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## **GR VIETNAM HOLDINGS LIMITED**

**越南控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 139)**

### **PROPOSED ISSUE AND PLACING OF THE THREE-YEAR HK\$200 MILLION ZERO COUPON CONVERTIBLE BONDS**

#### **Summary**

On 8 October 2010 (after trading hours), the Company entered into a conditional Placing Agreement with the Placing Agent pursuant to which the Company has agreed to appoint the Placing Agent to procure, on a best effort basis, independent subscribers for the Convertible Bonds.

The Convertible Bonds will be placed to not less than six Placees. The Placing Agent will use its reasonable endeavours to ensure that each Placee and whose ultimate beneficial owner(s) are Independent Third Parties. None of the Placees is expected to become substantial Shareholder immediately after conversion in full of the Convertible Bonds.

#### **Convertible Bonds**

The Convertible Bonds are convertible into new Shares at the conversion price of HK\$0.125 per Share and on the terms detailed below in this announcement.

The terms of the Placing Agreement and the Convertible Bonds were arrived at after arm's length negotiations between the Company and the Placing Agent. The Directors consider those terms to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Use of proceeds**

The estimated net proceeds raised from the issue of the Convertible Bonds in the amount of HK\$195.5 million will be used for the redemption of the 2007 Convertible Bonds.

### **Specific Mandate**

The Company will seek the grant of a Specific Mandate to allot, issue or otherwise deal in additional Shares to be sought from the Shareholders to satisfy the allotment and issue of the Conversion Shares upon exercise of conversion rights attaching to the Convertible Bonds at the SGM to be convened and held by the Company.

### **Circular**

A circular containing, among others, further information on the SGM Matters together with a notice to convene the SGM will be despatched to the Shareholders in accordance with the Listing Rules as soon as practicable, and is expected to be before 28 October 2010.

## **PLACING AGREEMENT IN RESPECT OF THE PLACING OF THE THREE-YEAR HK\$200 MILLION ZERO COUPON CONVERTIBLE BONDS**

**Date** : 8 October 2010

**Placing Agent** : (1) the Company, the issuer of the Convertible Bonds  
(2) Taifook Securities Company Limited, the Placing Agent in respect of the Placing

The Placing Agent is a licensed corporation permitted to carry on Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities under the SFO.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Placing Agent and its holding company, Taifook Securities Group Limited (whose issued shares are listed on the Main Board of the Stock Exchange with stock code of 665), is an Independent Third Party.

Under the Placing Agreement, the Placing Agent has agreed to procure, on a best effort basis, independent subscribers for the Convertible Bonds.

- Placees** : The Convertible Bonds will be placed to not less than six Placees.
- The choice of the Placees will be solely determined by the Placing Agent, which are expected to be independent professional, institutional and/or private investor(s).
- The Placing Agent will use its reasonable endeavours to ensure that each Placee and (where a corporation) whose ultimate beneficial owner(s) are Independent Third Party(ies). None of the Placees is expected to become substantial Shareholder immediately after conversion in full of the Convertible Bonds.
- Placing Price** : the face value of the principal amount of the Convertible Bonds (up to the maximum principal amount of HK\$200 million).
- Placing commission** : A placing commission of 2% of the aggregate placing price of the Convertible Bonds successfully placed by the Placing Agent (which was determined by agreement after arm's length negotiation between the Company and the Placing Agent based on the size of the Placing, the general market conditions and the time allowed for the Placing Agent to procure Placees for the Convertible Bonds).
- Conditions precedent to completion of the Placing** :
- (1) the passing of ordinary resolution(s) by the Shareholders at the SGM approving, among other matters, the creation and issue of the Convertible Bonds and authorising the Board to allot and issue the Conversion Shares in compliance with the applicable requirements under the Listing Rules or otherwise of the Stock Exchange;
  - (2) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares;
  - (3) none of the warranties contained in the Placing Agreement and given by the Company having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect; and
  - (4) the Board approving and authorising the execution and completion of the Placing Agreement and the instrument constituting the Convertible Bonds, the creation and issue of the Convertible Bonds and the allotment and issue of the Conversion Shares.

If any of the above conditions precedent to completion of the Placing has not been satisfied (or as to the condition under (3) above being waived by the Placing Agent) on or before 4:00 p.m. by the Longstop Date, the Placing Agreement shall lapse.

**Completion** : Completion of the Placing Agreement will take place on the second Business Day next after satisfaction (or, if applicable, waiver) of all the conditions set out under the paragraph headed “Conditions precedent to completion of the Placing” above (or such other date as may be agreed by the Company and the Placing Agent).

The Directors consider that the terms of the Placing Agreement, which were arrived at after arm’s length negotiation between the Company and the Placing Agent, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **PRINCIPAL TERMS OF THE CONVERTIBLE BONDS**

The principal terms of the Convertible Bonds are summarized below:

***Principal amount:*** Up to the aggregate principal amount of HK\$200 million.

***Interest:*** Nil

***Conversion period:*** The Convertible Bonds may be converted in whole or in part at any time following the date of issue of the Convertible Bonds and up to the Maturity Date.

***Conversion Price:*** The conversion price at which each Share shall be issued upon exercise of the Conversion Right, at the option of the converting Bondholder, shall be HK\$0.125 (subject to adjustment for subdivision or consolidation of Shares, bonus issues, capital reduction, rights issue and other events which have diluting effects on the issued share capital of the Company. Any conversion shall be made in amounts of not less than a whole multiple of HK\$500,000 and no fraction of a Share shall be issued on conversion.).

The Conversion Price was arrived at after arm’s length negotiations between the Company and the Placing Agent and with reference to the market price of the Shares.

The Conversion Price represents:

- (i) a premium of 7.76% to the closing price of HK\$0.116 per Share as quoted on the Stock Exchange on 8 October 2010, being the last trading day immediately prior to the signing of the Placing Agreement; and
- (ii) a premium of approximately 5.93% to the average closing price of the Shares of HK\$0.118 per Share for the 10 trading-day period ended on 8 October 2010 (inclusive).

**Conversion Shares:** Assuming that the Convertible Bonds are subscribed for in full, and the Conversion Right attaching to the Convertible Bonds are exercised in full at the Conversion Price, this may result in the allotment and issue of 1,600,000,000 new Shares, representing:

- (i) about 56.64% of the existing issued share capital of the Company; and
- (ii) about 36.16% of the issued share capital of the Company as enlarged by the Conversion Shares.

The Conversion Shares are not subject to any lock-up or other disposal restrictions.

The impact on the shareholding structure of the Company are set out in the paragraph headed “Impact on the Shareholding Structure of the Company” below.

**Status of the Conversion Shares:** The Conversion Shares will be issued free from any encumbrances or third party rights of any kind and will rank equally in all respects with all the Shares in issue together with all rights to dividends and other distributions declared, made or paid on or after the date of the exercise of the Conversion Right.

**Voting rights:** Each Bondholder will not be entitled to receive notice of, attend or vote at any general meeting of the Company by reason only of its being a Bondholder.

**Transferability:** The Convertible Bonds may not be assigned or transferred in whole or in part to any connected persons of the Company nor any third party without the prior written consent of the Company (such consent not to be unreasonably withheld or delayed).

The Company will disclose to the Stock Exchange any dealings in the Convertible Bonds by any connected persons immediately upon the Company becoming aware of such dealings.

The Convertible Bonds may not be assigned or transferred in whole or in part to the connected persons of the Company unless all the requirements under the Listing Rules have been fully complied with to the satisfaction of the Stock Exchange.

**Maturity Date:** the third anniversary of the date of issue of the relevant amount of the Convertible Bonds to the relevant Places.

**Early Redemption:** The Company may redeem the whole or part of the Convertible Bonds, at any time during the period commencing from the Issue Date and expiring on the Maturity Date, by giving the Bondholder(s) not less than seven Business Days’ prior notice at the redemption amount (which is the principal amount of the outstanding Convertible Bonds).

***Final Redemption and  
Repayment:***

The Company shall redeem the outstanding principal amount of the Convertible Bonds on the expiry of three years from the date of issue of the Convertible Bonds.

**USE OF PROCEEDS**

Subject to completion of the Placing and assuming the Convertible Bonds are successfully placed by the Placing Agent and subscribed for in full, the estimated net proceeds expected to be raised from the issue of the Convertible Bonds is approximately HK\$195.5 million, after deducting professional fees and all related expenses. The estimated net proceeds are to be utilised for the redemption of the 2007 Convertible Bonds.

**REASONS FOR THE ISSUE OF THE CONVERTIBLE BONDS**

The Directors consider that it is key to competition to maintain a strong cashflow and financial position of the Group. Accordingly, the Directors consider that it is advantageous to leverage on the possible funds raised from the issue of the Convertible Bonds to redeem the 2007 Convertible Bonds, which is due to expire on 16 November 2010.

The Directors have considered various means (such as rights issue) available to raise funds in the capital market or obtaining loans and other general banking facilities from banks and financial institutions but are of the view that the issue of the Convertible Bonds is appropriate means of raising additional capital for the Company for the above purpose since (i) they will not have an immediate dilution effect on the shareholding of the existing shareholders of the Company; (ii) as no interest is payable by the Company on the Convertible Bonds, the cost is comparatively lower than bank borrowing; and (iii) upon exercise of the conversion rights attaching to the Convertible Bonds, the shareholder base of the Company will be enlarged and the financial position of the Group strengthened with further capital to the Group for developing the existing and future business of the Group.

In light of the above, the Directors consider that the terms of the Convertible Bonds, which were arrived at after arm's length negotiation between the Company and the Placing Agent, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors was prohibited from voting or being counted in the quorum on the board resolution approving the Placing Agreement and the proposed transactions contemplated thereunder.

**FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS**

The Company has not undertaken any fund raising activities within the 12 months immediately prior to the date of this announcement.

**SHARE CAPITAL**

As at the date of this announcement, the issued ordinary share capital of the Company is HK\$28,246,430.47 divided into 2,824,643,047 Shares.

## IMPACT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming the Convertible Bonds are subscribed for in full and that there will be no change in the shareholding structure of the Company from the date of this announcement to immediately before the conversion in full of the Convertible Bonds, the effect on the shareholding structure of the Company upon conversion in full of the Convertible Bonds are as follows:

Shareholders	As at the date of this announcement		Assuming conversion in full of the Convertible Bonds	
	(No. of Shares)	(%)	(No. of Shares)	(%)
Allied Way International Limited ("Allied Way") (Note 1)	680,000,000	24.07	680,000,000	15.37
Wong Howard (Note 2)	21,299,000	0.75	21,299,000	0.48
Wong Yat Fai (Note 3)	21,299,000	0.75	21,299,000	0.48
<b>Public:</b>				
Placees under the Placing (Note 4)	-	0	1,600,000,000	36.16
Other public Shareholders	2,102,045,047	74.43	2,102,045,047	47.51
Total	<u>2,824,643,047</u>	<u>100.00</u>	<u>4,424,643,047</u>	<u>100.00</u>

Notes:

- Allied Way is a company incorporated in Hong Kong, the entire issued share capital of which is owned as to 50% by Mr Wong Howard, a Director, and 50% by his spouse, Ms Cheung Mei Yee Rebacca ("Ms Rebacca Cheung"). Mr Wong Howard and his spouse are deemed to be interested in these 680,000,000 Shares held by Allied Way under Part XV of the SFO.
- Mr Wong Howard is a Director. Ms Rebacca Cheung, his spouse, is also deemed to be interested in these 21,299,000 Shares held by Mr Wong Howard under Part XV of the SFO.
- Mr Wong Yat Fai is a Director.
- Each of the Placees is expected to be Independent Third Party. None of the Placees is expected by the Company to become a substantial Shareholder immediately after the conversion in full of the Convertible Bonds under the Placing Agreement.
- The above is for illustration purpose only assuming that the Convertible Bonds are exercised in full.

## **APPLICATION FOR LISTING**

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion right attaching to the Convertible Bonds.

## **SPECIFIC MANDATE**

The Company will seek the grant of a Specific Mandate to allot, issue and otherwise deal in additional Shares to be sought from the Shareholders to satisfy the allotment and issue of the Conversion Shares upon exercise of conversion rights attaching to the Convertible Bonds at the SGM.

## **BUSINESS OF THE GROUP**

The Company is principally engaged in investment holding. The principal activities of the Group comprise the trading and distribution of electronic products and other merchandise and securities investment and trading.

## **SGM**

An SGM will be convened and held for the purpose of considering and if thought fit, approving the SGM Matters.

A circular containing, among others, further information on the SGM Matters together with a notice to convene the SGM will be despatched to the Shareholders in accordance with the Listing Rules as soon as practicable, but is expected to be before 28 October 2010.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds from time to time
“Business Day”	a day (excluding Saturday) on which banks are open for business in Hong Kong
“Company”	GR Vietnam Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules



“Convertible Bonds”	the three-year zero coupon convertible bonds to be issued by the Company to the Placees up to a maximum principal amount of HK\$200 million pursuant to the terms and conditions of the Placing Agreement
“Conversion Right”	the right of holder(s) of the Convertible Bonds to convert the whole or part of the principal amount of the Convertible Bonds into Shares subject to the terms and conditions contained in the instrument constituting the Convertible Bonds
“Conversion Price”	HK\$0.125 per Share
“Conversion Shares”	new Shares which may fall to be allotted and issued upon exercise of the Conversion Right
“Director(s)”	the director(s) of the Company
“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 People’s Republic of China
“Independent Third Party(ies)”	a party who is independent of and is not connected with the Company and/or its connected persons
“Issue Date”	the date of allotment and issue of the relevant amount of the Convertible Bonds to the relevant Placee(s)
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	11 November 2010 (or such other date as the Company and the Placing Agent shall agree in writing)
“Maturity Date”	the date falling three years after the allotment and issue of the relevant amount of the Convertible Bonds to the relevant Placee(s)
”Placees”	the professional, institutional and/or private investor(s) to be procured by or on behalf of the Placing Agent to subscribe for any of the Convertible Bonds pursuant of the Placing Agreement
Placing”	the offer by way of private placement of the Convertible Bonds to selected Placees pursuant of the Placing Agreement by or on behalf of the Placing Agent
“Placing Agent”	Taifook Securities Company Limited, a licensed corporation permitted to carry on Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities under the SFO, being the placing agent for the Placing

“Placing Agreement”	the conditional placing agreement dated 8 October 2008 entered into between the Company and the Placing Agent in respect of the Placing
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the SGM Matters
“SGM Matters”	the matters to be put forward to the Shareholders for consideration and, if thought fit, approval at the SGM which include the Placing Agreement and all transactions contemplated thereunder (including the creation and issue of the Convertible Bonds) and the grant of the Specific Mandate
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) for the time being of the Share(s)
“Specific Mandate”	a specific mandate to allot, issue or otherwise deal in additional Shares to be sought from the Shareholders to satisfy the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“2007 Convertible Bonds”	the three-year HK\$200 million zero coupon convertible bonds issued by the Company on 16 November 2007 as disclosed by the Company in the announcement dated 11 July 2007, the circular dated 27 July 2007 and the announcement dated 16 November 2007.
“%”	per cent.

On behalf of the Board  
**GR Vietnam Holdings Limited**  
**Wong Howard**  
*Chairman*

Hong Kong, 8 October 2010

*As at the date of this announcement, the executive directors of the Company are Mr. Wong Howard, Mr. Wong Yat Fai and Mr. Lam Sai Ho, Anthony; and the independent non-executive directors of the Company are Mr. Li Chi Ming, Mr. Tung Tat Chiu, Michael and Mr. Wan Ngar Yin, David.*

\* *For identification purposes only*