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XINYU HENGDELI HOLDINGS LIMITED

新宇亨得利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3389)

**Issue of up to RMB1,150 million
US\$ settled Senior Unsecured Zero Coupon Convertible Bonds Due 2012
and
Resumption of Trading**

**Bookrunner and Lead Manager
BNP Paribas Capital (Asia Pacific) Limited**



BNP PARIBAS
CORPORATE & INVESTMENT BANKING

Co-manager



國泰君安證券(香港)有限公司
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED

The Directors are pleased to announce that on 25 July 2007, 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, (i) 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 Firm Bonds with an aggregate principal amount of RMB1,000 million; and (ii) the Company has granted to the Lead Manager (on behalf of the Managers) the Option to require the Company to issue, and the Managers shall severally subscribe and pay for or procure subscription and payment for, the Optional Bonds up to an aggregate principal amount of RMB150 million, in such proportion as agreed between the Managers.

The Convertible Bonds will be offered and sold to not less than six subscribers outside the United States in reliance upon Regulation S. The subscribers are independent of and not connected person of the Company.

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\$7.06 per Conversion Share and the Convertible Bonds are convertible into Conversion Shares at a fixed exchange rate of HK\$1.00 = RMB0.96637, which represents (i) a premium of approximately 45.26% over the closing price of HK\$4.86 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 52.48% over the average of the closing price of HK\$4.63 per Share as quoted on the Stock Exchange for five Trading Days up to and including the Last Trading Day; and (iii) a premium of approximately 55.16% over the average of the closing price of HK\$4.55 per Share as quoted on the Stock Exchange for 10 Trading Days up to and including the Last Trading Day. Assuming full conversion of the Convertible Bonds at the initial Conversion Price at a fixed exchange rate of HK\$1 = RMB0.96637, the Firm Bonds will be convertible into 146,572,285 Conversion Shares (subject to adjustment), representing approximately 5.90% of the issued share capital of the Company as at the date of this announcement and approximately 5.57% of the enlarged issued share capital of the Company. If the Option is exercised in full and assuming full conversion of the Optional Bonds, an additional 21,985,843 Shares will be issued, and the aggregate number of Conversion Shares to be allotted and issued upon full conversion of all the Convertible Bonds represents approximately 6.78% of the issued share capital of the Company as at the date of this announcement and approximately 6.35% of the enlarged issued share capital of the Company.

The net proceeds from the issue of the Firm Bonds, after deducting expenses including commissions, professional fees and other ancillary expenses, are estimated to be approximately US\$129.0 million. If the Option is exercised in full, the net proceeds from the issue of the Convertible Bonds are estimated to be approximately US\$148.4 million. The Company presently intends to use the net proceeds from such issue for (i) expanding its network of retail shops and outlets by at least 100 new outlets over the next three years mainly in the PRC; (ii) pursuing future strategic acquisitions, for which the Company has not yet identified any specific targets; and (iii) for working capital requirements and general corporate purposes.

Applications will be made (i) to the SGX-ST for the listing and quotation of the Convertible Bonds on the official list of 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.

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 25 July 2007 at the request of the Company pending the release of this announcement and application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 26 July 2007.

THE SUBSCRIPTION AGREEMENT

Date

25 July 2007

Parties

- (a) The Company
- (b) BNP Paribas Capital (Asia Pacific) Limited
- (c) Guotai Junan Securities (Hong Kong) Limited

The issue of the Convertible Bonds is lead-managed by BNP Paribas Capital (Asia Pacific) Limited and co-managed by Guotai Junan Securities (Hong Kong) Limited. 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 of the Company.

Issue of the Convertible Bonds and Grant of the Option

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 Firm Bonds.

Under the Subscription Agreement, the Company has also granted to the Lead Manager (on behalf of the Managers) the Option to request the Company to issue, and the Managers shall severally subscribe and pay for or procure subscription and payment for, the Optional Bonds up to an aggregate principal amount of RMB150 million in such proportion as agreed between the Managers on the Closing Date. The Lead Manager may exercise the Option, in whole or in part, on one or more occasions, at any time during the period commencing from the date of the Subscription Agreement up to two business days before the Closing Date. The Optional Bonds shall constitute a single series with the Firm Bonds and be governed by the same terms and conditions.

The Convertible Bonds will be offered and sold to not less than six subscribers outside the United States in reliance upon Regulation S and who are independent of and not connected person of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the subscribers and their ultimate beneficial owners are not connected persons of the Company.

The Lead Manager, on behalf of 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 Lead Manager (or persons acting on its behalf) will undertake such over-allotment or stabilisation action.

In undertaking such over-allotment or stabilisation action, the Lead Manager 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 Lead Manager (or persons acting on its behalf) in accordance with all applicable laws and regulations.

The Company will pay to the Managers, pro rata in accordance with their respective underwriting commitments, an aggregate placement fee of 2% of the aggregate principal amount of the Firm Bonds and the Optional Bonds placed, which was determined by agreement after arm's length negotiation between the Company and the Managers based on the size of the offering and the general market conditions.

Conditions of the Subscription Agreement

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

- (1) the Lead Manager having been satisfied with the results of its due diligence investigations on the Group in connection with the issue, offering and distribution of the Convertible Bonds and for the purpose of preparing the Offering Circular, and the Offering Circular having been prepared in a form and substance satisfactory to the Lead Manager;
- (2) the Trust Deed and the Agency Agreement having been executed by all parties thereto on or prior to the Closing Date;
- (3) the SGX-ST having agreed, subject to any conditions reasonably satisfactory to the Lead Manager, to list the Convertible Bonds, and the Stock Exchange having agreed, subject to any conditions reasonably satisfactory to the Lead Manager, to list the Conversion Shares upon the conversion of the Convertible Bonds (or, in each case, the Lead Manager being satisfied that such listing will be granted, provided that, if the Option is exercised within seven business days prior to the Closing Date, this condition shall cease to be a condition in respect of the issue and subscription of the Optional Bonds and the Company will use its best endeavours to obtain the agreement of the Stock Exchange to list the Conversion Shares to be issued upon conversion of the Optional Bonds as soon as practicable after the Closing Date);
- (4) the delivery to the Lead Manager of comfort letters from the auditors of the Company in form and substance reasonably satisfactory to the Lead Manager on the date of publication of the Offering Circular and on the Closing Date, respectively;
- (5) the delivery to the Lead Manager of certain legal opinions as specified in the Subscription Agreement and such other resolutions, consents, authorities, documents and certificates relating to the issue of the Convertible Bonds as the Managers may reasonably require on or prior to the Closing Date; and

- (6) at the Closing Date there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the condition (financial or otherwise), results of operations, business or properties of the Group which, in the opinion of the Lead Manager, is material and adverse and which make it, in the opinion of the Lead Manager, impracticable to market the Convertible Bonds.

The Lead Manager 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.

If any of the conditions set forth in the Subscription Agreement is not satisfied (or where applicable, waived) on or prior to the Closing Date, the parties to the Subscription Agreement shall be released and discharged from their respective obligations under the Subscription Agreement, except for the payment by the Company of certain expenses relating to the offering of the Convertible Bonds.

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 24 August 2007, or such other time and/or date as the Company and the Lead Manager shall agree.

Certain undertakings relating to the Subscription Agreement

The Company has undertaken to the Managers that for a period from the date of the Subscription Agreement and up to 90 days after the Closing Date, neither the Company nor any of its subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on its behalf will, without the prior written consent of the Lead Manager (such consent shall not be unreasonably withheld), issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal), any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity swaps, forward sales and options representing the right to receive any Shares (whether or not such contract is to be settled by delivery of Shares or such other securities, in cash or otherwise) save for (i) issue of Shares pursuant to the conversion provisions of the Convertible Bonds; (ii) issue of Shares pursuant to obligation in existence at the date of the Subscription Agreement; or (iii) grant of share option by the Company from time to time under its publicly disclosed share option scheme adopted in compliance with the Listing Rules and issue of Shares pursuant to the exercise of the share options so granted, provided that the number of Shares to be issued pursuant to share options so granted shall not exceed 40 million.

Best Growth International Limited, being the controlling Shareholder holding approximately 53.96% of the entire issued share capital of the Company as at the date of this announcement, has undertaken in favour of the Managers that, subject to the closing of the Subscription Agreement and for a period from the date of the Subscription Agreement and up to 90 days after the Closing Date, neither it nor any of its subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on its or their behalf will, without the prior written consent of the Lead Manager (such consent not to be unreasonably withheld), issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal), any Shares or securities convertible or exchangeable into or exercisable

for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity swaps, forward sales and options representing the right to receive any Shares (whether or not such contract is to be settled by delivery of Shares or such other securities, in cash or otherwise), provided that the above undertaking shall not apply to any stock lending arrangement entered into between it and the Lead Manager.

Termination

The Subscription Agreement may be terminated under certain circumstances. The Lead Manager on behalf of the Managers may, by notice to the Company given at any time prior to payment of the net subscription moneys for the Convertible Bonds to the Company, terminate the Subscription Agreement if:

- (1) in the opinion of the Lead Manager, there shall have occurred such a change, whether or not foreseeable at the date of the Subscription Agreement, in national or international financial, political or economic conditions or currency exchange rates or exchange controls 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; or
- (2) if there shall have occurred an outbreak or escalation of hostilities or act of terrorism which would in the Lead Manager's view be likely to prejudice materially the success of the offering or the distribution of the Convertible Bonds or dealings in the Convertible Bonds in the secondary market; or
- (3) if there shall have occurred a general moratorium on commercial banking activities in the PRC or the United Kingdom or the United States or Hong Kong by any PRC, United Kingdom, New York State, United States Federal or Hong Kong authorities which would in the Lead Manager's 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; or
- (4) if on or after the date of the Subscription Agreement there shall have occurred either of the following:
 - (i) a suspension or material limitation of trading in securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq Stock Market, Inc., or the London Stock Exchange; or
 - (ii) a suspension in trading in the Company's securities on the Stock Exchange which would in the Lead Manager's view be likely to prejudice materially the success of the offering or the distribution of the Convertible Bonds or dealings in the Convertible Bonds in the secondary market.

Upon termination, the parties to the Subscription Agreement shall (except for the liability of the Company in relation to expenses already incurred and except for any liability arising before or in relation to such termination) be released and discharged from their respective obligations under 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:	RMB1,000 million in aggregate in respect of the Firm Bonds. If the Option for the issue of the Optional Bonds for an aggregate amount up to RMB150 million is exercised in full, the aggregate principal amount of the Convertible Bonds will be RMB1,150 million.
Maturity date:	24 August 2012.
Interest rate:	Save for the default interest at the rate of 5% per annum, the Convertible Bonds will not bear any interest.
Issue price:	100% of the principal amount of the Convertible Bonds, which will be payable in US dollars at the exchange rate of US\$1 = RMB7.5596 on the Closing Date.
Form and denomination:	The Convertible Bonds will be issued in registered form in the denomination of RMB1,000,000 each.
Yield-to-Maturity	2.1% per annum, determined on a semi-annual basis.
Conversion right:	<p>Bondholders shall have the right (“Conversion Right”) to convert their Convertible Bonds into Conversion Shares at the Conversion Price (as defined below) (subject to adjustment) at any time during the Conversion Period (as defined below).</p> <p>The Conversion Shares will in all respects rank pari passu with the Shares in issue on the date on which the relevant Bondholder (or such other person nominated thereby) is registered as holder of such Conversion Shares in the Company’s Hong Kong branch register of members.</p>
Conversion period:	The Conversion Right may be exercised, at the option of the relevant Bondholder, at any time on and after 21 February 2008 and up to the close of business at the place where certificate evidencing such Convertible Bonds is deposited for conversion on 17 August 2012, being the day falling five business days prior to the Maturity Date) or, if such Convertible Bonds shall have been called for redemption before the Maturity Date, then up to the close of business on a date no later than five business days prior to the date fixed for redemption thereof (“ Conversion Period ”).

Conversion price: The initial price at which the Conversion Shares will be issued will be HK\$7.06 per Conversion Share and the Convertible Bonds are convertible into Conversion Shares at a fixed exchange rate of HK\$1 = RMB0.96637 (“**Conversion Price**”). The initial Conversion Price represents:

- (i) a premium of approximately 45.26% over the closing price of HK\$4.86 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 52.48% over the average of the closing price of HK\$4.63 per Share as quoted on the Stock Exchange for five Trading Days up to and including the Last Trading Day; and
- (iii) a premium of approximately 55.16% over the average of the closing price of HK\$4.55 per Share as quoted on the Stock Exchange for 10 Trading Days up to and including the Last Trading Day.

The Conversion Price will be subject to Conversion Price reset as described below and other adjustment for, among other things, subdivision or consolidation of Shares, bonus issues, rights issues, distributions (subject to dividend protection as described below) and other events which may have a dilution effect on Bondholders pursuant to the terms of the Convertible Bonds.

Conversion price reset: If the Reset Reference Share Price on 24 August 2010 (“**Reset Date**”) is less than the Conversion Price then in effect (taking into account any adjustments thereto as provided under the terms of the Convertible Bonds which may have occurred prior to the Reset Date) on the Reset Date, the Conversion Price shall be reset on the Reset Date to the higher of (i) the Reset Reference Share Price; and (ii) 80% of the Conversion Price then in effect, and shall not be reduced below the then par value of the Shares.

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 (i) only to the extent that such dividend or distribution per Share does not, when taken together with the aggregate of the fair market value of any other dividend or distribution per Share previously made or paid in respect of the same current or previous financial period

to which it relates, exceed 2% of the arithmetic average of the daily VWAP of the Shares on the Stock Exchange on each of five consecutive Trading Days immediately prior to the date of announcement of the dividend or distribution; or (ii) it comprises a purchase or redemption of Shares by or on behalf of the Company (or a purchase of Shares by or on behalf of a subsidiary of the Company), where the weighted average price (before expenses) on any one day in respect of such purchases does not exceed the current market price of the Shares as quoted by the Stock Exchange by more than 5% either on that date or, where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement.

Redemption at the
option of the Company:

On or at any time after 24 August 2010 and prior to the Maturity Date, the Company may redeem all and not some only of the Convertible Bonds at the redemption price equal to the US Dollar Equivalent of their Early Redemption Amount on the redemption date if the VWAP of a Share for any 20 Trading Days out of the 30 consecutive Trading Days where the last day of such 30-Trading Day period falls within five Trading Days immediately prior to the date upon which notice of redemption is given, is at least 120% of the Conversion Price then in effect translated into Renminbi at the fixed rate of exchange of HK\$1 = RMB0.96637.

If at any time at least 90% in the aggregate principal amount of the Convertible Bonds has already been converted, redeemed or purchased and cancelled, then the Company shall have the option to redeem all but not some only of the outstanding Convertible Bonds at the price equal to the US Dollar Equivalent of their Early Redemption Amount on the date fixed for the redemption.

Redemption for
taxation reasons:

The Company may redeem all, but not some only, of the outstanding Convertible Bonds at the price equal to the US Dollar Equivalent of their Early Redemption Amount in the event that the Company has or will become obliged to pay additional amounts of taxation as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, Hong Kong or the PRC or any political subdivision or any authority 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 the date of the Subscription Agreement, and such obligation cannot be avoided by the Company taking reasonable measures available to it. If the Company exercises the

redemption rights by reason of taxation as stated above, each Bondholder shall have the right to elect that its Convertible Bond(s) shall not be redeemed, whereupon no additional amounts shall be payable by the Company to such Bondholder in respect of any payment of principal or premium to be made in respect of such Convertible Bond(s) which falls due after such date of redemption and payment of all amounts shall be made subject to the deduction or withholding of the taxation required to be withheld or deducted in accordance with the relevant laws and regulations of the Cayman Islands, Hong Kong or the PRC.

Redemption for delisting
or change of control:

Each Bondholder shall have the right to require the Company to redeem all or some of the Bondholder's Convertible Bonds at a price equal to the US Dollar Equivalent of their Early Redemption Amount upon:

- (i) the Shares ceasing to be listed or admitted to trading, or for 20 or more Trading Days occurring consecutively, trading in respect of the Shares is suspended, temporarily or otherwise, on the Stock Exchange (other than a suspension of trading in respect of the Shares on account of clearance and publication of any announcements, circulars or any other documents in respect of any transaction of the Group as required to be published under the Listing Rules, or otherwise in the ordinary course of business of the Group, in each case where the trading of the Shares on the Stock Exchange has been suspended at the request of the Company); or
- (ii) where there is a change of control, which occurs when:
 - (a) any person or persons acting together acquires Control of the Company if such person or persons does not or do not have, and would not be deemed to have, Control of the Company on the Closing Date;
 - (b) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company's assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control over the Company or the successor entity; or
 - (c) one or more persons (other than person referred to in (a) above) acquires the legal or beneficial ownership of all or substantially all of the Company's issued share capital.

Redemption at the option of the Bondholders:	The Company will, at the option of any of the Bondholders, redeem all or some of that Bondholder's Convertible Bonds on 24 August 2010 at a price equal to 106.4677% of the US Dollar Equivalent of the then principal amount of such Convertible Bonds.
Redemption at maturity:	Unless previously redeemed, converted or purchased and cancelled as provided for in the terms of the Convertible Bonds, the Company shall redeem each Convertible Bond at 111.0103% of the US Dollar Equivalent of the principal amount of such Convertible Bond on the Maturity Date.
Settlement:	All amount due under, and all claims arising out of or pursuant to, the Convertible Bonds and/or the Trust Deed from or against the Company shall be payable and settled in US dollars.
Transferability:	The Convertible Bonds are freely transferable.
Negative pledge:	The Company will undertake that, so long as any of the Convertible Bonds remains outstanding or any amount is due under or in respect of any Convertible Bond or otherwise under the Trust Deed, it will not, and will procure that none of its subsidiaries will, create or permit to subsist or arise any Security Interest upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness unless the Company, unless all amount payable by it under the outstanding Convertible Bonds and the Trust Deed are secured by Security Interest equally and rateably with the Relevant Indebtedness, or by such other Security Interest or other arrangement as the trustee under the Trust Deed may in its discretion deem to be not materially less beneficial to the Bondholders or as the Bondholders may approve.
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 pari passu and without any preference or priority among themselves.
	The Conversion Shares, when allotted and issued, will rank pari passu 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.

- 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 and quotation of the Convertible Bonds on the official list of 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 at a fixed exchange rate of HK\$1 = RMB0.96637, the Firm Bonds will be convertible into 146,572,285 Conversion Shares (subject to adjustment), representing approximately 5.90% of the issued share capital of the Company as at the date of this announcement and approximately 5.57% of the enlarged issued share capital of the Company. If the Option is exercised in full and assuming full conversion of the Optional Bonds, an additional 21,985,843 Shares will be issued, and the aggregate number of Conversion Shares to be allotted and issued upon full conversion of all the Convertible Bonds represents approximately 6.78% of the issued share capital of the Company as at the date of this announcement and approximately 6.35% of the enlarged issued share capital of the Company.

Assuming the initial Conversion Price is reset in accordance with the Conversion Price reset mechanism to its absolute floor of 80% of the initial Conversion Price, being HK\$5.648 per Conversion Share at the fixed exchange rate of HK\$1 = RMB0.96637, the Firm Bonds will be convertible into 183,215,356 Shares (subject to adjustment), representing approximately 7.37% of the issued share capital of the Company as at the date of this announcement and approximately 6.87% of the enlarged issued share capital of the Company. If the Option is exercised in full and assuming full conversion of the Optional Bonds, an additional 27,482,304 Shares will be issued, and the aggregate number of Conversion Shares to be allotted and issued upon full conversion of all the Convertible Bonds represents approximately 8.48% of the issued share capital of the Company as at the date of this announcement and approximately 7.82% of the enlarged issued share capital of the Company.

As at the date of this announcement, the issued share capital of the Company is HK\$12,422,500 divided into 2,484,500,000 Shares. Based on the register of interest kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance and so far as the Directors are aware of, the shareholding structure of the Company as at the date of this announcement and immediately after full conversion of the Convertible Bonds is and will be as follows:

Name of Shareholder	As at the date of this announcement		Assuming the Firm Bonds are fully converted into Conversion Shares at the initial Conversion Price of HK\$7.06 per Conversion Share at the fixed exchange rate of HK\$1 = RMB0.96637		Assuming the Firm Bonds and the Optional Bonds are fully converted into Conversion Shares at the initial Conversion Price of HK\$7.06 per Conversion Share at the fixed exchange rate of HK\$1 = RMB0.96637		Assuming the Conversion Price is reset at HK\$5.648 per Conversion Shares at the fixed exchange rate of HK\$1 = RMB0.96637 being 80% of the initial Conversion Price, and the Firm Bonds are fully converted into Conversion Shares		Assuming the Conversion Price is reset at HK\$5.648 per Conversion Share at the fixed exchange rate of HK\$1 = RMB0.96637, being 80% of the initial Conversion Price, and the Firm Bonds and the Optional Bonds are fully converted into Conversion Shares	
	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	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	Number of Shares	Approximate % to the enlarged issued share capital of the Company
Best Growth International Limited (Note 1)	1,340,648,000	53.96%	1,340,648,000	50.95%	1,340,648,000	50.53%	1,340,648,000	50.25%	1,340,648,000	49.74%
Artnew Development Limited (Note 2)	18,100,000	0.73%	18,100,000	0.69%	18,100,000	0.68%	18,100,000	0.68%	18,100,000	0.67%
Bondholders	-	0.00%	146,572,285	5.57%	168,558,128	6.35%	183,215,356	6.87%	210,697,660	7.82%
Dunearn Investments (Mauritius) Pte. Ltd.	247,000,000	9.94%	247,000,000	9.39%	247,000,000	9.31%	247,000,000	9.26%	247,000,000	9.16%
LVMH Asia Pacific Ltd.	167,664,000	6.75%	167,664,000	6.37%	167,664,000	6.32%	167,664,000	6.28%	167,664,000	6.22%
LVMH Watches & Jewelry Hong Kong Ltd.	12,336,000	0.50%	12,336,000	0.47%	12,336,000	0.47%	12,336,000	0.46%	12,336,000	0.46%
The Swatch Group (Hong Kong) Limited	180,000,000	7.24%	180,000,000	6.84%	180,000,000	6.79%	180,000,000	6.75%	180,000,000	6.68%
Other public Shareholders	518,752,000	20.88%	518,752,000	19.72%	518,752,000	19.55%	518,752,000	19.45%	518,752,000	19.25%
Total	2,484,500,000	100.00%	2,631,072,285	100.00%	2,653,058,128	100.00%	2,667,715,356	100.00%	2,695,197,660	100.00%

Notes:

- Best Growth International Limited is beneficially owned by Mr. Zhang Yuping, the Chairman and an executive Director, and his family.
- Artnew Development Limited is beneficially owned by Mr. Song Jianwen, an executive Director.

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

The net proceeds from the issue of the Firm Bonds, after deducting expenses including commissions, professional fees and other ancillary expenses, are estimated to be approximately US\$129.0 million. If the Option is exercised in full, the net proceeds from the issue of the Convertible Bonds are estimated to be US\$148.4 million. The Company presently intends to use the net proceeds from such issue for (i) expanding its network of retail shops and outlets by at least 100 new outlets over the next three years mainly in the PRC; (ii) pursuing future strategic acquisitions, for which the Company has not yet identified any specific targets; and (iii) for working capital requirements and general corporate purposes.

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.

LISTING

Applications will be made (i) to the SGX-ST for the listing and quotation of the Convertible Bonds on the official list of 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 principally engaged in the retail and distribution of internationally branded watches in the PRC. The Group also provides after-sales services for the customers with on-spot repair and maintenance services at all the outlets

GENERAL MANDATE TO ISSUE THE CONVERSION SHARES

The Conversion Shares will be issued pursuant to the general mandate to allot, issue and deal with Shares granted to the Directors at the annual general meeting of the Company held on 1 June 2007, which authorised the Directors to allot and issue a maximum of 496,900,000 Shares.

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

In August 2006, the Company raised net proceeds of approximately HK\$450 million upon completion of the private placing of an aggregate of 148,500,000 new shares of HK\$0.01 each in the share capital of the Company pursuant to the subscription agreement dated 27 June 2006 entered into between the Company, Dunearn Investments (Mauritius) Pte Ltd., The Swatch Group (Hong Kong) Limited and United Capital Investment Group Limited, as disclosed in the announcement of the Company dated 29 June 2006. As at the date hereof, the net proceeds has been fully utilised by the Group for its acquisition of the entire issued share capital of Elegant International Holdings Limited and its subsidiaries, expansion of its retail network and for general working capital purposes.

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.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 25 July 2007 at the request of the Company pending the release of this announcement and application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 26 July 2007.

DEFINITIONS

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

“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 Firm Bonds of which each Manager has 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;
“Control”	the acquisition or control of more than 50% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the board of Directors 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;
“Closing Date”	24 August 2007, or such other time or date as the Company and the Lead Manager shall agree in writing;
“Company”	Xinyu 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;
“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)”	the Firm Bonds and the Optional Bonds, to the extent the Option is exercised;
“Directors”	directors of the Company;
“Early Redemption Amount”	in respect of each RMB1,000,000 principal amount of the Convertible Bond, such amount representing a gross yield of 2.1% per annum for the Bondholder, calculated on a semi-annual basis up to the relevant redemption date;
“Firm Bonds”	the RMB denominated US dollar settled senior unsecured zero coupon convertible bonds due 2012 of an initial aggregate principal amount of RMB1,000 million;
“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”	24 July 2007, being the last Trading Day of the Shares before the publication of this announcement;
“Lead Manager”	BNP Paribas Capital (Asia Pacific) Limited;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Managers”	collectively, the Lead Manager and Guotai Junan Securities (Hong Kong) Limited;
“Maturity Date”	24 August 2012;
“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;
“Option”	the option granted by the Company to the Lead Manager (on behalf of the Managers) under the Subscription Agreement to require the Company to issue the Optional Bonds;
“Optional Bonds”	the additional RMB denominated US dollar settled senior unsecured zero coupon convertible bonds due 2012 of an aggregate principal amount up to RMB150 million, to be issued by the Company on the Closing Date upon exercise of the Option by the Lead Manager;

“PRC”	The People’s Republic of China;
“Regulation S”	Regulation S under the United States Securities Act of 1933, as amended;
“Relevant Indebtedness”	any future or present indebtedness (whether being principal, premium interest or other amounts) in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money having an original maturity of more than one year from its date of issue which are for the time being (or capable of being) quoted, listed, ordinarily dealt in or traded on any stock exchange, over the counter or any other securities market (whether or not initially distributed by way of private placement), and any guarantee or indemnity in respect of any such indebtedness;
“Reset Reference Share Price”	the arithmetic average of the daily VWAP of each Share on each of the 30 consecutive Trading Days ending on the fifth Trading Day prior to the Reset Date;
“RMB”	Renminbi, the lawful currency of the PRC;
“Security Interest”	a mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person;
“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 25 July 2007 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 is open for dealing business, provided that if no VWAP 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 have existed 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;
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States;
“US Dollar Equivalent”	the US dollar equivalent of any RMB amount due on a payment due date using the RMB/US\$ official fixing rate expressed as the amount of RMB per US\$1 reported by the People’s Bank of China which appears on the Reuters screen “SAEC” page opposite the symbol “USDCNY” page at or about 9:15 a.m. (Beijing time) on the date falling two business days (in Beijing and in New York City) prior to the payment due date; and
“VWAP”	volume weighted average price or prices of a Share for any Trading Day as reported by Bloomberg L.L.P. using the AQR function (or such other information service which is acceptable to the trustee under the Trust Deed) or, where such price is not available or cannot otherwise be determined as provided above, that price on the immediately preceding Trading Day on which the same can be determined.

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

25 July 2007, Hong Kong

As at the date of this announcement, the Executive Director and Chairman of the Company is Mr. Zhang Yuping (Chairman), the Executive Directors are Mr. Song Jianwen and Mr. Huang Yonghua, the Non-executive Directors are Mr. Chen Sheng, Mr. Shen Zhiyuan, Mr. Shi Zhongyang and Mr. Chuang Jian George, the Independent Non-executive Directors are Mr. Cai Jianmin, Mr. Wong Kam Fai William and Mr. Liu Xueling.

Please also refer to the published version of this announcement in South China Morning Post.