To: Business Editor
For Immediate Release

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HENGDELI

Hengdeli Achieves Sustainable Growth for 2014

"Pursues Sustainable Profits to Underpin Healthy Growth"

Financial Highlights		**For the year ended 31 December**		
		2014	2013	**Change**
Turnover	(RMB'000) (HKD'000)	**14,764,370** **18,747,796**	13,375,443 16,750,066	**+10.4%**
Gross profit margin	%	**28.6%**	27.2%	**+140bps**
Profit for the year	(RMB'000) (HKD'000)	**583,427** **740,836**	468,872 587,168	**+24.4%**
Profit attributable to equity shareholders	(RMB'000) (HKD'000)	**504,220** **640,259**	400,421 501,447	**+25.9%**
Final dividend per ordinary share proposed	RMB cents/ per share	**3.2 cents**	2.5 cents	**+28.0%**

(17 March 2015, Hong Kong) Hengdeli Holdings Limited ("**Hengdeli**" or the "**Company**" and, together with its subsidiaries, the "**Group**"; stock code: **3389**), a world-leading retailer of internationally renowned brand watches, announced its annual results for the year ended 31 December 2014 (the "year under review"). The Group achieved a sound performance and the Board proposed a final dividend payout of RMB 3.2 cents per share (HKD 4.1 cents per share; dividend payout ratio approximately 30%) for the financial year ended 31 December 2014 in return for shareholders' support.

In 2014, the Group carefully assessed the current economic situation, and gave full play to their strengths, bolstering steady business operations, and generating a sound performance in today's highly challenging market. The Group had a recorded turnover of RMB 14,764,370,000; an increase of 10.4% year-on-year. Retail sales amounted to RMB10,608,804,000; an increase of 6.3% year-on-year. Net profit reached RMB583,427,000, an increase of 24.4%, while profit attributable to equity shareholders totalled RMB504,220,000, an increase of 25.9% as compared to the same period last year.

Mr. Zhang Yuping, Chairman and the Executive Director of Hengdeli, said, " In response to the global economic instability of 2014, China gradually set itself a new growth benchmark and began fine-tuning its economy from a fast-paced powerhouse to one with more moderate growth. While adhering to its established prudent expansion strategies, the Group also adopted the approach of 'seeking sustainable profits to underpin healthy growth'. As a result, the Group secured business stability and safeguarded shareholder interests by recording a sound operating performance metrics despite a highly challenging market."

During the year under review, the Group followed in two key directions – striving to stabilise existing operations and seeking new profit sources as foundations for future sustainable growth. In distribution and sales of branded watches, the Group has focused on mid-end brands across mainland China while marketing high-end brands in Hong Kong. This strategy mutually reinforces each brand type by continuing to develop the mid-end brands while stabilising high-end watches. The Group is also expanding its business network into Mainland China's second, third and fourth-tier cities while securing solid market share in first-tier cities and establishing a multi-level sales system across Mainland China and Hong Kong. At the same time, the Group continued to intensify its efforts at management refinement and is working closely with brand suppliers. The Group also moved forward with structural adjustments and has implemented inventory optimisation aimed at boosting single store output. Effective measures like these have helped generate good results. Consequently, retail sales increased by 6.3 % year-on-year, while retail sales in Mainland China which focuses on mid-end brands grew by 11.6%. Decline in sales of high-end brands recorded a slowdown while sales of mid-end brands saw encouraging growth of 16.1% with same-store sales expansion of mid-end brands reaching 2.2%, which is above the Group's average. As at 31 December 2014, after optimisation, adjustments and effective expansion, the Group operates a total of 513 retail outlets in the Greater China region of Mainland China, Hong Kong, Macau and Taiwan and the performance of each individual store has been improving steadily.

As at 31 December 2014, the Group operated 428 retail outlets in Mainland China, 381 of which were "Prime Time" shops. During the year under review, current market dynamics in Mainland China are pointing to a growth in demand for mid-end brands more than that of the Group's high-end counterparts. For this reason, the Group continues to concentrate on re-positioning and adjusting its mid-end outlets with the overriding intention to steadily expand their mid-end watch retail network by widening activities across China. To further increase market share, new outlets have already been set up in those regions with the highest sales records. Specific examples include store openings in third, fourth and even fifth-tier cities with the highest potential as well as emerging areas in second and third-tier cities. In an attempt to solidify and improve single store output, the Group has also combined standardised and refined management techniques to further improve overall business processes and ultimately boost efficiency. In response to changing market conditions, the Group has also carried out a timely and prudent adjustment of its brand portfolio. The Group also optimised its inventory structure, enhanced sales skills for its frontline staff and improved its customer relationship management capabilities at various outlets. During the year under review, retail sales in Mainland China recorded steady growth of 11.6%.

Facing tough macro-economic constraints beyond anyone's control, during the year under review, Hong Kong's retail market remained sluggish and the recovery of high-end brands has yet to be felt in this retail sector. Amidst various instances of market volatility during the year under review, the "Elegant" watch brand's Hong Kong retail sales decreased by approximately 17.7%. Excluding the impact of foreign exchange gains and losses, the effective decrease was 16.6 % and the decline in the second half of the year was more noticeable. On a more positive note, the previously noted sales volatility was far smaller than the industry average. This was largely attributable to an extensive, solid and loyal Hong Kong client base, plus a favourable partnership with brand suppliers and mutually beneficial interactions between the Group's retail outlets in Mainland China and Hong Kong. The more comprehensive after-sales service network throughout the greater China region also helped guarantee exceptional after-sales care and attention for Mainland Chinese tourists shopping in Hong Kong.

Currently still in its initial ramp-up stages, the Group's e-commerce platform is mainly focusing on single-brand flagship stores which have been franchised by brand owners. During the year under review, the Group's existing single-brand stores performed well in terms of both page clicks and turnover generated. The independent e-commerce portal for "Prime Time" is now being tested and fine-tuned; an online-to-offline interactive sales platform will shortly be launched. After its full commissioning, this new platform will enable the Group to establish interactive operations incorporating two-way traffic diversions, online customer services, a 3D experience and cultural communications. Coupled with popular social networking platforms such as Weibo and WeChat, the Group is confident that the new platform will make positive contributions to its long-term growth.

Leveraging its tried and tested superior service standards and operational expertise, the Group's customer service and maintenance capabilities continue to build on strong links to brand suppliers. To this end, the Group has entered into an exclusive watch maintenance agent agreement with the KERING Group, covering brands such as Girard-Perregaux, Bottega Veneta, Zegna, JeanRichard, and others during the year under review. The Group is also consolidating its partnerships in the area of comprehensive customer service arrangements with SWATCH Group brands such as Tissot, Mido and Certina. As at 31 December 2014, the Group served as official maintenance agent for 68 international brands. 45 of these brand partners have designated the Group as their exclusive maintenance agent.

During the year under review, the Group launched a “Hengdeli customer service account” with WeChat. This new facility ensures up-to-the-minute online customer services and promotional activities that are perfectly aligned with the Group’s existing offline customer services. The Group also established a customer care and maintenance centre in Chengdu, its first such facility in southwestern China. In addition, the year under review also saw the Group launch a Hengdeli Group customer care and maintenance centre in Hong Kong, the first facility of its kind for the Group outside Mainland China and its sixth customer care centre overall. In addition to providing greater convenience to customers in southwestern China and Hong Kong, these centres are also further expanding the scope of the Group’s customer services and warranty support across the Greater China region, only enhancing consumer confidence in the Hengdeli name.

The Group’s packaging and display segment has developed well with sales and profits both tallying good results. Striving to transform the strategic goals of this segment into reality, the Group developed a three-year plan aimed at achieving moderate to high double-digit composite growth in profits for the next three years via expansion and enhanced research and development.

The Group has maintained solid and well-coordinated partnerships with key brand suppliers and retailers. Today the Group has approximately 400 wholesale partners in over 100 cities across China. Each wholesaler helps the Group distribute or exclusively represent world-renowned watch brands.

In the coming year, the Group will continue to stabilise its existing growth of inventory in a more conventional yet still innovative manner. At the same time, the Group will actively foster new profit sources. With respect to expansion, the Group’s mid-end brands will continue to serve as the mainstay brands with targeted expansion into the most promising second, third and fourth-tier cities across China. Moving forward, the Group will also seek to maintain steady and stable progress by further refining its management and inventory mix while upgrading the quality of its retail outlets and the image of its retail brands. The Group will also continue to leverage its tried and tested advantages and adapt them to new strategies in order to address evolving market circumstances. To this end, the Group will accelerate the pace of progress within the industry, as well as develop its customer services and e-commerce operations. The sensible and innovative way the Group adopts to new economic realities will surely prove invaluable in its quest for the kind of sustainable profitability needed to underpin healthy growth and create greater value for both shareholders and society at large.

Mr. Zhang concluded,” Looking at 2015, China’s economy appears likely to continue to evolve despite ongoing global economic uncertainties. The Group believes that the resultant new normality in China will continue to create exciting opportunities. As a result, the future development of the Group looks likely to benefit from more diversified growth drivers and a more visible macro outlook due to the increased stability of China’s business environment and further introduction of market catalysts. Combined with the Group’s well established core competitive advantages, this set of beneficial circumstances ensures that the Group will remain cautiously optimistic about future prospects.”

Breakdown of Turnover by Segment

			For the year ended 31 December			
			2014	**%**	2013	%
Retail Business	Mainland China	(RMB'000) (HKD'000)	6,248,240 7,934,015	42.3%	5,598,929 7,011,539	41.9%
	Hong Kong	(RMB'000) (HKD'000)	2,593,388 3,293,084	17.6%	3,151,948 3,947,184	23.6%
	Taiwan	(RMB'000) (HKD'000)	182,761 232,070	1.3%	206,454 258,542	1.5%
	Harvest Max	(RMB'000) (HKD'000)	1,584,415 2,011,890	10.7%	1,021,302 1,278,976	7.6%
Wholesale Business		(RMB'000) (HKD'000)	3,726,721 4,732,190	25.2%	3,118,244 3,904,977	23.3%
Customer Service and Others		(RMB'000) (HKD'000)	428,845 544,547	2.9%	278,566 348,848	2.1%
Total		(RMB'000) (HKD'000)	14,764,370 18,747,796	100%	13,375,443 16,750,066	100%

Sales Network Distribution

	As of 31 December 2014				
	Mainland China	**Hong Kong**	**Taiwan**	**Macau**	**Total**
Prime Time/Hengdeli	381	7(Harvest Max)	34	-	**422**
Elegant Shop	17	5	1	-	**23**
Brand Boutique	30	17	20	1	**68**
Total	**428**	**29**	**55**	**1**	**513**

Average Exchange Rate	RMB :	HKD
January to December 2014	1	1.2698
January to December 2013	1	1.2523

About Hengdeli Holdings Limited

Hengdeli Holdings Limited is the largest retailer of internationally renowned brand watches in the world. The Group's strategic shareholders include Swatch Group, the world's largest watch manufacturer and distributor, and LVMH Group, a global luxury giant.

The Group owns an extensive retail network comprising: Prime Time/Hengdeli (middle and middle-to-high-end internationally renowned watch brands), Elegant (top-end internationally renowned watch brands) and single-brand boutiques. As at 31 December 2014, the Group had an extensive sales network of 513 retail outlets in Mainland China, Hong Kong, Taiwan and Macau, through which it distributes over 50 internationally renowned brands. The Group has approximately 400 wholesale customers in over 100 major cities.

The Group provides professional integrated after-sales warranty maintenance for internationally renowned brand watches and has established an interactive customer service network covering the Greater China region including Mainland China, Hong Kong and Taiwan. The Group also owns a number of comprehensive packaging and display product manufacturing enterprises.

The Group has maintained strong and close collaborations with many world-renowned premier brand suppliers including the SWATCH Group, LVMH Group, RICHEMONT Group, ROLEX Group and the KERING Group. The Group is also engaged in the distribution of many internationally renowned watch brands on both an exclusive and non-exclusive basis.

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

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