



新宇亨得利控股有限公司

XINYU HENGDELI HOLDINGS LIMITED

To: Editors
[For Immediate Release]

Xinyu Hengdeli Holdings Limited
Acquisition of the entire equity interests in Elegant International
Issue shares to Strategic Investors including Temasek and
Increase in shareholding by SWATCH Group

~ Actively Developing the Overseas Luxury Watch Retail Markets ~

[29 June 2006, Hong Kong] – **Xinyu Hengdeli Holdings Limited** (“**Xinyu Hengdeli**” and its subsidiaries, collectively the “**Group**”; stock code: **3389**), a leading retailer and distributor of imported luxurious watches in China, announced today that the Group has entered into a legally binding provision acquisition agreement (“Provisional Acquisition Agreement”) with Mr. Lee Tak Lam and Mr. Lee Wing On, Samuel (the “Vendors”) on 26 June 2006 in Hong Kong. Pursuant to the Provisional Acquisition Agreement, the Group agreed to purchase from the Vendors the entire equity interest in **Elegant International Holdings Limited** (“Elegant Holdings” or “Elegant International”). The Group also announced that, on 27 June 2006, the Group entered into subscription agreements (“Subscription Agreements”) with Dunearn, an indirect subsidiary of Temasek, Swatch Group and United Capital Investment respectively, whereby Temasek and United Capital Investment would become strategic investors of the Group, and Swatch Group increased its shareholdings in the Group. Guotai Junan Securities (Hong Kong) Limited is the Arranger of the placing, while Guotai Junan Capital Limited is the Financial Adviser to Xinyu Hengdeli.

Pursuant to the agreements, **Xinyu Hengdeli** purchased from the Vendors the entire equity interests in Elegant International at a consideration of up to HK\$360,000,000. The exact amount of consideration payable will be determined based on the audited consolidated profit of Elegant Holdings for the year ended 31 March 2006 or HK\$ 60,000,000, whichever is lower, multiplied by a price-to-earnings ratio of 6 times. As to 50% of the consideration, being not more than HK\$180,000,000, will be settled in cash, whereas the other 50% will be satisfied by the issue and allotment of 56,250,000 shares. The Vendors have given the Group a non-competition undertaking for a period of ten years. In addition, Mr Lee Wing On, Samuel, has agreed to enter into an employment contract with the Group upon completion of the acquisition.

Pursuant to the terms of the Subscription Agreements, the Group agrees to issue and the strategic investors agrees to subscribe 123,500,000, 12,500,000 and 12,500,000 new shares in Xinyu Hengdeli respectively, totally 148,500,000 new shares. Upon completion of the acquisition and subscription, Temasek will become the second largest shareholder of the Group. It has undertaken not to resell any shares so subscribed from the completion date of subscription. A non-executive director will be nominated by Temasek into the board of directors of Xinyu Hengdeli.

On 27 June 2006, Best Growth International Limited, the controlling shareholders of Xinyu Hengdeli, “Best Growth”), entered into a shares transfer agreement with Swatch Group, pursuant to which Best Growth will transfer 12,500,000 sales shares to Swatch Group. Upon completion of the acquisition, subscription and the transfer, the shareholdings of Swatch Group will represent approximately 7.25% of the enlarged issued share capital of Xinyu Hengdeli.

~ more ~

Mr. Zhang Yuping, Chairman of Xinyu Hengdeli, was pleased with the development: “It has been our strategic plan to constantly expand our retail network. Through years of hard work, we have established an extensive retail network of international luxurious watches in the PRC, which is being further consolidated and strengthened. One of our main objectives this year is to accelerate our expansion of retail business in Hong Kong and overseas markets. We are of the view that the acquisition and strengthened interaction and cooperation with internationally renowned investors will help reinforce our corporate image and boost our international presence. As a result, we will acquaint more knowledge and experience in the international market, which is conducive to the steady growth of the Group in the long run. In addition, it will facilitate the synergy between our domestic and oversea retail operations of international luxurious watches. Consequently, the Group will further expand internationally and, building on its established foundation in the domestic market, become a leading retailer of luxurious watches in the Greater Market Region.”

“Supported by the robust economy of the PRC, the Group expanded exponentially. Over the past six months, we overachieved our targets in every aspect. Capitalising on the proceeds from the new shares issue, we will seek further development in the retail, distribution and supporting systems of luxurious watches. The proceeds will be primarily used for the acquisition of Elegant Holdings and expansion of domestic and overseas retail networks,” continued **Mr. Zhang**.

Mr. Zhang concluded: “Moving forward, we will keep on pursuing our corporate strategy, seeking diversified development and constantly expanding domestic and overseas retail networks. We are forging ahead with keen determination and developing with innovation, dedicated to contributing to our shareholders and the society at large with excellent economic benefits.”

~ end ~

Background Information of Xinyu Hengdeli

Xinyu Hengdeli, listed on the Main Board of the Hong Kong Stock Exchange in September 2005, is a leading retailer and distributor of mid- to high-end watches in the PRC. In January 2006, The Swatch Group (Hong Kong), a corporate member of Swatch Group Limited, the world’s largest watch manufacturer and distributor and a strategic shareholder of Xinyu Hengdeli, increased its shareholding in the Group to over 6%. The Group has an extensive sales network with 75 retail outlets spanning over major PRC cities and distributing around 30 world-renowned brands. Besides, it has approximately 300 wholesale customers from more than 40 cities over the PRC. The Group has established solid relationship with the world’s top brand-owners, including Swatch Group, LVMH Group (which recently announced its acquisition and intension to continue the purchase of shares in the Group), Richemont Group, Rolex Group and Desco Group. The Group currently distributes 19 internationally renowned brands, including 15 top brands under exclusive distribution licenses. Xinyu Hengdeli also sells watches under its own brands NIVADA , OLMA and NUMA JEANNIN.

Elegant Holdings

Elegant Holdings mainly engages in trading and retailing watches of international brands. They have four retail outlets located in Tsimshatsui, Causeway Bay and Central. The management of Elegant Holdings have extensive experience in the luxurious watch retail sector.

TEMASEK

Temasek is an investment company owned by the Singaporean government with a diversified global investment portfolio. As of 31 March 2005, the total asset value of Temasek was approximately US\$62.7 billion. Its investment portfolio covered a diversity of sectors ranging from telecommunications, mass media and financial services to real estate, transportation and logistics, and energy and resources. Upon completion of the acquisition and subscription, Temasek will become the second largest shareholder of the Group holding approximately 9.94% of enlarged issued share capital of Xinyu Hengdeli.

Swatch Group

Swatch Group is an internationally renowned watch manufacturer and distributor, holding 65,000,000 shares in Xinyu Hengdeli, representing approximately 6.27% of its entire issued share capital. Upon completion of the acquisition and subscription, the shareholding of Swatch Group will be increased to 90,000,000 shares, representing approximately 7.25% of the enlarged issued share capital of Xinyu Hengdeli.

United Capital Investment (UCI)

United Capital Investment is a professional fund manager with a PRC-focus. It is engaged in the management of investments in sectors with high potential such as retail and consumption, new media and information technology.

Issued by Porda International (Finance) PR Company Limited for and on behalf of **Xinyu Hengdeli Holdings Limited**. For further information, please contact:

Ms. Kelly Fung / Ms. Carol Mak
Porda International (Finance) PR Company Limited
Tel: 2151-0915 / 2121-1957 Fax: 2544-6126
Email: kelly@pordafinance.com.hk / carol@pordafinance.com.hk