



Hengdeli achieves steady growth for 1H 2012
Net profit surges 22.7% to RMB613,621,000 (HKD754,815,000)
Number of retail outlets up 23 to 428

Pragmatic, Healthy, Quality Enhancement

Financial Highlights		For the six months ended 30 June		Change
		2012	2011	
Sales	(RMB'000) (HKD'000)	5,749,733 7,072,747	5,407,147 6,427,476	+6.3%
Gross profit	(RMB'000) (HKD'000)	1,535,637 1,888,987	1,392,275 1,654,997	+10.3%
Gross profit margin	%	26.7%	25.7%	+100bps
Profit for the period	(RMB'000) (HKD'000)	613,621 754,815	500,157 594,537	+22.7%
Profit attributable to shareholders	(RMB'000) (HKD'000)	562,656 692,123	447,944 532,471	+25.6%

(21 August 2012, Hong Kong) Hengdeli Holdings Limited (“Hengdeli” or the “Company” and, together with its subsidiaries, the “Group”; stock code: **3389**), a world-leading retailer and distributor of internationally renowned brand watches, announced its interim results for the six months ended 30 June 2012 (“period under review”).

During the period under review, the Group continued to achieve growing business results in the mixed and challenging economic situation. The Company recorded total revenue of RMB5,749,733,000, a year on year increase of 6.3%, while revenue from retail sales increased 4.6% to RMB4,339,140,000. Profit for the period amounted to RMB613,621,000, a year on year increase of 22.7%. Profit attributable to shareholders amounted to RMB562,656,000, a growth of 25.6% compared to the same period last year.

Mr. Zhang Yuping, Chairman and Chief Executive Officer of Hengdeli, said, “During the first half of 2012, the mixed and challenging international economy had a significant impact on the PRC, which witnessed a slower yet still steady economic growth. Aligning itself with the pace of market movements, the Group adopted a prudent and progressive stance to expand its operations. Meanwhile, the Group continuously enhanced its operation management, strived to increase the gross profit margin of the retail business, as well as adjusted its brand portfolio, optimised its inventory structure and improved its service quality promptly and reasonably in line with the actual market conditions so as to ensure a steady growth in its principal businesses.”

During the period under review, the retail network was under sound development. In Mainland China and Taiwan markets, middle-to-high-end “With Time” and “Prime Time” shops remained the focus of the Group’s development framework; the Group explored into potential second, third and fourth tier cities while securing its business in first tier cities. Meanwhile, the Group leveraged on the opportunities brought by economy adjustment to enhance the quality of its existing retail outlets through pragmatic consolidation. As for Hong Kong, the Group ensured stable sales mainly through moderate consolidation. With effective expansion and optimised adjustment, as at 30 June 2012, the number of its retail outlets increased from 405 at the end of last year to 428.

As at 30 June 2012, the Group operated a total of 352 retail outlets in Mainland China. The Group recorded a slower growth pace of domestic retail sales, mainly due to the slower growth momentum of the Chinese economy and the relatively high benchmark for the same period last year. However, the Group took initiatives to enhance management through continuous upgrades of outlet establishment and evaluation standards, timely adjustments to brand portfolio, optimization of its inventory structure and effective cost control. As a result, the Group managed to achieve a 8.8% growth in sales and a satisfactory growth in the sales of mid-end brands, representing a growth of 24% as compared with corresponding period last year.

During the period under review, the Group was preparing for the debut of a number of brand boutiques without new shops opened in Hong Kong. As at 30 June 2012, the Group operated a total of 15 retail outlets in Hong Kong, of which 6 were Elegant shops that sell various brands and 9 were single-brand boutiques or image shops. Mainly located in first tier business districts in Tsim Sha Tsui, Central and Causeway Bay, these stores have been maintaining a leading position in high-end watch retail business in Hong Kong. Given the overall market environment and the closure of three boutiques due to the end of rental contract during the period under review, the Group recorded a slight drop of approximately 2.4% in sales for the six months ended 30 June 2012 as compared to the same period last year, actually increased by 1.0% if despite the effect of exchange rate. Gross profit margin also registered another growth at 180bps as compared with the corresponding period last year.

As at 30 June 2012, the Group operated a total of 60 retail outlets in Taiwan, which are mainly located in major areas including Taipei, Taichung, Kaohsiung, Hsinchu and Chiayi. Except for one Elegant shop, which sells top-class watches and some of the boutiques, other retail shops are Hengdeli and With Time shops, which sell middle-to-high-end watch brands like Rado, TAG Heuer, Longines, Tissot, Certina and Hamilton.

During the period under review, the Group's customer service and maintenance work was primarily focused on the establishment of a deep collaboration with brand suppliers, as well as the importation and training of maintenance technicians. With respect to customer service, a "Green Channel" was also set up for delivering timely and fast maintenance service for a number of other brands, in addition to Tissot and Hamilton. The maintenance process was considerably streamlined and the maintenance cycle shortened by various means, such as "exchange in the air", providing customers with the most convenient, fastest and comprehensive assistance.

The Group was developed smoothly in the distribution business. The Group has about 400 wholesale customers in approximately hundred cities across Mainland China to distribute and exclusively distribute well-known international watch brands including TAG Heuer, Zenith, Bulgari, Hamilton, Certina, Balmain, Tissot, Mido, ck, Maurice Lacroix and Frederique Constant.

During the period under review, the Group became a major shareholder of Ming Fung Jewellery Group Limited upon completion of the acquisition of a share swap with the jewellery company. The wealthy population in Mainland China is continuing to emerge, but the spending on jewellery remains low. We believe that the development of the jewellery business will be a profit growth driver to generate greater returns for the shareholders in the future.

In the second half of the year, the Group will focus on strengthening the management of its existing retail outlets, and on this basis will properly deploy new outlets and rationalize existing outlets to continuously raise the quality of the retail outlets. In Mainland China and Taiwan, the Group will continue to operate “Prime Time”/”Hengdeli” and “With Time” as the principal watch stores. In regions, the Group will both further consolidate its leading position in the first tier cities, and focus on its expansion in the second and third tier cities, as well as in some fourth tier cities to improve the deployment of the retail network and make it better cater for market demand, while strengthening close collaboration with brands in the customer service, ancillary production, brand distribution and other aspects for establishing a closer interactive, complementary and win-win relationship to cope with its business growth. For the jewellery business, the Group will follow market trends closely and commit resources with a cautious but aggressive principle.

Mr. Zhang concluded, “Though the global economic situation remains uncertain, we are still confident about the future prospect of China’s economy. The PRC government has been adopting policies to ensure stable economic growth, and has already adopted measures, which the effect has started to emerge. Under the new economic situation, with Mainland China as its origin and middle-to-high-end retail sales as its focus, the Group will operate in line with market changes so as to develop its business in the Greater China region in a cautious yet progressive manner in the second half of the year. Taking “pragmatic healthy development” as its principle, the Group will strive to realise steady and continuous profit growth, and generate more satisfying returns for its shareholders, investors, staff and the society.”

Breakdown of Turnover by Segment

		For the six months ended 30 June				
			2012	%	2011	%
Retail Business	Mainland China	(RMB'000) (HKD'000)	2,824,790 3,474,774	49.1%	2,596,200 3,086,103	48.0%
	Hong Kong	(RMB'000) (HKD'000)	1,414,761 1,740,298	24.6%	1,448,813 1,722,204	26.8%
	Taiwan	(RMB'000) (HKD'000)	99,589 122,504	1.7%	102,628 121,994	1.9%
Wholesale Business		(RMB'000) (HKD'000)	1,283,898 1,579,323	22.3%	1,155,848 1,373,957	21.4%
Customer Service and Others		(RMB'000) (HKD'000)	126,695 155,848	2.3%	103,658 123,218	1.9%
Total		(RMB'000) (HKD'000)	5,749,733 7,072,747	100%	5,407,147 6,427,476	100%

Sales Network Distribution

As of 30 June 2012					
	Mainland China	Hong Kong	Taiwan	Macau	Total
Elegant Shop	16	6	1	-	23
Prime Time/Hengdeli	221	-	38	-	259
With Time	65	-	3	-	68
Brand Boutiques	50	9	18	1	78
Total	352	15	60	1	428

<u>Average Exchange Rate</u>	<u>RMB</u>	<u>:</u>	<u>HKD</u>
January to June 2012	1		1.2301
January to June 2011	1		1.1887

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 that includes Elegant (for top-grade internationally renowned brand watches), Prime Time/Hengdeli (for middle-to-high-end renowned brand watches), With Time (for high-end fashion watches) and single-brand boutiques. As at 30 June 2012, Hengdeli had an extensive sales network of 428 retail outlets in Mainland China, Hong Kong, Taiwan and Macau, through which it distributes over 50 internationally renowned watch brands. Across its entire wholesale business, Hengdeli serves approximately 400 wholesale customers in nearly 100 major cities.

As an integral part of the retail business, the Group runs a top-rate customer service, which provides professional after-sale service to customers in Mainland China, Hong Kong and Taiwan. The Group's related production company also provides strong support for its principal business.

The Group maintains good relationships with numerous brand suppliers of internationally famous watches, including the SWATCH Group, the LVMH Group, the RICHEMONT Group and the ROLEX Group. Hengdeli also distributes numerous internationally renowned watch brands, mostly on 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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