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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)

Announcement

Exercise of the Option to Issue Optional Bonds

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

Reference is made to the Company's announcement dated 25 July 2007 in relation to the issue of the Convertible Bonds up to a principal amount of RMB1,150 million. The Directors are pleased to announce that on 21 August 2007, the Company has received written notice from the Lead Manager (on behalf of the Managers) to request the Company to issue all of the Optional Bonds for a further principal amount of RMB150 million.

Subject to the conditions set out in the paragraph headed "Conditions of the Subscription Agreement" under the section headed "The Subscription Agreement" in the Announcement being fulfilled and pursuant to the terms of the Subscription Agreement, the Firm Bonds and the Optional Bonds will be issued by the Company on the Closing Date, scheduled to take place on 24 August 2007.

Assuming full conversion of the Optional Bonds, based on the initial Conversion Price of HK\$7.06 per Conversion Share at a fixed exchange rate of HK\$1.00 = RMB0.96637, an additional 21,985,843 Shares will be issued (subject to adjustment), representing approximately 0.88% of the issued share capital of the Company as at the date of this announcement and approximately 0.83% of the enlarged issued share capital of the Company, assuming and taking in account also of the full conversion of the Firm Bonds at such initial Conversion Price.

The net proceeds from the issue of the Optional Bonds are estimated to be approximately US\$19.4 million which, together with the Firm Bonds, are estimated to be approximately US\$148.4 million after deducting expenses including commissions, professional fees and other ancillary expenses. 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.

Reference is made to the Company's announcement (the "**Announcement**") dated 25 July 2007 in relation to the issue of the Convertible Bonds up to a principal amount of RMB1,150 million. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Directors are pleased to announce that on 21 August 2007, the Company has received written notice from the Lead Manager (on behalf of the Managers) to request the Company to issue all of the Optional Bonds for a further principal amount of RMB150 million. Subject to the conditions set out in the paragraph headed "Conditions of the Subscription Agreement" under the section headed "The Subscription Agreement" in the Announcement being fulfilled and pursuant to the terms of the Subscription Agreement, the Firm Bonds (for a principal amount of RMB1,000 million) and the Optional Bonds (for a principal amount of RMB150 million) will be issued by the Company on the Closing Date, scheduled to take place on 24 August 2007.

Assuming full conversion of the Optional Bonds, based on the initial Conversion Price of HK\$7.06 per Conversion Share at a fixed exchange rate of HK\$1.00 = RMB0.96637, an additional 21,985,843 Shares will be issued (subject to adjustment), representing approximately 0.88% of the issued share capital of the Company as at the date of this announcement and approximately 0.83% of the enlarged issued share capital of the Company, assuming and taking in account also of the full conversion of the Firm Bonds at such initial Conversion Price.

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 Optional Bonds will be convertible into 27,482,304 Shares (subject to adjustment), representing approximately 1.11% of the issued share capital of the Company as at the date of this announcement and approximately 1.02% of the enlarged issued share capital of the Company, assuming and taking in account also of the full conversion of the Firm Bonds at such reset Conversion Price.

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 interests kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance and so far as the Directors are aware, 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 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 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
Best Growth International Limited (Note 1)	1,340,648,000	53.96%	1,340,648,000	50.53%	1,340,648,000	49.74%
Artnew Development Limited (Note 2)	18,100,000	0.73%	18,100,000	0.68%	18,100,000	0.67%
Bondholders	–	0.00%	168,558,128	6.35%	210,697,660	7.82%
Dunearn Investments (Mauritius) Pte. Ltd.	247,000,000	9.94%	247,000,000	9.31%	247,000,000	9.16%
LVMH Asia Pacific Ltd.	167,664,000	6.75%	167,664,000	6.32%	167,664,000	6.22%
LVMH Watches & Jewelry Hong Kong Ltd.	12,336,000	0.50%	12,336,000	0.47%	12,336,000	0.46%
The Swatch Group (Hong Kong) Limited	180,000,000	7.24%	180,000,000	6.79%	180,000,000	6.68%
Other public Shareholders	518,752,000	20.88%	518,752,000	19.55%	518,752,000	19.25%
Total	2,484,500,000	100.00%	2,653,058,128	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.

The net proceeds from the issue of the Optional Bonds are estimated to be approximately US\$19.4 million which, together with the Firm Bonds, are estimated to be approximately US\$148.4 million after deducting expenses including commissions, professional fees and other ancillary expenses. 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.

GENERAL

The Group is principally engaged in the retail, distribution and wholesale 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 most of its outlets.

Applications has been 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.

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

22 August 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, and 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.