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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)

**(1) VERY SUBSTANTIAL ACQUISITION  
AND CONNECTED TRANSACTION  
AND  
(2) RESUMPTION OF TRADING**

**Financial Advisor to the Company**

**AmCap**

*Ample Capital Limited*

*豐盛融資有限公司*

**VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION**

The Board is pleased to announce that on 8 September 2009, the Company, the Purchaser (a wholly-owned subsidiary of the Company), the Vendors and the Warrantor entered into the Acquisition Agreement. Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire the Sale Shares from the Vendors at a total consideration of HK\$1,155.54 million (subject to adjustment). Bright King, being one of the Vendors, whose ultimate beneficial owner is the Warrantor, an executive Director of the Company and is interested in approximately 30.37% of the total number of issued Shares as at the date of this announcement, and is therefore a connected person of the Company. As at the date of this announcement, an associate of Simple Success (being one of the Vendors) holds more than 10% of interests in a subsidiary of the Company, Simple Success is therefore also a connected person of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Bright Good and its ultimate beneficial owner are Independent Third Parties.

The Target Company is an investment holding company and the Target Group 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 Consideration of HK\$1,155.54 million shall be satisfied by the Group: (i) as to HK\$488 million by issuing the Simple Success Convertible Notes to Simple Success at Completion; (ii) as to HK\$268.54 million by issuing the Bright Good Convertible Notes in the principal value of HK\$188.04 million and by issuing the Bright Good Promissory Note with a principal amount of HK\$80.5 million to Bright Good at Completion; (iii) as to HK\$255 million by issuing the Bright King Promissory Note to Bright King in the principal amount of HK\$55 million and by procuring the issue of the Bright King Subsidiary Promissory Note by Full Prosper to Bright King in the principal amount of HK\$200 million at Completion; and (iv) as to HK\$144 million (subject to adjustment) by issuing the Performance Based Promissory Note to Bright King within seven days after certification of the 2010 Net Profit (as defined below) by the Company's auditor.

Completion of the Acquisition is subject to fulfillment or waiver (where applicable) of certain conditions precedent as set out in the section headed "Conditions precedent" below.

## **GENERAL**

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and a connected transaction on the part of the Company under Chapter 14A of the Listing Rules by reason of the fact that each of Bright King and Simple Success is a connected person of the Company. The Acquisition is therefore subject to the Independent Shareholders' approval under Chapter 14A of the Listing Rules at the EGM at which each of Warrantor and Simple Success and their respective associates will have to abstain from voting.

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

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 2 September 2009 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 24 September 2009.

## **THE ACQUISITION AGREEMENT**

### **Date**

8 September 2009 (as supplemented on 18 September 2009)

### **Parties**

- (i) Simple Success, as one of the Vendors;
- (ii) Bright King, as one of the Vendors;
- (iii) Bright Good, as one of the Vendors;
- (iv) Rising Boom Enterprises Limited, as the Purchaser;
- (v) the Company; and
- (vi) the Warrantor.

Simple Success, Bright King and Bright Good are investment holding companies and will beneficially own the Simple Success Sale Shares, the Bright King Sale Shares and the Bright Good Sale Shares, respectively, which in aggregate, constitute the entire issued share capital of the Target Company immediately prior to the Completion. Bright King, being one of the Vendors, whose ultimate beneficial owner is the Warrantor, an executive Director of the Company and is interested in approximately 30.37% of the total number of issued Shares as at the date of this announcement, and is therefore a connected person of the Company. As at the date of this announcement, an associate of Simple Success (being one of the Vendors) holds more than 10% of interests in a subsidiary of the Company, Simple Success is therefore also a connected person of the Company under the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Bright Good and its ultimate beneficial owner are Independent Third Parties. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Vendors has had any prior transaction with the Group that may require aggregation under Rule 14.22 of the Listing Rules. The Company had previously entered into transactions with an associate of the ultimate holding company of Simple Success, details of which were disclosed in the Company's announcement dated 3 December 2009 and 8 September 2009 respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Simple Success, Bright Good and their respective ultimate beneficial owners are independent to each other.

## **Assets to be acquired**

The Sale Shares which shall constitute the entire issued share capital of the Target Company. As at the date of the Acquisition Agreement, the Target Company had in issue 7,000 ordinary shares of US\$1.00 each, of which 4,676 of the said ordinary shares are beneficially owned by Bright King and 2,324 of the said ordinary shares are beneficially owned by Bright Good. The Target Company also had in issue 3,000 preferred shares of US\$1.00 each which were beneficially owned by Simple Success as at the date of the Acquisition Agreement, which are convertible into 3,000 ordinary shares of US\$1.00 each in the capital of the Target Company.

It is one of the conditions precedent to the Completion of the Acquisition that Simple Success shall have completed the Simple Success Acquisition and exercised the conversion rights attached to the 3,000 preferred shares, which are convertible into 3,000 ordinary shares of US\$1.00 each in the capital of the Target Company.

## **Consideration**

The Consideration is HK\$1,155.54 million, which shall be satisfied by the Group in the following manner:

- (i) as to HK\$488 million by issuing the Simple Success Convertible Notes to Simple Success at Completion;
- (ii) as to HK\$268.54 million
  - (a) by issuing the Bright Good Convertible Notes in the principal value of HK\$188.04 million to Bright Good at Completion; and
  - (b) by issuing the Bright Good Promissory Note in the principal amount of HK\$80.5 million to Bright Good at Completion;
- (iii) as to HK\$255 million
  - (a) by issuing the Bright King Promissory Note to Bright King in the principal amount of HK\$55 million at Completion; and
  - (b) by procuring the issue of the Bright King Subsidiary Promissory Note by Full Prosper to Bright King in the principal amount of HK\$200 million at Completion; and
- (iv) as to HK\$144 million (subject to adjustment) by issuing the Performance Based Promissory Note to Bright King within seven days after the issue of the certification of the 2010 Net Profit by the Company's auditor.

The principal amount of the Performance Based Promissory Note will be adjusted with reference to the net profit after taxation, minority interest and extraordinary items of the Target Group for the financial year ending 31 December 2010 as certified by the auditors of the Company (the “**2010 Net Profit**”).

In the event that the 2010 Net Profit is less than HK\$96,000,000, the principal amount of the Performance Based Promissory Note shall be reduced by the amount equivalent to:

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

In the event that the Target 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 the 2010 Net Profit for the purpose of the above formula.

In the event that the 2010 Net Profit is more than HK\$96,000,000, the principal amount of the Performance Based Promissory Note shall be increased by the amount equivalent to:

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

For the purpose of adjustment under this Performance Based Promissory Note, the 2010 Net Profit to be adopted in the above formula will be capped at HK\$300 million.

The Performance Based Promissory Note will be issued to Bright King within seven days after the auditors of the Company have certified the 2010 Net Profit.

The Consideration was arrived at after arm’s length negotiations between the parties to the Acquisition Agreement and based on the figure of HK\$96,000,000, the benchmark for adjustment to the Consideration, multiplied by a price-earning ratio of twelve.

The formula for adjustment to the Performance Based Promissory Note was arrived at after arms’ length negotiation between the parties to the Acquisition Agreement based on a price-earning ratio of twelve and the ratio of the principal amount of the Performance Based Promissory Note (before adjustment) to the Consideration, which being approximately 12.46%.

### **Conditions precedent**

Completion is subject to the following conditions precedent:

- (i) the result of a due diligence exercise to be carried out by the Purchaser on the assets and liabilities, business and prospects of the Target Group including the books, records, constitutional documents, contracts, accounting records and any other documents relating to the Target Group and its business being found to be reasonably satisfactory to the Purchaser;

- (ii) submission by the Vendors to the Purchaser of an independent professional valuation of the Target Group carried out by a valuer acceptable to the Purchaser certifying the valuation of the Target Group as being not less than HK\$1,155.54 million as at the date of the Acquisition Agreement;
- (iii) Simple Success having been issued the Simple Success Sale Shares pursuant to its exercise of the conversion rights attaching to 3,000 preferred shares in the capital of the Target Company in issue and the completion of the Simple Success's Acquisition;
- (iv) all necessary consents, confirmations, permits, approvals, licences and authorisations having been obtained from all relevant governmental, regulatory and other authorities, agencies and departments in Hong Kong (including but not limited to the SFC and the Stock Exchange), banks and landlords (where applicable) in connection with the transactions contemplated under the Acquisition Agreement;
- (v) the Stock Exchange, if required, approving the issue of the Convertible Notes and the Listing Committee granting the listing of, and permission to deal in the Conversion Shares;
- (vi) the passing by the Independent Shareholders in general meeting of the necessary resolutions approving the Acquisition Agreement and all transactions contemplated in or incidental to the Acquisition Agreement (if any) in accordance with the Listing Rules;
- (vii) all other necessary waivers, consents and approvals (if required) in relation to the Purchaser, its holding company(ies) and its (their) shareholders and directors from the relevant governmental or regulatory authorities in Hong Kong (including the Stock Exchange) and other applicable jurisdictions required for the Acquisition Agreement and the transactions contemplated herein being obtained;
- (viii) Simple Success having obtained its internal approval, if required, on the sale of the Simple Success Sale Shares to the Purchaser on the terms set out in the Acquisition Agreement;
- (ix) no indication from the SFC that the Vendors and parties acting in concert with it is required to make a mandatory general offer to all shareholders of the Company under the Takeovers Code and no indication from the Stock Exchange that the transactions contemplated under the Acquisition Agreement constitute a reverse takeover as defined in the Listing Rules;
- (x) save as disclosed as allowed under the Acquisition Agreement, all warranties of Bright King and the Warrantor under the Acquisition Agreement remaining true and accurate as at Completion and the Vendors shall have performed or complied, in all material respects, with their covenants and agreements contained herein and required to be performed or complied with by the Vendors at or prior to the date of Completion;

- (xi) the granting of a specific mandate by the Independent Shareholders in general meeting approving and authorizing the allotment and issue of the Conversion Shares in accordance with the Listing Rules;
- (xii) the obtaining of a legal opinion issued by a PRC legal advisor to be appointed by the Purchaser in relation to the business and operation of the Target Group subject to the PRC jurisdiction;
- (xiii) the form and substance of the Disclosure Letter delivered to the Purchaser by Bright King are reasonably satisfactory to the Purchaser; and
- (xiv) all of the shareholders' loans advanced to the Target Group having been settled and/or waived in full.

If the above conditions precedent have not been satisfied (or as the case may be, waived by the Purchaser except in respect of conditions precedent (iii), (iv), (v), (vi), (vii), (viii), (ix) and (xi) which could not be waived) on or before 31 March 2010 (or such later date as the parties to the Acquisition Agreement may agree), the Acquisition Agreement shall cease and terminate and neither party shall have any obligations and liabilities towards each other thereunder save for antecedent breaches of the terms of the Acquisition Agreement.

## **Completion**

Completion shall take place upon the fulfillment (or waiver by the Purchaser, where applicable) of the conditions precedent referred to above or such other date as the parties to the Acquisition Agreement may agree.

## **Promissory Note**

The principal terms of the Bright Good Promissory Note, the Bright King Promissory Note, the Bright King Subsidiary Promissory Note and the Performance Based Promissory Note are the same except:

- (i) the holder of the promissory notes;
- (ii) the principal amount (see the information set out under the section headed "Consideration" above for further details);
- (iii) the maturity date of the respective promissory notes;
- (iv) the transferability of the respective promissory notes; and
- (v) all the Bright Good Promissory Note, the Bright King Promissory Note, and the Performance Based Promissory Note are to be issued by the Company whereas the Bright King Subsidiary Promissory Note will be issued by Full Prosper.

The principal terms of the Bright Good Promissory Note, the Bright King Promissory Note, the Bright King Subsidiary Promissory Note and the Performance Based Promissory Note are as follows:

**Maturity date:** For the Bright Good Promissory Note, the third anniversary of the date of issue of the relevant promissory notes.

For the Bright King Promissory Note, the Bright King Subsidiary Promissory Note and the Performance Based Promissory Note, the fifth anniversary of the date of issue of the relevant promissory notes.

**Redemption:** The issuer of the promissory note shall redeem the notes at their respective the principal amount in whole at the maturity date.

**Interest:** Nil

**Transferability:** The Bright Good Promissory Note is transferable by Bright Good.

None of the Bright King Promissory Note, the Bright King Subsidiary Promissory Note and the Performance Based Promissory Note is transferable.

### **Convertible Notes**

The principal terms of the Simple Success Convertible Notes and the Bright Good Convertible Notes are the same except (i) holder of the relevant convertible notes; and (ii) the principal amount (see the information set out under the section headed “Consideration” above for further details).

The principal terms of Simple Success Convertible Notes and the Bright Good Convertible Notes are as follows:

**Issuer:** The Company

**Principal amount:** HK\$488 million for the Simple Success Convertible Notes;  
HK\$188.04 million for the Bright Good Convertible Notes.

**Maturity date:** The fifth anniversary of the date of issue of the Convertible Notes.

**Redemption:** The Company may not before the maturity date redeem the Convertible Notes.

Any 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). The Convertible Note may be assigned or transferred in whole or in part (in whole multiples of HK\$1,000,000) of its outstanding principal amount.
- Conversion: Holder 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 in full board lot of shares or multiples thereof provided further that any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Notes is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Notes may be converted.
- Initial Conversion Price: The Convertible Notes shall be converted at the Initial Conversion Price of HK\$1.20 per Conversion Share (subject to adjustment).
- The Initial Conversion Price of HK\$1.20 represents:
- (i) a premium of approximately 22.45% over the closing price of HK\$0.98 per Share as quoted on the Stock Exchange on 1 September 2009, being the last trading day (the “**Last Trading Day**”) prior to suspension of trading in the Shares on the Stock Exchange pending release of this announcement;
  - (ii) a premium of approximately 53.06% over the average of the closing prices of HK\$0.784 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 premium of approximately 69.01% over the average of the closing prices of approximately HK0.71 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 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 at issue or conversion price at more than 5% discount to the then market price per Share.

- Voting rights: The holder 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 holder 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 issued upon exercise of the Conversion Right will in all respects rank *pari passu* with the Shares in issue on the date of allotment and issue of such Shares and accordingly 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.
- Listing: The Convertible Notes will not be listed on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.
- 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 noteholder of the Convertible Notes that (i) it 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, acceptance of Conversion Shares and settlement of the outstanding principal sum of the Convertible Notes and (ii) it shall not exercise the Conversion Rights to the extent that following such conversion it would result in change in control (as defined under the Takeovers Code) of the Company.
- The Company is entitled to refuse to comply with request for conversion of the Convertible Notes if the exercise of such Conversion Rights will breach the undertaking on the part of the noteholder.
- 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.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following chart sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the issue of the Conversion Shares upon exercise of the Conversion Rights under the Bright Good Convertible Notes in full and the issue of the Conversion Shares upon exercise of the Conversion Rights under the Simple Success Convertible Notes to the extent that such exercise does not result in a change of control in the Company; and (iii) for illustrative purpose only, the issue of the Conversion Shares upon full conversion of the Bright Good Convertible Notes and the issue of the Conversion Shares upon full conversion of the Simple Success Convertible Notes:

	As at the date of this announcement		Immediately after the issue of the Conversion Shares upon exercise of the Conversion Rights under the Bright Good Convertible Notes in full and the issue of the Conversion Shares upon exercise of the Conversion Rights under the Simple Success Convertible Notes to the extent that such exercise does not result in a change of control in the Company		Immediately after the issue of the Conversion Shares upon full conversion of the Bright Good Convertible Notes and the issue of the Conversion Shares upon full conversion of the Simple Success Convertible Notes (for illustrative purpose only) (Note 2)	
	Number of Shares	Approximate percentage of shareholding %	Number of Shares	Approximate percentage of shareholding %	Number of Shares	Approximate percentage of shareholding %
Charm Hero (Note 1)	152,744,205	30.37	152,744,205	16.21	152,744,205	14.32
Directors (other than Mr. Ngok Yan Yu)	3,968,030	0.79	3,968,030	0.42	3,968,030	0.37
Simple Success and parties acting in concert with it (Notes 2 & 3)	0	0	282,547,266	29.99	406,666,667	38.14
Bright Good and parties acting in concert with it (Note 2)	0	0	156,700,000	16.63	156,700,000	14.70
Public	346,178,765	68.84	346,178,765	36.75	346,178,765	32.47
<b>Total</b>	<b><u>502,891,000</u></b>	<b><u>100.00</u></b>	<b><u>942,138,266</u></b>	<b><u>100.00</u></b>	<b><u>1,066,257,667</u></b>	<b><u>100.00</u></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.
2. Each of Simple Success and Bright Good will undertake to the Company under the instrument constituting the Convertible Notes not to exercise the conversion rights if such conversion would result in change in control (as defined in the Takeovers Code). The shareholding of Simple Success in the Company of about 38.14% is for illustrative purpose only.
3. Simple Success is an indirectly wholly-owned subsidiary of New World Development Company Limited (“New World”), a company incorporated in Hong Kong and whose issued shares are listed on the Main Board of the Stock Exchange. An associate of New World holds 15,199,320 Shares as at the date of this announcement.

## **INFORMATION ON THE TARGET GROUP**

The Target Group has commenced its existing business operation in 2002 and the Target Company is a company incorporated in the BVI on 8 January 2003 with limited liability to become the holding company of the Target Group. The entire issued share capital of the Target Company is collectively wholly owned by the Vendors as at the date of this announcement. The Target Company is principally engaged in investment holding. The Target Group comprises over 40 companies with approximately 80 full time employees as at the date of this announcement and has representative offices in Germany, Beijing, Shanghai and Guangzhou of the PRC.

The Target Group is carrying on the principal business of waste-to-energy projects by which municipal solid wastes would be processed and used for power generation. The waste-to-energy projects undertaken by the Target Group are “Build-Operate-Transfer” projects or “Build-Operate-Own” projects, whether on their own or in joint ventures with PRC partners. The “Build-Operate-Transfer” projects or “Build-Operate-Own” projects allow the recovery of initial construction costs through operating revenue of such projects during the requisite concession periods. As at the date of this announcement, the Target Group has secured interest in waste-to-energy projects in Beijing, Shanghai, Nanchang, Guangzhou, Nanjing and Shenzhen in the PRC.

The Target Group 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 Target Group generates revenues from the designing of waste treatment installations, the procurement of waste treatment materials and equipments, together with waste treatment fees and energy tariffs. The Target Group has also partnered with waste treatment conglomerates in Europe and taken part in waste treatment projects in Europe.

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

	<b>For the year ended 31 December 2007</b>	<b>For the year ended 31 December 2008</b>
	<i>HK\$</i> (audited)	<i>HK\$</i> (unaudited)
Turnover	89,983,520	83,186,121
Profit before taxation	11,726,631	26,971,591
Profit after taxation	8,778,670	14,674,374

The unaudited net asset value of the Target Group as at 31 December 2008 was approximately HK\$284,686,073.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the results, assets and liabilities of the Target Company together with its subsidiaries will be consolidated into the Group's financial statements.

#### **INFORMATION ON WASTE-TO-ENERGY TECHNOLOGY AND SERVICES BY THE TARGET GROUP**

Since its establishment, the Target Group has introduced to the PRC advanced technologies on waste-to-energy that have been widely adopted in Europe. The Target Group has also successfully developed an unique municipal solid waste comprehensive treatment solution, aiming to maximize the effectiveness in transforming waste to non-hazardous materials and resources.

Under the Target Group's unique municipal solid waste comprehensive treatment solution, the waste-to-energy business of the Target Group applies two core technologies, namely, the waste incineration technology and the anaerobic digestion treatment technology.

The waste incineration technology involves the combustion of materials and/or substances. Incineration of waste materials will convert the waste into bottom ash, flue gases, particulates, and heat, which can in turn be used to generate electric power. The flue gases are cleaned of pollutants before they are dispersed in the atmosphere.

The anaerobic digestion treatment technology is a series of processes in which microorganisms break down biodegradable material in the absence of oxygen. As part of an integrated waste management system, anaerobic digestion reduces the emission of landfill gas into the atmosphere. Anaerobic digestion will produce methane and carbon dioxide rich biogas which are suitable for energy production. Also, residue produced from the anaerobic digestion treatment also includes nutrient-rich substances which can be used as fertilizer.

Anaerobic digestion facilities have been recognized by the United Nations Development Program as one of the most useful decentralized sources of energy supply as they are less capital intensive than large power plants.

With the benefit of the combination of the two afore-mentioned technologies, the Target Group could successfully and effectively transform waste to energy.

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in manufacturing and sales of apparel and accessories and distribution and retailing of apparel and footwear.

The Board is of the view that given the economic downturn for the past year and current global economic outlook where consumers are on the whole reducing their spending, the return of the existing business is likely to remain sluggish. The Company has been both considering and seeking opportunities to diversify its business in light of the recent economic climate and noted that the waste treatment, renewable energy and services sector is an area worthy of exploration given the wave of global environmental awareness, supportive government policies around the world including the PRC and the various traditional energy-related crises. Under the 11th Five-Year Plan of the PRC, it is expected that the electricity generated from waste-to-energy technology will be 0.5 Gigawatts and it will grow to 3.3 Gigawatts by 2020. The Renewable Energy Law of China was also passed in 2005 which states that it is a national and public obligation to transform waste to energy.

Having carried out initial research on the Target Group, the Board considers that it offers growth potential in this area. Research by renowned securities house indicated that turning waste into energy is gaining popularity. The US burns 14% of its trash in waste-to-energy plants and the percentage for Denmark is 54%. The Board is of the view that there is considerable unexploited potential for waste-to-energy business in the PRC.

The Directors consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The view of independent non-executive Directors on the terms of the Acquisition will be formed at the circular stage after taking into account the advice from the independent financial adviser.

## **GENERAL**

As the relevant applicable percentage ratios of the Acquisition pursuant to Rule 14.07 of the Listing Rules exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Further, since the Warrantor, being the ultimate beneficial owner of one of the Vendors, namely Bright King, is also an executive Director of the Company and is interested in approximately 30.37% of the total number of issued Shares as at the date of this announcement, Bright King is an associate of the Warrantor and thus connected person of the Company under Chapter 14A of the Listing Rules. As at the date of this announcement, an associate of Simple Success (being one of the Vendors) holds more than 10% of interests in a subsidiary of the Company, Simple Success is

therefore also a connected person of the Company under the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction on the part of the Company and is therefore subject to the Independent Shareholders' approval under Chapter 14A of the Listing Rules at the EGM at which the Warrantor and Simple Success and their associates will have to abstain from voting.

The Acquisition is an attempt of the Company to diversify its business. It is the present intention of the Company to continue its existing principal business notwithstanding completion of the Acquisition. The Company confirms that the Acquisition does not constitute nor is part of a transaction or arrangement or series of transactions or arrangements which constitute an attempt to achieve a listing of the assets to be acquired and a means to circumvent the requirements for new applicants as required under Chapter 8 of the Listing Rules.

The acquisition costs for the Simple Success Sale Shares by Simple Success and the Bright King Sale Shares by Bright King were approximately HK\$413 million and HK\$477.4 million respectively.

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

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

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 2 September 2009 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 24 September 2009.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares from the Vendors by the Purchaser pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 8 September 2009 (as amended by the Supplemental Agreement) entered into amongst Simple Success, Bright King, Bright Good, the Purchaser, the Company and the Warrantor in relation to the Acquisition
“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Bright Good”	Bright Good Limited, a company incorporated in the BVI, which beneficially owns the Bright Good Sale Shares
“Bright Good Convertible Notes”	the convertible notes in the principal amount of HK\$188.04 million to be issued by the Company to Bright Good at Completion to satisfy part of the consideration for the Bright Good Sale Shares
“Bright Good Promissory Note”	the promissory note in the principal amount of HK\$80.5 million to be issued by the Company to Bright Good to satisfy part of the consideration for the Bright Good Sale Shares
“Bright Good Sale Shares”	2,324 issued ordinary shares of US\$1.00 each in the capital of the Target Company
“Bright King”	Bright King Investments Limited, a company incorporated in the BVI, which beneficially owns the Bright King Sale Shares
“Bright King Promissory Note”	the promissory note in the principal amount of up to HK\$55 million to be issued by the Company to Bright King to satisfy part of the consideration for the Bright King Sale Shares
“Bright King Sale Shares”	3,453 issued ordinary shares of US\$1.00 each in the capital of the Target Company

“Bright King Subsidiary Promissory Note”	the promissory note in the principal amount of HK\$200 million to be issued by Full Prosper to Bright King to satisfy part of the consideration for the Bright King Sale Shares
“Board”	board of Directors
“BVI”	the British Virgin Islands
“Company”	Hembly International Holdings Limited (stock code: 03989), 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 sale and purchase of the Sale Shares in accordance with the Acquisition Agreement
“Consideration”	the aggregate consideration payable to the Vendors for the Acquisition under the Acquisition Agreement
“Conversion Rights”	the rights of the holder(s) of the Convertible Notes to convert the outstanding principal amount under the Convertible Notes registered in its name into Shares subject to the terms and conditions of the Convertible Notes
“Conversion Shares”	new Shares to be issued by the Company upon the exercise of the Conversion Rights
“Convertible Notes”	collectively the Simple Success Convertible Notes and the Bright Good Convertible Notes
“Director(s)”	director(s) of the Company
“Disclosure Letter”	the disclosure letter to be prepared and delivered by Bright King to the Purchaser containing qualifications to the warranties given by Bright King and the Warrantor under the Acquisition Agreement in the form and substance to the reasonable satisfaction of the Purchaser
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the Acquisition, the issue of the Convertible Notes and the Conversion Shares)

“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 and Mr. Kwan Hung Sang, Francis established for the purpose of advising the Independent Shareholders regarding the Acquisition
“Independent Shareholders”	Shareholders other than the Warrantor, Bright King, Simple Success and their respective associates
“Independent Third Party”	person or company who/which is not connected with the directors, chief executive, or substantial shareholders of the Company and its subsidiaries or any of their respective associates
“Initial Conversion Price”	HK\$1.20 per Conversion Share (subject to adjustments)
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Performance Based Promissory Note”	the promissory note in the initial principal amount of HK\$144 million (subject to adjustment) to be issued by the Company to Bright King to satisfy part of the consideration for the Bright King Sale Shares
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Rising Boom Enterprises Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Sale Shares”	collectively, the Simple Success Sale Shares, the Bright Good Sale Shares and the Bright King Sale Shares
“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, which as at the date of this announcement is the beneficial owner of 3,000 preferred shares of US\$1.00 each in the capital of the Target Company convertible into 3,000 ordinary shares of US\$1.00 each in the capital of the Target Company and which has undertaken under the Acquisition Agreement to exercise such conversion right prior to Completion and to use its best endeavours to complete the Simple Success’ Acquisition. Simple Success is also a wholly-owned subsidiary of New World Development Company Limited, a company incorporated in Hong Kong and whose issued shares are listed on the Main Board of the Stock Exchange
“Simple Success’ Acquisition”	the acquisition of 1,223 ordinary shares of US\$1.00 each in the capital of the Target Company by Simple Success from Bright King
“Simple Success Convertible Notes”	the convertible notes in the principal amount of HK\$488 million to be issued by the Company to Simple Success at Completion to satisfy the consideration for the Simple Success Sale Shares
“Simple Success Sale Shares”	the 4,223 ordinary shares of US\$1.00 each in the capital of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 18 September 2009 entered into amongst Simple Success, Bright King, Bright Good, the Purchaser, the Company and the Warrantor in relation to the Acquisition
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended from time to time
“Target Company”	Smartview Investment Holdings Ltd. a company incorporated in the BVI with limited liability, the entire issued share capital of which is owned by the Vendors

“Target Group”	the Target Company and its subsidiaries
“Vendors”	collectively Simple Success, Bright King and Bright Good
“Warrantor”	Mr. Ngok Yan Yu, an executive Director
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

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

Hong Kong, 23 September 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.*