



新宇亨得利控股有限公司

XINYU HENGDELI HOLDINGS LIMITED

To: Business Editor
【For Immediate Release】

Xinyu Hengdeli Announces 2006 Annual Results Retail Shop Number Shot Up as Profit Rose by 62.1 %

Financial Highlights (for the year ended 31 December)

| | 2006 (RMB '000) | 2005 (RMB '000) | Change |
|---|--------------------|--------------------|--------|
| Sales | 2,404,699 | 1,396,531 | +72.2% |
| Gross Profit | 562,904 | 364,162 | +54.6% |
| Profit for the Year Attributable to Equity Shareholders | 199,101 | 131,777 | +64.5% |
| Earnings per Share (Basic) | RMB 0.09 | RMB 0.073 | +23.3% |

【11 April 2007- Hong Kong】 The PRC's leading international luxurious watch brand retailer and distributor **Xinyu Hengdeli Holdings Limited** (“Xinyu Hengdeli” or the “Company”, together with its subsidiaries, the “Group”, stock code: **3389**) today announces its annual results for the year ended 31 December 2006 (the “Year”).

Riding on the continued growth in China's consumer sector, Xinyu Hengdeli has grasped hold of the opportunities amid the strong domestic demand in the luxurious watch market to actively expand its retail sales business, delivering a remarkable profit performance during the Year. During the year ended 31 December 2006, the Group's sales reached **RMB 2,404,699,000**, a year-on-year increase of **72.2%**. Meanwhile, gross profit, profit for the year attributable to equity shareholders and earnings per share grew by **54.6%**, **64.5%** and **23.3%** on 2005 to **RMB 562,904,000**, **RMB 199,101,000** and **RMB0.09** respectively. The board of directors recommend payment of a final dividend of **RMB 0.028** per share for the year ended 31 December 2006.

Mr. Zhang Yuping, Chairman of Xinyu Hengdeli Holdings Limited, said, “During the Year, we pursued aggressive strategies to expand our retail and distribution operations, and our business remained on a fast growth track despite fierce market competition. The Group's sales was given a strong boost mainly by our continued focus on driving up those retail sales segments with a high profit margin in 2006. We grasped hold of the enormous opportunities in the luxurious watch market in China with a well-built sales network, a top-notch brand portfolio and a high standard of operational management. These translated into a significant growth in our annual results on a year-on-year basis, further reinforcing our leadership in the industry.”

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During the Year, the Group undertook different approaches to open new retail shops, including joint venture, acquisition and organic growth, to extend the reach of its domestic and overseas retail network in a painstaking manner. The number of its retail shops surged by 31 to 96, which was way above its preset target. In particular, the Group made the first charge outside Mainland China, with its successful acquisition in August of Elegant International, which own 4 retail shops in Hong Kong. This marked the first chapter of the Group's business development on an international roadmap. During the Year, the Group also established Anhui Sanxin Watch & Clock Co., Ltd. under a joint equity venture with a leading retail group in Hefei, Anhui, and acquired a 70% stake in Henan Fuhao Watches Co., Ltd. Besides, Xinyu Hengdeli also reached a cooperation agreement with a leading retail group in Wenzhou to set up Wenzhou Xinyu Watch & Clock Co., Ltd. This series of stunning moves have effectively enlarged the Group's market share to 85%, 90% and 90% respectively in the medium to high-end watch market in Hefei (Anhui), Zhengzhou (Henan) and Wenzhou (Zhejiang).

The rapid growth of its domestic and overseas retail network has, in turn, been a major driving force for the Group's business development. During the Year, its retail sales increased by 114% as compared with the same period last year, with four-fifth of such growth attributed to the sales from the new retail shops. Meanwhile, the existing retail shops also scored good sales results with a one-fifth of turnover growth in the retail business from last year.

In respect of the distribution business, the Group continued to maintain and strengthen its relationships with suppliers of internationally well-known watch brands. During the Year, the Group has co-operated with various internationally renowned brand suppliers and jointly opened 6 brand franchised shops, including Cartier watch boutique, Omega watch boutique, TAG Heuer watch boutique and Rolex watch boutique, etc . Besides, the Group also made headway with other business partners too, as it entered into a three-year and five-year renewable long-term sole agency agreement in respect of Audemars Piguet with Audemars Piguet (Hong Kong) Ltd. and Maurice Lacroix with the Desco Group.

As at 31 December 2006, the Group carried a total of 19 internationally well-known watch brands in its distributorship, including 17 on a sole agency basis. With over 50 brands including Audemars Piguet, Jaeger-LeCoultre, Carl F.Bucherer, TAG Heuer, Zenith, Baume & Mercier, Maurice Lacroix, Calvin Klein and Christian Dior. The Group's major brand suppliers are the Swatch Group, the Richemont Group, the LVMH Group, the Desco Group and the Rolex Group.

Furthermore, the Group has also made progress in its strategy of developing its core and ancillary businesses side by side. During the Year, Xinyu Hengdeli successfully acquired Ardeco Decorating & Packaging Co., Ltd., a packaging company in Guangzhou which is currently primarily engaged in the production of watch boxes, showcases and marketing collaterals for international prestigious watch brands. This acquisition came to extend the Group's scope of productivity to such segments ancillary to its core products. On the one hand, it serves to provide Xinyu Hengdeli with a solid base for a reinforced shop front image and product package design scheme. On the other, the acquired company has also effectively launched the Group into the new business of manufacturing packaging products.

Mr. Zhang concluded, "We foresee that the growing consumer sector in China will continue to push up market demand for high-end watches. In line with this, we will keep on enlarging our retail network through different approaches, introducing more and more top brands and stepping up our efforts to secure more sole agency contracts. Moreover, we will seek to increase and optimise the weighting of the high-end segment in our product mix, as well as build and maintain long-term relationships with brand suppliers at a deeper level. As well, it is our intention to further develop our customer service system in the Greater China Region, and to improve our service profile and corporate governance standard on an ongoing basis. Amid the unlimited potential of the medium to high end watch market in China, our vision is to realise a bigger and bigger market share as our way to benefit society with quality products and our shareholders with a good return."

About Xinyu Hengdeli Holdings Limited

Xinyu Hengdeli, listed on the Main Board of the Stock Exchange of Hong Kong Limited in September 2005, is a leading retailer and distributor of mid- to high-end watches in the PRC. The Group has established solid relationship with the world's leading brand-owners, including the Swatch Group, the LVMH Group, the Richemont Group, the Rolex Group and the Desco Group. The Group currently distributes 19 internationally renowned brands, including 17 top brands under exclusive distribution licenses. Xinyu Hengdeli also sells watches under its own brands: NIVADA, OLMA and NUMA JEANNIN. The Group has an extensive sales network, until 31 December 2006, the Group has **92** retail outlets in prosperous cities in the Mainland China, distributing about 50 world-renowned watches. In addition, it has approximately 300 wholesale customers from more than 40 cities across the PRC. In August, 2006, the Group had successfully acquired Elegant International Holdings Limited, which has 4 high-end international watch retail outlets located in Hong Kong, bringing the Group's number of retail outlet up to **96**. The Swatch Group (Hong Kong), is a strategic shareholder of Xinyu Hengdeli and a corporate member of the Swatch Group Limited, the world's largest watch manufacturer and distributor. Temasek, a Singapore investment company, is the second largest shareholder of the Group, while LVMH Group holds over 7% of the Group's shares.

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

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Appendix:

Sales Breakdown by Business

| | For the year ended 31 December 2006 | | | |
|--------------------|-------------------------------------|-------------|------------------|-------------|
| | 2006 | | 2005 | |
| | RMB' 000 | % | RMB' 000 | % |
| Wholesale Business | 1,024,507 | 42.6% | 745,059 | 53.4% |
| Retail Business | 1,362,863 | 56.7% | 636,725 | 45.6% |
| Customer Services | 17,329 | 0.7% | 14,747 | 1% |
| Total | 2,404,699 | 100% | 1,396,531 | 100% |