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**HENGDELI HOLDINGS LIMITED**

**亨得利控股有限公司**

*(Incorporated in Cayman Islands with limited liability)*

(Stock Code: 3389)

**TOP-UP PLACING OF EXISTING SHARES AND  
TOP-UP SUBSCRIPTION OF NEW SHARES  
AND  
RESUMPTION OF TRADING**

**Placing Agent**



**KINGSTON SECURITIES LIMITED**

**TOP-UP PLACING AND TOP-UP SUBSCRIPTION**

On 24 August 2010, the Vendor entered into the Top-up Placing and Subscription Agreement with the Placing Agent and the Company. Pursuant to the Top-up Placing and Subscription Agreement, the Vendor agreed to place, through the Placing Agent, an aggregate of 300,000,000 existing Shares, on a best effort basis, to not less than six Placees who and whose ultimate beneficial owners are to be third parties independent of the Company and not connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules) and shall be independent of, and not acting in concert with, the Vendor and the parties acting in concert with it, at a price of HK\$3.48 per Top-up Placing Share. Pursuant to the Top-up Placing and Subscription Agreement, the Vendor conditionally agreed to subscribe for an aggregate of 300,000,000 Top-up Subscription Shares at a price of HK\$3.48 per Top-up Subscription Share.

The Top-up Placing Price (or the Top-up Subscription Price) of HK\$3.48 represents a discount of approximately 10.08% to the benchmarked closing price of HK\$3.87 per Share, which is the higher of (i) the closing price of HK\$3.87 as quoted on the Stock Exchange on the date of the Top-up Placing and Subscription Agreement; and (ii) the average closing price of HK\$3.82 as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Top-up Placing and Subscription Agreement; and a discount of approximately 7.62% to the average closing price per Share of HK\$3.767 as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of the Top-up Placing and Subscription Agreement.

The maximum number of 300,000,000 Top-up Placing Shares (or the maximum number of 300,000,000 Top-up Subscription Shares) represent (i) approximately 7.36% of the existing issued share capital of the Company of 4,074,389,000 Shares as at the date of this announcement; and (ii) approximately 6.86% of the issued share capital of the Company of 4,374,389,000 Shares as enlarged by the Top-up Subscription, assuming no further new Shares will be issued before the completion of the Top-up Subscription.

The Top-up Subscription is conditional upon (i) the Listing Committee granting the listing of, and permission to deal in, the Top-up Subscription Shares; (ii) completion of the Top-up Placing; and (iii) the Executive granting the Waiver.

The maximum gross proceeds from the Top-up Subscription will be approximately HK\$1,044 million. The maximum net proceeds of approximately HK\$1,015 million from the Top-up Subscription are intended to be used for the expansion of its retail and sales networks, including merger and acquisitions, opening retail shops and as general working capital of the Group.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 25 August 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 26 August 2010.

## **THE TOP-UP PLACING AND SUBSCRIPTION AGREEMENT**

### **Date**

24 August 2010 (after trading hours)

### **Parties involved**

The Vendor, the Company and the Placing Agent

## **THE TOP-UP PLACING**

### **Parties involved**

The Vendor and the Placing Agent

#### **The Vendor**

The Vendor is a controlling Shareholder (as defined in the Listing Rules) of the Company currently holding 1,820,824,000 Shares, representing approximately 44.69% of the existing issued share capital of the Company. It is currently owned as to 82.9% by Mr. Zhang Yuping, the chairman and executive Director of the Company, 14.7% as to Ms. Zhang Yuhong, younger sister of Mr. Zhang Yuping and 2.4% as to Mr. Zhang Yuwen, younger brother of Mr. Zhang Yuping.

#### **Placing Agent**

The Placing Agent and its ultimate beneficial owners are third parties independent of the Company and not connected persons (as defined in the Listing Rules) of the Company and its connected persons (as defined in the Listing Rules). The Placing Agent and its ultimate beneficial owners are independent of, and not acting in concert with, the Vendor and the parties acting in concert with it. The Placing Agent will receive a placing commission of 2.5% on the gross proceeds of the actual number of Top-up Placing Shares being placed, which was arrived at after arm's length negotiations between the Company and the Placing Agent.

#### **Placees**

The Placing Agent agreed to place the Top-up Placing Shares, on a best effort basis, to not less than six Placees who and whose ultimate beneficial owners are to be third parties independent of the Company and not connected persons (as defined in the Listing Rules) of the Company and its connected persons, (as defined in the Listing Rules) and shall be independent of, and not acting in concert with, the Vendor and the parties acting in concert with it. No individual Placee will become a substantial Shareholder (as defined under the Listing Rules) immediately after the Top-up Placing.

#### **Top-up Placing Price**

The Top-up Placing Price (or the Top-up Subscription Price) of HK\$3.48 represents a discount of approximately 10.08% to the benchmarked closing price of HK\$3.87 per Share, which is the higher of (i) the closing price of HK\$3.87 as quoted on the Stock Exchange on the date of the Top-up Placing and Subscription Agreement; and (ii) the average closing price of HK\$3.82 as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Top-up Placing and Subscription Agreement; and a discount of approximately 7.62% to the average closing price per Share of HK\$3.767 as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of the Top-up Placing and Subscription Agreement.

The Top-up Placing Price was determined with reference to the prevailing market price of the Share and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Top-up Placing are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

### **Number of the Top-up Placing Shares**

The maximum number of 300,000,000 Top-up Placing Shares (or the maximum number of 300,000,000 Top-up Subscription Shares) represent (i) approximately 7.36% of the existing issued share capital of the Company of 4,0749,389,000 Shares as at the date of this announcement; and (ii) approximately 6.86% of the issued share capital of the Company of 4,374,389,000 Shares as enlarged by the Top-up Subscription, assuming no further new Shares will be issued before the completion of the Top-up Subscription.

### **Ranking of Top-up Placing Shares**

The Top-up Placing Shares rank *pari passu* among themselves and with Shares in issue as at the date of this announcement.

### **Conditions of the Top-up Placing**

The Top-up Placing is unconditional.

### **Completion**

The Top-up Placing is expected to be completed on or before 31 August 2010, being the fourth business day following the date of this announcement or such other date as the Vendor and the Placing Agent shall agree.

### **Termination and force majeure**

The Top-up Placing and Subscription Agreement may be terminated by the Placing Agent if at any time at or before 10:00 a.m. on the date of completion of the Top-up Placing, there occurs: (i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Top-up Placing and Subscription Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not *suigeneris* with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and

adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Top-up Placing Shares to potential investors or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Top-up Placing; or (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Top-up Placing (such success being the placing of the Top-up Placing Shares to potential investors) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Top-up Placing.

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

## **THE TOP-UP SUBSCRIPTION**

### **Parties involved**

The Company and the Vendor

### **The Top-up Subscription Price**

The Top-up Subscription Price is HK\$3.48 per Top-up Subscription Share. The Top-up Subscription Price is the same as the Top-up Placing Price and was determined after arm's length negotiation between the Company and the Vendor with reference to the Top-up Placing Price of the Top-up Placing Shares.

### **Number of Top-up Subscription Shares**

The number of Top-up Subscription Shares is equivalent to the number of Top-up Placing Shares, being a maximum number of 300,000,000 new Shares.

### **Ranking of Top-up Subscription Shares**

The Top-up Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the Shares in issue at the time of issue and allotment of the Top-up Subscription Shares.

### **The Top-up Subscription Shares**

The Top-Up Subscription Shares are to be issued under the General Mandate. As such, the issue of the Top-Up Subscription Shares is not subject to further approval of the Shareholders. Pursuant to the General Mandate, the total number of new Shares that the Company is authorised to allot and issue is 813,805,200 Shares. Since the date of the AGM and up to the date of this announcement, no new Shares have been allotted and issued by the Company under the General Mandate.

The Company will submit an application to the Stock Exchange for the listing of, and permission to deal in, the Top-Up Subscription Shares in due course.

### **Conditions of the Top-up Subscription**

The Top-up Subscription is conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Top-up Subscription Shares;
- (ii) completion of the Top-up Placing; and
- (iii) the Executive granting the Waiver

An application will be made to the Executive for the granting of the Waiver. The Top-up Placing and Subscription Agreement has not provided for the right of the parties to waive the above conditions.

### **Completion**

Under Rule 14A.31(3)(d) of the Listing Rules, the Top-up Subscription must be completed within 14 days from the date of the Top-up Placing and Subscription Agreement, that is, on or before 7 September 2010.

In the event that the conditions to the Top-up Placing and Subscription Agreement are not fulfilled by 7 September 2010, or such later date as may be agreed between the Company and the Vendor in writing, the obligations of the Company and the Vendor in relation to the Top-up Subscription shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise in respect of the Top-up Subscription.

### **REASON FOR THE TOP-UP PLACING AND USE OF PROCEEDS**

The Directors consider various ways of raising funds and consider that the Top-up Placing and the Top-up Subscription represent an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. Accordingly, the Directors consider the Top-up Placing and Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

The maximum gross proceeds from the Top-up Subscription will be approximately HK\$1,044 million. The maximum net proceeds of approximately HK\$1,015 million from the Top-up Subscription are intended to be used for the expansion of its retail and sales networks, including merger and acquisitions, opening retail shops and as general working capital of the Group. The net proceeds raised per Share upon completion of the Top-up Subscription will be approximately HK\$3.38 per Top-up Subscription Share.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

There has not been any fund raising exercise conducted by the Company in the past 12 months immediately preceding the date of this announcement.

## EFFECTS ON SHAREHOLDING STRUCTURE

The table below sets out the changes to the shareholding structure of the Company as a result of the completion of the Top-up Placing and the Top-up Subscription, assuming no other Shares are issued between the date of this announcement and the completion of the Top-up Placing and the Top-up Subscription:

Name of shareholder	Shareholding as at the date of this announcement		Shareholding immediately after the completion of the Top-up Placing (assuming the Top-up Placing Shares are placed in full)		Shareholding immediately after the completion of the Top-up Subscription (assuming the Top-up Subscription Shares are subscribed in full)	
	Number of Shares	% of shareholding (approximate)	Number of Shares	% of shareholding (approximate)	Number of Shares	% of shareholding (approximate)
Vendor and parties acting in concert with it (Note 1)	1,848,340,000	45.36%	1,548,340,000	38.00%	1,848,340,000	42.25%
Other Directors (Not including Mr. Zhang Yuping) (Note 2)	49,132,000	1.21%	49,132,000	1.21%	49,132,000	1.12%
Placees	–	–	300,000,000	7.36%	300,000,000	6.86%
Other public shareholders	2,176,917,000	53.43%	2,176,917,000	53.43%	2,176,917,000	49.77%
<b>Total</b>	<b>4,074,389,000</b>	<b>100%</b>	<b>4,074,389,000</b>	<b>100%</b>	<b>4,374,389,000</b>	<b>100%</b>

### Notes:

- (1) The Vendor, Best Growth International Limited, is a company which is owned as to 82.9% by Mr. Zhang Yuping, the chairman and executive Director of the Company, 14.7% as to Ms. Zhang Yuhong, younger sister of Mr. Zhang Yuping and 2.4% as to Mr. Zhang Yuwen, younger brother of Mr. Zhang Yuping. Mr. Zhang Yuping, a party acting in concert with the Vendor, personally holds 27,516,000 Shares (approximately 0.67% shareholding).
- (2) The 49,132,000 Shares are held by three Directors. 20,032,000 Shares (approximately 0.49%) are held by Artnew Developments Limited, which is wholly-owned by Mr. Song Jianwen, 26,700,000 Shares (approximately 0.66%) are held by Mr. Chen Sheng and 2,400,000 Shares (approximately 0.06%) are held by Mr. Huang Yonghua.



## **DISPENSATION FROM RULE 26 OF THE TAKEOVERS CODE**

As a result of the Top-up Placing, the aggregate percentage shareholding of the Vendor and its concert party will be reduced from approximately 45.36% to approximately 38.00% (a decrease of approximately 7.36%) and as a result of the Subscription, their aggregate percentage shareholding will be increased from approximately 38.00% to approximately 42.25% (an increase of approximately 4.25%). An application will be made by the Vendor to the Executive for granting of Waiver to make a mandatory general offer for all of the issued Shares other than those already owned by it under Note 6 on dispensations from Rule 26 of the Takeovers Code. As stated above, completion of the Top-up Subscription will be subject to the granting of the Waiver by the Executive to the Vendor and none of the conditions for the Top-up Subscription can be waived by the parties to the Top-up Placing and Subscription Agreement.

## **ADJUSTMENT IN THE CONVERSION PRICE OF THE CONVERTIBLE BONDS**

The Convertible Bonds are listed or dealt in on the Singapore Exchange Securities Trading Limited. Subject to the completion of the Top-up Subscription, the conversion price of the Convertible Bonds may be required to be adjusted in accordance with their terms as a result of the Subscription. A further announcement may be made by the Company relating to any required adjustment, if necessary, in due course.

## **GENERAL**

The Group is a wholesaler and retailer of watches in the PRC which focuses on distributing watches of international brands.

Further announcement will be made by the Company upon completion of the Top-up Placing and Subscription Agreement.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 25 August 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 26 August 2010.

## **TERMS AND DEFINITIONS**

“AGM”	The annual general meeting of the Company held on 11 May 2010
“Board”	The board of Directors



“Company”	Hengdeli Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Convertible Bonds”	the RMB denominated US dollar settled senior unsecured zero coupon convertible bonds due 2012 of an initial aggregate principal amount of RMB1,150 million, details of which are set out in the announcement of the Company dated 25 July 2007
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the listing committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any professional, institutional or other investors procured by the Placing Agent to subscribe for any of the Top-up Placing Shares pursuant to the Placing Agent’s obligations under Top-up Pacing and Subscription Agreement
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“PRC”	The People’s Republic of China
“Share(s)”	the ordinary share(s) of HK\$0.005 each in the share capital of the Company

“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Top-up Placing”	the placing of 300,000,000 existing Shares pursuant to the terms of the Top-up Placing and Subscription Agreement
“Top-up Placing and Subscription Agreement”	the agreement dated 24 August 2010 entered into between the Vendor, the Company and the Placing Agent in relation to the Top-up Placing and the Top-up Subscription
“Top-up Placing Price”	HK\$3.48 per Top-up Placing Share
“Top-up Placing Share(s)”	a total of 300,000,000 existing Shares, beneficially owned by the Vendor and to be placed pursuant to the Top-up Placing and Subscription Agreement
“Top-up Subscription”	the subscription of 300,000,000 new Shares by the Vendor pursuant to the terms of the Top-up Placing and Subscription Agreement
“Top-up Subscription Price”	HK\$3.48 per Top-up Subscription Share
“Top-up Subscription Share(s)”	a total of 300,000,000 new Shares to be subscribed for by the Vendor pursuant to the Top-up Placing and Subscription Agreement
“Vendor”	Best Growth International Limited, a company incorporated in the British Virgin Islands and the controlling Shareholder (as defined in the Listing Rules) of the Company
“Waiver”	a waiver application made to the Executive pursuant to Note 6 on dispensations from Rule 26 of the Takeovers Code of the obligations on the part of the Vendor and parties acting in concert with it to make a mandatory general offer under Rule 26 of the Takeovers Code for all securities of the Company other than those already owned or agreed to be acquired by the Vendor and parties acting in concert with it as a result of the allotment and issue of the Top-up Subscription Shares

“HK\$”

Hong Kong dollar(s), the lawful currency of Hong Kong

“%”

per cent.

By Order of the Board  
**Hengdeli Holdings Limited**  
**Zhang Yuping**  
Chairman

Hong Kong, 25 August 2010

*As at the date of this announcement, the Hengdeli Board comprises three executive directors, namely, Mr. Zhang Yuping, Mr. Song Jianwen and Mr. Huang Yonghua; three non-executive Directors, namely, Mr. Chen Sheng, Mr. Shen Zhiyuan and Mr. Shi Zhongyang; and three independent non-executive directors, namely Mr. Cai Jianmin, Mr. Wong Kam Fai William and Mr. Liu Xueling.*

*The Directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*