success Convertible Notes and Bright Good Convertible Notes not to exercise the conversion rights if such conversion would result in change in control (as defined in the Hong Kong Code on Takeovers and Mergers). The shareholding of Simple Success Investments Limited in the Company of about 36.53% set out in the last column is for illustrative purpose only.

## **Fund raising activities in the past twelve months**

<b>Date of Announcement</b>	<b>Transaction</b>	<b>Net proceeds raised</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
21 January 2009	Open offer of 141,515,000 new Shares on a fully underwritten basis	HK\$40.16 million	To be used for the general working capital of the Group	Used as intended
2 July 2009	Private placing of 55,000,000 warrants and the subsequent partial conversion of the warrants	HK\$38.83 million	To be used for the general working capital of the Group	Used as intended
27 August 2009	Placing of 29,900,000 new Shares under general mandate	HK\$16.91 million	To be used for the general working capital of the Group	Used as intended

Save as disclosed above, the Company has not conducted any other fund raising exercise in the past twelve months before the date of this announcement.

## **ENTERING INTO THE INVESTMENT TERM SHEET**

On 20 November 2009, the Company entered into the Investment Term Sheet with the Investor in relation to the Proposed CB Subscription and the Proposed Share Issuance. The Investment Term Sheet is non-legally binding save for clauses in relation to break fee and confidentiality.

Set out below is a summary of the principal terms of the Proposed CB Subscription under the Investment Term Sheet:–

Issuer:	the Company
Investor:	Waste Resources Fund L.P. and/or its affiliated funds
Instrument:	Convertible Bonds
Principal Amount:	HK\$156 million
Issue Price:	100% of the principal amount of the Convertible Bond.
Transferability:	The Convertible Bonds are transferrable.
Conversion Option:	Right of Investor to convert the Convertible Bonds into Shares or Target Shares.

- Conversion Price:
- (i) In case of conversion into the Shares, at an initial conversion price of HK\$2.60 per Share.
  - (ii) In case of conversion into the Target Shares, at an initial conversion price to be calculated based on a pre-money equity value of the Target Company of HK\$2,818 million.

The Conversion Price is subject to customary anti-dilution adjustments in both cases.

Conversion Period: Any time from 30 calendar days after the issue date of the Convertible Bonds (the “**Closing Date**”) up to and including the Maturity Date.

Maturity Date: the 5th anniversary of the issued date of the Convertible Bonds

Interest: Nil

Use of proceeds: to finance the Target Company’s development of waste-to-energy projects in the PRC and working capital purposes

- Redemption:
- (i) on the Maturity Date at an amount that will give the bondholders an internal rate of return of 10% on the principal; or
  - (ii) on the 3rd anniversary of the Closing Date (the “**Reference Date**”) at an amount that will give the bondholders an internal rate of return of 10% on the principal from the Closing Date up to the Reference Date, which option shall be exercisable by the bondholders if (and only if) the volume weighted average trading price of the Shares on each trading day in the period of 30 consecutive trading days before the day immediately prior to the Reference Date is less than the Conversion Price on the Reference Date; or
  - (iii) on bondholders’ demand following the occurrence of an event of default; or
  - (iv) on request by the Company at any time the principal amount of the Convertible Bonds outstanding is equal to or less than 10% of the aggregate principal amount of the Convertible Bonds, at an amount that will provide the bondholders an internal rate of return of 10% on the principal from the Closing Date to the date of redemption.

- Conditions Precedent: Completion of the Proposed CB Subscription shall be conditional upon, among other things:
- (i) completion of the Company's proposed acquisition of the Target Company (as announced by the Company on 23 September 2009 and its circular dated 23 November 2009);
  - (ii) granting by the Stock Exchange of the listing of, and permission to deal in, the Shares so converted; and
  - (iii) the results of due diligence investigations on the Company being satisfactory to the Investor and issuance of legal opinions and comfort letters by relevant professional parties satisfactory to the Investor.
- Break Fee:
- (i) the Company shall bear all legal expenses up to an agreed cap if the transaction contemplated in the Investment Term Sheet does not reach its closing; and
  - (ii) the Investor shall bear all its own legal and other out-of-pocket expenses if the transaction contemplated in the Investment Term Sheet has reached its closing but the Investor fails to produce the funds.

In addition to the Proposed CB Subscription, the Investment Term Sheet has set forth certain principal terms of the Proposed Share Issuance, whereby the parties intend to enter into a share placement agreement for the Investor to subscribe HK\$15.6 million worth of new Shares to be issued by the Company on the Closing Date (as defined above) at a subscription price representing approximately 10% discount to the last traded price prior to the Proposed Share Issuance (subject to final determination by the Company). The proceeds raised from the Proposed Share Issuance shall be used to finance the Target Company's development of waste-to-energy projects in the PRC and working capital purposes.

The Investment Term Sheet also contemplates a strategic alliance between the Company and the Investor to explore various business opportunities in the municipal and industrial waste treatment, waste-to-energy and related activities in the PRC.

It is a term of the Investment Term Sheet that the parties shall negotiate in good faith so as to enter into a formal agreement in relation to the Proposed CB Subscription and the Proposed Share Issuance by 18 December 2009, or at a later date as mutually agreed in writing.

**The Investment Term Sheet is non-legally binding (save for clauses relating to break fee and confidentiality) and subject to further negotiations by the parties to reach a formal agreement.**

**As the Proposed CB Subscription and the Proposed Share Issuance may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **RESUMPTION OF TRADING**

At the request of the Company, trading of the Shares has been suspended with effect from 9:30 a.m. on 23 November 2009 pending the release of this announcement. Trading of the Shares will resume at 9:30 a.m. on 25 November 2009.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, Sunday and any other public holidays and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which banks generally are open for business in Hong Kong
“Company”	Hembly International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Placing Agreement in accordance with its terms
“Completion Date”	the 3rd Business Day next following the fulfilment of all the conditions precedent as set out in the Placing Agreement or such later day as the Placing Agent (after consultation with the Company) may inform the Company in writing, on which Completion shall take place, which date of Completion in any event shall be no later than 7 January 2010 (or such later date as may be agreed by the parties hereto)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Bond(s)”	the convertible bond(s) in a principal amount of HK\$156 million proposed to be issued to the Investor by the Company pursuant to the Investment Term Sheet

“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Administrative Region of the PRC
“Investment Term Sheet”	a non-legally binding investment term sheet dated 20 November 2009 and entered into between the Company and the Investor in relation to the Proposed CB Subscription and the Proposed Share Issuance
“Investor”	Waste Resources Fund L.P., an exempted limited partnership established in the Cayman Islands which aims to provide capital appreciation through diversified exposure to a global portfolio of waste-related investments, and/or its affiliated funds. Waste Resources Fund L.P. invests in industrial, urban and rural waste processing with a focus on high growth markets. FourWinds Capital Management is the manger of Waste Resources Fund L.P. Waste Resources Fund L.P. and its affiliated funds are independent third parties to the Company
“Last Trading Day”	20 November 2009, being the last trading day of the Shares prior to the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	any individual, corporate, institutional investors or other investors procured by or on behalf of the Placing Agent to purchase any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of up to 25,000,000 Placing Shares by or on behalf of the Placing Agent to the Placees pursuant to the Placing Agreement
“Placing Agent”	CCB International Capital Limited, a licensed person registered under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“Placing Agreement”	the placing agreement dated 24 November 2009 and entered into between the Company and the Placing Agent in respect of the Placing
“Placing Price”	the placing price of HK\$2.60 per Placing Share

“Placing Shares”	up to an aggregate of 25,000,000 new Shares to be allotted and issued under the Placing
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed CB Subscription”	the proposed subscription by the Investor of the convertible bond(s) in a principal amount of HK\$156 million to be issued by the Company under the terms of the Investment Term Sheet
“Proposed Share Issuance”	the proposed subscription by the Investor of HK\$15.6 million worth of new Shares to be issued by the Company under the terms of the Investment Term Sheet
“Share(s)”	ordinary share(s) with a par value of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Smartview Investment Holdings Ltd, a company incorporated in the BVI with limited liability, the entire issued share capital of which being the subject of the conditional very substantial acquisition and connected transaction as described in the Company’s announcement dated 23 September 2009 and its circular dated 23 November 2009
“Target Share(s)”	the ordinary share(s) with a par value of US\$1.00 each in the capital of the Target Company
“%”	per cent

By order of the Board of  
**HEMBLY INTERNATIONAL HOLDINGS LIMITED**  
**Ngok Yan Yu**  
*Chairman*

Hong Kong, 24 November 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.*