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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)

CONNECTED TRANSACTION ACQUISITION OF PROPERTIES

On 27 February 2008, Hengdeli International, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with Wai Lung to acquire the Properties at the consideration of HK\$52,000,000.00.

Mr. Zhang Yuping, the chairman of the Company, a Director and a Substantial Shareholder, holds a 50 percent interest in the issued share capital of Wai Lung, through Eastwealth International Limited which is a company wholly-owned by Mr. Zhang Yuping. Accordingly, Wai Lung is a connected person of the Company under the Listing Rules.

The Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since the percentage ratios (other than the profit ratio) of the Acquisition is less than 2.5%, the Acquisition falls under Rule 14A.32 of the Listing Rules subject to reporting and announcement requirements and is not subject to independent Shareholders' approval requirement.

Shareholders and potential investors should note that the Acquisition, which is subject to condition precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

THE AGREEMENT

Date of signing

27 February 2008

Parties

- Purchaser : Hengdeli International, a company wholly-owned by the Company indirectly
- Vendor : Wai Lung, a company owned as to 50 percent by Mr. Zhang Yuping indirectly, through Eastwealth International Limited which is a company wholly-owned by Mr. Zhang Yuping, and therefore a connected person of the Company under the Listing Rules

Properties to be acquired

Hengdeli International has agreed to acquire the Properties from Wai Lung. Details of the Properties are set out in the paragraph headed "Information on the Properties" below.

Consideration

The consideration for the Acquisition of the Properties is HK\$52,000,000, which will be satisfied by cash. A deposit of HK\$5,200,000, being 10% of the consideration, will be payable to the Vendor by the Purchaser upon the signing of the Agreement. The balance of the consideration will be payable upon completion.

The consideration for the Acquisition is determined with reference to the valuation of the Properties as at 21 December 2007 of HK\$52,000,000, which represents the market value of the same as at the Valuation Date.

Source of Funding

The consideration for the Acquisition will be funded by internal resources of the Group and mortgage loan facilities.

Condition precedent

Completion of the Acquisition is conditional upon good titles of the Properties having been proved by the Vendor to the satisfaction of the Purchaser.

Completion

Completion of the sale and purchase of the Properties shall take place on or before 27 March 2008.

Information on the Properties

The Properties, namely, units 301 and 314, 3rd Floor, Lippo Sun Plaza, 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, were purchased by Wai Lung at the purchase prices of HK\$10,100,000 and HK\$22,569,900 on 8 September 2000 and 30 November 2005 respectively. The respective gross floor areas of the Properties are 248.47 square metres and 303.88 square metres approximately.

The Properties are presently under two tenancies, under which Wai Lung has let both of the Properties to Hengdeli International at a monthly rental of HK\$58,000 and HK\$75,000 respectively (exclusive of management fee, rates and utilities) for a term of three years commencing from 1 April 2005 and 1 June 2006 respectively, both with an option to renew for a further term of three years. The respective rental payments made by Hengdeli International for the years of 2006 and 2007 are HK\$1,210,000 and HK\$1,590,000 approximately. The Properties are presently used by the Company as its principal place of business in Hong Kong.

Since Hengdeli International is presently the tenant of the Properties, upon completion of the Acquisition, the two tenancies will be terminated automatically by the operation of law as the ownerships of the Properties will have been transferred from Wai Lung to Hengdeli International. The Company will continue to use the Properties as its principal place of business.

Information of the Parties

The principal business of the Group are the largest watch retailer and wholesaler of internationally renowned brands in the PRC. The principal businesses of Hengdeli International are the distribution and arranging export of watches from Hong Kong to the PRC. The principal business of Wai Lung is the property investment.

Reasons for and benefits of the Acquisition

The Directors including the independent non-executive Directors are of the view that the Acquisition will benefit the Group in the following aspects:

- (a) the Company has established its head office and place of business at the Properties since its listing on the Stock Exchange. The Acquisition may provide geographical stability and convenience for the Group;
- (b) the Group may enhance its profitability by reducing fixed costs incurred from renting the Properties;
- (c) the Group will, through the Acquisition, hold the Properties for self-use as well as for property investment; and
- (d) the Group will avoid potential future connected transaction and minimize legal and administrative expenses incurring therefrom should the Group acquires the Properties on one-off basis.

The Directors including the independent non-executive Directors are also of the view that in view of the rising property market in Hong Kong and the forthcoming expiry of one of the existing tenancies, the Acquisition will benefit the Group the most.

Confirmation of the Directors

Based on the above, the Directors, including the independent non-executive Directors, consider that the Acquisition was entered into on normal commercial terms (being terms not less favourable than available to independent third parties) after arm's length negotiations and that the terms of the Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Listing Rules implication on the Acquisition

Mr. Zhang Yuping is the chairman of the Company, a Director and a Substantial Shareholder who holds a 50 percent interest in the issued share capital of Wai Lung, through Eastwealth International Limited which is a company wholly-owned by Mr. Zhang Yuping. Accordingly, Wai Lung is a connected person of the Company under the Listing Rules. The Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since the percentage ratios (other than the profit ratio) of the Acquisition is less than 2.5%, the Acquisition falls under Rule 14A.32 of the Listing Rules subject to reporting and announcement requirements and is not subject to independent Shareholders' approval requirement.

DEFINITIONS

“Acquisition”	the sale and purchase of the Properties pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase Agreement dated 27 February 2008 between Hengdeli International and Wai Lung with respect to the transfer of the Properties
“Board”	the board of Directors
“Company”	Xinyu Hengdeli Holdings Limited (新宇亨得利控股有限公司), a company incorporated in the Cayman Islands with limited liability, whose securities are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

“Hengdeli International”	Hengdeli International Company Limited (亨得利國際有限公司), a company incorporated in Hong Kong with limited liability, and a company wholly owned by the Company indirectly
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	the lawful currency of Hong Kong, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Properties”	Units 301 and 314, 3rd Floor, Lippo Sun Plaza, 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong as shown in the Valuation Report
“Shareholders”	holders of the shares of the Company
“Substantial Shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Date”	21 December 2007 as the date of valuation as referred to in the valuation report in respect of the market value of the Properties, which was issued by Savills Valuation and Professional Services Limited (as an independent valuer appointed by The Bank of China (Hong Kong) Limited, the mortgagee of the Properties, a qualified independent valuer not connected with the Company and its connected persons), dated 24 December 2007
“Wai Lung”	Wai Lung International Company Limited (惠龍國際 (香港) 有限公司), a company incorporated in Hong Kong with limited liability, and a company owned as to 50 percent by Mr. Zhang Yuping indirectly

As at the date of this announcement, the Executive Directors 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.

By Order of the Board
Xinyu Hengdeli Holdings Limited
Zhang Yuping
Chairman

Hong Kong, 27 February 2008