



## Xinyu Hengdeli Announces 2009 Interim Results

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### *Focused on Core Retail Business Achieved Steady Business Growth against Weakening Market Trend*

Financial Highlights	(For the six months ended 30 June)		
	2009 (RMB'000)	2008 (RMB'000)	Change (%)
Sales	2,694,978	2,725,609	-1.1%
Gross profit margin (%)	24.6 %	24.4%	+0.8%
Profit for the period	225,555	253,709	-11.1%
Profit after taxation (excluding the effect of convertible bonds and profit/loss from currency exchange)	247,033	228,517	+8.1%

[12 August 2009, Hong Kong] Xinyu Hengdeli Holdings Limited (“Xinyu Hengdeli” or the “Company” and its subsidiaries, the “Group”; stock code: 3389), a leading enterprise engaged in retail and distribution sales of renowned international watch brands in China, announces its unaudited interim results for the six months ended 30 June 2009 (the “period under review”).

The high-end consumables retail sector was met with both obstacles and challenges during the period under review. Leveraging on its own competitive edges, the Group recorded satisfactory results for the six months ended 30 June 2009. The Group’s sales remained approximately at the same level from the corresponding period last year and amounted to approximately RMB2,695 million, representing a slight decrease of 1.1%. Affected by the profit/loss from relevant non-recurring items (including the effect of profit/loss from currency exchange and the convertible bonds), the Group’s profit for the period amounted to approximately RMB226 million, representing a decrease of 11.1% over the corresponding period last year. The gross profit margin increased to 24.6% as compared to the corresponding period last year. Excluding the effect of the assessment of the fair value of convertible bonds and profit/loss from currency exchange, the Group’s profit for the period was up by 8.1% to RMB247 million, over the corresponding period last year. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009.

Chairman of Xinyu Hengdeli, Mr. Zhang Yuping said, “The high-end consumables retail sector was encountering some obstacles and challenges against the backdrop of global financial crisis and weakening macro economy in the first half of 2009. Leveraging on our extensive market experiences, the Group deployed a proactive and positive approach to carry out a series of adjustment and consolidation initiatives for its businesses in line with market changes. The Group had focused on retail business development in Mainland China and Hong Kong, ceased some of the wholesale businesses with lower profit margin (Or reduce the share of wholesale business with lower profit margin) and optimized resource allocation while ensuring a sound financial status, thus enabling the Group to accomplish the plans devised in the beginning of the year and to achieve a steady growth in its business performance against the weakening of market trend.”

During the period under review, by keeping abreast of the market environment, the Group expanded the retail network in a steady yet positive manner, optimized inventory composition significantly and enhanced the quality of retail outlets substantially. With 6 new stores added in the first half of 2009, the Group's retail outlets had increased from 190 in the corresponding period last year to 216 as at 30 June 2009. Accounting for 72.4% of the Group's total sales, the retail sales amounted to RMB1,952 million, representing an increase of 4.4% over the corresponding period last year. Gross profit of retail business was RMB 562 million, a growth of 4.0% from the corresponding period last year, accounting for 84.6% of the Group's total gross profit, which is in line with the Group's development strategy.

The Group strives to optimize the retail network in the Greater China region. During the period under review, the Group had committed tremendous efforts to improving the re-positioning and sales of middle-to-high-end brands, and continued to consolidate and expand its retail network in the second- and third-tier cities. The Group continued its expansion in major areas such as Shanghai, Beijing, Northeast, Zhejiang, Jiangsu, Henan and Shanxi. In general, a watch retail outlet usually takes more than three years to reach maturity. The Group's portfolio comprising 204 retail outlets in Mainland China is comparatively young with 70% of sales are contributed by well-established stores, which account for 30% of the total number of retail outlets. As a result, the Group's retail business possesses huge potential for organic growth.

As at 30 June 2009, the Group operated a total of 10 retail outlets in Hong Kong, of which 3 are Elegant shops that sell multiple brands and 7 are single-brand boutiques. Elegant has a long operating history in Hong Kong and its loyal clientele helped the Group's retail business in Hong Kong weather against the impact of the financial crisis smoothly. The Group has already opened two brand boutiques in Taiwan. The two new stores have not only built up a corporate identity for the Group in Taiwan but are also a pioneer of the Group in establishing an interactive business platform in the Greater China region, helping lay a sound foundation for the development of the Group's international business.

The Group has been maintaining sound working relationship with many worldwide renowned watch suppliers, including SWATCH Group, LVMH Group, RICHEMONT, ROLEX Group and DKSH Group. It distributes approximately 50 internationally renowned brands from the five major brand suppliers. In addition, the Group has placed efforts to diversify and improve the brands portfolio, which would be favorable to the long-term business development and ongoing enhancement of overall results.

In respect to customer services, the Group has introduced a Customer Service Management System which is able to track watch repair cycles promptly, provide timely financial information on the use of finished parts, generate a complete set of data on repairs within the entire network, as well as replacing the conventional manual handling of repair records effectively and facilitating brand suppliers to timely track the quality of watches. All these will further improve our customer services quality. Moreover, the Group had acquired the exclusive watch maintenance rights in Mainland China from two world's recognized brands namely Charriol and Breitling.

In addition to retail business, the wholesale business performed well during the period under review. The Group has established an extensive distribution network with more than 300 wholesale customers over 40 cities in China. It distributes and exclusively distributes numerous renowned brand watches in the world. During the year under review, the Group has become the exclusive distributor of Mido, a brand owned by SWATCH Group, in Mainland China.

Furthermore, the Group continued to strengthen the internal management, exercised stringent control over production costs and stepped up its product research and development capabilities consistently of ancillary business. During the period under review, sales revenue remained at the same level as compared with the corresponding period last year, while operating profit was on the rise.

Looking ahead, Mr. Zhang said, "As the Chinese economy is maintaining stable growth, the outlook for the consumables market in China in the second half of the year remains positive. With the completion of share placement in July 2009 and a sound financial policy, the Group will develop the retail business in a positive and proactive approach, supplemented by other business segments such as customer services and brand distribution. We will also accelerate the market expansion in second- and third-tier cities, in an effort to further increase our market share as well as strengthen and consolidate our leading position in the middle-to-high-end watch sector in the Greater China region. Furthermore, we will fully capitalize on business opportunities and aim to achieve steady and sustainable profit growth so as to generate more satisfactory returns for our shareholders and investors."

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### **Turnover Breakdown by Business**

	<b>For the six months ended 30 June</b>			
	<b>2009</b>		<b>2008</b>	
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>
Retail Business (Mainland China)	<b>1,270,355</b>	<b>47.1</b>	1,190,054	43.7
Retail Business (Hong Kong)	<b>681,940</b>	<b>25.3</b>	680,372	25.0
Wholesale Business	<b>680,687</b>	<b>25.3</b>	787,369	28.9
Customer Service and Ancillary Business	<b>61,996</b>	<b>2.3</b>	67,814	2.4
<b>Total</b>	<b>2,694,978</b>	<b>100.0</b>	2,725,609	100.0

### **About Xinyu Hengdeli Holdings Limited**

Xinyu Hengdeli Holdings Limited is the largest enterprise engaged in retail and distribution sales businesses of renowned international watch brands in the Mainland China. The Group's strategic shareholders include the global largest watch manufacturer and distributor Swatch Group and the global largest luxury product Group LVMH Group.

The Group owns an extensive retail network included Xinyu Elegant (the international high-end watch), Xinyu Prime Time (international middle-to-high end watch), TEMPTATION (fashion high-end watch) and brand boutiques. As at 30 June 2009, Xinyu Hengdeli had an extensive sales network of 216 retail outlets in the mainland China, Hong Kong and Taiwan, through which it distributed over 50 renowned international watch brands. In its wholesale business, Xinyu Hengdeli serves approximately 300 wholesale customers in over 40 cities in the PRC.

As an integral part to the retail business, the Group possesses a customer service company which provides professional after-sale services to customers. The Group's ancillary production company also provides strong support for its principal business.

The Group has maintained good relationships with numerous brand suppliers of internationally famous watches, including the SWATCH Group, the LVMH Group, the RICHEMONT Group and the ROLEX Group. The Group is also the distributor of numerous internationally renowned watch brands. With the acquisition of international luxury goods brand Omas, the Group now owns renowned Swiss watch brands like Nivada, Olma etc.

Xinyu Hengdeli has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since September 2005 with stock code 3389. The stock name is Xinyu Hengdeli for short.

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

#### **Porda International (Finance) PR Co., Ltd.**

Ms. Helen Chung      Tel: 3150 6730 / 9585 5027  
Ms. Kelly Fung      Tel: 3150 6763 / 9289 2974  
Fax: 3150 6728

Email: helen.chung@pordafinance.com.hk  
Email: kelly.fung@pordafinance.com.hk