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*The Company does not intend to make any public offering of securities in the United States.*



**Hengdeli Holdings Limited**  
**亨得利控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 3389)

**ISSUANCE OF US\$350 MILLION 6.25% SENIOR NOTES DUE 2018**

On 22 January 2013, the Company and the Subsidiary Guarantors entered into the Purchase Agreement with Deutsche Bank, Standard Chartered Bank, J.P. Morgan and HSBC in connection with the Notes Issue.

The estimated net proceeds of the Notes Issue, after deduction of the underwriting discounts and commissions and other estimated expenses, will amount to approximately US\$343 million, and the Company intends to use the net proceeds of the Notes Issue to redeem its outstanding 2015 Convertible Bonds, refinance its other debt obligations and for general corporate purposes. The Company may adjust the foregoing plans in response to changing market conditions and thus, reallocate the use of proceeds.

The Company will seek a listing of the Notes on the Stock Exchange. A confirmation of the eligibility of the listing of the Notes has been received from the Stock Exchange. Admission of the Notes to the Stock Exchange is not to be taken as an indication of the merits of the Company or the Notes.

Reference is made to the announcement of the Company dated 16 January 2013 in respect of the Notes Issue. The Board is pleased to announce that on 22 January 2013, the Company, together with the Subsidiary Guarantors, entered into the Purchase Agreement with Deutsche Bank, Standard Chartered Bank, J.P. Morgan and HSBC in connection with the Notes Issue.

## **THE PURCHASE AGREEMENT**

**Date:** 22 January 2013

### **Parties to the Purchase Agreement**

- (a) the Company;
- (b) the Subsidiary Guarantors;
- (c) Deutsche Bank;
- (d) Standard Chartered Bank;
- (e) J.P. Morgan; and
- (f) HSBC.

Deutsche Bank, Standard Chartered Bank and J.P. Morgan are the joint global coordinators, and Deutsche Bank, Standard Chartered Bank, J.P. Morgan and HSBC are the joint bookrunners and joint lead managers in respect of the offer and sale of the Notes. Deutsche Bank, Standard Chartered Bank, J.P. Morgan and HSBC are also the initial purchasers of the Notes.

The Notes will only be offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. None of the Notes will be offered to the public in Hong Kong.

### **Principal terms of the Notes**

The following is a summary of certain provisions of the Notes and the Indenture. This summary does not purport to be complete and is qualified in its entirety by reference to the provisions of the Indenture, the Notes and the guarantees provided by the Subsidiary Guarantors.

### ***Notes Offered***

Subject to certain conditions to completion, the Company will issue the Notes in the aggregate principal amount of US\$350 million. The Notes will mature on 29 January 2018, unless earlier redeemed in accordance with the terms thereof.

### ***Offering Price***

The offering price of the Notes will be 100% of the principal amount of the Notes.

### ***Interest***

The Notes will bear interest from and including 29 January 2013 at the rate of 6.25% per annum, payable semi-annually in arrears on 29 January and 29 July of each year, commencing 29 July 2013.

### ***Ranking of the Notes***

The Notes are (1) general obligations of the Company; (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (3) ranked at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); (4) guaranteed by the Subsidiary Guarantors on a senior basis, subject to certain limitations; (5) effectively subordinated to all existing and future obligations of the subsidiaries of the Company which are not Subsidiary Guarantors; and (6) effectively subordinated to all existing and future secured obligations of the Company to the extent of the collateral securing such obligations.

### ***Events of default***

The events of default under the Notes include, among others: (a) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise; (b) default in the payment of interest or additional amounts on any Notes when the same becomes due and payable, and such default continues for a period of 30 consecutive days; (c) default in the performance or breach of the provisions of certain covenants or the failure by the Company to make or consummate an offer to purchase; (d) default by the Company or certain of its subsidiaries in the performance of or breach of any other covenant or agreement in the Indenture or under the Notes (other than a default specified in (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice by The Bank of New York Mellon, London Branch as trustee or the holders of 25% or more in aggregate principle amount of the Notes; (e) default by the Company or certain of its subsidiaries in the repayment of indebtedness having, in the aggregate, an outstanding principal amount in excess of US\$10.0 million or more; (f) one or more final judgments or orders for the payment of money are rendered against the Company or certain of its subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such persons to exceed

US\$10.0 million during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect; (g) an involuntary case, bankruptcy or other proceedings against the Company or certain of its subsidiaries; (h) voluntary bankruptcy or insolvency proceedings commenced by the Company or certain of its subsidiaries or consent to such similar action or effect any general assignment for the benefit of creditors; or (i) any Subsidiary Guarantor denying or disaffirming its obligations under the Subsidiary Guarantees with respect to the obligations of the Notes or, except as permitted by the Indenture, any of the Subsidiary Guarantees being determined to be unenforceable or invalid or for any reason ceasing to be in full force and effect.

If an event of default occurs (other than an event of default specified in (g) and (h) above) and is continuing, the trustee or holders of at least 25% in aggregate principal amount of the Notes then outstanding, may, by written notice, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable.

### ***Covenants***

The Notes, the Indenture governing the Notes and the Subsidiary Guarantees will limit the Company's ability and the ability of certain of its subsidiaries to, among other things:

- (a) incur additional indebtedness and issue preferred stock;
- (b) make investments or other specified restricted payments;
- (c) pay dividends or make other distributions or repurchase or redeem capital stock;
- (d) guarantee indebtedness;
- (e) enter into certain transactions with affiliates;
- (f) create liens;
- (g) enter into sale and leaseback transactions;
- (h) sell assets;
- (i) enter into agreements that restrict certain of its subsidiaries' ability to pay dividends;
- (j) issue and sell capital stock of certain of its subsidiaries;
- (k) effect a consolidation or merger; and
- (l) engage in different business activities.

## ***Optional Redemption***

The Notes may be redeemed in the following circumstances:

- (1) At any time on or after 29 January 2016, the Company may redeem all or any part of the Notes, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the Notes redeemed, to (but not including) the redemption date, if redeemed during the 12-month period commencing on 29 January of the years indicated below:

<b>Year</b>	<b>Redemption Price</b>
2016	103.1250%
2017	101.5625%

- (2) At any time prior to 29 January 2016, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus an applicable premium (as set forth in the Indenture) as of, and accrued and unpaid interest, if any, to, (but not including) the redemption date.
- (3) At any time and from time to time prior to 29 January 2016, the Company may at its option redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 106.25% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the Notes issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.
- (4) The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the trustee will select Notes for redemption as follows:
  - (i) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or
  - (ii) if the Notes are not listed on any national securities exchange, on a pro rata basis, by lot or by such other method as the trustee in its sole discretion shall deem to be fair and appropriate.
- (5) No Note of US\$200,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

## **Reasons for the Notes Issue**

The Group believes that it is the largest retailer of internationally renowned Swiss watches in the Greater China region in terms of turnover and number of retail stores. The Group has an extensive network of branded retail stores across the PRC, Hong Kong, Macau and Taiwan and a wholesale network covering the PRC. The Group has well-established business relationships with various internationally renowned watch brand owners such as the Swatch Group, the LVMH Group, the Richemont Group, the Rolex Group and the DKSH Group. As of 30 June 2012, the Group's product portfolio consisted of over 50 internationally renowned mid- to high-end brands from these five major brand suppliers and other independent watchmakers, including brands such as Omega, Tissot, Breguet, Mido, TAG Heuer, Zenith, Cartier, Vacheron Constantin, Jaeger-LeCoultre, IWC, Rolex, Maurice Lacroix and Frederique Constant. The Group actively manages the mix of watch brands in its portfolio to enhance its returns and better serve its target customers. The Group targets predominantly mid- to high-income consumers in the Greater China region seeking well-known international luxury watch brands.

The estimated net proceeds of the Notes Issue, after deduction of the underwriting discounts and commissions and other estimated expenses, will amount to approximately US\$343 million, and the Company intends to use the net proceeds of the Notes Issue to redeem its outstanding 2015 Convertible Bonds, refinance its other debt obligations and for general corporate purposes. The Company may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of proceeds. The Directors also consider that the Proposed Issue will strengthen the financial position of the Company and further extend the Company's international profile and improve its ability to access the international capital markets to support the growth of the Group in the future.

## **Listing and rating**

The Company will seek a listing of the Notes on the Stock Exchange. A confirmation of the eligibility of the listing of the Notes has been received from the Stock Exchange. Admission of the Notes to the Stock Exchange is not to be taken as an indication of the merits of the Company or the Notes.

The Notes have been rated "BB+" by Fitch Ratings and are expected to be rated "Ba1" by Moody's Investors Service.

## **DEFINITIONS**

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

"2015 Convertible Bonds"	HK\$2,500 million 2.5% convertible bonds due 2015 of the Company
"Board"	the board of Directors

“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
“Deutsche Bank”	Deutsche Bank AG, Singapore Branch, one of the joint global coordinators, joint bookrunners and joint lead managers in respect of the offer and sale of the Notes
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, one of the joint bookrunners and joint lead managers in respect of the offer and sale of the Notes
“Indenture”	the written agreement entered into between the Company, the Subsidiary Guarantors as guarantors and The Bank of New York Mellon, London Branch as trustee, that specifies the terms and conditions of the Notes including the covenants, events of default, interest rate of the Notes and the maturity date
“J.P. Morgan”	J.P. Morgan Securities plc, one of the joint global coordinators, joint bookrunners and joint lead managers in respect of the offer and sale of the Notes
“Macau”	Macau Special Administrative Region of the PRC
“Notes”	the 6.25% senior notes due 2018 in the aggregate principal amount of US\$350 million to be issued by the Company
“Notes Issue”	the issue of the Notes by the Company

“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purposes of this announcement
“Purchase Agreement”	the agreement dated 22 January 2013 entered into among the Company, the Subsidiary Guarantors, Deutsche Bank, Standard Chartered Bank, J.P. Morgan and HSBC in relation to the Notes Issue
“Securities Act”	the United States Securities Act of 1933, as amended
“Standard Chartered Bank”	Standard Chartered Bank, one of the joint global coordinators, joint bookrunners and joint lead managers in respect of the offer and sale of the Notes
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Guarantees”	the guarantees provided by the Subsidiary Guarantors in respect of the Notes Issue
“Subsidiary Guarantors”	certain subsidiaries of the Company that on the issue date of the Notes will provide guarantees to secure the Company’s obligations under the Notes
“US\$”	United States dollar(s), the lawful currency of the United States
“%”	per cent

By Order of the Board  
**HENGDELI HOLDINGS LIMITED**  
**Zhang Yuping**  
*Chairman*

Hong Kong, 23 January 2013

*As at the date of this announcement, the executive Directors are Mr. Zhang Yuping (Chairman), Mr. Song Jianwen and Mr. Huang Yonghua, the non-executive Directors are Mr. Chen Sheng, Mr. Shi Zhongyang and Ms. Zheng Yu and the independent non-executive Directors are Mr. Cai Jianmin, Mr. Wong Kam Fai William and Mr. Liu Xueling.*