
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Xinyu Hengdeli Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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XINYU HENGDELI HOLDINGS LIMITED

新宇亨得利控股有限公司

(Incorporated in Cayman Islands with limited liability)

(the “Company”)

(Stock Code: 3389)

PROPOSED SUBDIVISION OF SHARES

A letter from the Board is set out on pages 4 to 8 of this circular.

A notice convening an Extraordinary General Meeting to be held at Conference Room, 5th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, on Tuesday, 6 February, 2007 at 11:00 a.m. is set out on page 9 of this circular.

Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the Company’s Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong and in any event not less than 48 hours before the time fixed for holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting should you so wish.

15 January 2007

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EXPECTED TIMETABLE

2007

Latest time for lodging forms of proxy for the EGM 11:00 a.m. on Sunday, 4 February
EGM 11:00 a.m. on Tuesday, 6 February (Note)

The following events are conditional on the results of the EGM and the granting of listing of, and permission to deal in, the Subdivided Shares and the Subdivided Shares to be issued under the Share Option Scheme by the Listing Committee of the Stock Exchange:

Effective date of the Share Subdivision Wednesday, 7 February

Dealings in the Subdivided Shares commence 9:30 a.m. on Wednesday, 7 February

Existing counter for trading in Shares in board
lots of 4,000 Shares temporarily closes 9:30 a.m. on Wednesday, 7 February

Temporary counter for trading in Subdivided Shares
in board lots of 8,000 Subdivided Shares (in the
form of Existing Share Certificates) opens 9:30 a.m. on Wednesday, 7 February

First day of free exchange of certificates of Existing
Share Certificates for New Share Certificates Wednesday, 7 February

Original counter for trading in Subdivided Shares
in board lots of 4,000 Subdivided Shares (in the form
of New Share Certificates) reopens 9:30 a.m. on Friday, 23 February

Parallel trading in Subdivided Shares (in the form
of New Share Certificates and the Existing
Share Certificates) commences 9:30 a.m. on Friday, 23 February

Temporary counter for trading in Subdivided Shares
in board lots of 8,000 Subdivided Shares
(in the form of certificates for existing Shares) closes 4:00 p.m. on Friday, 16 March

Parallel trading in Subdivided Shares (in the form of
New Share Certificates and the Existing
Share Certificates) ends 4:00 p.m. on Friday, 16 March

Last day for free exchange of Existing Share Certificates
for New Share Certificates Wednesday, 21 March

Note:

The EGM will be held at Conference Room, 5th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong on Tuesday, 6 February, 2007 at 11:00 a.m..

Further announcement will be made by the Company for changes, if any, in the expected timetable for implementation of the Share Subdivision and the associated trading arrangements as aforesaid.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 5 January 2007 relating to the Share Subdivision
“Articles of Association”	the existing articles of association of the Company
“Board”	the board of Directors, including independent non-executive Directors, of the Company
“business day”	a day, other than a Saturday or a Sunday, on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for the business of dealing in securities
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	新宇亨得利控股有限公司 (Xinyu Hengdeli Holdings Limited) (Stock code: 3389), a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Company’s Registrar”	Computershare Hong Kong Investor Services Limited of 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Director(s)”	Director(s) of the Company (including executive directors, non-executive directors and independent non-executive directors)
“Existing Share Certificates”	the grey share certificates for the Shares
“EGM”	the extraordinary general meeting of the Company to be held at Conference Room, 5th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong on Tuesday, 6 February, 2007 at 11:00 a.m. (or such adjournment thereof), to consider and, if thought fit, approve the proposed Share Subdivision and, the notice of which is set out on page 9 of this circular
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Latest Practicable Date”	11 January 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Committee”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Certificates”	the gold new share certificates for the Subdivided Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the Company’s share option scheme adopted on 27 August 2005
“Shareholder(s)”	Holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivided Share(s)”	ordinary share(s) of HK\$0.005 each in the share capital of the Company upon the Share Subdivision becoming effective
“Share Subdivision”	the subdivision of one Share into 2 Subdivided Shares of HK\$0.005 each

RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.



XINYU HENGDELI HOLDINGS LIMITED
新宇亨得利控股有限公司

(Incorporated in Cayman Islands with limited liability)
(the “Company”)
(Stock Code: 3389)

Executive Directors:

Mr. Zhang Yuping (*Chairman*)
Mr. Song Jianwen
Mr. Huang Yonghua

Non-executive Directors:

Mr. Chen Sheng
Mr. Shen Zhiyuan
Mr. Shi Zhongyang
Mr. George Jian Chuang

Independent non-executive Directors:

Mr. Cai Jianmin
Mr. Wong Kam Fai William
Mr. Liu Huangsong

Registered Office:

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Principal place of business
in Hong Kong*

Room 301, 3/F,
Lippo Sun Plaza,
28 Canton Road,
Tsimshatsui Kowloon,
Hong Kong

15 January 2007

To the Shareholders

Dear Sir or Madam,

PROPOSED SUBDIVISION OF SHARES

1. Introduction

The purpose of this circular is to provide you with information regarding the proposed Share Subdivision to enable you to make decision on whether to vote for or against the resolution in connection with the Share Subdivision to be proposed at the EGM.

LETTER FROM THE BOARD

2. Proposed Subdivision of Shares

By the Announcement dated 5 January 2007, the Board announced that the Company would put to its Shareholders a proposal that every existing issued and unissued shares of HK\$0.01 each in the capital of the Company be subdivided into two (2) shares of HK\$0.005 each. The size of the existing board lot of 4,000 Shares each will remain unchanged upon the Share Subdivision becoming effective.

The Share Subdivision is intended to improve the liquidity of the Subdivided Shares and widen the Shareholder base. Accordingly, the Board considers the Share Subdivision to be in the interests of the Company and the Shareholders as a whole given the prevailing market conditions.

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 Shares, of which 1,242,250,000 Shares are in issue and fully paid. Immediately upon the Share Subdivision becoming effective, the authorised share capital of the Company will be HK\$20,000,000 divided into 4,000,000,000 Subdivided Shares, of which 2,484,500,000 Subdivided Shares will be in issue and fully paid assuming that no further Shares are issued or repurchased prior to the Share Subdivision becoming effective.

The Subdivided Shares will rank *pari passu* with each other in all respects and the rights attaching to the Subdivided Shares will not be affected by the Share Subdivision.

Save for the costs incurred by the Company in implementing the Share Subdivision, the Share Subdivision will not alter the underlying assets, business operations, management or financial position of the Company or the proportional interests of the Shareholders. The Board considers that the Share Subdivision will not have any adverse effect in the financial position of the Company.

3. Board Lot Size

The Shares currently trade in board lots of 4,000 Shares. Upon the Share Subdivision becoming effective, the Subdivided Shares will be traded in board lots of 4,000 Subdivided Shares. The Share Subdivision will not result in any odd board lots other than those which already exist.

4. Conditions of the Share Subdivision

The Share Subdivision is conditional upon:

- (a) the passing of the ordinary resolution by the Shareholders at the EGM; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subdivided Shares and the Subdivided Shares to be issued pursuant to the exercise of options in accordance with the Share Option Scheme.

5. Listing and Dealing

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subdivided Shares and the Subdivided Shares to be issued pursuant to the exercise of options in accordance with the Share Option Scheme.

Subject to the granting of the listing of, and permission to deal in, the Subdivided Shares on the Stock Exchange, the Subdivided Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

6. Exchange of Share Certificates

Subject to fulfilment of the conditions set out under the paragraph headed “Conditions of the Share Subdivision” above and the Share Subdivision taking effect, it is expected that, as from Wednesday, 7 February 2007, New Share Certificates will be issued in board lots of 4,000 Subdivided Shares.

The Existing Share Certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:00 p.m. Friday, 16 March 2007 and thereafter will not be accepted for delivery, trading and settlement purposes. However, the Existing Share Certificates will continue to be good evidence of legal title to the Subdivided Shares on the basis of one Share for two Subdivided Shares and may be exchanged free of charge for New Share Certificates, which is in gold, for Subdivided Shares upon submission of the Existing Share Certificates to the Company’s Registrar, between 9:00 a.m. and 4:00 p.m. from Wednesday, 7 February, 2007 to Wednesday, 21 March, 2007 (both days inclusive) at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

After 4:00 p.m. on Wednesday, 7 February, 2007, the Existing Share Certificates in “grey” colour will remain effective as document of title on the basis of one Share for two Subdivided Shares and may be exchanged for New Share Certificates in “*gold” colour at any time on payment of a prescribed fee.

It is expected that the New Share Certificates will be available for collection within a period of 10 business days after the submission of the Existing Share Certificates to the Company’s Registrars for exchange.

The New Share Certificates for the Subdivided Shares will be gold in colour in order to distinguish them from the Existing Share Certificates which are grey in colour.

LETTER FROM THE BOARD

7. Trading Arrangements for Subdivided Shares

Subject to the Share Subdivision becoming effective, the trading arrangement for the Subdivided Shares will be as follows:

- (a) from 9:30 a.m. on Wednesday, 7 February 2007, the existing counter for trading in Shares in board lots of 4,000 Shares will be temporarily closed;
- (b) from 9:30 a.m. on Wednesday, 7 February 2007, a temporary counter for trading in Subdivided Shares in board lots of 8,000 Subdivided Shares, in the form of the Existing Share Certificates for the Shares, will be opened, and for the purposes of the settlement and delivery for trading at this temporary counter, every one Share will be deemed to represent two Subdivided Shares. Only Existing Share Certificates for existing Shares (grey in colour) can be traded in this temporary counter;
- (c) from 9:30 a.m. on Friday, 23 February 2007, the existing counter will be re-opened for trading in Subdivided Shares in board lots of 4,000 Subdivided Shares. Only New Share Certificates for Subdivided Shares (gold in colour) can be traded at this counter;
- (d) during the period from 9:30 a.m. on Friday, 23 February 2007 to 4:00 p.m. on Friday, 16 March 2007 (both days inclusive), parallel trading will be permitted at the two counters mentioned above;
- (e) the temporary counter for trading in the Existing Share Certificates in board lots of 8,000 Subdivided Shares will be removed after the close of trading at 4:00 p.m. on Friday, 16 March 2007; and
- (f) from 9:30 a.m. on Monday, 19 March 2007, trading will be carried out only in Subdivided Shares in board lots of 4,000 Subdivided Shares (in the form of New Share Certificates that are gold in colour). Existing Share Certificates (grey in colour) will only be valid for delivery, trading and settlement purposes for the period up to 4:00 p.m. Friday, 16 March 2007 and thereafter will cease to be marketable and will not be acceptable for trading and settlement purposes. However, Existing Share Certificates for existing Shares (grey in colour) will continue to be good and valid evidence of legal title to existing Shares and may be exchanged for New Share Certificates for Subdivided Shares (gold in colour) at the Company's Registrar on payment of a prescribed fee.

8. EGM

A notice of the EGM is set out on page 9 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy attached to this circular in accordance with the instructions printed thereon as soon as possible to the Company's Registrar in Hong Kong, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong but in any event not less than 48 hours before the time fixed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM should you so wish.

LETTER FROM THE BOARD

9. Procedure to Demand a Poll

Pursuant to Article 66 of the Articles of Association, a resolution put to the vote of a general meeting of the Company (including the EGM) shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the Chairman of such meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or
- (e) by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at such meeting.

10. Recommendation

The Board considers that the Share Subdivision is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the Share Subdivision.

Yours faithfully,
For and on behalf of the Board
Xinyu Hengdeli Holdings Limited
Zhang Yuping
Chairman



XINYU HENGDELI HOLDINGS LIMITED
新宇亨得利控股有限公司

(Incorporated in Cayman Islands with limited liability)

(the “Company”)

(Stock Code: 3389)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting of the shareholders of the Company will be held at Conference Room, 5th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, on Tuesday, 6 February, 2007 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in the shares of the Company in their subdivided form and the subdivided shares to be issued pursuant to the exercise of options in accordance with the Company’s share option scheme, every issued and unissued share forming part of the authorised share capital of HK\$20,000,000 divided into of the Company comprising 2,000,000,000 shares of HK\$0.01 be subdivided into two shares of HK\$0.005 each with effect from the next day immediately following the day on which this resolution is passed and that the directors of the Company be authorised to issue new share certificates in respect of the Subdivided Shares to holders of existing shares of the Company pursuant to the subdivision of shares and to do all things and execute all documents in connection with or incidental to such share subdivision.”

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

Hong Kong, 15 January 2007

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. A proxy need not be a shareholder of the Company. All proxies must be deposited with the Company’s Share Registrars, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the meeting.
2. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting convened or at any adjourned meeting and in such event, the form of proxy will be deemed to be revoked.