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HENGDELI HOLDINGS LIMITED

亨得利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3389)

**ISSUE OF HK\$2,500,000,000
2.5% CONVERTIBLE BONDS DUE 2015**

Joint Bookrunner and Joint Lead Manager

J.P.Morgan



The Directors are pleased to announce that on 20 September 2010, the Company entered into the Subscription Agreement with the Managers in connection with the issue of the Convertible Bonds.

Subject to the conditions set out in the paragraph headed “Conditions of the Subscription Agreement” below being fulfilled and pursuant to the terms of the Subscription Agreement, the Company has agreed to issue, and each of the Managers has severally agreed to subscribe and pay for or procure subscription and payment for, its allotted commitment in respect of the Convertible Bonds with an aggregate principal amount of HK\$2,500,000,000 on the Closing Date.

The obligations for the Managers to subscribe and pay for the Bonds are subject to certain conditions which are set out in the paragraph headed “Conditions of the Subscription Agreement” under the section headed “The Subscription Agreement” below.

The terms of the Subscription Agreement were negotiated on an arm’s length basis and the Directors believe that they are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The initial Conversion Price is of HK\$4.9524 per Conversion Share, which represents (i) a premium of approximately 23.5% over the closing price of HK\$4.01 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 24.5% over the average of the closing price of HK\$3.978 per Share as quoted on the Stock Exchange for five Trading Days up to and including the Last Trading Day; (iii) a premium of approximately 27% over the 10 day VWAP of HK\$3.9001; and (iv) a premium of approximately 30.5% over the 20 day VWAP of HK\$3.7939. Assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 504,805,750 Conversion Shares (subject to adjustment), representing approximately 11.54% of the issued share capital of the Company as at the date of this announcement and approximately 10.34% of the enlarged issued share capital of the Company.

The net proceeds from the issue of the Convertible Bonds, after deducting expenses including commissions, professional fees and other key ancillary expenses, are estimated to be approximately HK\$2,446,000,000. The Company presently intends to use the net proceeds from such issue for business expansion, including acquisitions and general corporate purposes of the Group.

Applications will be made (i) to the SGX-ST for the listing of the Convertible Bonds on the SGX-ST; and (ii) to the Listing Committee of the Stock Exchange for the listing of, and permission in deal in, the Conversion Shares on the Stock Exchange.

THE SUBSCRIPTION AGREEMENT

Date

20 September 2010

Parties

- (a) The Company
- (b) J.P. Morgan Securities Ltd.
- (c) Standard Chartered Bank

The issue of the Convertible Bonds is jointly lead-managed by J.P. Morgan Securities Ltd. and Standard Chartered Bank. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Managers or their respective associates is a connected person (as defined in the Listing Rules) of the Company.

Issue of the Convertible Bonds

Subject to the conditions set out in the paragraph headed “Conditions of the Subscription Agreement” below being fulfilled and pursuant to the terms of the Subscription Agreement, the Company has agreed to issue, and each of the Managers has severally agreed to subscribe and pay for or procure subscription and payment for, its allotted commitment in respect of the Convertible Bonds.

It is expected that the Convertible Bonds will be offered and sold to not less than six subscribers, who and whose ultimate beneficial owners are to be third parties independent of the Company and not connected persons of the Company and its connected persons, outside the United States in reliance upon Regulation S.

Stabilisation

The Managers may, to the extent permitted by applicable laws, over-allot Convertible Bonds or effect transactions with a view to supporting the market price of the Convertible Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Managers will undertake such over-allotment or stabilisation action.

In undertaking such over-allotment or stabilisation action, the Managers shall act as principal and not as agent of the Company and any loss resulting from over-allotment or stabilisation shall be borne and any profit arising therefrom shall be beneficially retained by, the Managers. Any over-allotment or stabilisation action must be conducted by the Managers in accordance with all applicable laws and regulations.

Conditions of the Subscription Agreement

The obligations for the Managers to subscribe and pay for the Convertible Bonds are conditional upon, among other things:

- (i) the Managers being satisfied with the results of its due diligence investigations with respect to the Group and the Offering Circular shall have been prepared in form and content satisfactory to the Managers;
- (ii) the execution and delivery (on or before the Closing Date) of the other contracts, namely the Trust Deed and the Agency Agreement, each in a form reasonably satisfactory to the Managers, by the respective parties;
- (iii) Best Growth International Limited shall have executed lock-up undertaking on or before the Closing Date and shall remain, as at the Closing Date, in full force and effect;
- (iv) upon the Publication Date and on the Closing Date, there having been delivered to the Managers letters, in form and substance satisfactory to the Managers, dated the Publication Date in the case of the first letter and dated the Closing Date in the case of the subsequent letters, and addressed to the Managers from KPMG, Certified Public Accountants to the Company;

- (v) at the Closing Date: (i) the representations and warranties of the Company in the Subscription Agreement being true, accurate and correct at, and as if made on such date; (ii) the Company having performed all of its obligations under the Subscription Agreement to be performed on or before such date; and (iii) there having been delivered to the Managers a certificate dated as of such date, of a duly authorised officer of each of the Company to such effect;
- (vi) on or prior to the Closing Date there shall have been delivered to the Managers copies of all consents and approvals required in relation to the issue of the Bonds and the performance of its obligations under the Trust Deed, the Agency Agreement and the Convertible Bonds (including the consents and approvals required from all lenders);
- (vii) on the date of the Subscription Agreement, the Closing Date, there having been delivered to the Managers a certificate of no default dated as of such date, of a Director or duly authorised officer of the Company;
- (viii) the Stock Exchange having agreed, subject to any conditions (if any) reasonably satisfactory to the Managers, to list the new Shares upon conversion of the Convertible Bonds and the SGX-ST having agreed, subject to any conditions (if any) reasonably satisfactory to the Managers, to list the Convertible Bonds (or, in each case, the Managers being reasonably satisfied that such listing will be granted);
- (ix) on or before the Closing Date, there having been delivered to the Managers opinions, in form and substance reasonably satisfactory to the Managers, dated the Closing Date of certain legal advisers to the Company or the Managers as to Cayman Island law, PRC law, English law and the federal laws of the United States, and such other resolutions, consents, authorities and documents relating and necessary to the issue of the Bonds, as the Managers may reasonably require.

The Managers may, at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of the conditions set forth in the Subscription Agreement (other than paragraph (ii) above).

Upon all of the above conditions being fulfilled or waived, completion of the Subscription Agreement shall take place on the Closing Date at 5:00 p.m. (Hong Kong time) on 20 October 2010, or such other time and/or date as the Company and the Managers shall agree.

Certain undertakings relating to the Subscription Agreement

The Company has undertaken to the Managers that neither the Company nor any person acting on its behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Convertible Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Convertible Bonds, the Shares or securities of the same class as the Convertible Bonds, the Shares or other instruments representing interests in the Convertible Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or

other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Managers (which consent shall not be unreasonably withheld or delayed) between the date of the Subscription Agreement and the date which is 90 days after the Closing Date (both dates inclusive); except for (a) the Convertible Bonds and the new Shares issued on conversion of the Convertible Bonds; (b) securities issued under the share option scheme of the Company and (c) shares issued on conversion of the 2007 Bonds.

Best Growth International Limited, being the controlling Shareholder holding approximately 34.81% of the entire issued share capital of the Company as at the date of this announcement, has undertaken in favour of each of the Managers that, between the date of the Subscription Agreement and the date which is 90 days after the Closing Date (both dates inclusive), it will not, and will procure that none of its nominees, companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) and affiliates will (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares held, directly or indirectly, by it (the “**Lock-up Shares**”) or any interests therein beneficially owned or held by it or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Lock-up Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Lock-up Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Lock-up Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above, unless with the prior written consent of the Managers (which consent shall not be unreasonably withheld or delayed).

Termination

The Managers may, after prior consultation with the Company to the extent practicable, by notice to the Company given at any time prior to payment of the net subscription monies for the Convertible Bonds to the Company, terminate the Subscription Agreement in any of the following circumstances:

- (i) if there shall have come to the notice of the Managers any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Subscription Agreement or any failure to perform any of the Company’s undertakings or agreements in the Subscription Agreement;
- (ii) if any of the conditions specified above has not been satisfied or waived by the Managers on or prior to the Closing Date;

- (iii) if in the opinion of the Managers, there shall have been, since the date of the Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls such as would in its view, be likely to prejudice materially the success of the offering and distribution of the Convertible Bonds or dealings in the Convertible Bonds in the secondary market;
- (iv) if, in the opinion of the Managers, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc, the SGX-ST and/or the Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (ii) a suspension or a material limitation in trading in the Company's securities on the HKSE and/or any other stock exchange on which the Company's securities are traded; (iii) a general moratorium on commercial banking activities in the United States, Singapore, Hong Kong, the PRC and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, Hong Kong, Singapore, the PRC or the United Kingdom; or (iv) a change or development involving a prospective change in taxation materially affecting the Company, the Convertible Bonds and the Shares to be issued upon conversion of the Convertible Bonds or the transfer thereof;
- (v) if, in the opinion of the Managers, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in their view be likely to prejudice materially the success of the offering and distribution of the Bonds or dealings in the Convertible Bonds in the secondary market.

Upon such notice being given the Subscription Agreement shall terminate and be of no further effect and save that certain provisions shall continue to apply notwithstanding termination of the Subscription Agreement, no party shall be under any liability to any other in respect of the Subscription Agreement.

THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds, which will be constituted by the Trust Deed, are summarised as follows:

Issuer:	The Company.
Principal Amount:	The aggregate principal amount of the Convertible Bonds will be HK\$2,500,000,000.
Issue Price:	100% of the principal amount of the Convertible Bonds.
Maturity date:	20 October 2015.
Interest rate:	The Bonds bear interest from and including 20 October 2010 at the rate of 2.5% per annum payable semi annually in arrear in equal instalments of HK\$12,500 per HK\$1,000,000 in principal amount of the Convertible Bonds on 20 April and 20 October in each year.
Form and denomination:	The Convertible Bonds will be issued in registered form in the denomination of HK\$1,000,000 each.
Conversion right:	Subject as provided in the conditions of the Convertible Bonds, each Convertible Bond shall entitle the holder to convert such Convertible Bond into Shares at any time during the conversion period described below.
Conversion period:	Subject to and upon compliance with the conditions of the Convertible Bonds, the conversion right in respect of a Convertible Bond may be exercised, at the option of the Bondholder, at any time on or after 30 November 2010 to the close of business on the date falling ten days prior to the Maturity Date (both days inclusive) or, if such Convertible Bond shall have been called for redemption by the Company before the Maturity Date, then up to and including the close of business (at the place aforesaid) on a date no later than seven days (in the place aforesaid) prior to the date fixed for redemption thereof.

Conversion price:

The initial price at which the Conversion Shares will be issued will be HK\$4.9524 per Conversion Share (subject to adjustment) (“**Conversion Price**”). The initial Conversion Price represents:

- (i) a premium of approximately 23.5% over the closing price of HK\$4.01 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 24.5% over the average of the closing price of HK\$3.978 per Share as quoted on the Stock Exchange for five Trading Days up to and including the Last Trading Day;
- (iii) a premium of approximately 27% over the 10 day VWAP of HK\$3.9001; and
- (iv) a premium of approximately 30.5% over the 20 day VWAP of HK\$3.7939.

The Conversion Price will be subject to adjustment for protecting against, *inter alia*, declaration of excess cash dividends, capitalisation of profits and reserves, capital distributions, rights issues, sub-division, consolidation and re-classification of Shares, issuance of options, rights, warrants, further convertible or exchangeable bonds or Shares at a discount to current market price and certain other dilutive events.

Dividend protection:

Notwithstanding any provisions for adjustment of the Conversion Price in respect of distributions, no adjustment will be made to the Conversion Price in respect of any dividend or distribution (whether of cash or assets in specie) unless (and only to the extent that) in the case of a cash dividend it, when taken together with any other cash dividend previously made or paid in respect of the same fiscal year, exceeds 35% of the Company’s most recently published annual or interim consolidated net profits attributable to Shareholders after deducting minority interest and tax (expressed on a per Share basis, based on the number of Shares entitled to receive such cash dividend) for that fiscal year in relation to which such cash dividend is announced.

Redemption at the option
of the Company:

On giving not less than 30 nor more than 60 days' notice) to the trustee of the Convertible Bonds and the Bondholders, the Company shall redeem all, but not some only, of the Convertible Bonds on the date as specified in the redemption notice at their Early Redemption Amount as at such date together with interest accrued to such date at any time if, immediately prior to the date the relevant redemption notice is given, conversion rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90% or more in principal amount of the Convertible Bonds originally issued.

Redemption at the option
of the Bondholders:

The holder of each Bond will have the right to require the Company to redeem that Bond on 20 October 2013 at its Early Redemption Amount as at such date together with interest accrued to such date.

Redemption for taxation reasons:

The Convertible Bonds may be redeemed, at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders at their Early Redemption Amount as at such date together with interest accrued to such date, if (a) the Company satisfies the trustee of the Convertible Bonds immediately prior to the giving of such notice that it has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 20 September 2010, and (b) such obligation cannot be avoided by the Company taking reasonable measures available to it.

If the Company exercises its tax redemption right, each Bondholder shall have the right to elect that its Convertible Bonds shall not be redeemed. Upon a Bondholder electing not to have its Convertible Bonds redeemed in such circumstances, any payments due after the relevant date shall be made subject to any deduction or withholding of any tax required to be deducted or withheld.

Redemption for delisting or
Change of Control:

When the Shares cease to be listed or admitted to trading or suspended for a period equal to or exceeding 30 consecutive Trading Days on the Stock Exchange (or if the Shares are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in) or when there is a Change of Control, the Bondholders will have the right at such holder's option, to require the Company to redeem all or some only of such holder's Convertible Bonds at their Early Redemption Amount as at such date together with interest accrued to such date.

Redemption at maturity:

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each Bond at 105.413% of its principal amount together with accrued and unpaid interest thereon on Maturity Date.

Forced conversion at the
option of the Company:

At any time after 20 October 2013, the Company may at its sole discretion, having given not less than 30 nor more than 60 days' notice to Bondholders, elect to convert the Convertible Bonds in whole but not in part into Shares provided that no such conversion may be made unless the VWAP of a Share for each of the 30 consecutive Trading Days immediately prior to the date upon which such forced conversion notice is given was at least 130% of the Early Redemption Amount of a Convertible Bond divided by the Conversion Ratio (meaning the principal amount of each Bond divided by the Conversion Price then in effect immediately prior to the date upon which notice of such redemption is given).

Transferability:

The Convertible Bonds are freely transferable.

Negative pledge:

So long as any Convertible Bond remains outstanding, the Company will not, and will ensure that none of its subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity as either (i) the trustee of the Convertible Bonds shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (ii) shall be approved by an extraordinary resolution of the Bondholders.

Status of the Convertible Bonds:	The Convertible Bonds shall constitute direct, unsubordinated, unconditional and (subject to the above negative pledge provision) unsecured obligations of the Company and shall rank <i>pari passu</i> and without any preference or priority among themselves. The Conversion Shares, when allotted and issued, will rank <i>pari passu</i> in all respects with the then existing Shares, except that a holder of the Conversion Shares shall not be entitled to any rights the record date of which precedes the date such holder is registered as holder of such Conversion Shares in the Company's branch register of members in Hong Kong.
Voting Rights:	Bondholders will not have any right to attend or vote at any meeting of the Company by virtue of them being Bondholders, and until and unless they have converted their Convertible Bonds into Shares.
Ranking of Conversion Shares:	The Conversion Shares to be issued upon conversion of the Convertible Bonds will be fully paid and rank <i>pari passu</i> in all respects with the Shares then in issue on the date the name of the holder of record of the number of Shares issuable upon conversion are registered as such in the register of members of the Company.
Listing:	The respective applications will be made by the Company to the SGX-ST and the Listing Committee of the Stock Exchange for: (i) the listing of the Convertible Bonds on the SGX-ST; and (ii) the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

EFFECT ON THE SHARE CAPITAL

Assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 504,805,750 Conversion Shares (subject to adjustment), representing approximately 11.54% of the issued share capital of the Company as at the date of this announcement and approximately 10.34% of the enlarged issued share capital of the Company.

As at the Last Trading Day, the issued share capital of the Company is HK\$21,876,135 divided into 4,375,227,000 Shares. Assuming no further issue of Shares, the following table summarises the potential effects on the shareholding structure of the Company as a result of the issue of the Convertible Bonds (by reference to the shareholdings as at the date of this announcement and assuming full conversion of the Convertible Bonds):

Name of Shareholder	As at the Last Trading Day		Assuming the Convertible Bonds are fully converted into Conversion Shares at the initial Conversion Price of HK\$4.9524 per Conversion Share	
	Number of Shares	Approximate % to the enlarged issued share capital of the Company	Number of Shares	Approximate % to the enlarged issued share capital of the Company
Best Growth International Limited and Mr. Zhang Yuping (<i>Note 1</i>)	1,550,040,000	35.43%	1,550,040,000	31.76%
Other Directors (Not including Mr. Zhang Yuping) (<i>Note 2</i>)	49,132,000	1.12%	49,132,000	1.01%
Bondholders	0	0%	504,805,750	10.34%
Public (other than the Bondholders)	<u>2,776,055,000</u>	<u>63.45%</u>	<u>2,776,055,000</u>	<u>56.89%</u>
Total	<u>4,375,227,000</u>	<u>100%</u>	<u>4,880,032,750</u>	<u>100%</u>

Notes:

- 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 personally has been holding 27,516,000 Shares.
- The 49,132,000 Shares are held by three Directors. 20,032,000 Shares are held by Artnew Developments Limited, which is wholly-owned by Mr. Song Jianwen, 26,700,000 Shares are held by Mr. Chen Sheng and 2,400,000 Shares are held by Mr. Huang Yonghua.

USE OF PROCEEDS AND REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS

The net proceeds from the issue of the Convertible Bonds, after deducting expenses including commissions, professional fees and other key ancillary expenses, are estimated to be approximately HK\$2,446,000,000. The Company presently intends to use the net proceeds from such issue for business expansion, including acquisitions and general corporate purposes of the Group.

The management underwriting commission and selling concession are determined by the Company benchmarking fees charged in prior transactions of a similar nature by investment banks. The Directors take the view that the aggregate management, underwriting commission and selling concession fees and their respective basis of determination are fair and reasonable.

The terms of the Subscription Agreement were negotiated on an arm's length basis and the Directors believe that they are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising extra funds for the Group's future business development. Should the Conversion Rights be exercised, the shareholder base of the Company will be enlarged.

APPLICATION FOR LISTING

Applications will be made (i) to the SGX-ST for the listing of the Convertible Bonds on the SGX-ST; and (ii) to the Listing Committee of the Stock Exchange for the listing of, and permission in deal in, the Conversion Shares on the Stock Exchange.

INFORMATION ON THE GROUP

The Group is a wholesaler and retailer of watches in the People's Republic of China which focuses on distributing watches of international brands.

GENERAL MANDATE TO ISSUE THE CONVERSION SHARES

The Conversion Shares are to be issued under the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 11 May 2010. As such, the issue of the Conversion 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 are 813,805,200 Shares. Since the date of the AGM and up to the date of this announcement, 300,000,000 new Shares have been allotted and issued by the Company under the general mandate pursuant to a top-up placing and subscription agreement dated 24 August 2010.

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

On 2 September 2010, the Company raised net proceeds of approximately HK\$1,015 million upon completion of a top-up placing and subscription of an aggregate of 300,000,000 new Shares pursuant to a top-up placing and subscription agreement dated 24 August 2010, as disclosed in the announcement of the Company dated 25 August 2010. As at the date hereof, the net proceeds has been used by the Group for the expansion of its retail and sales networks, including merger and acquisitions, opening retail shops and as general working capital of the Group.

Save as disclosed above, the Company has not undertaken any fund raising activities within the 12 months immediately prior to the date of this announcement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the respective meanings ascribed opposite them:

“2007 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;
“Agency Agreement”	the paying and conversion agency agreement to be dated on or about the Closing Date between the Company, the trustee under the Trust Deed and the paying agents named therein;
“allotted commitment”	the respective principal amount of the Convertible Bonds of which each Manager has severally agreed to subscribe and pay for or procure subscription and payment for as prescribed under the Subscription Agreement;
“associates”	shall have the meaning as ascribed to it under the Listing Rules;
“Bondholder(s)”	holder(s) of the Convertible Bonds;
“Change of Control”	occurs when: <ul style="list-style-type: none">(a) other than Mr. Zhang Yuping, any person or persons, acting together, acquires control, directly or indirectly, of the Company provided that such person or persons does not or do not have, and would not be deemed to have, control of the Company on the issue date of the Convertible Bonds; or(b) the Company consolidates with or merges into or sells or transfers all or substantially all of the assets of the Company to any other person or persons, acting together;
“Closing Date”	20 October 2010, or such other time or date as the Company and the Managers shall agree in writing;
“Company”	Hengdeli Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange;

“connected person(s)”	shall have the meaning ascribed to it under the Listing Rules;
“control”	(a) the acquisition or holding or legal or beneficial ownership or control of more than 50% of the voting rights of the issued share capital of the Company, or (b) the right to appoint and/or remove all or the majority of the members of the Board or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;
“Conversion Share(s)”	the Shares to be allotted and issued by the Company upon exercise of the Conversion Rights attaching to the Convertible Bonds;
“Convertible Bond(s)”	HK\$2,500,000,000 2.5% Convertible Bonds due 2015 issued by the Issuer;
“Directors”	directors of the Company;
“Early Redemption Amount”	in respect of each HK\$1,000,000 principal amount of the Convertible Bond, such amount, together with unpaid accrued interest, which represents a gross yield of 3.5% per annum for the Bondholder, calculated on a semi-annual basis up to the relevant redemption date;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Last Trading Day”	20 September 2010, being the last Trading Day of the Shares before the publication of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Managers”	collectively, J.P. Morgan Securities Ltd. and Standard Chartered Bank;
“Maturity Date”	20 October 2015;
“Offering Circular”	the offering circular to be issued by the Company for use in connection with the issue of the Convertible Bonds and the listing of the Convertible Bonds on the SGX-ST;

“Publication Date”	publication date of the Offering Circular;
“PRC”	The People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan;
“Regulation S”	Regulation S under the United States Securities Act of 1933, as amended;
“Relevant Indebtedness”	any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange or over-the-counter or other securities market (whether or not initially distributed by way of private placement) which for the avoidance of doubt, excludes any bank loans or facilities incurred by the Company in its ordinary course of business (excluding loan stock);
“RMB”	Renminbi, the lawful currency of the PRC;
“SGX-ST”	Singapore Exchange Securities Trading Limited;
“Shareholders”	holders of Shares of the Company;
“Share(s)”	ordinary share(s) of HK\$0.005 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	the subscription agreement dated 20 September 2010 entered into between the Company and the Managers in connection with the issue of the Convertible Bonds;
“Trading Day”	a day when the Stock Exchange or, as the case may be, an alternative stock exchange, is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days;
“Trust Deed”	the trust deed to be dated on or about the Closing Date to be entered into between the Company and the trustee named therein constituting the Convertible Bonds;

“United States”

the United States of America;

“VWAP”

in respect of a Share on any Trading Day, the order book volume-weighted average price of a Share published by or derived from Bloomberg (or any successor service) page HK Equity VAP or such other source as shall be determined to be appropriate by an independent investment bank on such Trading Day, provided that on any such Trading Day where such price is not available or cannot otherwise be determined as provided above, the VWAP of a Share in respect of such Trading Day shall be the VWAP, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined; and

“%”

means per cent.

By order of the board of Directors
Hengdeli Holdings Limited
Zhang Yuping
Chairman

21 September 2010, Hong Kong

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.